The intent of the fiscal restraint proposed by the President was to moderate the growth of demand, thereby easing the inflationary pressures confronting the Nation, and to finance in a more equitable manner a substantial part of the costs of our Vietnam operations. As administration spokesmen pointed out repeatedly, a return to relative price stability was not expected to occur immediately following passage of the proposed legislation. The upward force of existing cost pressures is too great, and restraint on aggregate demand will, and should, occur over a period of months rather than instantly. But passage of the legislation has set us on the road to reasonable price stability and a balanced economic expansion at a rate commensurate with our rising productive resources.

In addition to raising taxes, the Revenue and Expenditure Control Act of 1968 includes provisions to reduce the number of Federal employees and the amount of budget outlays in the President's budget of last January. I would like to describe for you briefly the current status of these provisions.

Reduction in Federal employment. With respect to employment, the act introduced certain limitations on hirings in the executive branch, designed ultimately to reduce the number of Federal employees to the June 1966 level. The main provisions are that—

In the case of *full-time employment in permanent positions*, the number of appointments—whether to new positions or to fill vacancies—must not exceed 75 percent of the vacancies occurring after July 1, 1968.

In the case of *temporary and part-time employment*, the number of appointments must be restricted so that such employment is no greater than during the corresponding month of 1967.

The first of these restrictions—on full-time permanent employment—will remain in effect until the June 30, 1966, employment level is reached, although at that point hirings will still have to be limited in such a way as to keep employment from rising above that level. The second restriction—on temporary and part-time employment—would continue indefinitely under the terms of the law.

The administration opposed this employment rollback. It involves a reduction of more than 250,000 full-time permanent employees, despite a 25-percent increase in workload, even after the $6 billion cut. In recognition of the various difficulties created by the arbitrary nature of the provision, legislative exemptions have already had to be provided for the Postal Field Service, TVA power activities, the FBI, and the FAA air traffic control system. Under these exemptions about 20 percent of the Government's employment is no longer covered by the law. An additional exemption has been proposed for employees of the Department of Agriculture who are paid from non-Federal sources—such as employees involved in inspection and grading of agricultural products.

Management problems can be expected to continue, demonstrating the weakness of such a blanket approach to a complex problem. For example, recently enacted legislation expanding Federal activity in the field of housing and community development will require additional employees to get the job done. Moreover, if we are to take a population census in April 1970, in accordance with the constitutional requirement for a decennial census, extra temporary employees will