

Let's take it one step further then. We were unable to act politically for various reasons in 1966 to achieve fiscal restraint. We did put successive emphasis on monetary policy and it did create primary—dislocation primarily in home building, and I would hope that this, that your group would give a great deal of thought of recommending to the Congress whether or not we should allow the President some tax discretion, for example, a plus or minus adjustment of 5 percent in tax rates so that we could have a little more immediate effect on the fiscal end. It is very difficult because they have expenditures over a period of 4 or 5 years, money is in the pipeline and there is very little you can do about it. There is very little you can do about monetary policy without creating dislocation. It seems to me the only third and remaining tool has to be your tax policy, and I would hope that you would place some serious attention on this possibility of offering the executive the same latitude in discretionary tax adjustment within a range of 4 or 5 percent.

Let me add another thought or ask another question and verify my opinion of you on the matter of the ceiling of $4\frac{1}{4}$ percent on long-term debt.

I think the obvious reaction when you take off a ceiling is that that would cause interest rates to rise but it is not so if we took off the ceiling on long-term debt that the possible result could be a reduction in the rate of interest paid on total Federal debt.

Mr. McCracken. Because of the peculiar shape of the yield curve at present. Yes, that is a possibility. The shape of the yield curve at the present time is that long-maturity interest rates are lower than they are for shorter term issues.

Representative Brock. So the net effect there could be a reduction in our interest payments if we took off the interest ceiling or certainly it would ease the pressure of short term.

Thank you.

Chairman PATMAN. Mr. Moorhead?

Representative MOORHEAD. I would like to join my colleagues in thanking you for an excellent and far-ranging statement.

I would like to follow up on the statement by Mr. Brock about giving the President some discretionary tax flexibility. President Kennedy, of course, in 1962 requested the power to increase or decrease taxes as might be necessary. The Congress has refused to provide the President with this power because it is the prerogative of the Congress and, furthermore, an unscrupulous President could use this power just before an election to reduce taxes and which would certainly enhance his chances for reelection, or in an off year for the reelection of members of his party in the Congress.

I think that the Congress learned in 1964 that cutting taxes can be politically popular and effective economically.

One of my alternatives, and I would like to have your comments on it, is for the Congress to provide discretionary tax flexibility which would give the President the power only to raise taxes within a given range and subject to a congressional veto.

Mr. McCracken. There is in some of my prose in previous years support for this position of giving the President some limited discretion for changing tax rates, subject to a veto by the Congress.

After our experience with this proposal in the early 1960's, I rather lost interest in it, but this would be a possibility.