

cause we were already over the estimate by \$2.6 billion for Vietnam, we were clearly over the estimate by a significant amount on interest. You knew you were going to be over on veterans' benefits, and so forth. So this is the confusion. But I hope the administration's position is clear. We know the number that we have to live with in the tax bill, and if, for example, the reestimates go up to \$3 billion, we will have to cut \$9 billion, and we will.

Senator PERCY. From the standpoint of the objectives of Congress to try to mitigate the effect of the budget on inflation and take the pressure of that excess spending off of the economy, I take it is your clear policy that you are in accord with that desire. You are fearful of inflation?

Mr. ZWICK. Yes.

Senator PERCY. And that there is going to be no toleration by you of so-called back-door methods of getting figures that look like reduction, but which have no effect whatsoever on the impact on the economy?

Mr. ZWICK. No, sir. I went through a dialog a moment ago with Senator Proxmire on this specific issue. We believe the general fiscal policy as embodied in the January budget was appropriate and still is appropriate. We think that this cutback, as we now have it planned, has a little more restraint in it than that January budget.

We think that the risks at this point, if there are risks, are on the side of maybe a little bit too much restraint rather than too little, so that we are not concerned about a lack of restraint here. We are talking about a very complicated system, our economic system, and when you start arguing that small differences mean you have got too much or too little, equally competent people can disagree in that range of error. So we think that there is sufficient restraint. And if you had to ask me what am I most worried about, I would say I am worried about too much restraint. But I am also worried about too little. I worry no matter which way it comes out.

Senator PERCY. One further point, Mr. Chairman. I have always been concerned that the cost of Vietnam is considerably greater than the hard budget figures that are pulled out and shown, whatever it is.

Mr. ZWICK. Yes, sir.

Senator PERCY. \$26 or \$28 billion. In an attempt to find out the true cost, this committee asked Mr. Schultze to give his appraisal of what the effect on the budget would be if the war did end, and he indicated in testimony that it would reduce the budget by \$15 to \$20 billion.

Since he has left office, as I understand it, he has modified that position that he had taken, and had indicated that it would not release substantial funds for other purposes, once the war was over, that there are so-called pent-up demands that would have to be met, delayed research possibly, that defense would come in for more, for longer range projects and so forth. As I understand it, Under Secretary Barr has also confirmed this viewpoint. Could you give us your feeling, and if your feeling confirms the fact that there will not be a reduction, is the cost of the war really truly stated, then, when we are foregoing so many other things that we should be doing?

Mr. ZWICK. Let me break my answer in two parts, if I may, Senator Percy.

First, the costs of Vietnam.