The CHAIRMAN. Without objection, it will be.

Mr. GULLANDER. We see no reason to doubt the administration's estimate that, in the absence of a vigorous effort to correct it, the Federal deficit will be approximately $29 billion in this fiscal year. And we see no reason to challenge the administration's assertion that a deficit of this size would produce a "ruinous" spiral of inflation, lead to a shortage of credit and high interest rates that would severely cripple business activity, and damage further our international balance of payments. These are essentially the same conclusions as were reached in the NAM Taxation Committee statement of July 11.

We wish, however, that the President had given more attention, in his message, to the factors responsible for the present crisis. The growth in nondefense spending over the last few years has contributed at least as much to the crisis as has the Vietnam war.

I know that much of this may sound like "water over the dam," and that your immediate concern is how best to deal with the crisis that is before us. The bulk of my remarks today will be suggestions for dealing with this immediate problem. But we must also given attention to what led to this situation. Unless we make plans for avoiding a continuation of recent fiscal trends, we may find that any temporary tax increase will become a permanent part of the revenue system.

OBJECTIVES

Clearly the prospective deficit of $29 billion is economically intolerable and must be reduced substantially. However, a tax increase that would wholly eliminate the prospective deficit in fiscal 1968 would be equally intolerable.

It would require, for example, an income tax surcharge of about 50 percent to accomplish this. It is hard to say which would give the worse shock to the economy—the large deficit or the tax increase needed to eliminate it.

Reduction in expenditures offers a far sounder method of reducing the deficit and we had hoped that this would occur to an extent that a tax increase would be unnecessary. We fear, however, that the time is past when the problem for fiscal 1968 can be handled entirely in that way, although this is a time when efforts in that direction should be redoubled.

It follows that a program for dealing with the fiscal crisis in the current year must be in the nature of a compromise. It should involve a substantial reduction in spending, a temporary tax increase and, unfortunately, acceptance of a sizable deficit remaining after these measures have been taken.

The administration has suggested that the objective be a reduction in the budget deficit for fiscal 1968 from the prospective $29 billion to a range between $14 and $18 billion. If fiscal policy is to be planned with any sense of perspective, Congress will need to have some such goal before it.

It is not that anyone can regard such a deficit with satisfaction. And certainly repeated deficits of that magnitude stretching into the future would have ruinously inflationary effects. But we must deal first with the problem of fiscal 1968 under the circumstances that exist, whether we like them or not.