with a pretty clear pattern that there wasn't much strength from the volatile sectors of the private economy.

Chairman PROXMIRE. From the what?

Mr. WESTON. From the spending segments of the private economy such as inventory investment, consumer durable goods that would have multiplier effects. There was no strength there, but the strength, if any, would be coming from Federal Government deficits.

We have gone through the first quarter of 1967 where the main reason for the small increase in GNP was in the $11 billion drop in the rate of inventory cumulation. You have the May 1967 McGraw-Hill survey that at least 80 percent of the inventory cumulation had been accomplished in the light of the mixed feelings about the behavior of the economy in the first and second quarters.

Incidentally, you get hard evidence of the resumption in strength of the economy in the third and fourth quarters. You may well get increases in inventory cumulation; that is, net positive effects on the economy, from inventory cumulation in the third and fourth quarter. Even with continued negative influences in the economy on into the third and fourth quarter, as you get the impact of increased Government spending, you get these $14 and $15 billion increases in the economy in the third and fourth quarters.

Chairman PROXMIRE. Let me interrupt to say that I think we are getting into a very, very interesting area to me because it suggests that if we have an increase of the kind that Senator Stennis, for example, suggested that he thought we would have, and he has been right in his predictions before, with $5 billion or $6 billion more spent in Vietnam, with all that implies for the economy, then very possibly there might be a stronger argument because of the economic, not the budgetary, effect of that, a stronger argument for a tax increase.

Now, what that also leads me to contend is that we had an increase in spending from 1966 to 1967 from $106 billion to $125 billion. The expectation is, and I stress expectation, according to the President, that we would have an increase from $126 billion to $135 billion in the coming fiscal year.

However, we all know how these supplementals come in and if we have this problem in Vietnam, we will have at least another $6 billion and perhaps more from other spending elements.

This is why I argue that we can perfectly properly consider as an alternative also for the tax increase, at least in an academic sense, a shaving of the recommended nondefense spending. If, for example, we should defer spending on roadbuilding of $3 billion, if we can defer spending on some of the big dam projects, and so forth, around the country, if we cut back the space program—and Congress has already recommended that it be cut back between $300 million and $400 million within the last couple of days and we haven't even got to the appropriation process—if we can reduce our troop commitment in Europe which was the unanimous recommendation of the Democratic policy committee in the Senate, that one recommendation would save a billion dollars.

If we follow policies of this kind this would accomplish the same thing as an equivalent increase in taxes without some of the problems that an increase in taxes represents, and maybe they are very peripheral, but the increase would mean corporation taxes passed on to some extent in higher prices, an increase in taxes to labor union