

The CHAIRMAN. So that it would be \$144.2 billion as I hurriedly added here if all of the contingencies you referred to come into existence.

Now, revenues then \$116.9 billion would have to be subtracted from that to arrive at the deficit and that would be \$27.3 billion?

Mr. SCHULTZE. Correct, sir.

The CHAIRMAN. How do we get this \$29 or \$28 billion?

Mr. SCHULTZE. The Secretary may want to speak to your question, but I think the major part of the difference is that the revenue figure the Secretary first gave you of \$115.1 billion did not allow for the effect of a feedback.

The CHAIRMAN. I see.

Mr. SCHULTZE. In order to explain the figures simply, the effect of a feedback on revenues was left out.

The CHAIRMAN. I see. Those who write most about the proposition of increasing taxes and express their opposition to it, Mr. Director, would have us first cut back on the expenditure side if I properly read their letters.

We started in 1965 fiscal year I believe it was or maybe it was 1966—correct me—with a January estimate of \$97.5 billion.

Mr. SCHULTZE. I believe you are referring to the first estimate of fiscal 1965 expenditures which were \$97.9 billion.

The CHAIRMAN. This was the estimate brought to us I believe in January.

Mr. SCHULTZE. January of 1964.

The CHAIRMAN. Which would have been for the 1965 fiscal year, would it not?

Mr. SCHULTZE. Correct, sir.

The CHAIRMAN. And the actual spending was under that I believe, as I recall, about \$96½ billion.

Mr. SCHULTZE. That is correct, sir.

The CHAIRMAN. All right. Now I want you to take your time and tell me how a rate of spending of \$96.5 billion in 1965 has reached an outer limit of \$144.2 billion in 1968. Take me through the programs, if you will, and let me know where this increase has occurred.

Mr. SCHULTZE. Yes, sir. May I do that in the following way?

The CHAIRMAN. You do it in your own way so I can understand it.

Mr. SCHULTZE. What I would like to do for ease in presentation is to assume the additional \$4 billion in military expenditures.

The CHAIRMAN. Oh, yes, I want you to get to the figure of \$144.2 billion which we said was your estimate of the outer limit.

Mr. SCHULTZE. And, additionally, the \$1½ billion increase that I outlined in various civilian programs.

The CHAIRMAN. Right.

Mr. SCHULTZE. Not allowing, for the moment, for expenditure cuts, or additional pay, no PC's, to go through the items, and then we can adjust the final result.

The CHAIRMAN. Right.

Mr. SCHULTZE. If I do that, I would be starting with \$140.5 billion. That is the number I will go to and then adjust up to the higher figure if that is all right with you, Mr. Chairman.

The CHAIRMAN. That is fine.