In all of the civilian apppropriations bills passed by the House to date—there are 11 appropriations involved for 1968 so far—the appropriation cut was $1,650-odd million. The expenditure impact of that in fiscal 1968 will be $650 million—the impact of the House action.

Now in the Senate some small amount of that has been restored in actions taken to date. In addition, on the civilian side, not in the appropriation area, actions or failure to act have added several hundred million dollars to expenditures in terms of an increase in the veterans' bill above the President's recommendation and the delayed date on the postal rate increase, so you might say that, net, in terms of the actions the House has taken on appropriations and authorizations where we know that they will have an impact on expenditures you might come out somewhere in the $400 million area of decreases.

Secondly, on the military side, the House appropriations bill cut $1.3 billion from military appropriations, which will have an expenditure impact of $500 million in 1968. This is one of the items that we think is going to help us, we hope, end up not at the higher end of that $4 billion range, but maybe we come out better than the $4 billion. This would be in part because of the Congress. I am not here to say that this year the Congress is generally adding to our budget if we stay away from the participation certificates and the pay raise.

Mr. Byrnes. If we include the civilian expenditures you hope to achieve, the $28.3 billion figure is down to $15.9 billion. Is that correct?

Mr. Schultze. Yes, sir, $15.9 billion, that is correct.

Mr. Byrnes. Where is the next cut? Is defense all that is left?

Mr. Schultze. We are trying to find cuts in defense. I cannot guarantee them, but they involve a combination of avoiding some of the increases and finding offsetting savings. In the defense area all I am saying is that this is the range we are in. This is why we gave you a $14- to $18-billion range rather than a specific number because I can't sit here and give you a specific number on defense any more than anybody could at any time during any other war.

Mr. Byrnes. It sounds great. I was really quite enthusiastic when I heard of the Secretary of the Treasury's statement that we would balance the tax increase with corresponding reduction in expenditures. That has certainly gone up in a puff of smoke.

Secretary Fowler. Let me read what I did say so we will have it all, at any rate. "Well, it was thought on the high side that 10 percent was an appropriate level in the light of the changes that had occurred since we made the original 6-percent recommendation. Of course, there is no magic in any particular combination of figures. The President's rough approach to meeting this deficit, which could run as high as $29 billion or $30 billion, is to meet it by about a 25-percent tax increase, which is $7½ billion, 25-percent reduction in expenditures that might otherwise occur, and borrow the remaining 50 percent.

"Now, those figures could vary. We believe that the best mix as we see it today, the most feasible mix, is the one that is within the reach and within grasp that we could count on, which would imply $7½ billion of additional revenue in this fiscal year."

Mr. Schultze. To look at this another way, Mr. Byrnes, there is $2 billion of that which you don't agree with, I realize, but in getting at that figure, you add a $2-billion-plus civilian expenditures reduction, $2 billion for PC's, $1 billion for avoiding a pay increase bigger than