Representative BROCK. That is right.

Mr. LEONTIEF. You will be able to increase the private consumption and spending by this amount, 3.9 percent, if they really spend it, and keep your Government program at the present level. In this case, you would, of course, have no expansion in the direction of the Great Society.

Representative BROCK. If I may interrupt, sir, I don't see how you turn back a deficit that you didn't take in the first place. If we had a balanced budget situation and our income equaled our outgo, you could turn back in the form of a tax cut, but how do you turn back to the economy money that you simply just don't borrow in the first place.

A $19 billion deficit is borrowed money and there is a great deal of difference between that and income. How does that feed into the private sector? I don't see how you get your increase in the private sector in alternative one, by a simple reduction——

Mr. LEONTIEF. You see, Mr. Congressman, if I am not mistaken, this is really a question of bookkeeping. The Government can borrow less. The banks can lend more, release more money and so far as the balance in purchasing power is concerned, it will remain exactly the same as it was before.

The Government, if it wanted to, could even begin to redeem the Government debt, it would put more money in somebody's hands and the net effect would depend on what the sectors of the economy that would get that money would do with it.

My opinion is that this is really a bookkeeping operation.

Representative BROCK. If the Government doesn't borrow the money and other private borrowers do borrow the money and the money is actually created and used, obviously you would have an increase in the private sector. That is also an assumption that the money would be borrowed by somebody in the private sector.

Mr. LEONTIEF. In the total amount of borrowing that takes place in this country, the Government borrowing is just one item. There is a great amount of borrowing going on all around, so if we discuss the balance between borrowing and not borrowing, you can shift from one item to another.

Representative BROCK. You are saying—and this is where I disagree with you—that if the Government were to reduce its borrowing, this $19 billion deficit, if we wiped out the deficit simply by not involving ourselves in Vietnam anymore, that you would have a commensurate increase in private borrowing, and I can't follow the logic, because it seems to me that if the Government stopped this $19 billion expenditure, it would be a drag on the economy and there would be a tendency for private borrowers to borrow even less. I do not see private borrowing taking the place of public borrowing, if we were to get out of Vietnam.

Mr. LEONTIEF. Oh, Mr. Congressman, I think we can now get together on that. I see now what you have in mind. If the Government actually decided to reduce its expenditures by so much, and if there were no increase in other spending, this country would be plunged into a very serious depression.