tion, the current strategy. A year ago that was not the case. It could not be the case.

Chairman PROXMIRE. My time is up. Let me just say I do not see anything that you have described in this situation that was substantially different, nothing that would begin to explain this kind of an error. If the Red Chinese had come in, if we had an entirely different kind of escalation, bigger than we had anticipated, there would have been some reason for it, but there is nothing that was unforeseen on a big basis that would justify this kind of a serious error. Senator Javits?

Senator JAVITS. Thank you very much, Mr. Chairman.

Mr. Ackley, what is the administration's current assumption on the conclusion of the Vietnam war in the Economic Report of the President and on what considerations is it based?

Mr. ACKLEY. Senator Javits, the defense budget for fiscal 1968 does not rest on the assumption of any given termination date of the war. In fact, it rests on the assumption that the war would continue indefinitely so far as budgetary planning is concerned.

Senator JAVITS. Would you allow me to ask you specifically, just to interrupt you, because I think we have to get it crystal clear, does this budget in your report assume continuance the war in Vietnam until June 30, 1968?

Mr. ACKLEY. It assumes its continuance beyond that date and provides for procurement for delivery beyond that date.

Senator JAVITS. And what is that assumption based on?

Mr. ACKLEY. I think, Senator Javits, any question regarding the assumptions with respect to the military situation should not be directed at this Council. We take those as given.

Senator JAVITS. Now, I notice from page 5 in your statement a clear implication with respect to the so-called tax surcharge. I would like to ask how you look at it. You say that in the second half of the year the expansion of construction, increased social security payments, and leveling off of inventory investments would tend to accelerate the growth of total demand and that this tendency would be partially offset by the income-tax surcharge.

Now, do you expect the income-tax surcharge to be effective for the second half of the year or is there any assumption on that in your report and forecast?

Mr. ACKLEY. In the budget and in our planning the assumption is that the proposed income-tax surcharge would be effective during the second half of this calendar year.

Senator JAVITS. Not before?

Mr. ACKLEY. Not before.

Senator JAVITS. So that even in this assumption you will allow time for the Congress to make up its mind, is that correct?

Mr. ACKLEY. Senator, I welcome your comments to the effect that Members of the Congress ought to keep open minds on this question, not reach decisions—certainly contrary decisions—at a date as early as this.

Obviously there will be more information about the state of the economy available at the time that decision has to be approached, when the Ways and Means Committee gets around to its hearings and when the Congress gets around to its consideration. Of course,