

*"I am recommending legislation to authorize a pilot program to provide school lunch benefits to needy preschoolers through Head Start and similar programs."*

Chairman PROXMIRE. Congressman Brock?

Representative BROCK. It is nice to see you again, Mr. Schultze. I have enjoyed your testimony very much. Just a couple of questions on fiscal and monetary policy this year. Do you consider this projected 2-plus percent increase in price as a serious problem or is it manageable?

Mr. SCHULTZE. I would say it is higher than we want, but manageable. Quite clearly, as I think the Council's report brings out, it is going to take time to bring stability, because you get this fed into the cost structure and admittedly it takes time, so I would say it is higher than desirable, but we think manageable.

Representative BROCK. If you are going to follow a fiscal policy to a greater degree than last year to keep it manageable, in your opinion, is an increase in taxes more workable as a tool than a reduction in Federal expenditures?

Mr. SCHULTZE. I am glad you asked that.

Representative BROCK. I think you might be.

Mr. SCHULTZE. Well, no. I would like to make a distinction which I think would be very useful in discussing this. From the point of view of fiscal policy, in terms of either stimulating or restraining the economy, and obviously very roughly, a dollar increase in taxes or a dollar decrease in expenditures has about the same effect, in the overall sense of stimulating or restraining the economy. And I have always felt that it is this area where liberals and conservatives really don't have any ideological problem. If you are looking at the fiscal policy part of it, there is no magic in reducing expenditures versus increasing taxes.

In other words, it seems to me, if I can use the distinction—it is probably old hat—nevertheless, there is kind of a real ideological and legitimate debate between those who want less expenditures and those who want more, for particular programs.

So I would say therefore, finally, that a dollar of tax increase or a dollar of expenditure reduction has roughly the same fiscal effect, but obviously not the same effect in terms of your evaluation of the worth of the programs and everything else.

Representative BROCK. Those who are paying the increased taxes might disagree as to the effect. That is what you are saying. But insofar as its economic impact, it is about the same.

Mr. SCHULTZE. About the same, but I wouldn't want to be pinned down to the last decimal point on the effect.

Representative BROCK. Part of the impact that it does have is in the area of monetary policy, in the management of the debt that might or might not occur as a result of a tax increase.

Mr. SCHULTZE. Right.

Representative BROCK. Could you tell me this. What percent of our national debt is now in less than 1-year obligations?

Mr. SCHULTZE. Yes, sir.

Representative BROCK. And in less than 5-year obligations?

Mr. SCHULTZE. Yes, sir.