tion and perhaps in some cases pollution, and so forth, but others are just my own ethical, social, or value judgments.

Representative RUMSFELD. We have had testimony before this committee in recent days to the effect that the net difference in impact between a reduction of Federal spending as opposed to an increase in tax revenues is just about even. That there aren't great differences in the economic impact on the country, whether you take one tool or another tool. Is this generally your view?

Mr. HELLER. As far as the relaxation of demand pressures are concerned, you can accomplish the same thing through the two instruments, but there are substantial differences in the speed with which you can do it. And obviously there are also substantial differences in what values you serve, and for that matter, what kind of return you get on the investment of your funds.

Representative RUMSFELD. I appreciate there is a difference in values to be served, but would it not be correct that if the net effect is similar from an economic standpoint, that you can achieve a much more rapid impact by reduction of Federal spending?

Mr. HELLER. No.

Representative RUMSFELD. Than you can by the imposition of additional taxes.

Mr. HELLER. No, it is not. That is just where the rub comes in, although——

Representative RUMSFELD. So you feel it would be beyond your response to my first question concerning the impact in a tax increase, it would run beyond that because of inventories?

Mr. HELLER. Let me clarify the difference that I did try to make in the opening statement, perhaps not sufficiently clearly, that when you are dealing with transfer spending, that is when you increase social security benefits, for example, or if you were to decrease them, that is virtually equivalent to increasing or decreasing taxes, because taxes are negative transfer payments or transfer payments are negative taxes.

But when you are dealing with the resource using Government expenditures, whether it is a highway program or a program for education or what have you, then the speedup and slowdown process is a very sluggish one, and it simply doesn't compare with taxes as a stabilization instrument.

Representative RUMSFELD. Specifically how much longer, roughly, in something like highways? My time is up.

Mr. HELLER. It depends so much on the particular program.

Representative RUMSFELD. Highways.

Mr. HELLER. Highways? I would think there would be a lag. It's terribly hard to estimate, but it would be at least half a year's difference, but that is a very unscientific off-the-cuff judgment.

Representative RUMSFELD. Half a year more in the tax increase.

Mr. HELLER. Yes, by the time you get the resources moving or slowing down through all the processes from giving the grant or taking it away, or getting the money pumped into the program, and so on, it would be slower. Although again so much depends on the program—if you wanted to put it into cleanup work on the highways, that could be done very quickly. But if you wanted to actually do it on the construction process, that is likely to involve a considerable delay.

Chairman PROXMIRE. Congressman Patman?