

It would seem to me that you could make a good argument that the surtax to date has been a real failure.

Mr. PERRY. Well, Senator, I guess I don't have to tell you that we don't forecast perfectly. You have to make a statement about whether these things that you have listed would be worse if we hadn't had the surtax, and the only statement I can make is that they would have been worse.

Senator PROXMIRE. Yes.

Let me reply to that again to get back to the argument that—you fellows zeroed in on the tax angle rather than the spending angle. In my view, we would be a lot better off if we cut \$10 to \$12 to \$15 billion out of the budget, especially out of the military budget, but also out of space and public works. Public works are now over \$10 billion, 10 times as high as they were in the depression when we had to have them for a work force 20 percent or so out of work. Of course, the value of the dollar has dropped a lot but not that much.

Under the circumstances, it seems to me we should take a good healthy look at spending policy and we can make a strong case for doing some of these things much more effectively especially in controlling inflation and also interest rates by a policy of reducing spending instead of reliance on higher taxes.

Mr. SUITS. Senator, in our calculations, dollar for dollar, a tax dollar in terms of ability to hold the economy in check is only worth about 75 cents compared to an expenditure dollar. That is to say, the checking power of a dollar increase on my taxes is only three-fourths of the checking power of a dollar decrease in military.

Senator PROXMIRE. That is a fascinating statistic. I have not heard that before. Can you also say something about the timing of this? In other words, if you reduce spending, Federal spending, does that have a quicker or a slower effect on the economy than an increase in taxes would have in most cases?

Mr. SUITS. I doubt that there is very much material difference.

Senator PROXMIRE. Why wouldn't there be a lag since people tend to adjust their spending patterns over time?

Mr. SUITS. That might be very true, I hadn't thought about it, yes.

Senator PROXMIRE. Certainly you have the experience lately. It took them a while to reduce their spending proportionately to the tax increase.

Mr. SUITS. Yes, that is very true.

Senator PROXMIRE. So in both cases in the first place you would have a bigger impact and, in the second place, you might have a swifter effect.

Mr. SUITS. Yes, true.

Let me add this is, of course, a policy question on an entirely different level. I would be very happy to see \$10 or \$15 billion come out of our military budget purely as a policy measure even if we transferred that expenditure to some other programs that I consider to be much more essential.

Senator PROXMIRE. I think this is a very real prospect. After all you have the majority leader of the U.S. Senate, Mike Mansfield saying we should cut the budget, and cut it very sharply. We cut it before; we cut it last year by several billion dollars. I think this year there is far more sentiment in favor of that and certainly we can make a very strong case in terms of waste.