

I am not saying anything pro or con on this particular program. I just say this is the kind of consideration that would be feasible, if you have some established alternative goals, and available what the costs in dollars and manpower of these alternative goals are, both in the private and the public sectors.

I think personally, Senator Javits, that this is a logical and necessary supplementation of the PPB system, which we now have virtually adopted and that is also being adopted by some State and local governments.

Senator JAVITS. Mr. Chairman, my time is up, but I think Mr. Lekachman wanted to pitch in on this. Before he does, Mr. Chairman, I would like to make a request of the panel. I would like in writing for the record, and I ask unanimous consent that it may be included, the opinion of each member of the panel as to whether we ought to give the President the power to raise or lower the tax to the 6-percent limit, that is the 6-percent ceiling limit, within a modest period of time, say for 1 year.

Chairman PROXMIRE. Without objection that will be answered in the transcript.

(Responses to the above query were received from witnesses Wallich and Colm and are included in the record at this point.)

(Response of Henry C. Wallich as requested by Senator Javits concerning discretionary power for the President to make certain limited changes in tax rates:)

The proposal to give the President limited power to make temporary changes of a limited kind in income tax rates for anticyclical purposes has always struck me as a sound one. In past testimony before this Committee, I have supported it. Nevertheless, two circumstances now compel me to raise a question concerning its advisability.

First, the Administration failed to propose a tax increase last year when, in the view of many economists, it would have been desirable. This suggests that, even if the President did possess the power to make limited tax changes, he might not use it. Apparently the political obstacles are of a nature that makes the action too costly to take unless people have previously been exposed to rising prices and high interest rates and in this way have come to look upon a tax increase as a lesser evil. By the same token, the power to cut taxes might be overused, i.e. it might be instituted in circumstances that do not fully warrant the conclusion that stimulation is strongly needed.

Second, such tax changes as have been instituted in the last year or so, including the removal and subsequent reimposition of excises, the suspension of the investment tax credit, and also the present proposal for a tax surcharge, do not accord with the idea of a simple and uniform anticyclical tax change. The tax action should be the same whether the move is up or down. In that case it will be neutral in its distributive effect, so long as there is an even chance for a rise and a cut in taxes.

Any social group that feels especially injured by a rise will be especially benefitted by a fall, and vice versa. Moreover, only if tax changes are of this simple symmetrical sort can frequent disturbances of the tax structure as a whole be avoided. Chairman Mills recently has referred to the inadvisability of frequent tax changes. This applies eminently to the varied changes that have recently been made or proposed. They do unsettle the tax structure, thereby affecting the value of assets and contracts as well as preventing the taxpayer from gathering stable experience in making out his taxes.

The unsystematic form of recent and proposed tax changes raises a question also concerning the feasibility of quick tax changes by the Congress. Prior agreement on such changes, to be implemented quickly when the time comes, seems a possible alternative to presidential discretion. I would support it provided it could be put on a systematic basis. But that precisely seems difficult to achieve.