case. Suppose further that now that was plowed back into plant, but only a very small part of that was plowed back into plant. Would a small tax increase particularly aggravate that situation, do you think?

Mr. HAGEDORN. Well, I can't answer for General Motors and even if I could, you can't design a tax system with a view only to its supposedly desirable effects on General Motors. It has to be a tax system that is going to affect everybody else, too. The effect of a tax increase is bound to be to discourage production to a degree.

Now there may be times in the country's history when that is exactly what you want to do. When we are in an all-out war, you certainly have to increase taxes because you are trying to discourage civilian production and to move the resources of the country into the defense field. I don't think that is the situation we are in now.

Senator MILLER. Of course, the difficulty is that we are in a middle area here. However, when we are faced with a $20 to $30 billion a year cost of the war in Vietnam, it seems to me that it would be very, very difficult to reduce Federal domestic spending sufficiently to offset that, so that there would be no tax increase at all.

I am willing to listen and I certainly would advocate taking a look at expenditures in order to avoid a tax increase, but I must say that I fear that the amount of the reduction of expenditures will not be sufficient to enable us to come out with a reasonably balanced budget to avoid inflation, and if that is the case, then it seems to me that a tax increase is indicated, and we have to make up our minds what we are going to do.

Are we going to take purchasing power away from the American people by inflation, or by taxes. And I think most of us would agree that taking it away by taxes would be more fair than by inflation. That is why I am wondering if you wouldn't agree that we might reach a point in this cutback in Federal domestic spending beyond which it would be undesirable, which would in turn require a tax increase of some kind.

Mr. HAGEDORN. Well, I am sure that you can't accomplish everything that you perhaps would like to accomplish in the way of reducing Federal expenditures in one year. But I think a good start can be made if you look at the spending programs and decide maybe there is something here that can be postponed to a later year.

It may be a matter of stretching out various programs. Instead of doing everything as presently laid out, delay things a little bit. The American people would probably view such a program of stretching out expenditures and delaying some of your programs as a good price to pay for not getting a tax increase this year.

Senator MILLER. May I say that I agree with you. I am wondering if your association has come up with any suggestions, specific suggestions of what programs to stretch out, what programs to reduce, and how much. Have you any suggestions specifically?

Mr. HAGEDORN. Not specifically, sir.

Senator MILLER. I wonder if you could furnish them to this committee?

Mr. HAGEDORN. We have some general discussion of the important areas in the budget and what their fate has been and what is involved in them, and if you wish, Mr. Chairman, I would like to submit that study for the record.