

tures come out at the lower end of the range. If there are changes in expenditures, they will affect the economy, but we believe that, given this range, 10 percent represents a realistic appraisal of the range with which we are dealing and that it is the appropriate percentage of surcharge to ask for.

I am not happy that there may still be pressures on the money market, as a result of our borrowing in the market that I described, but we believe that \$7,400 million reduction in those pressures is a very meaningful and desirable measure.

Mr. BYRNES. This is the other aspect of your rationale underlying this recommendation. This argument is based on monetary policy and the effect on interest rates of having to go into the market and borrow. I want to get into that also.

But what I am trying to bring out now is that in January, when we were faced with a \$10 billion projected deficit, you talked about a 6-percent surtax effective July 1. Very little effort was made by the administration to meet that deadline, and I don't know that Dr. Ackley can have much confidence that the tax increase recommended by the administration was coloring their judgment.

It would seem to me that the business community ignored it, just as almost everyone else did. Certainly the administration forgot about it after they put it in the budget message. In May, Mr. Secretary, you were telling us you didn't know when you were going to have the bill or when you were going to ask us to act on it.

So I can see the business community saying, "Well, we at least don't have to worry about a tax effective on July 1."

Secretary FOWLER. I think I said at the time, too, that I liked to argue my case when I thought the facts and the evidence would be more strongly accumulated in support of it, and I believe that time is now.

Mr. BYRNES. So you are here now.

Secretary FOWLER. With reference to your comment about the difference between 6 percent in January and 10 percent now and the fact that we still have a substantial deficit—

Mr. BYRNES. I am talking in terms of something definite. In January you were faced with an \$8.1 billion deficit—even with a 6-percent surtax effective July 1.

Now you are looking at a budget picture showing a projected \$29 billion deficit. What is the relationship?

Secretary FOWLER. We are now trying to put together a tax increase and a series of measures that Mr. Schultze has described that would bring this deficit down to a range of between \$14 and \$18 billion depending upon the outcome of some of the imponderables that are described in the President's message.

Now, I think your question really goes to why, having proposed a 6-percent tax increase in order to hold the deficit down to \$8 billion in January, we are willing to accept a deficit of \$14 billion now, and I have several comments on that.

First, I would say that the first half calendar year 1967 economic slowdown was somewhat greater than we had earlier estimated and because of what has happened in the first half of this year, we estimate a somewhat larger deficit and lesser revenues in fiscal 1968. We don't