primarily be concerned with the state of the economy, or we should be influenced to a large extent by the budgetary considerations.

Frankly, I will tell you what we have heard from economists so far. Without exception the economic witnesses have said that the status of the economy should be the determining factor. That was Dr. Burns' position and Dr. Heller's position.

But I would like to have yours, too, because I think it would be important to the Congress to know how the most competent economists in the country feel about how we should approach this tax increase. Do I make myself clear?

Mr. TOBIN. Yes. I have no hesitation in my saying that it should be decided in relationship to the state of the economy without regard for the budgetary consequences.

Chairman PROXMIRE. Professor Culbertson?

Mr. CULBERTSON. I wonder whether the proposition might be put in a more meaningful way. In a sense these are not alternatives.

Chairman PROXMIRE. I am not talking about alternatives. I am not talking about monetary policy. I am talking about a tax increase.

Mr. CULBERTSON. I mean that worrying about the budget or worrying about the economic situation are not alternatives. I think, in a sense, in order to worry about the economic situation you have to worry about the budget. That is to say, the significance of the tax increase depends also on what is happening to expenditures.

If expenditures are rising, a tax increase is something different than it would be if expenditures weren't rising. So I guess my formulation would be, look at the budget in the sense of asking what the tax increase will do to the fiscal position, and then decide what is an appropriate fiscal position in the economic circumstances.

Chairman PROXMIRE. You see what concerns me is if we look at the budgetary situation, not simply from the standpoint of the expenditure rising or falling, say we have a given assumption that we will adopt something like the President has proposed on the expenditure side, now if we anticipate that the economy is going to be moving ahead quite rapidly, we might have a surplus, even without a tax increase.

If we anticipate, on the other hand, the economy is going to be moving downhill, we might have a deficit even with a tax increase.

So that under these circumstances I am concerned if we try to anticipate too much on the budget balance aspect of this, we might act preversely.

At the same time, I think that I don't want to miss anything. I don't want to miss the opinion of competent economists. I have gotten one from Mr. Tobin. Mr. Culbertson, do you see my view now on this thing?

On the assumption that we have the present level of spending that the President has proposed, many of us disagree with it but assume we kept that, and assuming that the economic outlook is bad, under these circumstances would you still persist on a tax increase? On the assumption that it is good or about the same, I presume you would.

Mr. CULBERTSON. Yes. Well, if the economic situation is really bad, I wouldn't. But I think that insufficient attention is directed to the net fiscal position, and that we use too much an implicit benchmark of "no tax change, no change in fiscal policy."