

private economy—and our economic system is primarily a private system—which will continue to weaken consumer markets by comparison with the increasing capacity of the economy to produce. Both the question of equity and the question of sustained economic growth are related to this basic underlying problem of income distribution.

Chairman PROXMIRE. Mr. Sprinkel?

Mr. SPRINKEL. May I elaborate just a moment on the reason for my position against a tax increase by considering the arguments that I have noticed that have been presented in favor of it, which are in my opinion wrong.

One, it is argued that we need a change in the mix, and that to get easier money, which is desirable, we should have higher taxes. This, of course, is clearly wrong.

We can increase the money supply, increase the reserves in the banking system irrespective of what happens to taxes. Now both representatives of the administration and the Federal Reserve testified before this committee recently saying there was no political deal requiring a tax increase to get an easier monetary policy, so I think that can be rejected.

Another reason that some have argued—I believe the President mentioned this—is to pay for the Vietnam war. Clearly, we are going to pay for the Vietnam war, whether we have the tax increase or do not. The question is, are we going to pay for it with taxes, are we going to pay for it with deficits, are we going to pay for it with cutting back of some other kinds of expenditures. So it will be paid for and this in itself is not a reason.

Three, it is argued by the Council that we are going to have renewed inflationary pressures early in 1968. This may be correct, but I don't think they can tell now. I certainly cannot tell now. All of the evidence at the moment points in the opposite direction, a waning inflation, a weakening economy. How can we be certain that we will need the tax increase because it may slow up inflationary pressures in early 1968?

Finally, it is argued we need the tax increase so that we can have more spending on Great Society programs. Again, I think there is a tendency to confuse objectives with results, and I would hope that we will look at Great Society programs and decide on their own basis, and on the basis of results, whether we should spend more or whether we should create incentives for the private sector to do some of the same kind of jobs. But in any event, it does not turn on whether or not we raise taxes. Therefore, I am against a tax increase at this point.

Chairman PROXMIRE. Dr. Madden wanted to comment, I believe.

Mr. MADDEN. I would like to add something to the position I stated. I think that certainly there is no necessary reason for the Congress to make a judgment in advance as to whether a tax increase is absolutely not necessary, but my own judgment is that the second half will be sufficiently weak so that the tax increase is highly unlikely to be necessary.

At the same time, the Federal budget for fiscal 1968 of \$169 billion, our national income account has risen from \$91 billion in fiscal 1960. In the words of the London Economist:

Its dominating feature is quite simply its tremendous growth and not only because of the war—a growth that in the past three years has amounted to \$50 billion of which just under half is accounted for by the war in Vietnam, and that it has resulted in a rise in Federal spending.