All of these factors have helped apply brakes to the postwar recessions and, as business inventories were worked down, have helped speed recovery. Nevertheless, the cost to the Nation of any recession is tremendous. What is more, the downward phase of the economic cycle is now reoccurring with increasing and alarming rapidity.

For example, the economy enjoyed 45 full months of recovery from the low point of the 1949 recession until the next downturn began. After the slump of 1954, on the other hand, the recovery phase of the cycle lasted only 35 months and, after the recession of 1958, it ended after 25 months. And now, only 17 months since the low point of our most recent recession, the recovery is already faltering. Unless we act, another downturn may be on the way.

The sole issue to which I wish to address myself is the timeliness of a prompt temporary countercyclical tax cut to prevent this downturn from occurring.

It is not my intention to debate the effort of the chamber of commerce or NAM to stampede the Congress into permanent corporation and top-bracket income tax reduction. I am confident that this poorly timed effort to impose a permanent and inequitable long-term cut—completely unrelated to the short-term cyclical needs of the economy and clearly intended to make tax reform impossible next year—will be rejected.

Furthermore, I will not discuss now, but set aside for another hearing, the relevant long-term question of the appropriate level of aggregate Federal tax receipts and budget outlays in relation to the effort to sustain long-term economic growth.

My point of emphasis is very clear. A basic distinction must be made between a tax cut designed to stimulate economic activity, and one designed to produce permanent and structural tax reform.

The U.S. Chamber of Commerce in making its proposal to cut corporation and upper individual income taxes did so, I am convinced, as a means of stopping tax reform of the kind that Mr. Livingston referred to in his remarks.

Countercyclical tax cuts designed to stimulate economic activity should not be used as a means of accomplishing tax reform. A tax cut at this point in time should produce the maximum impact in stimulating the economy.

The economic situation is today sufficiently serious, as I shall indicate later in my statement, to justify an immediate, emergency short-run tax cut. If such a tax cut were enacted now, and terminated on December 31, 1962, it would in no way interfere with either permanent tax reform or efforts to bring the budget into balance at a higher level of economic activity. The Congress would be free next year to approach these two problems unencumbered by the action which it should take this year.

I would strongly recommend that the Congress enact a tax cut of approximately $5 billion, to become effective as soon as possible and terminate December 31, 1962. The impact of such a tax cut upon the economy would be much greater than just the $5 billion because it would be concentrated in a 3- to 4-month period. The impact on the budget would be a loss of $5 billion, while the impact on the economy on an annual basis would be the equivalent of almost $20 billion.