ing, they will in effect be sort of leaning against the wind, and tightening in that sense.

My own sources and uses of funds figures, I think, may overdo it, because we have a figure in there for an actual cutback in availability. It may turn out that there won't be a cutback. It may simply be a slightly larger figure, but not enough to accommodate the business expansion.

So, I think that the second half, in a sense, is going to be a product of the fact that the Fed will have to do something, and that this will be part of that slowing down process. Part of my thinking is, if you had the surcharge, you would have a better balance between fiscal and monetary policy, and you could cool off fears in the international area. I think if we had somewhat more fiscal restraint and lesser monetary restraint, we could probably go through this period, barring some major escalation in the Far East, in a better-balanced way, particularly in terms of growth of employment, that would look pretty good. It might not look too good in terms of the price rise.

Representative MOORHEAD. As I understand your testimony, you would not vary your predictions very much as far as GNP is concerned?

Mr. O'LEARY. That is right.

Representative MOORHEAD. But, the individual items going into the total might vary.

Mr. O'LEARY. That is right. You would get better housing, for example, than I think will happen if you put too much pressure in the monetary area.

Mr. OLSEN. Just briefly—Jim O'Leary and I have almost identically the same figures on GNP, and even in the accounts. But we are assuming that the tax increase is enacted. As you may notice, both of us, however, place the key on how monetary policy responds. How it responds if there is a tax increase and how it responds if there is no tax increase. And we would assume with a tax increase the monetary authorities might very well pursue a somewhat more expansive policy than they would in the absence of a tax increase, because they would tend to follow the fiscal theory of the Council, that the tax increase by itself would dampen demand, and, therefore, they must offset that, and be somewhat more expansive than they otherwise would be.

Representative MOORHEAD. Professor Hart?

Mr. HART. I would like to comment.

In the first place, I would say that I suspect a large proportion of the academic economists would be in the camp of the Council of Economic Advisers rather than Mr. Olsen's. We would say that fiscal flexibility cannot be very real unless there is some kind of tax flexibility.

Government expenditure has been the great destabilizer of the U.S. economy since World War II, and while there are a few items of expenditure which are open to manipulation from the standpoint of stabilization, broadly speaking, the fluctuations in expenditure happen in spite of economic stabilization considerations, rather than because of them. And admitting that there are political difficulties, and that temporary tax changes have a way of perpetuating themselves, yet,