supposed to be worrying about putting on a surcharge because everybody had given up on the idea of reducing expenditures, everybody who really knew.

But, in all of this, it seems to me that there ought to be somebody who is saying on any one of these suggested remedies, Who gets hurt, who pays the bill? Who pays the bill on a wage-price guideline?

Supposing you really instituted one, or you set up a board; who pays that bill? Who would pay the bill after you have had substantial wage increases and substantial price increases on a 10-percent surcharge? Who pays the bill if you cut $10 billion out of the budget? And why don't we sometime get all the information together some place at one point?

I would be glad to hear what you have to say. Any of you.

Chairman PROXMIRE. Why don't you start, Mr. Kendrick, and we will go from left to right.

Mr. KENDRICK. Well, as to gathering all the information relating to these problems, I thought that was the function of the Joint Economic Committee.

Representative GRIFFITHS. That is the function of all of us, and that is why we are asking your opinions.

Mr. KENDRICK. Yes. Because all of these things do mesh together and I think you are quite right that it has to be looked at as a whole.

As to the fiscal policy recommendations of the administration, as you know, the economy looks very strong, following the slowdown in 1967. The latest indicators show great strength.

It seems to me that there is the least risk in going ahead with the surcharge—whether 10 percent or 7 percent depends on a more technical analysis of what is needed. The surcharge could be removed again as soon as the economy slows down perceptibly and if new stimulus were needed or if expenditures actually get cut to the point there is an actual slowdown in aggregate below capacity.

Representative GRIFFITHS. If we put in a 10-percent surcharge who is going to get hurt? If we slow it down, who is going to get hurt? Not the autoworkers and the manufacturers—they are not.

Mr. KENDRICK. I understand since it is a surcharge it really doesn't change tax incidence particularly. It is just on top of what is already paid.

Representative GRIFFITHS. Yes.

Mr. KENDRICK. So that it is not a type of reform at all. Everybody pays proportionately a bit more, including corporations on their net income as well as individuals.

On the expenditure cuts, of course, that depends on where expenditures are cut.

I personally think the surcharge should be put on as quickly as possible until we have evidence of a slowing down and then it should be removed quickly.

Representative GRIFFITHS. If you have wage-price guidelines, whom does it affect?

Mr. KENDRICK. Well, it seems to me that there you mainly affect the powerful unions who are able to get above-average wage increases, because these are the ones who are visible; this is where the increases above 3.2 percent or whatever the standard is, take place.

We know a lot of building trades unions have gotten increases of 6, 7, or more percent a year. If there were some restraint practiced by