ployment, the Federal Government should be placing somewhat greater amounts of money into the economy's spending stream than it takes out.

It is the size and sharp rise of the deficit—and the financing of a large deficit—that does trouble us. I belive it troubles most Members of the Congress, as well.

In fact, anticipation of the Government's financing of a large deficit has already affected the money market and interest rates. Many corporations have floated new bond issues in recent months, in an attempt to beat the expected tightening of the money supply and very high interest rates.

In the process, interest rates have been rising. The average mortgage rate on FHA insured new homes rose to 6.4 percent in June, for example. The rate on triple-A corporate bonds, in mid-July, was nearly 5.6 percent—higher than last September, when money was very tight.

Mr. Chairman, I am no expert in these matters. However, I see many signs of the economy moving up moderately and, hopefully, the pace will be picking up a bit in the months ahead. One does not have to be an expert to know that rising economic activities mean some increase in private borrowing, as businesses finance the expansion.

If the financing of the Government's large deficit, in the coming year, is superimposed on this situation, money will probably tighten and interest rates will rise to new heights.

We saw the effects of the Federal Reserve Board's tight-money and high-interest-rate policies last year. Homebuilding went into a deep recession, despite the need for a sharp increase in new and rehabilitated housing. Related industries, such as lumber and furniture, went into a slump.

Tight money and very high interest rates, in the year ahead, will probably achieve similar results again, The social goal of more and better housing would be thrown for a loss. The economic pickup would be unbalanced, with one sector of the economy depressed. Countless numbers of people would pay the price for such development—consumers, small businesses, farmers, State and local governments that need to borrow money, as well as workers in affected industries.

Therefore, Mr. Chairman, we belive that a tax increase is needed to reduce the amount of the Government's deficit that will have to be financed in the money market.

We do not agree at all with the proposition that the tax increase is required to prevent a classical inflation in the next several months with shortages of goods, manpower, plants, and machines. Manufacturing industries are now operating at about 85 percent of their capacity, the workweek has been cut down in the past year, there is remaining unemployment and underemployment.

Moreover, the labor force is expanding rapidly and new plants and machines are being installed. It would take a very sharp and continuing boost of business activity—much sharper than expected in the next several months.

If a tax increase is adopted, the overall pace of the economic upturn will probably be slightly slower than otherwise. However, the economic advance would be more balanced and it would be more widely shared among the various industries.