

I would agree that there are always risks involved with taxes being carried on. But one of the very purposes of the fiscal subcommittee, of the Joint Economic Committee, was to arrive at a form of a tax which would be clearly directed for temporary purposes, and it is the form suggested by that committee which we are now proposing. The references that the President has made in both his state of the Union message and in the current message, indicate that, both in substance, in the figures Mr. Schultze has described, and in the form of the tax itself, that there is less danger of its being continued as a permanent feature of our system.

The CHAIRMAN. I am not arguing with you about what your intention is. I know that is your intention, Mr. Secretary, but I was stating that when we increased some of the taxes for the Korean war, we kept them on, and I remember very well having made the argument, time after time, as a member of the committee and later as chairman of the committee, that we could not allow these to expire because our deficit situation was such that we needed the revenues.

I can't avoid the feeling as I look to the future, even with peace in Vietnam, that we may well find ourselves not developing revenues as fast in the future under our present system as requests will be made for additional services from Washington.

That was our problem immediately following the Korean war, as I remember the figures. But anyway, perhaps that is too philosophical, and perhaps what we are saying today will be wrong as we look back on it later.

Mr. SCHULTZE. May I make one other point, I think, to put that in perspective, and I am sorry I don't have the exact numbers to give you on this, but there is a difference between the buildup of military expenditures this time and for Korea.

If my memory serves me, prior to Korea, we had defense expenditures on the order of, I think, about \$13 to \$15 billion a year, and the increase for Korea was not just to fight in Korea, but because of what it taught us about what we had to do with our defense posture.

As a consequence of that we built up in the war period and ever since, a substantially higher defense budget, so that the amount that you could come down after Korea, it seems to me, looked at in general terms, was significantly less than would be available if we came down the whole \$25 to \$30 billion now, because we have a much bigger defense base in a sense.

So one of the reasons, I suspect, for the continuation of some of the Korean taxes for a long period of time, would not really be relevant, I think, for the period after Vietnam, where you are facing quite a different situation.

The CHAIRMAN. Mr. Ackley, let me turn to you and direct a few questions, if I may. My concern, as I talk to you, is about the long range implications of what we are asked to do.

There is no question if one looks merely at a fiscal year that one would say that a deficit of the size that you and others at the table have stated is not in the best interests of our economy now. What economic effect, in the long run, do you envision as a result of the action that is suggested today?

How much do we reduce the ability of the private sector to go forward? How is that translated on down the road into gross national