

rates actually increase revenues, or might increasing the rates produce an economic downturn whereby we would end up with less revenue? What about that?

Mr. WILDE. This is a fair question which has been posed in the dialog and in the press. There is a very strong consensus that the forces for forward motion cannot be slowed down importantly by a 10 percent or other tax increase.

Mr. CURTIS. You think there is a consensus on that? I was not aware of any. I know there are some who argue that, but I also heard others who argue differently.

Mr. WILDE. All of the economic forces tend to suggest that we will go forward even if we have a tax increase.

It may slow it down, but the reason that CED talks about short-term changes is not fine tuning, but we talk about a 1-year program, for example, so that it has to be debated before the end of 1 year. It can be taken up, of course, by the Congress earlier.

Mr. CURTIS. Let me direct one more line of questioning. Is it the theory of the CED that increasing the tax rate would assist in holding down inflationary forces? Is that one of your theories?

Mr. WILDE. We feel it would be a contributor to restraint of inflation, but not a complete answer.

Mr. CURTIS. Well, let me pose this question then, as I posed it to Mr. Meany: It gets back to what I understand the position is of those who question the advisability of the tax increase. We are experiencing inflation right now. In the last month, the CPI went up 0.4. It has gone up 0.3 and 0.3 before that. Most people that I have listened to identify this as cost push inflation, not demand.

Now if this is the kind of inflation that we have and with the forces that are already in existence, and we superimpose this deficit on top of it, isn't it entirely possible that a tax increase, which would add to cost, would strengthen the inflationary forces, or at most only have a neutral effect?

Mr. WILDE. Well, obviously if all of the cost increases which come along are going to be passed on, if nobody is willing to accept the problems of the country today, you will have a cost-push inflation no matter if you do have a generous—and we do have a very generous—monetary policy.

Mr. CURTIS. Yes.

Mr. WILDE. In fact, may I say something on that?

Mr. CURTIS. Certainly.

Mr. WILDE. In my formal statement you will find figures showing the tremendous increase in the monetary supply which the Federal Reserve has permitted and encouraged in 6 months. It is bigger than anything we have had in years. It is really spectacular.

Mr. CURTIS. I know that and this is the very point I made to Mr. Meany yesterday where he talked about a tight money policy, and I said the figures reveal just the opposite, just as you are presenting. This again points out that this isn't a demand-type inflation.

In fact, one of the things with this economic slowdown is that utilization of plant capacity has gone down, so again I think the economic problem that faces this committee is what does a tax increase do to a cost push type of inflation.

The administration has argued for a tax increase to dampen what