

Chairman PROXMIRE. In other words, unemployment would be close to 8 percent.

Mr. SUTTS. Yes.

Chairman PROXMIRE. It would be at a level that most of us would feel was a genuine recession.

Mr. SUTTS. Yes. This is, of course, supposing merely that we subtract out the Vietnam impact, and then look at what is left. This doesn't imply that we wouldn't have had other uses for these same resources.

Chairman PROXMIRE. Other uses, but at the same time, if you look at the non-Vietnam sector of our economy, while the increase has been modest, there has been an increase in general in spending, in most of our programs.

Education has increased at a very substantial rate as far as Federal Government assistance is concerned, and I am sure you are not satisfied and many other people aren't satisfied with the rate. It could be more, but it is a rapid rate, if we are going to absorb all of this \$22 billion we are spending in Vietnam, in these other areas.

Don't you think it is unrealistic to assume that Congress would spend that much money?

Mr. SUTTS. Oh, expenditures I don't know. Let's put it this way. In the last 10 years, say since the recession of 1958, I believe that all of us, and perhaps most particularly the Congress, have come to a much greater appreciation of the role of the Federal Government in balancing the economy.

I think the tax reduction of 1963, I think the rescinding of the investment tax credit, I think the President's request to have the investment tax credit reapplied, the current application for the 6 percent tax add-on, all of these things bespeak a much greater sophistication than we have ever had before in this area, and I have every confidence that the Congress and the administration would take such steps as they would deem necessary to forestall the occurrence of a recession of this magnitude.

Chairman PROXMIRE. What are you saying, if we could remove the Vietnam war situation, we could have two things. We could have an increase in Government programs, we could have a substantial tax reduction.

Mr. SUTTS. That is right, in such combination as we thought was best suited to the needs of the country.

Chairman PROXMIRE. And I take it you would also say that as we move into a period of negotiations to the extent we ever do, that under those circumstances, cease-fire, that under those circumstances we could have both.

Mr. SUTTS. That is right.

Chairman PROXMIRE. Yesterday we were cautioned, I think very wisely, by Senator Stennis that the Defense Department is following a policy of living off their inventories, depleting them and they are doing this deliberately and they have said so, but he said it will be a long time in his judgment before those inventories can be replenished, and before we can bring the Defense Establishment back up to the level that he thinks the President and the Congress feels would be adequate, so that we do have that compensating factor and that gradual blending into a more normal situation.