The voluntary programs which were announced in December involve substantially tighter guidelines for both financial institutions and corporations. The proposals with respect to the interest equalization tax provide another weapon in the arsenal. If it turns out that interest rates around the world do not come down to the same extent as ours do, we will have a problem which may limit our ability to continue to lower interest rates.

I think the developments there have been promising. We have had reductions in the Central Bank rates of four countries in the last few weeks—Germany, England, Canada, Belgium. Belgium just yesterday reduced its discount rate.

I think there is a general recognition in the leading financial centers of the world that we have to some extent engaged, all of us, in a futile race of escalating interest rates which has done nobody any good and probably done us all some harm. And there is some prospect now of international cooperation in moving toward a lower world level of interest rates, and I think all of us would welcome that.

But I agree there are uncertainties and we will have to continue to be alert and our policies will have to be adapted to what develops.

Representative Brock. My time has expired, but I just conclude by saying I very much hope you are right.

Chairman Proxmire. Thank you, Congressman Brock.

Senator Percy?

Senator Percy. Mr. Chairman, I would like to commend our guest this morning for the brevity of his opening statement which enables us to ask as many questions as possible. He would not be a good Senator without a filibuster but we appreciate this opportunity.

My questions are brief, and they will deal with just three subjects—taxes, gold loss, and capital spending.

First, on taxes. At any time last year did the Council of Economic Advisers suggest to the administration a tax increase would be a healthy thing for the economy to stem inflation?

Mr Ackley. Senator, as you know, we had two proposals made by the administration with respect to taxes, one in January and the other one in September. The subject of further tax action was under constant discussion within the administration, and indeed the whole country seemed to be hanging on the discussion. The press was always alert each week to find out whether the President had or had not made a decision.

I would have, on general principles, to refuse to answer the question about specific recommendations that the Council may have made to the President. When the Council in 1962 restored the practice of appearing before this committee in open session, it laid down a proposition which I guess we ought to repeat each time we come, Mr. Chairman, that we hope the committee will not ask us to reveal the contents of our specific recommendations to the President.

I am not saying this to suggest either that we did or did not make recommendations last year, Senator, but I think it would hurt our usefulness and that of the Joint Economic Committee if the committee were to inquire into the specific recommendations we may have made.

Senator Percy. I can appreciate your problem in answering the question, but I think it is exceedingly important that just as the Federal Reserve Board has a degree of independence from politics, that