whole essence of my concern is that we are predicating whether or not we should have a tax cut now on the imperfections of prophesy as to whether a recession threatens in 3 weeks, 5 weeks, or next year, which nobody can really answer, whereas we should be predicating action now—and we confuse the situation by calling it emergency—upon the fact that we have had a problem for 9½ years, and it is emergency only in the sense that we are 2 or 3 or 5 years too late already.

I regard an appropriate tax cut now as a permanent, durable, sound improvement in the American economic process.

Senator PROXMIRE. Is this your economic advice? If the politicians decide that the best way they can achieve that, given the attitudes in Congress, is to wait until next year, you may deplore the wait, but you might recognize the political realities that there would be more chance of getting it then?

Let me ask you then, in your statement on page 4, you engage in something that even baffles me from the standpoint of arithmetic. Frankly, it seems to be bootstrap hoisting.

Take your program of a $10 billion cut. Well, let's say a $7 billion tax cut and a $3 billion increase in expenses. You might call it an initial $10 billion increase in the deficit. You say that this would result in about the same deficit ultimately as the deficit we are going to have without it.

In saying that I am baffled because you use a multiplier of 2½ to 3, and taking your extreme multiplier of 3, this would mean that if you have a $10 billion drop in revenue and increase in expenditures, net, then your multiplier would give you a $30 billion increase in gross national product. If you apply the one-sixth rule, of revenue increasing about one-sixth, with an increase in the gross national product, you would get back about $5 billion and the result would be that the deficit would be increased by $5 billion and you would have a $9 to $12 billion deficit, not a $4 to $7 billion deficit, and a deficit that would match the biggest we have ever had in peacetime.

Mr. KEYSERLING. There are several ways in which I think you don't correctly understand what I am saying. In the first place, the one-sixth figure is not correct for the purposes that I have in mind. In other words, you derive the one-sixth figure presumably by looking at the average tax take related to the size of the economy, but this has nothing to do with the progressive rate at which an increase in gross national product during an upturn rather than a downturn increases the tax take under a progressive tax structure.

Senator PROXMIRE. You are giving the benefits to the lower income end of the economic scale. The prime benefits would not flow, at least directly, to corporation income?

Mr. KEYSERLING. Indeed they would, because the fact that I am giving the benefits to the lower end of the income scale doesn't affect the fact that this is my formula for an overall upward movement of the whole economy by correcting the imbalances.

In other words, I am not saying, because I give the tax reductions to the lower end of the income scale, that this wouldn't improve the investment picture and the profit picture. My position is precisely that it would, because this is what is wrong with the investment and the profit picture.