

we would be unpatriotic if we tried to cut Government expenses and reduce the deficit. I wonder if truly we are in that much of a strait-jacket, and whether or not economics can be that scientific as to pick this narrow gap and say that you can't go above it and you can't go below it?

Secretary FOWLER. You might shave that surcharge from 6 to 5 percent as a result of your labors.

Senator PERCY. Could you explain in more detail what the President's budget message did mean in the strong implication that we really can't afford to have the range change much, that the economy apparently is so precariously balanced that if we in the Congress changed the expenses or the revenues, that we might upset the whole economy?

Secretary FOWLER. I can only make my own comment on it. My comment is that these sharp shifts from heavy stimulus to heavy restraint or from heavy restraint to heavy stimulus are not conducive to the stability and the sustained activity that we like to see in the economy. And we have been through, necessarily, a couple of these as a result of the events that have occurred in the last 18 months.

What the President has in mind, the way I read it, is that for the duration of these hostilities, for however long they may last, that we could hope to avoid these major swings. The NIA budget, which is the best measure we have, is estimated to run a deficit of \$3.8 billion in the fiscal year 1967. For fiscal 1968 the surcharges should pull this deficit down some \$1.7 billion to about \$2.1 billion. Staying in that general neighborhood, without another big swing back in the other direction to a heavy surplus, or without having the NIA deficit go on up from 3.8 to 7.5 or some other figure is a desirable course to try to steer.

Now I don't think he meant that there was any particular magic in 2.1 as distinct from 1.5 or 2.7, but in that general range of moving back from the 3.8 to something fairly close to balance.

Senator PERCY. The Congress is going to have to make many decisions this year, has the surcharge increase of 6 percent, the increase in the base of social security, and also an accelerated tax collection schedule. If there is resistance by both the Democrats and the Republicans to increasing taxes, how serious would it be if the expenditure level was not reduced and none of these tax increases were enacted?

Secretary FOWLER. It would be very serious the way I see it now. Now, as the chairman and I in exchanges have indicated, intervening economic events before the time that decision must finally be taken may change our minds in various directions. But I feel after our experiences last year, that it would be very serious not to have a general condition of monetary ease, or at least ready availability of money and credit on reasonable terms. I also feel that this is the moderate and the appropriate course to try to follow in paying for the war. We just can't continue to have the costs of it go up and not try to defray them.

There is some hope, I know, in various quarters in the Congress, that by reducing appropriations and expenditures, you may be able to take care of some of the fiscal policy.