

Representative REUSS. No, I certainly did not suggest a year ago that there was something wrong during that period, with the income distribution pattern, because I would have expected with full employment that there should be the kind of indicated surplus that we had, but what I am concerned with is that now we do have a deficit at a time when we say that we have full employment, and I can't help but think that the income share situation must have been deteriorating in the last year particularly in order to produce that, and I think this is something we have to take a long hard look at.

My time is up.

Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman.

You mentioned, Mr. Schultze, the fact that the administration reduced the expenditures \$3 billion in the 1967 budget. Would you detail that for us?

Mr. SCHULTZE. Yes, sir. I do not know how much detail you want. I have a 20-page list of items.

Senator JORDAN. Give it to us in capsule form.

Mr. SCHULTZE. I will give to you some of the items in capsule form.

What the President has done is request—and we set some targets—each agency to take the budgets they got from the Congress, either through appropriations or back-door spending, and hold back on the contracts and commitments under that authority.

Now, let me give you some major examples.

The one that I am sure you are familiar with is the \$1.1 billion reduction in obligations for the highway program. Our best estimates are that, by reducing those obligations from the budgeted level by \$1.1 billion, there will be about a \$400 million reduction in expenditures in the year from October 31, 1966, to October 31, 1967. That is a case in point.

A second case in point—I am trying to give you examples, which is really the best way to do it—is the Corps of Engineers. We took virtually every new start that was budgeted in 1967, including 25 new starts that we had recommended and 31 more that the Congress had added, for a total of 56 new starts, and postponed by 6 months the dates on which they would start.

We got the Corps of Engineers starting dates and asked them to postpone these for 6 months, except for programs dealing with urban flood protection, where we imposed only a 3-month postponement.

At the same time we told them to go ahead and buy the necessary land because land prices tend to escalate. And we slowed down the rates of construction of Bureau of Reclamation projects, and projects under the Department of Agriculture's small watershed program.

Another case in point would be in the Department of Health, Education, and Welfare, where two kinds of actions were taken. Right across the board on all grant programs for construction, we had them slow down, hold up, and postpone the date of the letting of the contracts and the making of the grants. Second—another kind of illustration applicable to many of the formula grant programs—around the months of February or March the Department normally circularizes the States and finds out which States have not used up their full grant, call back the unused amounts and reallocate them. This year, we are telling the agency not to reallocate the unused grants and this,