anything—about cutting back nondefense spending? Mr. Mills points to the very thing that Mr. Martin points to, but the administration ignores it and refuses to grapple with the problem other than to say, "You can't expect us to revise our nondefense expenditures."

This is the basis I would say for calling the administration indecisive and criticizing their lack of frankness with the American people and the Congress.

Mr. ACKLEY. I would only suggest again that the administration has agreed to provide this committee as of late July with its best estimates of the budget as of that time. I personally expressed the opinion to the chairman of the committee that it would be desirable if these hearings would wait until those figures were before us; but it was decided that this was a better time to have these hearings, and therefore we are here.

Chairman PROXMIRE. Congressman Reuss?

Representative REUSS. Thank you, Mr. Chairman.

Chairman Ackley, you have done your usual very able job of presenting the situation, and I applaud your desire for fine tuning. The only place where I leave you is that you didn't tune quite fine enough for my liking; and particularly I am disappointed that the unemployment needle valve will point at something like a 3¾- or 4-percent unemployment rate, whereas the Joint Economic Committee majority, in its annual report of last March, felt very keenly that the 1967 target ought to be no higher unemployment than 3½ percent—and we are well aware, as you are, that these little quarter- or half-percent differentials in unemployment fall vary largely on Negroes and teenagers, an unfortunate place to have it fall.

As I see it, there are two things that are worrying the administration. One is the possible future boiling of demand from all these sources so that a classic too-much-money-chasing-too-few-goods bottleneck type of inflation might ensue.

The other worry, and it is a very real and immediate one, is a deficit of such size that the financing of the deficit would bring a lot of pressure on the capital market and cause interest rates to tighten very markedly, and if nothing is done about it, there would be a repetition of last summer's unfortunate housing fiasco.

Now, in this conjuncture, where you know that right now you are going to have too great a deficit and too much Federal borrowing unless you do something about it, but you are, in the nature of things, much less sure that there is really going to be a classic demand inflation, it seems to me in such a situation that what this country needs is to recoup about $5 billion worth of additional revenues through plugging tax loopholes. This would avoid excessively tight money, without decreasing materially the somewhat shaky demand that we now have, and thus causing unemployment.

I have said this before. I know it takes some time. I wish we had used the last 6 months to do something about it. I point out that without getting into terribly controversial areas, if you simply did away with the present tax loophole in the capital gains tax for someone who dies owning securities that have appreciated in value, and who presently escapes the tax on that gain, and if you did away with the increasingly scandalous municipal industrial revenue bond loophole, by those two things alone you would gain about $3½ billion.

It would seem to me that a pot of $5 billion, which would be, I believe, the revenue pot involved in the administration's 6-percent