volved in Federal debt management. It's a dialog that has failed to develop over a period of years in the Congress and in the general public. It is a dialog that should occur when the House and Senate consider the debt ceiling, when we should dig into the very points that are being presented to us today.

Now, I would like to pose some hypothetical questions. I think we have to accept the administration's figures of yesterday, with proper interpolation. We are talking about a deficit of $23.9 billion. Yesterday the Chairman of the Council of Economic Advisers said that, taking the Bureau of the Budget's estimates, the deficit for fiscal 1968 was $13.4 billion. But this was on the assumption that we were going to get an additional $5.5 billion from new taxes.

It was also on the assumption that we were going to sell $5 billion of participation certificates. As a matter of simple arithmetic, we are talking about a deficit of $23.9 billion without even considering the contingencies of increased spending for Vietnam or other contingencies causing a shortfall of the revenue estimates.

The question that is before us is: How do we finance a deficit of $23.9 billion? We can finance $5 billion by selling participation certificates, but that has an impact on the money market. In fact, the sale of participation certificates last year was cut back, as I understand it, because it was felt the impact, particlarly in the housing field, would have been deleterious. So even though the administration had the authority, it did not use it.

Congress already has cut back on the administration's request to sell $5 billion worth of participation certificates this year. What power the administration will end up with, I don't know; but, even so, this is a part of the financing of the deficit.

Now, will the financing of a deficit of $23.9 billion (in whatever mix we decide of sale of capital assets, increased taxes, and the sale of new Government obligations) in the present economic climate, create inflationary forces which will show up in the Consumer Price Index?

Anyone who would venture a comment on that may answer. In other words, is this creating inflationary forces? Possibly there are ways of handling it. Maybe we could go to the extreme of wage and price controls, but does this sizable deficit in the present economic picture create inflationary forces that are likely to show up in price increases in the ensuing months?

Mr. Gaines. I am perhaps less qualified than the others to speak on the price indexes, but this is in response to the chairman's earlier questions to the other panelists.

I would think that even given the relative slack in the economy thus far this year and even assuming no substantial boom, that one has to ask the question as to how much fiscal stimulation is required in the type of economic setting that we have.

I would judge that a $24 billion deficit—the magnitude you mentioned—on an administrative basis, including the FNMA financing which translates perhaps to a $20 billion cash deficit and something in the order of $17 billion or $18 billion on the national income basis could ultimately build a base of purchasing power within the economy that could next year perhaps, or at some time in the future, generate the type of inflationary difficulties that you ask about in your question.

If the private economy were to continue relatively slack during the balance of this year in spite of a deficit of this magnitude, we might