$3 billion of debt that the Treasury would have to borrow if it doesn't get it by way of tax revenue.

Mr. SAMUELSON. That is true. Any money that you take in from people saves future interest. Thus, suppose you ask everybody to send in a tenth of all the government bonds he owns by law: that will also reduce in perpetuity the amount of interest payable on the outstanding debt, because you would have reduced it. It would be a capital levy. Nobody would recommend that, because there is no reason in equity under conditions like these to reduce the public debt in that way.

I am for your proposal, but I am for your proposal for the same reason that I would be for it next year and the year after when economic conditions are the opposite of what they are now. I cannot find great merit in this reason for the proposal.

Mr. WESTON. Because of the increased complexity. To carry that one step further, there exists again some Fed policy that could produce the same result, but in order to do it, it might require augmenting the money supply sufficiently to bring interest rates down even lower. Then what you are saying is, that with some timelag that would lower the costs of total debt. And one could produce a figure that would represent the same reduction in the cost of the debt.

In other words, there exists a large number of alternative policy mixes to achieve the same result. I would reinforce the argument that, if the main motivation is stability, I think it is a mistake to attempt tax reform as a means of accomplishing it. Because, from a practical political standpoint, which you surely understand better than I, although you present a particular analysis of what in your judgment are the money and capital market effects, I can think of seven or eight alternative interpretations. Proposed tax reforms would lead to very prolonged discussions. When you change the structure you are changing people's positions, regardless of the merit of closing the loophole, and of course Henry Simons proposed that way back in his book "Personal Income Taxation," in 1937. So that has been a proposal that has been extant for some 30 years at least. Certain people have been aware of it. Yet the gestation period for getting it translated into action has been a rather long one and I wouldn't look with confidence therefore for achieving it in any short period of time. And if stability is the aim, I would much prefer to move in the direction of not doing anything about structure at the moment, and work on it for its own sake, hopefully to get it enacted any time it could be enacted, if it has merit.

Point No. 1, of having the 6-percent surcharge ready to go and just have another resolution of Congress to implement it is certainly a step in the direction of achieving faster reaction time, which was the brunt of the first part of my argument. I think there are still elements of inflexibility. This is a prejudgment that 6 percent is the right figure, and it doesn't do anything from the longrun standpoint of increasing reaction time to improve the ability to achieve greater flexibility in the mix of dependence on monetary and fiscal policy.

Mr. SAMUELSON. I want to second such a recommendation, if it were politically feasible, to have Congress pass any day now the 6-percent increase, but to go into effect only by congressional resolution. I think that would also have very powerful effects on the capital market and on this hardening of long-term interest rates which has