surcharge, would be quite possible, and that the sooner Congress gets started on this, the better.

Then later, if a real demand inflation develops, I certainly would be prepared to tax heroically as much as was needed. But, since the real immediate problem is that of a deficit and overheavy Treasury borrowing rather than general demand inflation, why don't you come up tomorrow with a tax-loophole-plugging bill to recoup about $5 billion worth of revenue and then later on even graft on that, if it turns out to be necessary, the straight-out 6-percent surcharge on moderate taxpayers that you are pressing?

I know it is difficult, but unless you start, it is never going to happen.

Mr. ACKLEY. Mr. Reuss, many of these areas of proposed tax reform are ones with which I have a great deal of sympathy. You will recall that proposals to deal with some of these problems—including the capital gains problem—were made by the administration in the consideration leading up to the Revenue Act of 1964. It was pretty clear that no agreement was possible at that time on such changes, and I would guess that we might have a similar experience if those things were proposed now.

I think that it is important that we separate in our discussion and in our legislative actions issues of changes in the tax structure which may be desirable and issues of changes in the tax level that are needed for fiscal policy purposes.

Once in a while it may be possible to combine those. But if we are interested in the flexibility of fiscal policy to deal with the economic situation, I would personally feel it desirable not to try to do two things at once.

Representative REUSS. Don't you think, though, that if you could get through a tax loophole bill such as I have described and put $5 billion extra on an annual basis in the Federal Treasury, you would thereby do an excellent job in relieving tightness on the money market, which is a clear and present danger, without knocking out consumer and investor demand to anywhere near the extent that the $5 billion 6-percent surcharge would do? Isn't that exactly what we need?

Mr. ACKLEY. Of course, if you don't knock off some consumer and business demand, you are not accomplishing the stabilization purpose. I think I might remind you that the subcommittee on fiscal policy of the Joint Economic Committee concluded a year ago that, "A uniform percentage addition to corporate and personal income tax liabilities to be effective for a stated period best satisfies criteria for shortrun stabilizing revenue changes."

I would fully agree with that assessment.

Representative REUSS. Well, that was written, as you say, more than a year ago at a time when we weren't confronted by what now confronts us; namely a high, very high employment situation with staggering Federal budgetary deficits and I am wondering if you try to tune it all on the demand side—to get all the revenues you need by taking them out of the demand side exclusively—if you don't simply slow down growth and increase unemployment more than you want to.

At any rate, I just want to give you my views and to serve notice that unless I am persuaded to the contrary, I am not going to vote