My computation works out as follows:

The President's proposal for an approximately balanced Federal budget in fiscal 1963 seems to be based upon an estimated GNP of about \$585 billion in fiscal 1963. But my estimate now, in line with that of many other economists, is that the program proposed by the President would result in a fiscal 1963 GNP of not better than \$565 billion, and perhaps as low as \$555 billion or even lower. These figures, respectively, would be about \$20 to \$30 billion lower than the \$585 billion figure estimated to produce a balanced budget. The \$20 billion lower figure would result in an estimated deficit of about \$4 billion, and the \$30 billion lower figure would result in an estimated deficit of about \$7 billion. These estimated deficits are based upon the fact that, under a progressive tax system, and allowing for the relatively greater impact upon profits of unfavorable economic developments, the reduction in Federal tax receipts would be much more than one-sixth of the amount by which GNP is lower than \$585 billion, and also the deficit would increase proportionally as the GNP deficiency grew.

Coming over to my proposal, I estimate that it would result in a fiscal 1963 GNP of close to \$600 billion, allowing for the multiplier effect and the timing factor, contrasted with the \$565 or \$555 billion figure. This \$600 billion figure would be about \$15 billion higher than the \$585 billion figure which would yield a balanced budget under the spending and tax proposals of the President. This \$15 billion increment would, because of its composition and because of the progressive tax system, recoup \$3 billion or more of the \$10 billion planned deficit which I propose, thus resulting in my estimated deficit of \$6½ to \$7 billion. This \$3 billion or more recoupment is based upon the fact that profit and other income trends, combined with the progressive tax system, would yield incremental tax revenues coming to more than one-fifth of the \$15 billion increment in GNP (\$600 billion minus \$585 billion).

Senator PROXMIRE. My time is up. I would like to see this arithmetically. I think you would make many converts if you could show this because this really bothers me. It bothers many, many Senators, because if you can show that you can reduce taxes and not increase the deficit, it would be miraculous. In fact it would be an accomplishment like that of the fabled Baron Munchausen who found himself sinking in quicksand and only saved his life by pulling himself out by his bootstraps.

Mr. KEYSERLING. Further let us just take as a test case, or take two test cases—take the \$12 billion deficit that we ran in fiscal 1959, and take the \$6.3 billion deficit that we ran in fiscal 1962 just ended. Take those two deficits. One of the charts that I have shown here illustrates this matter for the period 1953–62 as a whole.

Then take the size of the GNP during these years with those deficits, and apply as to the beginning of each of those 2 years, on a judgmental basis, what the size tax cut and increased spending might have lifted the actual economic performance during those 2 years to given levels.

Now, economists would have some differences of opinion, but I think you would find that we wouldn't have run a bigger deficit in either of those 2 years if we had adopted the alternative policy. In any event, I would like to suggest finally that, even if I am wrong, even if the deficit under my policy were \$2 billion higher than under the alternative, I