mum which is tolerable for consumers who do not contribute much to the inflationary pressures today. The money market situation, Mr. Curtis, should not be used by the Congress to penalize American purchasing power in my opinion.

The 6-percent increase has a very great advantage that people more or less have become accustomed to that figure so that it wouldn't be a new shock if and when it is enacted later this year, whereas any increase in the rate would indicate that there are some new danger signs, some new trouble, some new disturbance which we, the people, haven't been aware of before. The money market problems ought to be solved without a larger tax increase.

Representative CURTIS. Thank you.

Mr. Paradiso?

Mr. PARADISO. Mr. Curtis, I don't know as I should comment on a policy matter of the administration.

Representative CURTIS. Let me ask you a specific question, if I may. Isn't it true that plant and equipment spending by large firms is rising this year, but that by small firms is falling?

Mr. PARADISO. This is true.

Representative CURTIS. Wouldn't then the borrowing to finance a large deficit make this disparity even worse?

Mr. PARADISO. I think that is also true. There is one benefit, however, that I believe the small firms have, one incentive that they have already obtained, and that is the reinstatement of the investment tax incentive.

The small firms 3 months ago were projecting a very substantial decline this year and in the June survey apparently they are not projecting anywhere near that kind of decline, so that I think the investment tax credit is going to be a help to them.

Representative CURTIS. Thank you.

Now, to present to the panel the problem facing the Congress for decision, we are talking about a deficit, according to the administration's own figures, of $23.9 billion. With the Vietnam war contingencies, it is likely that there is going to be at least a $5 billion increase in the deficit. In fact, the House Appropriations Committee in debate on the Defense appropriations bill gave us a figure of $8 billion. This has led me to say to the administration, as best I could, that they should plan to cut back on nondefense expenditures enough to give us a $23.9 billion deficit to finance instead of a $29 or $30 billion deficit.

Would anyone care to hazard a guess as to what financing a $30 billion deficit might mean? To put the situation in proper context, remember that the administration has said, "Well, if we cut back nondefense expenditures of $5 billion, that has an economic impact, too," and of course it does. This would hit the investment market, I would think. I would also think it would hit very much the Consumer Price Index in an accelerated way.

Would anyone care to comment?

Mr. GAINES. I would comment that if your $30 billion administrative deficit were to prove to be right, including participation certificates, I think the problems in the financial sector of the economy would be unmanageable short of direct controls. The Federal Government has been able to finance larger deficits than this in the Second World War in a setting of direct controls. I would hope that this