

September or October, as late as possible in the year? What would the order of those indicators be in May that would persuade you to do this?

Mr. HELLER. Mr. Chairman, let me say first of all that I would look at more than just the economic indicators.

Chairman PROXMIRE. I know you would.

Mr. HELLER. I would look at whether monetary policy were being eased further and sufficiently. I would look at what was happening to the appropriations process in terms of some of these essential civilian programs. But, as far as the economic outlook is concerned, I would want to look not only at the immediate levels of activity, but whether they were moving up or moving down.

For example, suppose we were at a million housing starts, but one could see that the trend was going to push us up to the million and a half that I think we are going to have by the end of the year. That would be a bullish indicator. But that same million was bearish on the way down last year.

A second indicator: Suppose we were at 4-percent unemployment, and it looked as though we were going to hold there or go down. Then I think the stage would be set much more firmly for a tax increase than if our unemployment was edging up and threatened to continue to rise.

One would want to look at the operating rates in industry. Was there a lot of slack in them or did it look as though we were going to take up that slack?

Chairman PROXMIRE. If I could interrupt at this point, then your position would be that if the situation is about as it is now, if unemployment goes up, say from 3.7 as it is now to 4 percent, if operating capacity is at about 88 percent, which is the expectation that it might be during the year, and if it seems that construction, home building, may be moving ahead, then under those circumstances you would probably still favor a tax increase.

Mr. HELLER. Yes; and particularly as I say, if monetary policy were such as to make it a good counterpoise; that is, were easy enough to offset the tax impact.

Chairman PROXMIRE. But monetary policy is something that Congress just can't possibly anticipate, because for understandable reasons the Chairman of the Federal Reserve Board has said he is not going to tell us what it is and he can't. If he did, there would be speculative opportunities and so forth. Whether he can or not, he is not going to. So that we have to simply take what he has done up until say May or June, and then assume that the same pattern will be followed, though it may not be.

Mr. HELLER. I think that is right. We have made a very encouraging start, and I think by May or June you have to decide whether that start is going to be pressed forward, and whether the commitment seems to be one for further monetary ease.

Of course, the plans of Congress with respect to social security liberalization also have an important impact here.

Chairman PROXMIRE. I am somewhat concerned, Dr. Heller, because you have been, I suppose more than any other man in America, identified with the new economics, for many reasons and many good reasons. And yet you seem to be satisfied with the rate of growth of