is relatively too easy, if a projected deficit of $16 billion to $18 billion without the surtax imposition constitutes too great a stimulus to the economy, this can be avoided by reducing Federal expenditures. This view holds that the spending side of the budget can and should be cut, that Government expenditures have been increasing at too fast a rate, anyhow.

Eight.—Finally, the clincher in this case refers to the fact that despite price increases of about 3 percent during 1967, the public is generally opposed to a surcharge imposition at the Federal level in the attempt to restrain price increases. Congressmen receive reports from their constituents indicating that State and local taxes are already up, and their constituents indicate they are opposed to a Federal tax increase on top of the tax increases taking place at the local level.

It appears that with the uncertain economic and international outlook, consumers have postponed purchases of autos and other durables and have increased their savings rate. It appears that consumers would prefer to readjust their purchases and standard of living in the face of rising prices.

Consumers would appear to prefer to control their destiny. Consumers feel that somehow they can adjust to price increases that have been taking place by perhaps changing the mix of the purchases and making some durable items "do" longer. A tax increase, however, provides the consumer with no such discretion. This is an extra burden of outlays that he must bear.

This set of reasons opposing the tax increase at this time at the Federal level presents a very formidable system of logic. Both economic and political considerations appear to be overwhelmingly against a tax increase at the present time.

Yet, as I analyzed the data and trends and reasoned about economic developments in preparation for this presentation, some disquieting and persistent reservations continued to gnaw at me. I began to feel that Congress sometimes acts like some business firms. Sometimes both Congress and some business firms are too much influenced by events of the recent past, the present, and the prospective immediate future. Furthermore, in the world in which we live there is always uncertainty. And when the stakes are so great, uncertainty must be assessed in terms of minimizing the most unfavorable set of possibilities.

Like some businesses, Congress tends to adopt policies based on events that appear to be at the moment the most likely, or on actions that in the near term, appear to involve efforts that are less unpleasant or strenuous.

But intermediate and longer term developments may bring in their train consequences that are the opposite of current expectations. An effective Congress, like a successful business, must anticipate developments, not react to events after they occur.

Possible Additional Requirments for National Security

Let us, therefore, look at some of the realities of life in connection with economic developments. The forecast of $8 billion for fiscal 1969 was based on the assumption of raising $10 billion from the surtax. If no surtax is imposed, the deficit rises. The increase would be less than $10 billion, considering the stimulus to the economy.