examined at some length his statement that we are substituting this year the word "restraint" for a specific guidepost.

Secretary FOWLER. Yes, I followed that dialog. I know.

Representative BROCK. Yes, I am sure you did. In my opinion we have abandoned guideposts because the word "restraint" is as broad as anybody wants to make it. As Mr. Ackley himself pointed out, it is more restraint to have a 7-percent deficit than it is a 10-percent deficit. But it seems that we have come out with the same policy on this budget you have submitted here.

You say the President has exercised as much fiscal restraint as he thinks it is possible to exercise. Now I can't see what the word "restraint" means anymore, because I just saw the report of the St. Louis Federal Reserve bank.

Their full employment budget for the fourth quarter of calendar 1966 says that this is the most expansionary, the most inflationary situation we have been in in years. Now in face of the fact that the Council of Economic Advisers suggested that we can anticipate something along a 2.2-percent increase in prices this year, considering the fact that you have gone primarily to the NIA budget and it in turn shows an inflationary budget of $2.1 billion, I don't see where the restraint is.

I looked back just a couple of years ago when the President said he was going to keep the budget under $100 billion. I remember very well how well that was received here in Congress and throughout the land. This year, just a couple of years later, we are up to $135 billion on the administrative basis.

Secretary FOWLER. Mr. Chairman, I have another chart I would like to turn to if you don't mind.

Representative BROCK. Let me point out that even with the $135 billion, that is a 35-percent increase. Vietnam is only taking 20-plus billion dollars of that. I don't see where the restraint is, in this budget. Would you like to respond?

Secretary FOWLER. Maybe I can as I have tried to with Senator Miller. Chart 1 analyzes the deficits and surpluses over the last 3 or 4 years. There is no getting around the fact that expenditures for these years, 1964 through 1968, are very large.

But I think this chart is worthy of some examination. It shows that aside from the special costs of Vietnam, in the 3 fiscal years ending with the one you are discussing, apart from those special costs of Vietnam, we are running very large and increasing surpluses in the budget.

Now the fiscal 1968 figure here represents the $8.8 billion that without Vietnam would be the surplus in the 1968 budget. This assumes all other things were the same, and assumes the same level of treatment of the nondefense needs, which undoubtedly would not be the case. Therefore, it is a spare budget, as far as the nondefense side of it is concerned.

Now in 1964, which is the first year, we had a $8.2 billion deficit. In 1965, by holding down the increase in expenditures while revenues went up as a result of the Revenue Act of 1964 and other related economic factors, we brought that deficit down to $3.4 billion.

And in 1966, despite the fact that there was in that fiscal year an expenditure in Vietnam of $5.7 billion, we had a deficit of only $2.3