

Mr. SCHULTZE. Rather than disturb that I won't make a comment. I was about to comment.

Mr. BYRNES. All right. This is the point at which the Secretary is going to turn it over to you, anyway, so now let's find out what we do with the \$17.9 billion.

Mr. SCHULTZE. He is so generous.

Mr. BYRNES. The Secretary told the public yesterday we were going to cut expenditures by about the same amount as we were going to increase taxes—around \$7.4 billion.

Mr. SCHULTZE. That is correct.

Mr. BYRNES. Was this \$2 billion included in that, Mr. Secretary, that you were going to cut expenses?

Secretary FOWLER. Oh, yes.

Mr. BYRNES. That is real good. Now we see it; now we don't. Let's find out how we are going to get rid of the other \$5 billion of expenditures that are apparently cranked into this \$28.3 billion.

Mr. SCHULTZE. I think the way to put that is the following, Mr. Byrnes. We take the budget and break it into two parts, civilian and defense. Essentially, as I have indicated, we will be setting up reduction targets for civilian expenditures of something over \$2 billion. In addition, Secretary McNamara will be looking at areas in his budget to find ways to postpone, defer, and reduce expenditures to the extent this can be done without getting our defense posture in the wrong situation. It is in that area that we are trying to aim for the \$4 billion additional that Secretary Fowler talked about.

Mr. BYRNES. You don't know where yet?

Mr. SCHULTZE. No. I can give you some indications. Do you want to take, for example, some of the defense areas?

Mr. BYRNES. I would like to ask you about defense expenditures. It is my understanding that the Comptroller of the Defense Department, in testifying before the Appropriations Committee last Thursday, was still holding firmly to a Defense Department budget of \$71.3 billion.

Mr. SCHULTZE. \$73.1 billion, which is what was in the budget.

Mr. BYRNES. Right, \$73.1 billion, which is the figure that was contained in the January budget.

Mr. SCHULTZE. That is correct, \$73.1 billion. What the Comptroller was saying was just what I said in my testimony today and I will detail some of these for you now.

Mr. BYRNES. He was saying something a little different. You said that defense expenditures will be between zero and \$4 billion in excess of the \$73.1 billion in the January budget, didn't you?

Mr. SCHULTZE. That is correct.

Mr. BYRNES. And he was saying no—

Mr. SCHULTZE. I read the transcript, or at least that part of it which had to do with this colloquy, and Mr. Anthony was saying that in terms of making a firm prediction he could not predict any part of the zero to \$4 billion range. He was saying, in terms of a firm prediction, at the moment he would stick with the \$73.1 billion. He indicated, and I have indicated, that there are contingencies involved here—both plus and minus—which could net up to as high as \$4 billion. This is what he said and I said.