look at the increased $5 billion that you are talking about they will have to finance.

Representative REUSS. And if I may interrupt you, for the purposes of this discussion, let's view this as a method of obviating $5 billion of otherwise necessary borrowing.

Mr. SPRINKEL. Yes, sir.

Representative REUSS. Because I realize that Dr. Madden at least would probably say pick up the $5 billion by spending less. But since the administration says "Here is our budget, and here is what we are going to spend," take it on their terms.

Mr. SPRINKEL. Yes, sir; take it on their terms. That portion on their terms but I can't take certain other things on their terms. Let's suppose that instead of the environment that they paint, which may well come about, we have a recession. Then we will have $10, $15, or $20 billion that we have to borrow. That is No. 1, and I think this policy is certainly working toward restraining demand so far as fiscal policy is concerned, rather than helping.

Secondly, and this is really the more fundamental response to your question, I think it is extremely important that we distinguish between the tightness of money and the tightness of monetary policy. These two are not the same thing, although I see them constantly confused.

The tightness of money, as I think most people mean, refers to the price of money, interest rates, and we all learned in Economics I that interest rates are affected both by demand and supply, and that one part of supply is the money that the Federal Reserve provides.

Therefore, the mere fact that the Federal budget must enter on the demand side the $5 billion of which you speak does not mean that monetary policy cannot continue to be relatively expansionary, providing us with the 2-, 3-, 4-percent growth in the money supply that I would like to see provided. So, on either score I just don't agree with that particular position of the administration.

Representative REUSS. Dr. Madden?

Mr. MADDEN. I would share Dr. Sprinkel's views, but would adjust as you might expect I would, that total taxes as I understand it of all levels of government are now taking something like 31 percent of income, and we see in news magazines such as U.S. News & World Report's most recent issue that State and local taxes are likely to rise further, and we finally see some dissatisfaction on the part of the public as reflected in public opinion surveys and dissatisfaction on the part of leaders in Congress, and even in the administration, about the question of the efficiency with which the funds that have been increased so rapidly in the past few years available to the Government are being spent. So, for all these reasons, I reiterate the position you are familiar with, that we should cut spending.

Representative REUSS. Mr. Goldfinger?

Mr. GOLDFINGER. I would like to reiterate, I am not opposed to the tax increase. I have an open mind on this issue.

First, in contrast to my friend, Dr. Madden, I am for—and very strongly for—increases in major essential domestic programs such as Federal aid to education, housing, the rebuilding of our cities, the war on poverty, the antipollution programs, and similar programs which I consider to be very essential. In fact, I consider, as I indicated in the paper, the President's proposals to be very modest in terms