

Mr. SCHULTZE. Yes, sir; I will be very glad to.
The Budget Bureau subsequently supplied the following table:

Price index changes during comparable Korea and Vietnam periods

[1957-59=100]

	Consumer Price Index	Wholesale Price Index
Korean period:		
June 1950.....	83.0	84.4
December 1951.....	92.2	95.6
Percent change.....	11.1	13.3
Vietnam period:		
June 1965.....	110.1	102.8
December 1966.....	114.7	105.9
Percent change.....	4.2	3.0

Senator JORDAN. Now, referring to your statement, you say:

Our price performance in 1966 is not up to what we had earlier hoped.

Then, you go on to say:

In the last 18 months saw a rise of 4.2 percent in consumer prices and a 3-percent rise in wholesale prices.

Many economists believe that a tax increase should have been implemented about a year ago now. What is your reaction to that now, with hindsight, since you have had a year of operation?

What would have been the effect, say, of a 6-percent surcharge you are recommending now, to take effect in July, had it been implemented a year ago?

Mr. SCHULTZE. I guess it is a little bit easier to do it from hindsight than foresight.

I am not sure, Senator. You have got to remember that we did have tax accelerations; we cut off the excise reductions that were then in order, and there was at the time, although it was fortuitous in the sense it had been enacted earlier, a significant increase in social security taxes.

With all of these together, we pulled some \$10 billion out of the economy. I think going all the way back to November and December of 1965, in the context as we then saw it, and even allowing for some further increase in defense spending, although not as much as occurred, I think our policy decision then was right.

We did come in in September with suspension of the investment credit, and with these budget deferrals, which took a lot of the heat off of the economy. If we had put in a tax increase larger than we did, earlier, I am not sure where we would be. We might have been better off for the months of the summer and probably worse off now. So it is pretty hard for me to judge.

I don't think we missed it by too much. Let me put it that way. We took a lot of pressure off the economy.

Senator JORDAN. Are you satisfied year after year running up deficits here at the time when the economy is at its highest level of productivity and achievement we have had in many, many decades? Do you think it is wise to do that in the light of the dire results that are bound to derive from it?

Mr. SCHULTZE. I guess the first thing I would say, Senator, is that given a \$22 billion expenditure for Vietnam, in fiscal 1968, to have