

Secondly, we did come up with tax recommendations at a time when there was a lot of talk that we would never get anything through the Congress. We did come up with tax recommendations, primarily not to gain revenues but to cool the economy off.

And thirdly, you will note that after about September or October, both in terms of price indexes and monetary conditions, there was a significant change in the environment, due in part—I don't say fully—but due in part, I believe, to those recommendations.

Hence, we did make such recommendations. They were accepted both by the President and by the Congress.

Chairman PROXMIRE. They were what?

Mr. SCHULTZE. Accepted by the President and the Congress passed them. And then there were the actions on the other side of it, the expenditure side, and all these measures did have an effect.

Senator PERCY. In the President's message he said:

"I am proposing in the 1968 budget to sell \$5 billion in participation certificates."

As I understand it, about \$4 billion of that will require congressional authority before he can go ahead and sell them. What would be the consequences if Congress doesn't provide that authority?

Mr. SCHULTZE. The administrative budget deficit would be higher by that amount.

Senator PERCY. By that amount?

Mr. SCHULTZE. The NIA budget wouldn't be affected because these don't enter into the NIA budget. One point on that by the way, Mr. Percy. Actually, we are asking for \$4,750 million of authority to give us some flexibility, but we are only forecasting the sale of \$4 billion.

Senator PERCY. In the President's state of the union message, I think it was a realistic presentation of problems. There were not too many areas of hope or inspiration in it. But one area of hope for me was that he did say, "We shall strengthen the Headstart program beginning with children 3 years old" and so forth.

And he also in the Economic Message said he would have an expanded operation Headstart, which I think was very well received, I know by me and by many, many others who feel this is a great investment in the next generation. Yet, I can't seem to find it in the Budget, in this Manhattan Telephone Directory size. Page 94, where it lists the children participating, it lists 737,000 children in fiscal year 1967 and 737,000 in fiscal year 1968. There is no provision for 3-year-olds. There is no provision for expanding either the summer program or the academic year program. Where is the expansion for Headstart?

Mr. SCHULTZE. The key point in this is that we are asking the Congress to put into the Office of Economic Opportunity's budget an additional \$135 million for a follow-through on Headstart.

Now this will, obviously, take some time to get started, and significant amounts of this money should be and probably will be used for planning how that Headstart followup is to be done. This is where our initial thrust is, right here in the follow-through. We still have a lot to learn about how to follow through, but we did put in this \$135 million to start. It will in all probability go through OEO, but be administered by the Department of Health, Education, and Welfare.