While 70 percent still sounds like a very high figure for the top brackets, it should be kept in mind that with respect to marginal dollars of income in those top brackets a 90 percent rate is now being switched to a 70 percent rate, which means that 30 cents instead of 10 cents is kept by the individual. So, in these terms it is an extremely large reduction in the sense that it triples the after-tax income available. It is not easy to triple the after-tax income available at the lower levels because taxes relative to income, of course, are far lower. But even here in the first bracket the reduction is 30 percent which clearly is substantial and is likely to have, and is having, appreciable effects on demand for goods and services in the economy.

If we now look at budget prospects, what we find is that despite the very substantial tax reductions that have taken place in the course of the last 2.5 years the budget of the United States is approaching closer to balance than it has in a long time. We had no appreciable tax cuts between 1954 and 1959, but as a consequence of repeated recessions we had in 1959 a budget deficit of some $12.4 billion. The prospect for fiscal 1965, according to current estimates, is that expenditures will amount to the astronomical level of $97.2 billion, approximately equal in current dollar terms to our gross national product in the 1929 prosperity year. And revenues will amount to $91.5 billion, so that the budget deficit will come to something just under $6 billion for fiscal 1965.

If the budget for fiscal 1966 is kept in line with the announced policies of President Johnson I should expect that expenditures projections for 1966 will run between $97 and $98 billion. Tax receipts for 1966, assuming a continuing upward movement in the economy, will run to approximately $96 billion, and what we will have by 1966 is something within a couple of billion of a balanced administrative budget. But in terms of the cash budget, taking into account trust fund accounts, et cetera--old age and survivors' insurance trust funds, highway trust funds, et cetera--if my projections for the administrative budget are correct, we will, in fact, be realizing a cash budget surplus. In other words, by fiscal 1966 I expect that the budget of the Federal Government will be providing not a stimulus to the economy, but will be imposing some drag on the economy.

If Federal expenditures after this rise at a rate of, say, $1 billion to $3 billion a year, as a consequence, perhaps, of a continuing decline in defense expenditures accompanied by a modest increase