

Such a tax cut could have immediate impact upon the spending stream by reducing the withholding taxes on personal individual income taxes by \$10 per week for 10 weeks for each taxpayer. Those taxpayers whose total withholding tax is less than \$10 per week could apply immediately for a tax refund that would permit them to have a total tax cut of \$100. Individuals not subject to withholding could apply for a tax refund of \$100.

This kind of tax cut would put income into the hands of the American consumers, whose tendency has always been to spend the greatest proportion of their income on maintaining adequate and decent living standards for themselves and their families.

This is in direct contrast to a \$100 tax-cut spread over a 52-week period. Such a cut would add less than \$2 per week to each taxpayer's take-home pay. The impact would be considerably less upon the economy than one which gives the same \$100 tax cut to individuals in a 10-week period.

A good case can be made for differentiating between this type of immediate, emergency, short-run tax cut and tax changes which are designed at permanent and structural tax reform.

The Commission on Money and Credit in its report last year made a very clear distinction between temporary and permanent tax changes. I was privileged to be a member of this Commission during its 3 years of intensive study, in the good company of 17 leading bankers and business executives and 7 other distinguished citizens.

The investigations of the Commission, which was financed by the Ford Foundation, in the main, encompassed the whole field of monetary and credit policies and their influence upon employment, prices, and economic growth. One of its most significant recommendations is its endorsements of a flexible fiscal policy as a means of helping to stave off excessive cyclical swings.

In the report of the Commission a year ago, much attention was given to ways that our existing built-in economic stabilizers can be improved. But, in addition, the report declared:

Even if the automatic stabilizers can be improved discretionary fiscal measures will remain an important instrument of stabilization policy.

The Commission then carefully weighed how a flexible tax policy should be applied as a countercyclical tool. Its most important conclusions follow:

One, with regard to a clear distinction between temporary and permanent tax changes, the Commission states:

Discretionary fiscal policy requires speed of decision and effect and can only be successful if temporary and reversible fiscal changes for stabilization purposes are dissociated from permanent and structural changes. Techniques should be developed by which taxation and expenditure policy can be applied more flexibly, and the first step in this direction lies in a sharp demarcation between short-run cyclical changes and long-run structural changes.

Two, with regard to how the temporary tax should apply, the Commission states:

Clearly, as a stabilization instrument, the first-bracket rate adjustment is superior to proportional adjustments in the entire rate structure in stimulating consumption, since for each dollar of income tax reduction the lower income groups would receive a proportionately larger share of the reductions.

A change of this sort is also flexible and reversible. Withholding changes can be made promptly, regardless of their size. Congress and the administration have