

I think the point that you are making is that if there was a fiscal drag in 1963, even with the tax cut of 1964, and what has transpired since then, it has become an ever greater fiscal drag. Am I correct in drawing that further conclusion?

Mr. BURNS. I think that our tax system is now a greater drag on the economy than it was in 1963, definitely.

Representative CURTIS. This is what worries me.

Mr. BURNS. And there is now much more of a fiscal drag than in 1962, when President Kennedy first announced his intention in the late summer of that year, to propose a massive tax reduction bill to the Congress.

Representative CURTIS. This is what deeply concerns me, because I also adhere to the philosophy that tax reduction should move ahead of debt reduction. And yet we have got a very difficult problem in the field of debt management, particularly, since almost 50 percent of the Federal debt today, the marketable debt, is in the securities of 1 year and less of maturity. I think that this has had a very serious impact on interest rates, as well as increasing the amount of money in our society.

Will you comment on that?

Mr. BURNS. Well, I think it is high time the Congress got rid of the ceiling of $4\frac{1}{4}$ percent on long-term Federal bonds. It serves no good purpose.

Representative CURTIS. But even if we did that, haven't we got the great problem of the mere management of a debt that size, granted it is a lesser percentage of the GNP, as we are always told, than in 1946? But it is also a tremendously greater percentage of the GNP than has occurred throughout most of this Nation's history.

Certainly, in peacetime—taking the figures back to 1860—the ratio in peacetime was never as high as 15 percent of GNP, and here we are still around 45 or 46 percent.

Mr. BURNS. The Treasury would have much greater freedom in managing the public debt, if the interest rate ceiling on long-term bonds were removed. That provision serves no constructive purpose at all.

Representative CURTIS. In light of forecasting difficulties which have been under discussion, and lags in economic impact, do you believe that frequent tax changes for ironing out wrinkles in the business cycle might be unsettling and unstablizing to the economy, by creating constant uncertainty as to the direction of Government policy?

Mr. BURNS. Well, I would like to see—once Vietnam makes it possible—the Congress adopt a policy of reducing taxes year in and year out, sometimes a little faster, sometimes a little more slowly.

Unhappily, international developments may make this kind of policy very difficult to carry out. But I think we should strive for it. A continuous policy of tax reduction, such as the Japanese have followed since about 1950, is better designed to promote economic growth than any other single measure that the Congress can take.

Representative CURTIS. Of course, we have high enough tax rates to start with, and we will probably continue that policy for some time to come. I think we could actually wind up with greater revenues at lower tax rates because if the process works as you say, we will be broadening the economic base on which the rate will apply.