time when we are likely to need it. It cannot be guaranteed, of course, that no extension will be needed; but the form of the proposal does guarantee that extension will not be made without appropriate consideration, subject to a presumption that taxes should revert to non-emergency levels.

Some of my colleagues in the profession of economics feel that the tax increase should not be recommended because if a recession sets in, it will not be needed and the economy may even need stimulation. But in terms of hedging-strategy, I would answer that the United States is in a position where a number of highly-desirable expenditures for urban problems and the like, which were just ready for an expansion I would recommend, have been cut back to help offset the inflationary pressure. If it turns out that the budget with the tax increase and without the expenditure-items that have been lopped off is too restrictive, and that economic activity tends to fall off, there is an unusual amount of scope for expanding outlays quickly by picking up some of these programs. Furthermore, in this spring's budget-making process, I would guess that the Congress will be more inclined to continue a nucleus of some of these activities (rather than close up the reduced programs on which an expansion can build) if the tax increase is enacted. Consequently I disagree drastically with those of my friends who feel that opposition to the war in Vietnam should be expressed by opposing the tax increase. Opposing the war myself, I feel that the tax increase is necessary to minimize the extent to which the war kills off the programs we ought to be carrying on within the United States. Those who feel that pushing the war to a successful military conclusion is feasible and is the best way to clear the way for our national objectives should also welcome the prospect that the tax increase will limit the cutbacks in domestic programs related to the war against poverty. In short, I hold that this should be common ground for people with a variety of opinions.

Chairman Proxmire. Thank you very much, gentlemen. These are very excellent papers. I especially appreciate your emphasis on monetary policy. We have not had enough of that. We did not get enough of it from either the Federal Reserve Board or the Treasury. It is good to have so clear and concise an emphasis there. And, it is good to have Mr. O'Leary's response to the question we were unable to elicit an answer to from Mr. Martin on what would be the demand and supply—the ingredients involved—in the so-called credit situation. And we certainly value Mr. Hart's very helpful analysis.

Now, I would like to start off by asking you gentlemen this.

All of you seem to stress uncertainties. Mr. Olsen, Mr. O'Leary, Mr. Hart all agree that this is a hard year to forecast.

International developments might change the situation dramatically. If the situation remains the same in Vietnam we have one set of possibilities. If we have to escalate very greatly, and possibly send troops to Korea, of course, the situation is different.

Under these circumstances, I am very skepitcal about the wisdom of a tax increase because it does seem to be a firm commitment that is extremely hard to withdraw from.

I have asked witnesses in the past to cite a single tax increase that has been repealed before its expiration date. We have gotten no examples. In fact, it is hard to find one that was allowed to expire on its first expiration date. I suspect if unemployment is rising but prices are rising, too, in July of 1969, we might very well continue the surtax, rather than repeal it.

Congress hates to change taxes. Business hates to have changes if they are not fully justified.

So, under these circumstances I am concerned with this prescription of policy. And I am especially concerned in view of Mr. O'Leary's very helpful analysis of the timing of the economic expansion.