of the budget; what we need now is an independent appraisal on its substance. The commission would evaluate spending priorities and define the kind of budget that will enable the American people to finance their Federal Government without inflation and at a tax level that will not suppress economic growth.

Proposals to this end already have support from the administration. In his recent budget message the President wrote of such suggestions:

I urge the Congress to take prompt and favorable action in support of these proposals to cull out lower priority programs.

Secretary Fowler stated before the Ways and Means Committee, on November 29, 1967, that "the President is prepared to establish a special bipartisan task force of outstanding Americans to take a look at long-range Federal program priorities."

The Secretary's statement was seconded on that occasion by Professor Schultze, who is here today, and who was speaking then as Director of the Bureau of the Budget.

(4) *Urge prompt enactment of the President's proposals for tax surcharges*

When the committee has said what it believes is right on the subject of obligational authority and expenditures, it should strongly urge the prompt enactment of the proposed tax surcharges. And if what the committee says on expenditure policy carries persuasion, action on taxes should come soon thereafter. That would break the expenditure policy-tax policy impasse, which is the key to everything else.

There may be opposition to the surcharges on the ground that the economy is not sufficiently buoyant, but I can't think of anything more dangerously irrelevant than to debate this question on the basis of what happened last week to retail sales or to freight car loadings or to some other detail in the economic picture. One cannot exclude the possibility that the economy will get a new thrust from a sharp increase in defense spending, but, in the absence of that, the imbalances are such, and their implications for policy are such, that the most likely near-term prognosis for the economy is relatively slow growth—hopefully, with receding cost and price inflation.

This may come about because huge Federal deficits escalate interest rates and suppress private investment expenditures, especially on home construction. The crucial point is that $20 billion budget deficits, back to back, clog capital markets, force interest rates up, slow economic growth, increase its vulnerability to international monetary pressures, and compromise monetary policy to the point where all one can expect is either a credit crunch or inflation that will ultimately correct itself in deflation and recession. Deficits of this magnitude are completely unacceptable and we should get down at once to the business of eliminating them.

(5) *Urge that if recent developments in Vietnam and Korea require significantly larger defense expenditures, budgetary authority be requested promptly and a fiscal plan be proposed for financing these through additional expenditure limitations or still higher taxes, or both*

One of the chief causes of concern in the country today is a feeling