Theoretically, if all the prices were cut, you could maintain the old level of effective demand, but, of course, as we know, such things don't happen nowadays, so we would really have a serious depression. This is why I think the Government would have to go pretty carefully about doing that, if it wants to maintain full employment.

Representative BROCK. In other words, if I can summarize you now, you are saying that you would very much oppose alternative No. 1, the hope that the private sector would assume the burden, that you would rather go through alternative No. 2, and maintain a $19 billion deficit on through the transition stage, in order to preclude such a depression; is that correct?

Mr. LEONTIEF. Yes; my feeling is that if the American people felt that it was worthwhile for them to undertake this deficit in order to achieve whatever objectives they are pursuing in Vietnam, it certainly should be worthwhile for them to enter into that deficit, in order to achieve the objective which I described by this public expenditure block there on graph 1, refined in greater detail on graph 2 showing the advance of Great Society programs. This, of course, is my personal opinion.

Representative BROCK. I think, Professor, what I am trying to say is that in trying to assess not only what might happen in the future, but what we ought to do today, we are posed with a number of alternatives, each of which is impractical or unfortunate in its result.

If we take your second alternative and spend the money at the Federal level, affecting a $19, $20, or $25 billion deficit, and that results under full employment, as I think it would, and a tremendous increase in the level of prices in this country and inflation, then you are affecting our balance-of-payments problem, and we are back on the other horn of the dilemma.

I am not quite sure how we get around this dilemma. I am not quite sure how we address ourselves to the problem that is affecting the ordnance, aircraft, and related industries in this transition period. I am not sure how your Government spending would allow us to get through this phase.

Mr. LEONTIEF. In this second variant, as shown on exhibit 1, while expanding various Government programs, we also turn back a very large amount of money to the private sector.

Representative BROCK. If it is spent. You are turning back a deficit that they have to borrow.

Mr. LEONTIEF. All right; but nobody seems to object to private borrowing. I never heard anybody attacking the banking operations of this country, releasing credit in the same way as sometimes the public——

Representative BROCK. Private borrowers are going to base their borrowing decisions upon whether or not they think the economy is in good shape, and they are not going to borrow if they think it is.

My time has expired. You can answer in those terms.

Mr. LEONTIEF. Yes. My feeling is that at the present time the private sector has a greater confidence in the ability of our economy to manage itself, through cooperation between the private and the public sector, than it used to be in the old times.