the alternative danger would be the inflationary pressures building up as they did last year; inflationary pressures growing to the point that we would be threatened with another serious financial crisis and cost-of-living increase that might very well be disastrous to the economy.

That is the prospect that we have to face.

Now, you have come out, as I understand it, flatly in opposition to the tax increase. Is that right, Mr. Winter?

Mr. WINTER. At this time, until we get more indication of what the swing of the economy is; yes.

Mr. ULLMAN. You realize that this could take 6 months. If we don't act now, if we put it off until next January, then we are talking about a July 1 increase.

In my judgment and for what it is worth I think that the tax increase that we will impose or should impose would be effective on January 1 rather than retroactive. I think there is some basis for that.

Now, what would be your judgment on that?

Mr. WINTER. I think my judgment would be that if there is to be a tax increase January 1 would be the time. I think later this year there should be a better indication whether you are going to give a green light and go ahead with the tax increase in some measure or whether the indicators indicate that this should not be done.

No, I don't think this can wait until next spring or summer or something like that. I think the decision has to be made later this term.

Mr. ULLMAN. Now, Mr. Winter, you compare 1963 with 1967 with respect to expenditures. You are ignoring the expenditures of this year, fiscal 1968, which are already apparent, in which we are facing a $10 billion increase in defense expenditures.

You heard the President and the Secretary say that they estimate $4 billion additional defense expenditures this year.

Mr. WINTER. That is correct.

Mr. ULLMAN. With an $80 billion defense expenditure and $15 billion for interest we will spend $95 billion for defense and interest alone. With respect to expenditures, every responsible person that we have had before this committee has indicated that you might cut expenditures in the domestic area by $4 to $5 billion at the most.

I think it would be drastic. I think we would have chambers of commerce all over the country coming in and objecting if we cut this budget by $5 billion.

But when you are looking at a $29 billion deficit and can reduce domestic spending by only $5 billion you are talking about a $24 billion deficit. Are you, the representatives of the Chamber of Commerce of the United States, coming here and telling us that we should allow a $24 billion deficit to stand without taking some action by this tax committee.

Mr. WINTER. If the alternative is a tax increase which would result in a lessening of revenues we are not helping the deficit situation.

Mr. ULLMAN. Mr. Winter, the business community could hardly be healthier today. The pressures are building up. Are you telling me that the economy is so weak that a 10 percent increase in taxes might throw us into a recession?

Mr. WINTER. In our judgment it would be prudent to wait a while before you make a decision to impose a tax increase. Let's see what the psychological impact of this proposal is before we go ahead. Beyond