

For the longer run, we need to restore the somewhat tarnished reputation of the budget. After all, the budget of the United States is a document of vital significance to everyone in the nation. It affects every citizen's well being, his environment, and his taxes. It is used by economists to project the direction of the economy and to evaluate the soundness of national fiscal and monetary policy. It is studied by foreign nations who judge from it our strength of character and our power to meet international monetary and military situations.

For these reasons, the Federal budget must be impeccably sound in its accounting principles and beyond reproach in its integrity. Accordingly, I believe the President should appoint a high quality, non-partisan Commission for Budget Reform to conduct a detailed study of budget accounting policies and applications, and to make recommendations for improvement.

Such a commission of private experts could make an inestimable contribution to public understanding of government finances by laying down guidelines for the classification and presentation of budget data and for inclusion of additional important data.

This is no time for half-way measures if we are to regain control of government finances. As I have tried to indicate, Federal expenditures have been increasing at a reckless rate that, if continued, may well put an insupportable burden on our economy. They have already encouraged a strong revival of inflation, the cruelest tax of all. New programs always proliferate in a something-for-everybody atmosphere. Piling new program on top of new program steadily whittles down the areas of private responsibility and action.

The importance of these developments cannot be overstated. The whole world is watching to see whether democracy can discipline itself. Since recent Federal budgets have shown little discipline or restraint, at a fearful cost to the nation, let us hope that the President this year will reverse the trend and bring back a return to old-fashioned fiscal responsibility.

Chairman PROXMIRE. Mr. Schultze, I am not going to detain you much longer on this \$10 billion error, but I would like to press it further, because I think that we can come to a constructive conclusion on it.

This assumption that the war would end on June 30, 1967, becomes more fantastic as I think about it, because, of course, the war could end on May 1 or June 1, and we still would have been \$10 billion off, or very close to it. So we not only assumed that the war would end on June 30, but we assumed we would know about it well in advance, and we could have slowed down our procurement so we wouldn't have procured anything to fight in the period subsequent to July 1, 1967, isn't that correct?

Mr. SCHULTZE. I can't answer that yes or no. I would like to point out that the assumption was made for the very reasons I indicated earlier, that it was impossible to forecast longer term requirements. For budgeting purposes, therefore, some assumption had to be made. It was a budget assumption, not a diplomatic assumption.

Chairman PROXMIRE. The assumption made was that the war would end on June 30, and we would know well enough in advance so we could trim, reduce our procurement, et cetera, in advance of this. Therefore, we must have had some knowledge. We would have had to know, say, by December or January.

Mr. SCHULTZE. Oh, yes, in that sense. All that the assumption really means is that the long leadtime items needed to carry the war on after June 30, 1967, were not in the budget; that is, that the money for ammunition, rockets, and procurement of aircraft for attrition after that date were not in the budget, not because of any diplomatic assumption that the war wouldn't go on, but because we were in such an explosive buildup we didn't know what those requirements were going to be.