in June are about what they are now. On the other hand, if conditions are more expansionary, if prices have gone up, if industrial production has resumed its rise, there is a much stronger argument for a tax increase. But I take it from your earlier response that you feel that if conditions are unchanged we should still have a tax increase. Is that right?

Mr. MARTIN. I think that the prudent course is to perceive that we ought to be doing something to close this gap by either reducing expenditures or by increasing taxes. Assuming the imposition of this tax as of July 1, whether it is passed now or 3 months from now is of no particular concern.

Chairman PROXMIRE. Now it is this gap concept that concerns me, because if we have a stable economic situation or a declining economic situation, and not the growth that we had hoped for, we will have a larger deficit, not a smaller deficit. Under these circumstances, should we increase taxes?

Mr. MARTIN. I think this ought to be very carefully considered; yes.

Chairman PROXMIRE. Shouldn't the principal judgment be on the impact on the economy, recognizing that after all if we have a serious recession we will have a big deficit, a $20-billion deficit.

Mr. MARTIN. This is one of the economic questions of our time. I insist that the problem of the next 10 years is going to be how we deal with the economics of full employment.

Chairman PROXMIRE. You put it very well in your statement when you said we should have the fullest possible utilization of our resources consistent with stable prices. Now if prices are fairly stable, our resources aren't being utilized, then isn't it clear that we should follow an expansionary fiscal policy Isn't that a time when maybe a deficit might not be a bad idea?

Mr. MARTIN. Well, yes; but there has to be some relationship to the past deficits. This is this matter of perpetual deficit.

Chairman PROXMIRE. I don't like perpetual deficits at all. I voted against the tax cut in 1964.

Mr. MARTIN. You and I are in complete agreement on perpetual deficits. We have talked on this before.

Chairman PROXMIRE. This isn't like the period of 1964 when unemployment was already declining. We should have, under those circumstances, a stable tax not have had a tax cut. By now the economy is going the other way and you propose a tax increase, not stable tax rates?

Mr. MARTIN. We may have to do that, but I still——

Chairman PROXMIRE. You say we may have to do that.

Mr. MARTIN. I still think the prudent thing is to look toward the imposition of the President's proposal on July 1. That is what I have been trying to emphasize.

Chairman PROXMIRE. But shouldn't that depend entirely on what the economic situation is in June when it comes before us. and I mean entirely, not on the budgetary situation but on the economic situation?

Mr. MARTIN. I am not convinced that you can ignore the budgetary situation.

Chairman PROXMIRE. All right, let me ask you about something else. There seems to be a direct conflict between the needs of the hous-