Mr. BYRNES. You are suggesting that you will have as much as $4 billion in additional defense expenditures, but that this will be offset to an extent by savings you are going to make. This figure of $4 billion that you cranked into this $28.3 billion projected deficit actually turns out to be a cutback?

Mr. SCHULTZE. I think you are putting words in my mouth.

Mr. BYRNES. I am asking you if that is what this $4 billion is about.

Mr. SCHULTZE. No, sir; I won't say it that way. What I would say is that taking into account both reductions and the possibility of avoiding some of these contingency increases you can get that much out of the $29 billion. I am not saying we call those changes economies, or savings, or anything else. What I am saying is that if you rack up the contingencies that face you, you have several ways of avoiding them. One, you can reduce expenditures. Two, you can hopefully avoid some of the contingencies which require you to reduce expenditures as an offsetting basis. That is the way I would say it.

Mr. BYRNES. Then, this is simply avoiding a contingency.

Mr. SCHULTZE. And also reductions.

Mr. BYRNES. These contingencies were included in your computations in order to create the $28.3 billion figure.

Mr. SCHULTZE. No, sir.

Mr. BYRNES. Or to reach the 28.3 billion.

Mr. SCHULTZE. Mr. Byrnes, I just want to make sure the record reads correctly. It wasn't cranked in in order to reach some predetermined $29 billion. It was put down as an evaluation of what is facing us. I just want to make sure the record reads right on that. We didn't start out with $29 billion and say how do you get there?

Mr. BYRNES. We better set the record straight. I am trying to find out where you are cutting back on expenditures. The public was told just the other day that there is going to be an expenditure reduction. I want to pinpoint that expenditure reduction so the people can know the nature and size of it. It appears that all you are doing is adding contingencies to the expenditure side and then claiming a savings when you cut back or eliminate the contingency.

Mr. SCHULTZE. Sorry, Mr. Byrnes. Those are your words. I think what the Secretary was saying and what I am saying is that we are facing contingencies on both the revenue and the expenditure side which at the other end could add to a $29 billion deficit. We are saying by a combination of tax increase and trying to avoid some of those contingencies and reducing expenditures we can bring it down to a range of $14 to $18 billion. The upper end of that range would mean we were not very successful in avoiding some of the contingencies. That is essentially what this says.

Mr. BYRNES. All right. We got down to $20.9 billion by taking off the $7.4 billion. That is the tax increase.

Mr. SCHULTZE. That is correct.

Mr. BYRNES. That will be reduced to $19.9 billion if Congress does not enact pay raises exceeding the President's budget by $1 billion.

Mr. SCHULTZE. Right.

Mr. BYRNES. And for your bookkeeping purposes—and I would underline "bookkeeping purposes"—we take another $2 billion off for PC's. You are down to $17.9 billion.