

the argument is made we need a deficit to move employment up. I say under these circumstances the tax cut will not restrain expenditures.

Mr. ECKSTEIN. Historically, in recent years has it not been like this? The Budget Bureau and the President have been very tough when there was no recession. When there was a recession the lid was off, so to speak, and new programs began. Everybody got a little bit more money in all fields.

Senator PROXMIRE. Now there is no recession and believe me nobody is very tough and Congress is spending money with record rapidity.

Mr. ECKSTEIN. There are a lot of structural issues both in taxation and expenditures. Obviously, there are some tax cuts that would be worse than some expenditure increases and vice versa. A lot of people, including, I think, the three up here this morning presently favor a tax cut, because they really feel it is impossible to prepare a high quality expenditure program of the requisite magnitude within the time schedule in which events are occurring.

Mr. McCracken. The importance of maintaining the concept of fiscal discipline, to which you have alluded, seems to me to be exceedingly important. While clearly the advocacy of a tax cut is suggesting a program that would make the deficit larger, I prefer to put this in terms of getting toward the kind of tax structure which would seem to me to be more consistent with increasing the vitality of the economy.

Now, how does one reconcile these two? I would reconcile them on a basis that has received substantial attention recently. The important thing is always to compare the relationship between our expenditures and the volume of taxes which the present tax structure would produce at reasonably full employment. I would be very reluctant, under any circumstances short of a real emergency, to suggest a tax cut which would leave the tax structure not comfortably covering expenditures at full employment. If this is our approach to the budget problem we do not surrender concern about fiscal discipline. So our tax action should leave us with a tax structure that will always comfortably cover expenditures, assuming that we have reasonably full employment of our productive resources.

Senator PROXMIRE. My time is up, but I would like to say that is an awfully theoretical goal as compared to balancing the budget, which is precise and with all its weaknesses you can still arrive at some arithmetic precision. To talk about a full employment balance—you can argue on vague generalities a long time.

Mr. McCracken. There is no question about this. I suppose to some extent the function of a professor is to be theoretical and explore things that may not have immediate applicability. But it does seem to me that there is validity to this way of looking at the budget problem, and I suspect that we shall hear more about it.

Mr. PECHMAN. I just want to agree with what Professors Eckstein and McCracken said, although I did not make this point explicitly in my statement. In reply to your question, I believe that expenditures would be lower if we had a tax system that next year produced \$90 billion rather than \$95 or \$98 billion. In other words, I do think that the prospective level of the tax receipts exercises a restraint on spending. The existence of a large deficit, which is your alternative hypothesis may relax restraints.