deficit is $27, $29, or $31 billion, the way you handle PC's would not make any difference in the amount of money you must take from the market.

Secretary FOWLER. Yes, sir; Mr. Byrnes, it makes quite a difference because as these figures get bandied about there are psychological reverberations from them and if you talk about the way we have been keeping our books traditionally and have kept them for a long time and if you talk about a $18 billion deficit rather than a $20 billion deficit it has some impact. I can't measure it. You can't measure it. No one can measure it, but it is still there.

Mr. BYRNES. You are talking about a psychological impact.

Secretary FOWLER. Yes.

Mr. BYRNES. Look at it from a practical standpoint. A tax increase of $7.4 billion reduces the deficit from $28.3 billion to $29.9 billion. Assume that Congress has refused to enact a pay raise exceeding by a billion dollars what the President budgeted for. That would leave a $19.9 billion deficit. Congress has either refused to go above the President or the President has vetoed it, and let's not forget about that potential——

Secretary FOWLER. We won't.

Mr. BYRNES (continuing). If you are so concerned about this.

Mr. SCHULTZE. We are concerned.

Mr. BYRNES. Let's not put all of the responsibility up here. There is equal sharing. Anything that becomes law has to have the President's signature unless we override it; isn't that correct?

Secretary FOWLER. That is correct.

Mr. BYRNES. So our calculations have a $19.9 billion deficit. No matter what we do with PC's, you would have to finance the $19.9 billion, by which expenses exceed revenues.

Secretary FOWLER. The Government would have to go to the market for an amount that would include either Treasury borrowings or PC sales.

Mr. BYRNES. Right. The amount you have to go to the market for and the resulting monetary problems aren't going to be reduced at all by using PC's to make it look like you are spending $2 billion less than you actually are.

Secretary FOWLER. That is where we part company a little bit. I think if you use the word "psychological," you say it makes no practical difference. I don't know what practical means. I know what psychological means and I think it would be desirable and I will urge, as I have urged, that we have the authority to market this additional $2 billion of PC's.

Mr. BYRNES. I thought you were concerned about the additional $700 million in interest costs that we can reduce by reducing the deficit. But you insist on borrowing money through PC's, which carry the highest rate of interest. That I can't understand. If what we are on is an economy drive, and I hope we are, then I think we ought to save on interest costs by borrowing in the most economical way.

Mr. SCHULTZE. Mr. Byrnes, with that logic we would have taken our guaranteed student loan program and converted it to direct Government lending. It is admittedly cheaper to take our student guaranteed loan program and convert it to direct Government lending because the Treasury can borrow at a cheaper rate than you can borrow from a bank.