

Mr. ACKLEY. I would start, Senator, by making the point that, from our standpoint, the most relevant budget is not the administrative budget to which I think you referred, but rather the national income accounts budget; and I think you would find that a somewhat larger number of surpluses or balances have been achieved there. Indeed, in fiscal 1966 the national income accounts budget showed a surplus.

Reverting to your more general proposition, I would say that if our fiscal policy were always ideal and achieved that level of relationship between expenditures and revenues that would assure continued high employment without inflationary pressures, and that if the pursuit of that fiscal policy resulted on the average in some cumulative deficit over a period of years, I would not think that a matter of economic concern.

Obviously, a deficit at the wrong time can be the wrong policy. If we are in a situation of high employment and inflationary pressures, then a deficit—or too large a deficit—is inappropriate. On the other hand, if the economy is operating well below its capacity, with stable prices or falling prices, a deficit is correct and in the interests of the health of the economy and of the Nation.

I think we ought to focus on the fiscal policy which is appropriate to the economic needs of the particular year, and let the fallout be a surplus or a deficit as that may be, and we would then have done the right thing in our Government fiscal policy.

Senator TALMADGE. Let me give you an illustration of what I am talking about. When I came to the Senate 10 years ago, the interest on the national debt was \$7 billion a year. It was doubled in 10 years, to over \$14 billion at the present time. Now, if we project that, if we have the same situation in the next 10 years, the interest on the national debt by 1977 would be \$28 billion. If you projected forward another 10 years, by the year 1987 the interest on the national debt would be \$56 billion. If you projected forward another 10 years, by 1997, if we follow the same course, the interest on the national debt would be \$112 billion.

When do we call a halt?

Mr. ACKLEY. Mr. Chairman, the rise in the interest payments on the Federal debt has been a product of two things: one, a somewhat larger debt, and, second, sharply rising interest rates. I think it is important that we not continue the latter. Lower interest rates would obviously be helpful in slowing down the increase in our interest payments.

Even so, given the combination of an enlarging Federal debt and higher interest rates, I think it is correct to say that the ratio of interest payments to total Federal revenues has not risen, just as the national debt as a fraction of gross national product has continually fallen over this period.

Obviously, if one keeps using compound interest, as in effect you have done by doubling, one can get some pretty astronomical figures. On the other hand, compound interest applies to the size of the economy as well. I again suggest that we have to recognize that we are in and must and will remain in a steady expanding economy, and that our scale of numerical comparisons has to be adjusted to that fact.