think we restored it in the wrong way, so maybe we are even in that respect. The President undertook to suspend certain governmental spending programs, and I suppose that from the minute he made the announcement until the matters were restored he had somebody visiting him every day asking for the restoration of some part of that spending program.

Is there any thought that, regardless of what the Congress can do—since the Congress apparently is overly authorizing again, we are going to repeat the process. Congress authorizes a project, and then we authorize certain expenditures. In a sense, we really don't appropriate any more. Is there any real possibility that if taxes are increased that we can expect the rate of spending for the fiscal year 1968 not to be greater than that initial $135 billion estimate in the January budget.

Mr. SCHULTZE. I would have to break my answer to that into two parts, Mr. Mills. First with respect to civilian expenditures, I would say there is first a good possibility and, in fact, we are aiming at reduction of civilian expenditures below the level estimated in January. By that I mean there is a good chance for making cuts sufficient not only to offset the increases from the releases we made earlier this year and from the public assistance and other uncontrollable increases, but trying to cut somewhat below. That is No. 1.

No. 2, in turn, I can't at this stage indicate how the entire defense picture will come out, balancing both the potential increases and the decreases. But if I leave out the defense picture, and I look to the actions which the executive will take, then I can say there is a good possibility—I can't guarantee it 100 percent—that civilian expenditures can be reduced below the January estimate, because that is what we are setting our target at. Clearly, Mr. Chairman, this has to be taken in the context of the two other items that I spoke of: one, the pay bill, the extent to which that is passed and takes effect with amounts over and above the President's recommendations, and, secondly, the authorizations for sales of participation certificates. But those apart, on the civilian side we will be shooting for reductions of more than $2 billion. In turn, you will recall, I indicated we had expenditure increases facing us of $1½ billion. The reductions we are aiming at are greater than $1½ billion. That is what our target is, that is what we are shooting for, Mr. Chairman. I can't, of course, speak on the pay question or the participation certificates in terms of what the Congress will ultimately do.

The CHAIRMAN. Mr. Director, how soon do you think there will be some positive information about what might be done in this area?

Mr. SCHULTZE. Mr. Chairman, we are, as I indicated in my testimony, sending instructions to each agency giving them a cut target, as soon as their appropriations bills are passed. At that time we will ask them to review their expenditures to see how they could come down to that target. I can't predict when the appropriation bills are going to come through or exactly how rapidly we will get responses from the agencies, but we will be moving as fast as we can in terms of getting the bills, looking at them, and getting instructions out to agencies, getting their submissions back to us, and coming to agreement on a specific cut. I cannot give you a date on that. We are doing it as soon as we can.