

we assumed in January, the decline is nowhere near as large as the \$6 billion cutback in the unified budget. As you see, we have taken some out of the loan programs which don't affect the NIA figures.

There is some increased risk in this model from what we assumed in January, and I think we have been clear on this. Chairman Okun has stated this on a number of occasions, when talking about broad fiscal policy.

Chairman PROXMIRE. Yes.

Mr. ZWICK. And we also have real program problems with this cut. As I indicated earlier, if the President had his wishes today, he repeats he would like that \$186.1 billion budget that he asked for.

Chairman PROXMIRE. Do you agree it is a little early to make much of a real judgment on the impact of something as important as this big tax increase and the spending picture?

Mr. ZWICK. Yes, sir; I think that is right.

Chairman PROXMIRE. As I understand it, all the testimony we had is that people change their spending patterns slowly.

Mr. ZWICK. That is correct.

Chairman PROXMIRE. This tax increase has only been in effect for 2 months.

Mr. ZWICK. That is correct.

Chairman PROXMIRE. And that is very little really to make a judgment. Next January when you have an increase in the social security taxes—

Mr. ZWICK. That is correct. Walter Heller's newsletter 2 days ago—

Chairman PROXMIRE. Would that be included in your swing, the budget swing?

Mr. ZWICK. That is right. We have in there the social security tax increase.

Chairman PROXMIRE. Walter Heller, you said?

Mr. ZWICK. In his newsletter 2 days ago, which I just read, he was drawing an analogy to the 1964 tax cut, and how there were several anxious months before we started to get any feel that the tax cut was having the stimulating effect that we expected it to have. But now I think it is generally concluded that it did, in fact, accomplish the task.

Chairman PROXMIRE. So the restraint effect is yet to come, as I understand it.

Mr. ZWICK. That is correct. We do have the loosening up in the financial markets, which I think you can already see.

Chairman PROXMIRE. Several times on the floor of the Senate—you may be aware of this—Senator John Williams of Delaware said that you preferred not to have exceptions to your holddown in personnel, and the requirement that you not fill the vacancies to the extent that they occur fully.

Mr. ZWICK. Yes; that is right.

Chairman PROXMIRE. Three quarters can be filled and one quarter cannot be.

Mr. ZWICK. Yes.

Chairman PROXMIRE. Than you would prefer to have the discretion to move employees from one agency to another. Now, I have just been through a losing battle on the floor, on which I got no help at all from the administration, to try to unfreeze the Renegotiation Board. Here