think it necessarily follows from that that there has to be a dollar-for-dollar increase in the tax bite.

Secondly, we were contemplating in January a social security program which had a stimulus which, in the light of what I generally understand is the program that this committee would report, would call for somewhat lesser stimulus from the social security side.

Mr. BYRNES. You are talking about last January 1.

Secretary FOWLER. Yes, and also frankly we had hoped that the easy money policy followed by the Federal Reserve Board would result in lower interest rates than have proved to be the case in intervening months, and therefore we haven't gotten as much stimulus from that side as was hoped for in January.

The effective date of the surcharge means some slippage in revenues and increases the deficit, but that does not necessarily change the amount of the fiscal restraint when the tax is in effect. Indeed, in light of the increase from a 6-percent surcharge to 10 percent, taking all these factors into account, we don't welcome but we think we can try and live with a deficit of a higher magnitude.

Let me add that that doesn't mean at all that there is not a very vast difference between trying to live with a $14 billion deficit and a $29 billion deficit. It is that other prospect and that other alternative that we think is impossible.

Mr. BYRNES. I think that what probably has some people on this committee worried—and I know it has me worried—is the ability with which you can judge the next 6 months on the basis of looking at the difficulty you had in the 6 months that just passed.

The economic slowdown was, you say, greater than you anticipated. What if the economic upturn is slower than you anticipate? Then what will be the effect of this proposal? Those are the questions, Mr. Secretary, that give us real trouble.

Secretary FOWLER. I think that the direction is reasonably clear. It is going to be up. Whether it is going to be moderately up or whether it is going to be up with heavy inflationary overtones, there is certainly considerate room for discussion.

We think, however, that the safe course and the prudent course is to take the measures recommended and thereby minimize the risks that would be entailed for the general tone of the economy if the course of expansion should prove to be highly expansionary.

The proper objective here, it seems to me, is to try to reach a good cruising speed and avoid the risk of overheating and going at too high a rate.

Mr. BYRNES. One of the reasons underlying this recommendation is the monetary problem created by going to the market to finance this kind of a debt, and the impact it has on interest rates. Is that not correct?

Secretary FOWLER. Yes, sir.

Mr. BYRNES. Let's see how we are going to reduce the $29 billion deficit so that you only have to go to the market to finance $14 to $18 billion. This bill calls for a $7.4 billion tax increase, is that correct?

Secretary FOWLER. $7.4 billion.

Mr. BYRNES. $7.4 billion. So that gets you down to a $21.6 billion deficit.