

All of it, I think, becomes increasingly important as we come closer to the achievement of the goal of full employment and a high growth rate. I am not optimistic. I am more optimistic about the prospect of tax cuts than I am about tax reform. But keep in mind that what is crucial for economic growth, for effort, for incentive, are marginal tax rates. And broadening the tax base by cutting out exclusions, by cutting out deductions, or at least limiting them, by broadening the tax net to take into account income in a more inclusive and uniform fashion, brings the advantage that it permits lower marginal tax rates.

If we had a truly broad tax base of the kind I should like to define it would be possible to raise the same \$48 billion or so of revenue under the personal income tax with rates ranging not from 14 to 70 percent, but with rates ranging from somewhere like 12 percent or so to 40 percent.

One final word, and that is that I would also wish to provide for substantial reform in the area of business taxation. A corporate income tax which in effect says, "The more efficient you are, the more able you are to earn profits, the higher the tax penalty we impose upon you," makes little sense to me. A value added tax or some other such more neutral form of tax, insofar as you think it is necessary, and I think it is, to have business share in some degree in the financing of Government costs, would be far preferable. But the difficulty involved in all of this is that these various areas of reform mesh into each other. There is no point cutting depletion allowances if you do not do something about capital gains. There is no point worrying about exemption of municipal bond interest if you do not do something about capital gains, and vice versa, because tax avoidance is much like a balloon. When you press it in one area it bulges out in another.

Thank you very much.

QUESTION: Professor, a very arid area for need for tax relief is the area of college education. In other words, I would like to be able to deduct college expenses from my gross income. I notice it has been considered, but what are the arguments against it?

DR. BRAZER: The arguments against it, I think, are several. For one thing, we increasingly recognize higher education as a necessity rather than a luxury to be available only to the sons and