(3) If the Congress feels it must select the specific programs to sustain cuts in order to raise military spending, two principles should be followed: one, that no cuts be made in those programs directed toward meeting social ills—poverty, health, slum clearance, urban renewal, etc.—but the Congress should give strong guidance toward the specific goals it expects to be achieved by these; two, that the primary cuts should be in programs which can be delayed without serious damage to any vital area of the economy in the short-run: highway construction, rivers & harbors, subsidies to shipbuilding, space exploration, SST, and oceanographic research and development.

If these are insufficient to cut the proposed budget by \$8–\$10 billion, Congress should accept that the quasi-wartime situation demands a delay in some longer term programs of educational assistance and should insist also on a careful husbanding (if not reduction) of military support programs which are not closely related to the effort in South Viet-Nam.

Chairman PROXMIRE. Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman.

Gentlemen, I want to commend you all for very constructive statements. It seems you all agree, No. 1, that the gold cover should be removed, No. 2, that the measure taken by the administration to stabilize our balance of paayments are ineffective, actually, and only borrowing time.

I refer, Mr. Butler, to a statement that you make on page 2. You are speaking about controls of the character—you say, "Controls is in no way a lasting answer to our real problem. They buy time at a heavy cost."

You go on to say that the root cause of our troubles is inflationary pressures, inflationary upsurge due to the enormous rise in Federal defense and nondefense spending after 1965, and so on.

I have the same question, of course, that all of us must face here in the Congress: What do we do to reduce these inflationary pressures? The question has been put by Mr. Boggs about the reduction in taxes. I wish the rest of you would address yourself to that. Do you believe that the Budget can be reduced, that spending can be reduced, and if so, where?

Mr. BUTLER. Well, I believe that it can be reduced. Certainly, the increase in spending can be held down. One way to do it is just to put a ceiling on the rise in expenditures and a ceiling on every Government agency. I think you have to pay for whatever rise there is in the cost of fighting in Vietnam. You probably have to pay for the rise in interest costs. But I think it is perfectly feasible to set a ceiling on other Government expenditures, and I think a rise of \$2 billion in spending would cover what is now contemplated in Vietnam, and interest, and that Government agencies could live with a ceiling.

I think a more sophisticated way to do it would be to go through each Government program, item by item, looking at the cost versus the benefits. I think this a very time-consuming and difficult process, but I do not see any reason why you cannot just impose a ceiling for a year, and I think this would be extremely beneficial.

I think in addition you probably need a tax increase. We have a deficit of \$20 billion plus. This is what is raising questions around the world as to the integrity and viability of the dollar. We, in my opinion, need to take action to get this deficit worked down perhaps not to zero but down to a very small figure.

The combination of tax increase plus some ceiling on spending I think would bring this about. There has been a tremendous increase in Government employment in the past 2 years. I wonder whether——