

borrowing when it is an increase and save the windfall when it is a decrease in taxes; investment credit changes and excise taxes are the things that cause postponement, precisely because at a later time, one one will be able to buy more cheaply; or at a later time, it will cost more when the tax was changed in the opposite direction.

As far as the effect of this package—I believe it is a 10-8-4 package—is concerned, I share the views of my colleagues. It will not stop inflation, it will keep the situation from getting worse. What we have learned about prospective business cycle developments in the last month or so points toward strength in the economy in the second half. The danger of overkill thus is less. We have to resign ourselves to some continued inflation in the years 1969 and 1970 because we are already building it into the wage structure by 6 or more percent wage increases in 3-year contracts.

Representative MOORHEAD. I am very much interested in the excise tax increase-decrease. Is there any way that this can be made to operate automatically, or does it have to be either by congressional action or action by the Congress to delegate this power to the President or some other agency?

Mr. WALLICH. We have backed away largely from automatic devices, Mr. Moorhead. In the early postwar period there was talk of trigger mechanisms. If unemployment rises above 5 percent or if inflation goes faster than 3 percent, certain actions are automatically taken. We have seen evidence that most of these triggers would give the wrong signals, just as I think the automatic monetary growth rule would, in effect, be the wrong kind of automaticity. So we are talking about discretion.

If it were not so completely unrealistic, I would say turn the whole thing over to the Federal Reserve.

The President has shown that he may have reasons why it may not be advisable for him to recommend a tax increase at certain times. The Congress has shown that at certain times, as Mrs. Griffiths says, a tax change goes through the Congress like a declaration of war and other times it takes a year and a half. It is not a timely instrument in the hands of either of these parties. If you could find a good outside group to whom you could delegate this power, you could prevail upon yourselves to give it up; it would be a good thing.

Representative MOORHEAD. I have a suggestion I would like to propose to you gentlemen. I think it is possible that Congress would be willing to delegate the unpopular task of raising the taxes to the President—but not the power to lower them, because a President in seeking reelection would be sorely tempted to lower them just at the right time to get the maximum political effect.

If we delegated the power to raise them, I think that the Congress has learned the good economics and the good politics of cutting the taxes, and I believe we could get that through the Congress in very short order.

Do you think this would be a way of solving the dilemma?

Mr. WALLICH. That is the first time I have heard this proposal, Congressman. I am sorry that it did not originate in the private sector, as it were. I think it is a very interesting proposal.

Representative MOORHEAD. I introduced a bill one time to give the