

by the Director of the Budget indicated it might be \$144 billion for fiscal 1968. We were not a poor country or a country overlooking the needs of our people in 1960. I want to call attention to a couple of other things.

President Kennedy, I remember, in 1960 campaigned saying we have to double the amount we are spending on education in our society in the next decade. My response was why was he asking us to slow down? We almost tripled the amount from 1950 to 1960.

I can tell you that we have slowed down, because Federal money not wisely spent can drive out private and local money, reduce effort, and this is what we are seeing. At least we should look at this area. In foreign aid and other areas, spending ought to be cut back from a total figure of \$5.1 billion to what the Clay Commission recommended, about \$1.8 billion. I say this, as one who favors the theory of foreign aid because you can have the Curtis corollary to Gresham's law operating, namely, that Government money will drive out private. We see it in the Alliance for Progress, where the misuse of Government investment has actually not increased private investment, either from the developing society itself, or from American private investment. So there is such a thing as going beyond the point of diminishing returns in expenditure policy and this certainly is the issue before this committee.

We can go beyond the point of diminishing return in tax policy. The chairman, himself, of this committee, on the floor during the debt ceiling debate, raised the question whether increasing rates would actually produce more revenue. Our tax rates are still too high. We could embark on a program for 20 years of reducing Federal income tax rates if we held our expenditures and increased our revenues through the expansion of the tax base.

These are the issues as I see it. I think your testimony has been on the point. The reason I have, in effect, testified here was in light of the cross-examination of Mr. Ullman. He restated the administration's case quite accurately, in my opinion. I think it is a poor case. I think it is founded on misconceptions of proper fiscal and economic policy, but I certainly want to zero in on this business of cutting back expenditures.

It is the correct course to take. It can be done. Mr. Mills' proposal can be adopted, but cutting expenditures doesn't have to wait for that. If the President believed this he could start exercising leadership today along these lines, and Congress could just heave a sigh of relief and support him on it and get this budget deficit down to about \$10 or \$15 billion.

I think we are going to have to have a deficit of that size. In dealing with a deficit of that size, it makes sense to talk in terms of what we might do to finance some of it through increased taxes and not have it all go into the Federal Reserve or into the money market. But until the administration agrees with this, I don't think it makes any difference how you finance a \$30 billion deficit.

The economic consequences and the damage are so great and the burden it is going to put in this cost-push inflationary area is such that we are going to have the meat ax cut off inflation.

Thank you, Mr. Chairman.

The CHAIRMAN. Any further questions?