Senator JORDAN. Would you care to put a dollar figure on it? What are you talking about when you talk about cutting expenditures? What kind of dollar figure?

Mr. BUTLER. The Budget has gotten so complicated that I must confess I do not understand it any more. But, if you take in effect the old administrative budget, which comes, under one line in the new sort of budget, I would say a $2 billion increase for fiscal 1969 over fiscal 1968.

Senator JORDAN. $2 billion is your estimate of what could be——

Mr. BUTLER. I would hold the budget, the spending increase to that figure.

Senator JORDAN. Hold the spending increase to that figure over the prior year?

Mr. BUTLER. That is right. This, as I understand it, would be $8 billion less than the administration is asking.

Senator JORDAN. Yes; it would be an $8 billion cut?

Mr. BUTLER. That is right.

Senator JORDAN. Of the amount of the President's requested budget of $186 billion?

Mr. BUTLER. That is right.

Senator JORDAN. Mr. Machlup, what would be your estimate of the amount that could be cut, if any, from the Federal expenditures, and where would you cut?

Mr. MACHLUP. I must beg off on the question of where to cut. I am not really a student of the Federal budget. What I do know is that it usually takes a long time for such measures to become effective. If we need quick action, then I think the tax increase is the only remedy that can be applied on the fiscal front.

I know that our chairman has expressed himself very much in opposition to it, but I must beg his pardon if I disagree with him on this question. We do need this tax increase very quickly, if for no other reason than for the effects on the balance of payments. Calculations have been made to show that, even if the tax increase should not reduce the rate of price inflation, it would have a balance-of-payments effect of about $1 billion. This $1 billion would be very helpful. So, even without any dampening effect on the wage-price spiral, the tax increase could lead to a $1 billion relief for foreign payments.

But there is in addition the effect on the wage-price spiral. The point is that, if business corporations are weakened by higher taxes, they are strengthened in their holding out against trade union demands. In other words, a business that has to pay a higher tax will have less funds and will be less capable of making concessions in the next wage negotiations. So, we actually retard the inflationary updrift of money wages. The best wage-price guideline would be to show business that it will not have a chance to pay the higher wages. I am strongly in favor of the increase in the income tax surcharge, because that is where quick and decisive results can be achieved.

Senator JORDAN. Professor Behrman, would you care to address yourself to the business of cutting the budget?

Mr. BEHRMAN. Well, Congressman Boggs put that monkey on my back a few minutes ago. I tried when I was in Government to cut the budget or parts of it. As far as the details go, again, Mr. Jordan, that I think has to be worked out in the bargaining of Congress with the