

members can be passed on to higher wages and higher prices. So I think it is perfectly responsible and proper and not rating a C or D grade for us to contend that a spending reduction may well be an alternative that should be considered or possibly something that can go as an alternative to a tax increase.

Mr. WESTON. May I lead off on that?

It seems to me that this is the curious kind of argument that we hesitate to recommend a tax increase because this would reduce the ex ante deficit and we are not certain that the economy is strong enough to take this.

On the other hand, we assert with more confidence that we are willing to aim for the same ex ante decrease in the deficit by cutting spending. So it seems to me that there is a paradox.

Chairman PROXMIRE. That isn't what I said. What I said was that it appears that we may get a further increase, unbudgeted, unexpected, in the Vietnam war area and other areas. We don't know if we will get it or not. The President did not make a commitment. McNamara didn't go to Vietnam when expected. If he makes the decision to escalate 100,000 troops and we need the \$6 billion, you can get it by increasing taxes by \$6 billion or cutting other spending by \$6 billion.

I am saying that we ought to eliminate all unnecessary spending. I am not just saying that. I am saying that we can make certain postponements, especially in the capital investment area, under these circumstances that might very well serve as a substitute for increasing taxes.

Mr. WESTON. My argument there is that this must necessitate the recognition that you excite the same macroeconomic effects. Any degree of uncertainty expressed about the timing is subject to the same reservations about the economic outlook. But it seems to me that it boils down to the fact that the decision then depends not on the macroeconomic effects or even the money market effects, because I think these can be handled, but the decision should be based on the argument that the priorities of individuals spending those funds which they would be enabled to do if you didn't have the tax increases have higher priorities than these capital budget programs of the Federal Government. It seems to me that this requires a different analysis other than the one you mentioned of troop commitments in Europe, which involves another set of analyses in terms of diplomatic-military considerations, which requires another kind of analysis.

Chairman PROXMIRE. Congress is capable of making this kind of judgment or at least they are going to make it, but what you gentlemen can tell us is the economic wisdom of it.

Mr. SAMUELSON. I would like the record to show that I gave nobody a C for saying that in time of inflation a reduction of Government expenditure has the same economic depressant effect as an increase in tax expenditure would have. I agree with the mechanics of that proposition. I do not regard any element of expenditure as sacrosanct, and when there is strong inflationary pressure and a shortage of resources, I think that is a good time to scrutinize marginal Government expenditures.

I approved a decision in 1966 to defer military barracks construction in the United States, particularly after Congress made the judgment and the President made the judgment not to ask for the tax increase at the beginning of 1966 that I favored, accepting this as a