a suggestion that is made with all seriousness, and I think many of us feel very handicapped.

Right now there are well informed competent people in the Congress who are saying the present estimates are way off. They may be right. If they are, our policies are going to be way off in the coming year. The best judgment on your part is going to do you no good if the basic facts aren't right, if the basic intelligence isn't correct.

Mr. SCHULTZE. And the opposite side of that coin, Senator, which is the one that does give me trouble about this, is that in this kind of a case we don't just give informal estimates, a range, a "guestimate." When the Secretary of Defense has to give an estimate, presumably that is backed by requirements. The real problem is when can you know how your requirements have changed. There is, as I indicated earlier—I am not sure you were still here—but in answer to an earlier question, I indicated that there is a significant difference, and for good reason, between the planning assumptions in the 1968 budget and the 1967 budget.

Chairman PROXMIRE. There weren't any significant changes last year.

Mr. SCHULTZE. Except it was made on a different assumption.

Chairman PROXMIRE. You still were way off.

Mr. SCHULTZE. That is right. This time, however, barring significant changes, we put in the long-lead-time procurement. The 1968 budget finances both long-lead-time procurement in case the war should go on longer, and provides for a further buildup, although at a lower rate than we have been having.

So that the 1968 budget is essentially based on a different set of planning assumptions than the 1967 budget, and because we have got 18 months of combat experienec behind us, and because we are leveling off, or are more close to leveling off at least, we can make a lot firmer estimates.

Chairman PROXMIRE. A multiplier of 2.2 for Vietnam spending was pointed out yesterday. The impact on the economy is very, very serious, and if you could from time to time give us the latest intelligence you have on this, it is going to be very useful to this committee and to the Congress.

Now I would like to get to another area.

Mr. SCHULTZE. May I just get one point in that I wanted to get in earlier, which I think would be relevant in considering the point you have made, and that is the timing of these differences. As I indicated earlier, if you look at the economy in 1966, the inflationary pressure came in the first three quarters, roughly, and there was a substantial tapering off thereafter.

Consequently, if the defense estimates, the defense spending, was responsible for this, it must have been in the first 6 or 7 or 8 months, given the leadtime involved.

But let me give you two sets of figures that I think you will find interesting. First let me take the deficit-surplus situation, actual and predicted, and then total NIA expenditures, actual and predicted. For the first quarter of 1966, our original budget had behind it an implicit deficit of $2 billion. As it turned out, we had a surplus of $2.3 billion, or a difference of $4 billion.