run, interest rates are controlled by the laws of supply and demand, and not by Government fiat.

CUT FEDERAL SPENDING

Since 1960 the U.S. population has grown by only 10 percent. In the same period, the personnel comprising the civilian bureaucracy of the Federal Government has grown by 25 percent; the cost of Government payrolls, including military, has grown by 75 percent; the total of all Government spending has grown by 83 percent; nondefense expenditures of the Federal Government are up 97 percent.

It is obvious that the only sensible step toward curbing inflation and huge deficits, is to cut Federal spending.

There is a bill, S. 538 passed by the Senate in May, now pending before the House. It provides for creation of a Joint Committee on the Budget. It should be passed in our opinion.

A NEW COMMISSION NEEDED

A more fundamental, additional approach to expenditure control is envisioned in a proposal by the distinguished chairman of this committee, Congressman Wilbur D. Mills. His bill, H.R. 10520 would create a 12-member bipartisan Government Program Evaluation Commission, its members drawn from private life, to examine all Federal programs and activities, old, new and projected, and assign priorities among them.

The yardstick would be "the fundamental needs and vital objectives of the Nation." The Commission would ask of each program: What is its effectiveness in terms of present and future costs? Should it be continued? If so, at what level of funding?

A companion Senate bill, S. 2032, has been introduced by Senator William Proxmire, Democrat, of Wisconsin, chairman of the Joint Economic Committee. He calls the idea "a fresh look" at Government expenditures, needed to instruct Congress and the President as to how much should be appropriated in a given fiscal year for each Federal activity.

The rationale of expenditure control was outlined by your chairman, Representative Mills in a speech in late May, before he introduced H.R. 10520. Among his points: After taxes were reduced in 1964, it appeared that the rate of Federal spending had moderated.

But in September 1965, the spending rate rose quickly and this year, if certain contingencies occur, the Nation is faced with the prospect of a possible fiscal year 1968 budget deficit of nearly $30 billion—the largest since World War II.

Though urgent defense costs account for part of the spending rise, nondefense costs also have risen and this is where controls must be applied. First-year costs of a new program are only part of the story; of more concern is what future costs will be 5, 10, even 15 years ahead.

As these rise, they can impose a straitjacket on tax policy and endanger the desired goal of spending controls coupled with regular, frequent and significant reductions in tax rates which will free the private economy to help solve problems which many people are urging that the Government solve directly.

Therefore, priorities must be set on nondefense programs.