I would point out that our achievement in these past 2 years—and the prospect of its extension into a third year—of an unemployment rate which has averaged below 4 percent is one which maybe today we take lightly. But 4 or 5 years ago most people would have said it would be impossible. Indeed we had for a decade unemployment rates far above this. We have achieved a great deal and we ought not to slip back from what we have achieved. But there are limits to the speed with which we ought to try to progress if we also value, as I think we must, price stability and the preservation of a sound balance of payments.

Chairman PROXMIRE. All right. What I have been trying to build here is a noting of how much tighter our fiscal policy might become. And accepting all the assumptions and your arguments completely, is it not possible at least that we can avoid a tax increase and achieve your objectives if we have a corresponding reduction in spending? I say that not on the basis of the common bromide which is that Congress never cuts the President's spending. Congress almost always cuts the President's request. They have almost every year in the last 20 years. There has not been a single year in the last 20 years in which Congress did not reduce what spending the President requested. In fact, in the past 5 years they reduced him an average of more than $4 billion and as you know there was a reduction of $12 billion in 1953 or 1954. At any rate if Congress would reduce the present immense budget 5 percent it would be a cut substantially bigger than the 6 percent surtax in terms of fiscal impact. If Congress does this and there is a disposition on the part of many in Congress to try to do this, if Congress does it, would it in your judgment have roughly the same economic effect?

Mr. ACKLEY. Yes, indeed, Mr. Chairman, fiscal restraint can be achieved either by reducing expenditures or by raising revenues. I think that on pure fiscal policy grounds—related to the state of the economy, the level of unemployment and so on—it is essentially a matter of indifference which method one might choose.

Chairman PROXMIRE. Isn't there a further argument that a tax increase in the judgment of as eminent and competent authority as the chairman of the House Ways and Means Committee, Wilbur Mills, could conceivably have the effect, because we can't read our crystal ball very clearly, of turning the economy down so that you might get lower revenues with a higher tax rate?

Mr. ACKLEY. I think that it is possible that an excessive cut in expenditures or an excessive increase in taxes could obviously throw us into recession.

Chairman PROXMIRE. The cut in expenditures you are not going to get. If you reduce the expenditures $6 or $7 billion below the present request and we are getting increase largely because of Vietnam and elsewhere; if you confine the increases to a very modest amount you get the effect of giving the President what he asked for in terms of expenditures minus $5 or $6 billion, but an increase over the 1967 fiscal year and no tax increase.

Mr. ACKLEY. I fail to see any economic difference or psychological difference in the effects of fiscal restraint from cutting expenditures or raising taxes.

Chairman PROXMIRE. There is a clear psychological effect on corporations when their tax rates go up. Believe me, as one who has run