

(1) It will make whatever deficit we have to handle less than it would otherwise be. This is particularly true if we are courageous in the restraint of expenditures.

In the President's message to the Congress on fiscal problems he cited expenditure restraint as the No. 1 item. The Congress is the body that controls purse strings. There are no public expenditures until final action by the Congress.

Congress has the power to modify or change legislation on the books. Congress today has a serious responsibility. The public at large, as distinguished from certain pressure groups, expects that it will respond in a way which will affect the overall problems of all of our citizens.

(2) It would be an act of discipline which our democratic society needs to impose upon itself. While this is an intangible, it is of great consequence. We have for some years now accepted the new economics theory that annual balancing of the budget is unrealistic and even undesirable. It has been the consensus that over time there should be balance and under CED theory some surplus. Unlimited increases in the public debt are not accepted even by most of the disciples of the new economics.

(3) By showing ourselves and the rest of the world that we have the character to impose an unpopular tax increase, we will do much to maintain economic soundness in our affairs and help preserve world faith in our dollar.

It may and should help us face up to our other problems, namely, the establishment of expenditure restraint and determination of priorities as long as we have the war in Vietnam. We are undertaking tremendous responsibilities not only in Vietnam but in the rest of the world. We are struggling with important domestic programs.

We have to make choices because our economy cannot do all things for all people at this point in time. There are areas of relative priority. These we should determine and act accordingly.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Wilde, we do appreciate your comments on the matter before the committee. We appreciate your coming to the committee, Mr. Schneebeli.

Mr. SCHNEEBELI. Mr. Wilde, I always appreciate so much getting your testimony. I think your logic is very impressive.

A specific question. In the event the 10-percent surtax was approved what time interval would transpire before it would have much effect on either inflation or the tight money market? How long would it have to be in effect to be of any value?

Mr. WILDE. You are asking about the timelag, so called?

Mr. SCHNEEBELI. Yes, sir. What is your interpretation of the time lag that would ensue before it could be effective?

Mr. WILDE. Well, to repeat, Mr. Congressman, we have two matters to influence the price structures. One is expense reduction, which could be started at almost any time, and the second one is the impact of withdrawing from the spending stream the 10 percent from individual taxpayers.

It probably starts in part pretty soon because people anticipate and buy so many things on time that they might refrain from doing that, so it could start within a relatively short time from the enactment of a 10-percent increase.