today that the only conceivable way you are going to get an increased revenue from an increased tax rate is by holding down or cutting back on some of these expenditures already in contemplation. I doubt that this would work today, however.

Now, in the three papers presented here I am pleased about one thing—the rhetoric calling attention to the economic damage that can come through high interest rates. But I think it has now been brought out that right now, without the tax increase or anything else, with fiscal 1967 just finished, we are back at interest rates comparable to those in 1966, which were the highest that we had since the end of World War I. We are not just talking about the impact of this coming deficit; we are right in the middle of economic harm resulting from the last deficit, namely, these high interest rates.

The rhetoric is excellent in regard to the economic damage of inflation, but I would point out, as Mr. Ackley did point out, we are talking about something we alraeady have, entirely apart from what this deficit for 1968 might produce. The Consumer Price Index went up by 0.4 last month, and by 0.3 the month before, did it not?

I would pause here a moment to ask whether you do not feel that this inflation is more cost-push—resulting possibly from the inflation of 1966—and not so much demand-pull inflation?

Mr. ACKLEY. Yes, I would certainly agree that the increase in prices of recent months has been largely from the cost side and not because of excessive demand.

Mr. CURTIS. We have further labor-management contracts that are coming up for negotiation. I might say that to a large degree, the impetus behind the Federal pay raise is the impact on Federal employees from the 1966 inflation. Consequently some of this increase that we see on the expenditure side is merely people trying to compensate for the impact of inflation that has already occurred and inflationary forces presently in existence.

In the area of the deficit in our international balance of payments, the rhetoric, in my opinion, was not quite as good. I would like to have seen a better discussion of the dangerous situation we are in in this area.

Now, at this point I would like to pause a moment to discuss a point not yet developed. First, do we now have the second quarter figures for this year on our international balance of payments?

Secretary FOWLER. They have not been announced as yet. They are scheduled to be released by the Department of Commerce tomorrow.

Mr. CURTIS. Because certainly the figures for the first quarter of 1967 were most alarming on the liquidity basis. I am reading from the Economic Indicators on page 25. It was minus \$2.176 billion, which is a considerable rise. What is even more disturbing was the deficit on the official reserve transaction, the measure that the administration had requested us to use in estimating international balance of payments; a whopping minus \$7.288 billion.

No one from the administration, to my knowledge, has ever commented on it. I think there are some explanations for the tremendous size of that. Of course, part of it was the unnatural in a sense or atypical figure for 1966 which was a plus \$225 million, but I wonder if you would comment now.