

EXPENDITURE REDUCTION

The program presented in the President's message contains, in his words, "two essential elements." These are "expenditure restraint" and "tax measures to increase our revenues." Your committee's direct concern is with the latter, but it can hardly be discussed until we have some idea of what can be accomplished in reducing Government spending.

Although the President endorses restraint in spending as an essential element in his program, his message contains little that would be helpful to Congress in carrying out such an effort. He offers only two specific suggestions: Elimination of \$1 billion of the proposed Federal pay raise, and restoring authorization of \$2 billion in sales of participation certificates. Beyond this he refers only to the "steps that Congress and the Executive can and should take to control expenditures."

It is important that the President take a major leadership role in developing the means to implement what he recognizes as an essential element in his program.

I will return later to this subject of Government economy with a suggestion as to how it may be achieved. For the moment we may note that a massive effort along these lines is absolutely essential. The President himself points out that \$1 billion of expenditure is equivalent to the revenue yield of a 2-percent surcharge coming directly out of the pockets of the American taxpayer.

REVENUE INCREASES

The President's recommendations for increasing Federal revenues are, of course, the part of his program which most directly concerns your committee.

A temporary surcharge of the same percentage on individual and corporate income taxes is the most equitable and least disruptive way of raising additional revenue for meeting a temporary need. I would like to repeat that sentence. A temporary surcharge of the same percentage on individual and corporate income taxes is the most equitable and least disruptive way of raising additional revenue for meeting a temporary need.

The NAM Taxation Committee, in its July 11 statement, recommended that:

Any tax increase should take the form of a one-year surcharge of a common fixed percentage on all net liabilities for personal and corporate income taxes.

We would, however, raise questions about some of the specifics of the President's proposals.

First, the surcharge legislation should cover a term of 1 year rather than 2 as proposed by the President and should be made effective on the same date for corporations and individuals.

Frankly, what we fear is that the longer this source of revenue remains available, the more likely the Federal Government is to become dependent on it. Instead of its being a means of getting through a temporary emergency, a longer term could be the means of its becoming a permanent necessity for meeting the cost of continuing spending programs. In other words, we see a danger that this new