

assignment, efforts to achieve economy might amount to no more than pious declarations.

(c) The program should have the short-run objective of reducing the deficit in fiscal 1968, so as to avoid or minimize the need for a tax increase.

(d) The program should also have the long-run objective of regaining control over the growth of spending in the future. This would require consideration of changes in substantive legislation, as well as appropriations. This long-run effort would be necessary to ensure that any tax increase enacted in 1967 or 1968 would be only temporary and would not be used to support a permanently higher level of spending.

The concept incorporated in H.R. 10520 introduced by Chairman Mills on June 5, 1967, merits support as part of a long-range program to control federal spending. It would establish a Government Program Evaluation Commission comprised of private citizens whose duties it would be to evaluate existing federal programs and make recommendations to the President and to the Congress as to their effectiveness, whether they should be continued, and their relative priority. Without a high-level coordinated effort of this nature, proliferation of federal programs can be expected to continue unabated.

We know that the need for Government economy is well recognized among Members of the Congress. But unless an effective means can be devised for translating this into action, there is a danger that any temporary tax increase would become permanent.

The relevancy of Government spending to revenue measures has been recognized by this committee on many occasions. Section 1 of the Revenue Act of 1964 came from your committee and was enacted with a declaration of national policy aimed at curtailing the growth of Government spending—

To further the objective of obtaining balanced budgets in the near future, Congress by this action, recognizes the importance of taking all reasonable means to restrain government spending and urges the President to declare his accord with this objective.

We hope that Congress, in considering a tax increase this time rather than a tax cut, will reiterate that statement in even firmer tones.

That is the end of my statement, Mr. Chairman.

(The statement referred to follows:)

STATEMENT OF THE NATIONAL ASSOCIATION OF MANUFACTURERS TAXATION COMMITTEE

GOVERNMENT ACTION IN THE CURRENT FISCAL CRISIS

The present state of the American economy in general, and the fiscal situation of the federal government in particular, make this a period of extreme difficulty in the formulation of tax policy. An increase in taxation could delay and impede a resumption of economic growth after the present business slowdown. Profits have been on a downslide since a year ago, and there has been some impairment of business confidence. A tax increase might make these tendencies worse. But the large federal deficit which appears likely in the absence of a tax increase would also have severely damaging effects on the economy.

The reason the country finds itself in this unpleasant dilemma is its earlier failure to exercise control over the growth of federal spending. Non-defense spending has been rising at a faster rate than the revenue yielded by the existing tax system. This continuous growth of non-defense spending is the heart of the nation's present fiscal problems. Any program for dealing with these problems must have as its keystone a concerted and carefully planned effort to regain control over non-defense spending.

The immediate situation is that we are threatened with a fiscal 1968 federal deficit which, in the opinion of reliable authorities, may go close to \$30 billion. The necessity for funding a deficit of this magnitude would place severe strains on the nation's credit resources, and raise interest rates to a level which would make it extremely difficult for the private economy to provide capital, particularly in such fields as housing, state and local construction, and business in-