

In the second quarter, the original budget on the NIA budget called for about a \$1.6 billion deficit. It actually turned out to be a \$3.8 billion surplus, or a difference of \$5.4 billion in the same direction.

In the third quarter, a \$2.1 billion deficit turned out to be only a half billion dollar deficit, a difference of \$1.6 billion. You might say the economy rose a lot faster because of inflationary pressures and you got a lot more revenues, so those aren't valid figures. I don't think that quite figures, but let's turn to expenditures and look at total NIA expenditures.

In the first quarter of 1966, the 1967 budget estimated a first quarter NIA expenditure of \$133.7 billion. Actual expenditures as published by the Department of Commerce—and you will find them in the Economic Indicators—were \$133.7 billion, no difference. In the second quarter \$136.9 billion was predicted, and the actual was \$137.1 billion—up two-tenths. In the third quarter, where we do come on expenditure changes, \$140.5 billion was predicted, the actual was \$145.8 billion, a \$5.3 billion difference for that quarter at annual rates. Thereafter, the economy moderated somewhat.

Chairman PROXMIRE. I think you are making a very strong case and it is extremely interesting, but it doesn't get around the fact that, rightly or wrongly, we don't have the right information if we don't have the right estimates. All the analysis in the world is going to be no good at all: you are just going to make serious blunders and mistakes.

I think you make a strong case that you cannot charge the inflation we suffered during most of 1966 to this particular blunder. But, nevertheless, I do think that the main point is the Congress was incredibly misinformed by your estimates last year. This has to be corrected one way or another, and I think this committee has a duty to do our best to correct it.

Now let me ask this. You said earlier, that *Life* magazine said the budget would not satisfy the pennypinchers. Well, it doesn't satisfy this pennypincher, and I am sure other pennypinchers.

First, take a look at Federal employees. You have a breakdown here which indicates that between 1955 and 1960 we had a stable situation, about the same number of Federal employees. In fact, it was precisely the same, 2,371,000. From 1960 to 1965 it went up 214,000—in 5 years—and in the last 3 years, 1965 to 1968, it has climbed by 217,000. I think a lot of people feel that the gobbledygook on dollars is hard to analyze because you fool around with participation certificates and juggling in all kinds of way, but when the Federal employees go up, you know the Federal Government is getting bigger.

What concerns me about this, particularly, is that for the first time in a long time we have 3 successive years in which the number of Federal employees in relationship to the Nation's population is increasing and increasing sharply. So I would like to have your answer on whether we should be concerned with a change now, a dramatic and serious change in the growth of the Federal Government?

Mr. SCHULTZE. Let's break that into three parts. There have been very large increases for the Department of Defense. It takes civilian personnel to handle the Vietnam problem.