

has urged on several occasions, would help to divert resources from luxury consumption to higher-priority purposes. Such a tax would allow tax-free exemptions, based upon the number of persons in each family, sufficiently high to enable the family to maintain a comfortable standard of living. Amounts spent by the family above its exemptions would be taxed at graduated rates which would increase as the amount spent per family member rose.

Such a tax would be desirable, within the framework of an overall fiscal policy aimed at full production and full employment, to achieve a useful and desirable reallocation of resources.

A progressive spending tax can be administered more effectively if it is kept in force permanently. If that were done, the tax rates could be varied from time to time depending upon whether national priorities (including full employment) called for more or less consumer spending. These factors suggest that consideration might usefully be given to enactment of such a tax now.

Although we do not now have full employment, and therefore have no present need to suppress nonessential consumption, the progressive spending tax might nevertheless be a useful tax today if the revenues from it were earmarked to be spent (in addition to what is already planned to be spent, so that there will be no reduction in total demand) for some purpose of high national urgency. Through such a tax, those who spent on luxuries could simultaneously be required to contribute, for example, to a stepped-up war on poverty—on the principle that those who enjoy a superabundance of cake should be mindful of their neighbors' needs for bread. To the extent that the tax deterred luxury spending, the resultant additions to savings could be channeled, through use of selective monetary devices, into housing and other social deficit sectors of the economy.

TAX REFORM

Another measure which equity demands and which has been far too long delayed is a reform of the tax system and plugging of loopholes which now permit some favored groups of citizens and corporations—many of them extremely wealthy—to avoid carrying their fair share of the tax burden. The Council recognizes this as a possible alternative to the proposed tax surcharge, but shrugs it off by saying that such reforms should be enacted on a permanent basis, not to meet a temporary need, and that it would take too long to get such reforms through Congress.

Of course, such reforms should be on a permanent basis. But that is no reason why they should not be started on today. As for the argument that it will take too long to get tax reform legislation through Congress, there is strong reason to doubt that it will be possible to get the proposed tax increase legislation through Congress at all, but that has not prevented the Council from proposing it. If the Council had been as assiduous in pushing for tax reform since President Kennedy first proposed it as it has been in supporting other more dubious proposals, such as the wage-price guideposts, we might have had tax reform on the statute books by now.

Here again, however, so long as we fall short of full employment, the revenues from loophole closing must be added to government