

In the GSA area, we have proposed eight new buildings, compared to a normal running level for a Federal workload of something like 30 or 40. For the Bureau of Reclamation, we have recommended four new starts. Now you could cut those out, but that would have practically no effect on 1968 expenditures.

Secondly, we have in addition, stretched out and slowed down on-going works, starts begun a year ago, 2 years ago, 3 years ago, as much as we could do without running the cost up tremendously.

Chairman PROXMIRE. Without what?

Mr. SCHULTZE. Without running the total cost up tremendously. There is an optimum rate at which you build these. To be quite frank, we may have even slipped a little bit under the optimum rate by trying to stretch them out. You could, obviously, legally just stop those contracts and leave the dams or whatever it is half completed.

Chairman PROXMIRE. Some of these programs could well be stopped forever—the cross-Florida barge canal, for instance; some of the reclamation projects, which would bring more feed grain land in production while we are paying billions of dollars to take other lands out of production.

Mr. SCHULTZE. As I say, we have cut the new starts way down. And when you stop a continuing contract, I am told by my staff that what has very often happened in the past, in fact almost universally, is that even though legally the contractor is always given the contract subject to the availability of appropriations, there are almost always, whenever we do chop one of these off, special actions and he gets his money probably plus damages. So that we have, in terms of the controllable part of this, cut way back, but it doesn't have much of an impact in the first year on the budget, because you don't spend much in the first year on these programs.

So I am not suggesting we couldn't have cut another dime out. We could have. We could have stretched them out further, but we would have gotten well below the optimum rate of construction that you end up with higher costs, leaving us finally with the option of just stopping a lot of work in midstream, where in many cases at least, past experience would indicate, as I am told, that special actions are likely to be put into effect making good the contractor end of it.

Chairman PROXMIRE. We did this during World War II, didn't we? Didn't we just stop it cold? In the Korean war, didn't we pretty much stop?

Mr. SCHULTZE. In the Korean war, we slowed them down. In World War II we did stop them. I frankly don't believe this is of World War II magnitude. But I am told that you are quite right. In World War II we did stop either all or a large number of them right in midstream. I don't think we are faced with a World War II situation, however.

Chairman PROXMIRE. It all depends on how seriously you consider the impact of the tax increase.

Mr. SCHULTZE. I think that in considering a 6-percent surcharge compared to anything like World War II, there is no comparison.

Chairman PROXMIRE. I am not talking about World War II. I am talking about the 6-percent surcharge compared with cutting this spending. Largely, let's face it, this is pork barrel.