the high speaks and the deep valleys of the business cycle have been leveled off to a great extent. We all hope that we may never again be called upon to endure a depression as severe as the one which occurred in the early 1930's as an aftermath of the great boom of the 1920's.

But moderated and mollified as it may be, the business cycle is still with us. In the years since World War II, we have witnessed the ascents and descents in our economy, and, although the "depression" may have become a "recession," and the "boom" a mere "period of prosperity," they are yet factors to be reckoned with. Those of us who are responsible for government financing are acutely aware of them, moderated though they may be, for even in a mild form they retain the strength to upset a tax structure and disrupt a spending program.

In Maryland we rely mainly on two revenue sources to finance the general-fund budget of our State government—the sales tax and the income tax. Both are extremely sensitive to the boom-bust pattern. So that, in good years we find ourselves not only with money enough to finance the services we are maintaining, but with enough left over to provide the temptation to splurge. And then the lean years fall upon us, and we discover that the follies we have indulged in by overexpanding during the period of affluence has brought us to our knees. We must either cut back—a most difficult task in a period of growth and expansion such as we are experiencing—or raise taxes. In government financing, we refer to it as surplus spending. It can be a most dangerous practice.

We know from experience that budget surpluses rapidly become deficits if they are treated as though they were current revenues and used to finance new programs. If funds in excess of current revenues are appropriated, using the surpluses for the purpose, the level of government spending is increased to a degree that at length new taxes will have to be imposed to support the new programs. Our experience with surplus financing here in Maryland is recent enough for all of us to recall . . . .

Let me offer a homely example. A small business man has earnings that vary from year to year, depending on general business conditions of the year. His earnings one year amount to $10,000 and he has $1,000 in the bank. He finds that with this $11,000 available he can, by using his $1,000 in savings, increase his standard of living. And so, he buys a larger car on installment, finances an addition to his house and joins a country club. But the next year, business gets bad and his earnings drop to $8,000. His surplus is gone, and he either has to give up his car, renounce the country club and default on his mortgage or find new sources of income, which in such times are not easy to find.