

The national chamber supported the tax rate reductions of 1964 in the face of substantial criticism—for example, the charge by Senator Byrd, then chairman of the Senate Finance Committee, that the chamber wasn't being fiscally responsible in supporting this action.

We supported the reduction proposals because we thought they provided the shortest road to a balanced budget through increased revenues. Certainly, as to the revenues, our faith was vindicated. Revenues rose from \$86.4 billion in 1963 to \$115.8 billion in 1967.

However, a change in administration policy then followed. Business and taxpayers in general were warned about a "fiscal drag" of billions of dollars. Immediately spending programs were devised to anticipate this "fiscal drag." Increased revenues have not kept pace with the new spending programs, and the programs have not been curtailed, despite the increase in defense needs.

Business, in general, is not persuaded that any future tax revenue increase will not immediately be swallowed up by new spending programs—by new demands for Government services.

We are told we have reached a crisis. To meet the crisis, it is proposed to impose upon taxpayers a burden of a \$7.4 billion tax hike in fiscal year 1968 and approximately \$9 billion in calendar year 1968.

But the crisis is apparently not serious enough for the administration to do more than reduce spending by possibly \$2 billion in the civilian area, maybe \$2 billion in the defense area, sell \$2 billion in participation certificates, and try to head off another \$1 billion in additional pay boosts. The chamber of commerce believes that if the situation is as serious as the administration contends, and we believe it is, real and immediate major cuts in nonmilitary spending should be effected.

SPENDING REDUCTION

The Nation is faced with a potential administrative budget deficit of possibly \$29 billion. This assumes no tax increase. The deficit potentially is greater than for any other year since World War II.

The rise of expenditures is a matter that the administration, with the assistance of the Congress, can control, if the will is present. Earlier in the year, there was a logical solution: Cut Federal spending. The same solution is still there, though the ameliorative impact will be lessened.

In January, when the President first asked for a surtax, the national chamber declared:

Reduction of spending for nondefense purposes—in the maximum amount commensurate with effective and efficient operation of the government—should be the first consideration. For the period of the present military stringency all less essential or new spending programs should be decelerated or postponed.

At the time, neither the administration nor the Congress appeared to be so inclined. In fact, despite many warning signals, there have been too few examples of fiscal restraint.

It is time to call a halt to prolific spending. It is up to the administration to reduce unnecessary or less-essential programs, and to defer spending where possible. Priorities must be established. Many worthwhile programs may have to be deferred.

The budget can and must be reduced. Emphatically, we do not agree that only limited amounts, mostly in the nondefense area, are subject to reduction. Literally, all Federal programs should be subjected to