

earlier plus \$900 million, primarily in the areas of CCC, public assistance, and payments to the medicare trust fund. Those three items I spelled out in addition today, so I have gone through in detail the \$1½ billion for civilian programs.

I then listed a number of contingencies in other areas, up to \$4 billion on defense, the pay bill, the participation certificates, and, finally, as you will recall, the possibility of higher interest payments on the public debt if all these contingencies turned out unfavorably.

Mr. BYRNES. Yesterday, on a television show called "Issues and Answers," the Secretary suggested, if I understood you correctly, Mr. Secretary, that we were going to sort of handle this deficit, by borrowing half of it, providing 25 percent through reductions in expenditures, and another 25 percent by the tax increase.

How are you going to get the \$7.4 billion reduction in expenditures? What are we going to reduce from? Are we going to be reducing from the pay increase that you are talking about the Congress adding to the budget, or are we starting out with what the budget estimates were?

Secretary FOWLER. In the \$28.3 billion that we started out with there was a billion dollars for an additional civilian pay increase that is under apparently very serious consideration in Congress and discussed in the President's message and in the Director of the Budget's statement. We would hope to avoid that additional billion dollars added on to the deficit. If it is avoided it would bring you down to a deficit of \$19.9 billion.

Then we have expressed the hope and desire, although the House has voted against it, that the Congress would give us the authority to have the additional \$2 billion of PC authorizations.

Mr. BYRNES. All right. Let's stop right there, Mr. Secretary—

Secretary FOWLER. I thought we would stop.

Mr. BYRNES (continuing). For a moment. I don't want to get into this endless circle on the participation certificates.

Secretary FOWLER. I was going to say, then, I was going to turn it over to Mr. Schultze to describe where we go from there.

Mr. BYRNES. You can turn it over now if you want, but let's talk about the PC's.

Secretary FOWLER. He always helps me out on that.

Mr. BYRNES. You are talking about \$2 billion?

Secretary FOWLER. Yes.

Mr. BYRNES. If we repealed the legislation which restricted your use of PC's would that reduce by 1 penny the amount of money you had to go to the market to get?

Secretary FOWLER. No, sir.

Mr. BYRNES. Then how can that ever reduce monetary pressures created by the Federal deficit?

Secretary FOWLER. It doesn't.

Mr. BYRNES. Not one bit, does it? It doesn't reduce your deficit one bit, does it?

Secretary FOWLER. Yes, sir.

Mr. BYRNES. Oh, only in the budget arithmetic that you base on these fiscal gimmicks. The figure that the President puts in a message does not in itself have anything to do with the pressures that led you to come here and ask for a tax increase, does it? Whether that budget