With that amount of a deficit to cover, I take it you would not anticipate that these interest rates would stay substantially lower very long. I can understand the psychological reaction which you referred to, and of course everybody, most people at least, would like to see interest rates come down, but I am wondering if that could be sustained in the face of this, if things go on the way they appear to be going.

Mr. MITCHELL. Well, the goal of the policy is to retard the pace of activity. I would think rather that interest rates that are absolutely at historical highs would come down and stay below those historical highs.

Senator MILLER. You said that they would come down, you thought they might come down significantly. I do not know what you mean by that.

I suppose you mean in the neighborhood of 1 percent would be a significant drop, would it not?

Mr. BRILL. That would be a significant drop; yes, sir.

Senator MILLER. With the $14 billion budget deficit staring us in the face, if Congress takes this action, you have a very substantial deficit to cover.

Chairman PROXMIRE. If the Senator would yield, I thing there is a difference of opinion on that. The Senator may well be right, but I think there are those who argue that there would be a $6 billion deficit with the tax package, that is a $20 billion deficit without it, and Senator, if you put this combination into effect, it would be reduced by $14 to $16 billion, in which case it would be $4 or $6 billion deficit, but you may well be right.

Senator MILLER.I do not think anybody knows. I am just using the figure of $10 billion from revenue, which I believe is being used as a benchmark, and a $6 billion reduction in spending, so you have a $16 billion impact on the deficit approximately.

Chairman PROXMIRE. I start with the $20 billion deficit, and you start with a $28 billion deficit.

Senator MILLER. I am not referring to the current fiscal year, but to the next fiscal year.

Chairman PROXMIRE. 1969.

Senator MILLER. But assuming that it ends up with let's say $12 to $14 billion budget deficit to cover, I take it that we could not be too euphoric or sanguine about the interest rates coming down much lower.

Mr. MITCHELL. I think we ought to get Mr. Brill to comment on this. I think he is better equipped to do so than I am. What would you say?

Senator MILLER. Please do.

Mr. BRILL. I think there are two or three considerations.

One is that the order of magnitude of what the change in the deficit would be would bring the number remaining to be financed lower than 14. I am not sure it would be as low as 6, but I think lower than 14 that would remain after passage of the proposed legislation. I must admit I do not have a precise number, just the impression from what I have seen to date.

I think there are two other considerations. One is that if the increase in taxes has its effect in cooling off private spending, there will