

Mr. BYRNES. All right. I haven't heard of feedbacks used in quite this way before. The idea apparently is that we should be careful not to cut too much or we will have a bigger deficit because we will eliminate the feedback.

Mr. SCHULTZE. The feedback is a relatively small proportion of the gross increases.

Mr. BYRNES. It seems to me that is the fundamental point. I am not going to be worrying about cutting back on expenditures just because it might eliminate some feedback.

Mr. SCHULTZE. I fully agree. Nobody was arguing that.

Mr. BYRNES. We better achieve the cuts in expenditures that produce a \$29 billion deficit first and then worry about the feedback later.

Mr. SCHULTZE. I fully agree with that.

Secretary FOWLER. I think we ought to talk in terms of \$29 billion. It is easier conceptually.

Mr. BYRNES. Then I think we can all discuss the problem on the same basis.

Secretary FOWLER. That is right.

Mr. BYRNES. Now, at what level do you consider a deficit significant enough to require concern about cutting back expenditures? Earlier this year some of us stated that the projected budget deficit presented a serious situation. We talked about it again in May and June when we had the debt ceiling increase.

As I gather, Mr. Secretary, your request for a tax increase is predicated on three general categories or areas. One is the Vietnam situation. I assume that the Vietnam aspect is more of a moral issue than it is anything else—the sharing of sacrifices.

Secretary FOWLER. I think it is that and more.

Mr. BYRNES. You are certainly going to provide every assistance to the boys in Vietnam regardless of whether or not you get a tax increase, aren't you?

We are going to provide this assistance regardless of the method or combination of methods we use to provide the necessary financing.

Secretary FOWLER. That is right.

Mr. BYRNES. It seems to me that it isn't a matter of the boys in Vietnam saying, "Boy, I hope Congress votes a tax increase or we may not have any ammunition tomorrow."

Secretary FOWLER. No, I don't think that is the case. I think it is more than that, however. It is trying to handle the financing of this special, and we hope temporary, expense in a manner that is consistent with the maintenance of a healthy economy.

Mr. BYRNES. The war effort isn't the only item that is figured in the \$29 billion deficit projection, but it is one of the expense items that goes in?

Secretary FOWLER. Yes.

Mr. BYRNES. You are not going to change that expenditure by the tax increase, so I am assuming that the Vietnam rationale used here is for moral and historical reasons. We have always increased taxes in times of war. Our fiscal needs required this, but we also did it on the basis, it seems to me, of all of our citizens sharing in the sacrifice. This rationale had a moral basis, and I assume that is what you are advancing here.