As a general policy, we have tried to protect key high priority social programs such as manpower training, antipoverty activities, education of the disadvantaged, low-income housing, and crime control.

In anticipation of reduced pressures on financial markets as the effects of the tax surcharge are increasingly felt in the economy, a reduction of $1.2 billion is planned in loan programs of various agencies, such as the Farm Credit Administration, the Export-Import Bank, and the Small Business Administration. Greater reliance will be placed on private financing of these activities.

Outlays for the Federal-aid highway program and other construction activities will be cut back by a total of $300 million, including $200 million for highways and most of the remainder for water resources projects. The budget last January had called for a restrictive policy on Government construction. However, with the current budgetary stringency we believe it is necessary to be even more restrictive in this area, in which short-term deferrals are not as serious as in some operational service activities.

The space program, under current plans, will be reduced by $100 million beyond the cuts anticipated to result from congressional action. These reductions are expected to be accomplished in activities other than the manned lunar landing effort.

Present plans require the Departments of Agriculture and Health, Education, and Welfare to hold outlays for their programs which are covered by the statutory limitation to the amounts estimated in the January budget. Because of increases for farm price support activities and public assistance, these two departments will have to make substantial reductions in other programs. The specific areas to be reduced are presently under study.

Our cutbacks are planned to be applied throughout the Government, reflecting workload considerations, program needs, the effects of the employment rollback, and other factors.

In formulating the January budget, the President followed a tight expenditure policy with the objective of holding the budget down as much as possible consistent with urgent national priorities. We still believe the fiscal policy in that budget was proper for the Nation's needs. The deep budget reductions required by the Congress will inevitably cause some hardship and loss of Government services. However, we are making every effort to fulfill the mandate of the Congress in the best and most orderly way we can devise.

Chairman PROXMIRE. Thank you very much, Mr. Zwick.

As I say, this was an excellent statement. You are very responsive to the kind of thing that we are interested in.

What is your anticipated GNP for fiscal year 1969?

Mr. ZWICK. We used $854 billion for calendar 1968.

Chairman PROXMIRE. Can you break it down by quarters? Can you or did you?

Mr. ZWICK. No; I don't have those data here. Generally we look at half year projections.

Chairman PROXMIRE. You have that in your chart?

Mr. ZWICK. Yes; the annual figures are in the summer review.

Chairman PROXMIRE. That was increased as I recall.

Mr. ZWICK. Yes; by $8 billion over what we assumed in January.

Chairman PROXMIRE. Why do you make that?