

that any economist or any government was able to predict the course of private demand with such certainty that it could use taxes to do this kind of so-called "fine tuning" to which you refer.

Mr. BATTIN. The reason I ask is that it seems to me in early 1961 or 1962 there was a request or speech by President Kennedy, suggesting that he should have some authority to raise or lower taxes within a fixed limit in order to control economic conditions as they might present themselves. That authority, of course, was not given.

Mr. ACKLEY. The request for it has not been repeated.

Mr. BATTIN. Yes. The thing I am wondering about—whether it is repeated or not—is that you continue to present piecemeal tax legislation to accomplish that. You said certainly it has to go into your thinking in order to make the recommendation.

Mr. ACKLEY. I think we have to remember that the period of the last couple years and currently is one of a major defense effort in Southeast Asia which has posed very unusual problems for the economy. It has contributed certainly to the capital boom last year which did seem to require the very special measure of the suspension of investment credit and subsequent reinstatement. It was responsible for the Tax Adjustment Act of 1966, which added appreciably to revenues. Certainly it is very much associated with the present tax proposals.

Secretary FOWLER. Mr. Battin, could I for the record indicate that, for example, in 1950, the Revenue Act of 1950, during the Korean war, increased individual income tax rates and corporate tax rates on larger incomes and made minor excise tax increases. Increased revenues at that time were estimated to be about \$4.6 billion. The Excess Profits Act of 1950 imposed a surcharge of 30 percent on excess profits of corporations and raised the corporate surtax rates by two points. The estimated revenue gain was \$3½ billion. In 1951 the Revenue Act of 1951 increased individual income tax rates and corporate rates reduced the base period credit for excess profit tax purposes and imposed some new excise tax rates and increased the rates on some existing excises. The increased revenues were estimated to be about \$5.4 billion. It is not unusual in a special emergency to have these special financing measures associated with war.

Mr. BATTIN. The only thing I would say by way of argument, if you want to call it that, is that the President's tax message proposed this 10 percent surcharge. I thought he made it quite clear that he intends to continue programs which had no association with the war in Vietnam, that had been started, I think, in the last three and a half years.

We are being asked not to make a special tax to support only our commitment in Vietnam but I think he quite clearly said in the message we are being asked to finance programs that were started in the last three and a half years as well as the war in Vietnam. I think that this is what gives many of us great concern.

Mr. SCHULTZE. I will make two points on that. As you will recall, part of the President's program is also a reduction in expenditures. This does not mean abandoning these programs to which you refer, but it does mean reducing across the board.

Secondly, I would point out that one way to look at what we are asking for is that we have estimated Vietnam expenditures running about \$22 million this year, depending on the precise outcome, com-