be a ceiling upon the taxes that anybody shall pay, relative to income—say, 50 percent.

There is much merit in some aspects of these proposals, but nobody has yet made clear whether the net impact of them would be to make the total tax structure more or less progressive. Related to those who really pay the tax rates as written on the books, instead of engaging in avoidance or evasion, it would be a very good bargain for many to consent magnanimously to the proposition that they should pay *some* taxes in exchange for being assured that under no conceivable set of conditions would they have to pay more than 50 percent of their income in taxes.

As a matter of stark fact, I believe that the whole issue of tax reform becomes confusing and misleading, when it is not recognized that the major job of tax reform is to remedy the gross distortions in the Federal tax structure, both on economic equilibrium and social equilibrium grounds, which have resulted solely from the misguided and massive tax reductions during recent years, aggravated by the 10-percent surcharge.

I submit that the most useful reform which could be made in the Federal tax structure would be to lift the exemptions greatly, and to restore the rates, at least in the high-income portions of the structures, a good part of the way to where they were before 1964. The argument that this paralyzed investment and initiative was mereticious from the outset. The argument that the high marginal tax rates caused people to try to evade taxes, by legitimate methods, was foolish from the outset. Those who hired expensive lawyers and accountants to get their taxes as low as possible when the marginal rate was 92 percent did not stop doing so when the marginal rate was reduced by about 30 points.

Neglect of core purpose of the Federal budget

All of what I have thus far said only touches the outskirts of why the massive tax reductions were so wrong, at least from the viewpoint of social equilibrium and plain social justice. The "new economists" have claimed and propaganded that they have done a great service in the improved use of national fiscal policy to stabilize the economy and promote its real growth. But they have entirely forgotten the real purpose of the Federal budget and of national economic policy, as made manifest by the Federal budget. The main purpose of the Federal budget is neither to stabilize nor promote the growth of the economy, although this would be a very useful byproduct if the policies are more correctly devised than they have been thus far. The main purpose of the Federal budget is to allocate to the public sector enough expenditures to meet the great priorities of those public needs which cannot be served, or cannot be served so well, in any other way. If the only or main purpose were stabilization, we could simplify matters greatly by having 10 or 15 billion dollars' worth of Federal spending and no Federal taxation when we were threatened with deflationary forces, and the reverse when we were threatened with inflationary forces. But this would be forgetting what the Federal budget is really for.