Dr. WESTON. The cause of the deficit is the lag in Government revenues as a consequence of the lag in the rate of economic activity.

Dr. SUITS. May I answer that question this way: I think we have entirely too much emphasis on the "deficit," which is a number, an accountants' number, associated with particular accounts dealing with selected activities of only one government in our Federal structure, organized as we are.

It is elementary that any expenditure by anybody—a business, a State government, a school board, the Federal Government—stimulates economic activity and employment. It is elementary that any taxation by anybody, by a school board, by the Federal Government, by the State government, retards and brakes economic activity.

The extent to which we get stimulation or braking in our economy depends on the extent to which we manipulate these two controls. The difference between the tax revenues that we take in, and the expenditures that we make on certain specified accounts we call our deficit. But neither the magnitude nor the direction of this difference tells us what effect the fiscal activity will have on the economy. With equal deficits we can have either expansion or contraction.

In principle, by increasing taxes and by increasing expenditures by more or less, we could have a runway inflation in a situation in which we were accumulating budgetary surpluses at a record rate, or we could have the world's worst depression in a situation where we had the largest budgetary deficits that we have ever had, as we did, indeed in the 1930's.

We ought not to think of the deficit itself as doing anything. It is expenditure that promotes, and it is taxes that retard. The deficit is merely an accounting difference.

The purchasing power that we have been talking about already exists. The profits that we are talking about already exist. Corporate profits are at a record rate, I believe.

Mr. ELLIS. That is right.

Dr. SUITS. If we want corporate profits after taxes to be higher, all in the world we have to do is to cut a couple of points off the corporate income tax.

If we want consumer purchasing power to expand, it is not a question of asking where this purchasing power originates, it is already there. All we have to do is take off the tax brake and let it free.

Now, there are two sides to this current problem that we are in. And this is, it seems to me, the proper approach to the fiscal side.

On the other hand, there is an aspect of this problem whis is not a fiscal matter. This refers to the points that were raised by Senator Douglas a moment ago: The question of the proper preparation of our young people to take their place in a world in which we have an entirely new technology; the proper provision of steps to the employment and training for these people. This is another matter. Nothing we can do with the purely fiscal powers—tax, spend, deficit, or what you will—will attack these underlying problems.

There is nothing about the lack of education or preparedness of a 16-year-old young man that we can fix by any kind of Government action except training and education, and related projects.

Chairman PATMAN. Thank you, sir.

It is about 12 o'clock, but I want to ask one or two questions.