

Mr. BYRNES. We thought that was what the Secretary was suggesting. He did suggest prior to his appearance before the committee that 25 percent of the deficit would be eliminated by a tax increase and another 25 percent by expenditure cuts—for a total of 50 percent. But when he appeared before the committee, the billion-dollar potential pay increase above the administration's recommendation was really the only reduction of expenditures that was pinpointed.

He talked about needing authorization to sell \$2 billion of participation certificates instead of general bonds, but to me that doesn't really cut your expenditure level. It shifts your bookkeeping. While we have heard talk about a need for retrenchment from those who are the moving force in many of these spending programs, the specifics of any reductions haven't been provided. I wonder if the specifics won't fail to materialize if these individuals see \$7 billion more in revenue coming along.

Mr. GULLANDER. This was one of the very serious concerns of our committee before they came up with the statement and this was debated at great length and it was the size of the budget and the economic effect anticipated from the budget that caused great concern.

Another consideration, Mr. Byrnes, it seems to me is that if you curtail expenditures merely to hold down the deficit this is not going to be very influential on people who don't know what a deficit is, anyway, or aren't concerned about the \$29 billion, but if you put it in the frame of reference as we did in our statement that for every \$1 billion of curtailed expenditures you are going to reduce this percentage tax increase by 2 percentage points this hits home pretty clearly.

It seems to me if we can get the American public to recognize every time \$600 million is cut out of the expenditure side you can consider a temporary tax rate of 1 percentage point less, that puts more pressure on Congress as well as the administration than merely a statement that if you spend more money you are going to have a bigger deficit.

Mr. BYRNES. That presupposes, it seems to me, that you are still going to have a deficit of in the neighborhood of \$20 or \$22 billion. When you talk about reducing expenditures a billion dollars you are speaking in relatively small terms in the face of a \$29 billion deficit.

I would rather think in terms of the economic consequences of a deficit of this size in order to reduce the deficit to within manageable proportions. If we talk only of balancing a potential tax increase with expenditure cuts, we are not going to go very far down the line.

Mr. GULLANDER. The point I was trying to make is the President asked for 10 percentage points surcharge. He is also asking for a major expenditure reduction. To the extent you get added expenditure reduction and Congress can force that expenditure reduction, it cuts the 10 percentage points down to 8, or 6, or whatever the figure ought to be.

Mr. Byrnes, as I say, I am uncomfortable sitting here talking about a tax increase. I am much more comfortable talking about a tax decrease. We said we thought we had to be financially responsible and that the \$29 billion deficit is intolerable. You have to increase your revenue at least on a temporary basis along with expenditure reduction and one is just as vital as the other.

I would agree that the expenditure reduction is more vital than a tax increase because in effect that has a greater impact on improving