

cut, and control expenditures so as to reduce the prospective deficit in fiscal 1968 and thereafter to manageable levels.

Mr. Chairman, I will not read the entire statement before you. I will particularly cut short the detailed discussion of the details of the tax program because I think they are widely known and perhaps they would come up for more technical discussion later.

The CHAIRMAN. However, your statement in that regard will be included in the record, Mr. Secretary.

Secretary FOWLER. Thank you. I appeared before this committee in May to ask for borrowing authority needed to finance a war. In order to keep the use of that borrowing authority to proportions compatible with our national economic and financial health, I appear today to ask for taxing authority for the same purpose and to plead through this committee to the Congress that it join with the President in making every possible expenditure reduction—civilian and military—short of jeopardizing the Nation's security and well-being.

We are engaged in a costly conflict in Southeast Asia with no clear prospect of any early ending. But it is a temporary cost and surely one day will terminate when the enemies of freedom conclude that the price of aggression is too high.

This unusual and temporary cost must be financed in a manner consistent with preserving sound, balanced, economic growth without inflation at home.

Fiscal responsibility means differing things in differing circumstances. In a wartime context it must include the courage and willingness to raise the money that is as necessary as the guns, planes, and material needs of our forces in Southeast Asia.

In current circumstances fiscal responsibility means that in financing the special and temporary costs of Vietnam we should obtain as much from temporary tax revenues as economic conditions permit.

However, it does not mean, under present circumstances, that we should try to eliminate the entire deficit by a tax increase—by a surcharge not of 10 percent, but by one of nearly 50 percent.

Fiscal responsibility also means that we should hold down and restrain expenditures that can be canceled or postponed without damage to our national interest. It does not mean attempting the impossible—the elimination of the deficit solely by reducing expenditures.

The course of fiscal responsibility is the program outlined by the President; namely, reducing the deficit “by rigidly controlling expenditures, raising as much money as possible through increased taxes, and then borrowing the difference.”

After an intensive examination of all the facts available to us, my colleagues here and others in the Cabinet have advised and recommended to the President that the prompt temporary imposition of a 10-percent surcharge on both corporate and individual income taxes, except for individuals in the lower income brackets, is a necessary and equitable financial measure.

We have concluded that this proposal, supplemented by a speedup of corporate tax collections and a temporary deferral of scheduled excise tax deductions, is not only consistent with the objectives of sustained growth, high employment, and price stability, but necessary if these objectives are to be successfully pursued.