

pathetic but they are all bankers. The Budget Director is a banker, the Secretary of the Treasury is a banker—the same bank incidentally—Mr. Martin also in the Quadriad is a banker. You alone of the four members of the Quadriad are not a banker. The bankers are fine people, the bankers, I am sure want employment to be as full as possible, but they are especially concerned with the price level.

Mr. McCracken. If there is any generalized problem of unemployment these officials would be greatly concerned about that, too.

Senator Proxmire. In your statement you say, "We do not foresee probable changes from the budget submitted earlier that would have a major effect on the economic outlook for calendar 1969." That translated to me means you don't expect to reduce the budget very much—the Johnson budget for 1970—maybe a billion, 2, or 3 here and there, but not the kind of big reduction that would enable us to have a surplus without extending the surtax?

I can't understand why this administration doesn't come down hard on the side of reducing spending. We have public works spending projected in this budget of over \$10 billion and during the depression it was at a peak of a billion dollars a year. Then it was a matter of putting people to work who were unemployed. Now, it is inflationary. We have a space budget, which is just as big as it has been before although we have achieved our aims, or will this year. In any view we have a highly swollen military budget, and I think that is where the big expenditure cuts will have to come. The majority leader of the Senate has indicated he feels we will have to cut that military budget somewhat.

In your position as top administration advisers do you gentlemen feel that the spending will be at the same level as before? Is this your position or do I misconstrue your position?

Mr. McCracken. Yes. In our statement, we do, indicate our view. Certainly this administration is taking a very stern policy on expenditures.

On the other hand, there is enormous viscosity in the budgetary process. What we do say here is that even relatively small immediate reductions would relieve the strain in the capital market, and moreover this is a part of the process of beginning to accomplish the kinds of things that you are talking about.

So that—

Senator Proxmire. Very stern is a good word and I think we would all applaud it but very stern appears not to be the kind of action which is going to result in a \$10 or \$15 billion budget for you say in your statement that budget reduction is not going to have significant economic impact.

Mr. McCracken. In the current year.

Senator Proxmire. In the coming year, in the fiscal 1970 budget; I am talking about the fiscal 1970 budget.

Mr. McCracken. We were talking here about calendar 1969.

Senator Proxmire. It is half of the fiscal 1970 budget.

Mr. McCracken. The expenditures which we are going to see in the months ahead are going to be expenditures from decisions already made. This was the basis for our judgment that we weren't in the very near term going to affect a displacement of Federal expenditures which would warrant a major reevaluation of the economy.