budgeted for, on a national income account basis, a $2.1 billion deficit during that period is not bad at all and fits in just about, I think, with the economic requirements.

If we had not had Vietnam, particularly in terms of the speed of the buildup, I am convinced that we would be running a significant surplus, and we may actually have been in the process of talking about a tax reduction. It is a little hard to know what would have happened if something else hadn't happened, I admit.

But you know, $22 billion of expenditures for Vietnam on a $2.1 billion NIA deficit gives you an indication of where you might have been had it not been for Vietnam, and looking at those two figures, I think it is not too bad a performance.

Senator JORDAN. I am sorry; my time is up.

Chairman PROXMIRE. Mrs. Griffiths?

Representative GRIFFITHS. Thank you.

Mr. Schultze, I must say that having sat with you for the last 4 or 5 days in the committee, you must feel this is a cold and friendless world.

Mr. SCHULTZE. Not as long as you are on the other side.

Representative GRIFFITHS. I would like to ask you are you estimating for 1968 something more than a $2 billion deficit in the national income?

Mr. SCHULTZE. On a national income accounts basis it is $2.1 billion.

Representative GRIFFITHS. Does this take into consideration a tax increase of about $5 billion?

Mr. SCHULTZE. On an NIA basis; that is correct.

Representative GRIFFITHS. What do you estimate the effect of a $5 billion tax increase upon employment will be?

Mr. SCHULTZE. Very roughly we would feel that with a $5 billion tax increase, and with all of the other things that are going on, both Government and private, as we can best estimate it, the unemployment rate should remain, with obviously some minor fluctuations from month to month, about where it is now.

If you didn't have the $5 billion tax increase but had everything else, then presumably the unemployment rate would fall. We believe that this at the same time would in this context lead to greater price rises.

Representative GRIFFITHS. And what is the unemployment rate right now?

Mr. SCHULTZE. 3.8 percent.

Representative GRIFFITHS. I observed, I believe it was yesterday or the day before, and I think it was in Wisconsin, milk being poured down the drain because people weren't getting the prices they wished. If unemployment were increased, would you still press for a $5 billion tax increase?

Mr. SCHULTZE. Fairly obviously, Mrs. Griffiths, we hope we have the good sense to be flexible in the face of changing conditions, and I think we do have that good sense. At the present time, in our best estimates of what the economy requires, we think the $5 billion is needed. If circumstances were to change, we would have to reevaluate this, but at the present time we see no need to.

Representative GRIFFITHS. Does it not really depend upon employment rather than upon deficits?