good programs. The President has to come out and tell the Congress and the people that we are in serious economic trouble and that we have to cut back on even important programs. He has not said that.

Mr. SCHULTZE. He has, and we are going to have to cut back.

Mr. CURTIS. Then give us the detail. Let him start out by announcing that he will veto the Federal pay raise that you complain about, this additional billion. Let him veto an appropriation bill. Let him go up and revise some of his requests. Until that is done, though, Mr. Director, I don't think I could advise any of my colleagues in the House, and certainly not the people, that a tax rate increase would help us to meet these problems.

I think it would aggravate the situation. I think it would hurt it. I think it would damage your situation instead of helping it.

Mr. SCHULTZE. Mr. Curtis, I have gone through, both yesterday with Mr. Byrnes, and today with you the reasons for having presented the expenditure cuts the way we have. I would make one theoretical point about the need for expenditure reduction. There is no question of that need. But it isn't the expenditure reduction in and of itself which makes the tax increase get you more or less revenues. That is the point I wanted to make.

Mr. CURTIS. I think it does. There is our difference possibly. That is what I argued on the 1964 tax cut. I said in order for that tax cut to produce more revenue, which it did, at lower rates we had to hold expenditures down, and that is why I am trying to get the dialog back to where I think the disagreement lies. The new economists keep talking about aggregate demand and I argue that aggregate demand isn't the problem.

Mr. SCHULTZE. The new economists at this table, at least—I am not going to designate which of the three of us are new economists——

Secretary FOWLER. I am not an economist, period.

Mr. CURTIS. No one wants to admit it these days. I am trying to find out who they are now.

Mr. SCHULTZE. In any event, the key point of the new economics is it is symmetrical. The new economics doesn't argue—I don't know whether I should set myself up as a spokesman for the new economics—but the new economics does not argue that under any and all circumstances the answer to our problems is increasing aggregate demand.

Precisely one of the reasons we are here today is to say that without this fiscal program of the President we run the danger of aggregate demand being too high, and more particularly through that, interest rates rising far too high. So here is a set of new economics and I know of no new economist who says the answer to every problem regardless of what it is is increased aggregate demand.

When the patient has a chill there is one medicine for him. When the patient has a fever there is another medicine, even though in both cases you try to keep him healthy and growing.

Mr. CURTIS. And as long as he is growing you give the medicine to apply to chills as well as to apply to a fever. But I think what is wrong has been aggregate demand and deficit financing have been the answer to all these things, and I think now we have come to a point where we realize the answer when new economists ask what is wrong with debt. We must learn to relate the debt to the economic activity (tax base) and wealth holdings of the society.