

mitments are coming in the first half of the current calendar year, a fact which Business Week noted will provide "a whopping fiscal stimulus" over the next few months.

It is this immediate situation which calls for restraint in nonessential and deferrable expenditures.³ To date, the administration has refused to exercise the required discipline on current spending and instead directs attention to the allegedly restraining character of the 1967 budget.

The question may be raised whether the 1967 budget should not be more expansionary than it in fact is. The committee heard expert testimony that the budget will be too expansionary during the final half of this calendar year and too restrictive during the first half of next year. Although it is obviously impossible to predict conditions a year hence, this observation may have merit if revenue and spending estimates turn out as the administration predicts. This is particularly true if one concedes that an inflationary boom may be laying the groundwork for a recession next year.

However, we doubt that the 1967 budget will be overly restrictive next year, and we feel certain that it will be too expansionary in the second half of this year. The January budget estimates this year are a less reliable indication of what actual results may be than is usually the case.

Spending will almost certainly exceed the administration's estimates. Not only are some proposed outlays underestimated, but Congress may very well increase spending on programs where the administration—with tongue in cheek—has asked for reductions, such as the school milk program. Some observers have indicated that the \$4.8 billion reduction in nondefense expenditures is largely concentrated in programs controlled by law. The \$5.4 billion increase in nondefense expenditures, however, is said to be in those areas where the Executive has a freer hand in determining the level of spending.

REVENUE MEASURES

On the revenue side, the tax measures requested by the administration will yield about \$4.8 billion in additional income, but since these (except for the reinstatement of excises reduced in January) do not involve any increase in tax rates, their effect on demand will be minimal. To the extent that the acceleration of tax payments affects liquidity and interest rates, it may have some secondary effects in dampening demand, but the overall impact is likely to be small.

Another factor temporarily swelling revenue is the unusually large seigniorage profit from converting silver coins to copper, estimated to total close to \$2.5 billion in fiscal 1966-67 combined.⁴ As Prof. Raymond J. Saulnier has pointed out, to the extent of these profits "budget expenditures are being financed in a thoroughly inflationary manner."

The massive sale of \$4.7 billion in Government financial assets proposed in fiscal 1967 also will have the effect of producing a lower level of expenditures and deficits than would otherwise be reported in the budget. They do not, however, reduce the Government's demands on the already hard-pressed credit and capital markets, nor do they affect the actual volume of Federal outlays. In effect, these proposed sales amount to another way of financing the Federal deficit.

In connection with the sale of Government assets, we wish to call attention to a bill (H.R. 13102) introduced by Congressman Widnall to limit and gradually reduce the use of the Federal National Mortgage Association to guarantee the sale of participation certificates for Federal Housing Administration and Veterans' Administration mortgages (\$1.2 billion sold, \$410 million due in March) and new participation certificates for the Farmers Home Administration, Office of Education, Small Business Administration, Veterans' Administration, and the Department of Housing and Urban Development, for an anticipated total of \$3.2 billion. The program to sell financial assets should not become an unlimited pipeline to the Treasury. We urge early consideration of this bill by the appropriate committees of Congress.

³ See Senator Javits' footnote, p. 33.

⁴ It should be noted that when Congressman Widnall predicted last August the amount now conceded to be available through seigniorage profits, and cautioned on its possible use for budgetary purposes, his statement was discounted by administration officials. A Presidential committee, appointed in September to report on the use of these profits for proposals such as the Republican water resources trust fund, has never submitted its report, though it was due in December.