

Mr. SCHULTZE. Might I comment?

The CHAIRMAN. Oh, I want you to.

Mr. SCHULTZE. It seems to me that in the context of Vietnam being temporary—and I obviously am not in a position to put a period of time on the word “temporary”—but it seems to me, Mr. Chairman, that in that sense, this tax increase is temporary. You would recall in the figures that I cited this morning, the increase in defense expenditures including the \$4 billion, if I remember the figures correctly, was something like \$29 billion over the past 4 years—3 years, excuse me—of which Vietnam accounted for all but about \$3 to \$4 billion.

If you look at the tax increases that we are asking for over and against that increase, you will notice that the tax increases are substantially less than the size of the Vietnam expenditures.

This is neither, at this point, to justify or not justify the tax increases, but to provide some idea of the magnitudes involved. Conversely, therefore, when Vietnam, as ultimately it will, does conclude, there will be substantial expenditure reductions which can be applied against removing the temporary tax increase.

It is not as if, in other words, we were asking for a tax increase equal to Vietnam. If we had asked over the period for a tax increase equal to the size of Vietnam spending, when Vietnam ended, we would then have no room, in a sense, to allow for any other expenditures to grow. But, rather, the size of this temporary tax increase is substantially less than the magnitude of the Vietnam costs that we are facing, so I don't think I would want to draw as pessimistic a conclusion as you do about the temporary nature of the tax increase.

Again, remembering also, I am not trying to predict any kind of timing on Vietnam. I obviously can't do that.

The CHAIRMAN. Maybe it is because we sit in different positions—

Mr. SCHULTZE. It may be, sir.

The CHAIRMAN. —that I would be a little bit more pessimistic about the temporary nature of the proposed surcharge than you, but I remember that we had some tax increases in connection with the Korean war. I remember, too, how long it was before we got rid of them, and that was not your fault. You were not the Director of the Bureau of the Budget then, and I am not by any means criticizing you. I am just stating a fact.

Mr. SCHULTZE. No, sir; but again, if I might, I would like to make two points with respect to that. You will recall that in fiscal 1954 there were significant tax decreases as Korean expenditures were reduced.

The CHAIRMAN. Oh, yes. We did reduce some of them. We did not take off all the excises, however.

Mr. SCHULTZE. And as I said, what we have here is an increment of \$25 to \$30 billion on account of Vietnam, and taking all of these tax proposals together, amounting to \$7.4 billion, it seems to me, putting these two in context, that when Vietnam is over, and those kind of expenditures are over, even allowing for some rebuilding of defense inventories, there would be substantial room, so that this tax increase clearly could be labeled “temporary,” in the context of Vietnam being temporary.

Secretary FOWLER. Mr. Chairman, I would just like to add one comment to that. I think the force of what the Director has said is supplemented by the form that this particular tax increase takes.