

tranche of money, to use a banking term, for these long delayed public purposes, which have kind of bunched up on us because of the Vietnam war?

Mr. ZWICK. Let me answer this in several parts.

First, in terms of the public purposes and needs, I think you are expressing a view very similar to the President's. As you know, he said that if he had his way, he would have a \$200 billion budget, not a \$186.1 billion or a \$180 billion budget. So that I think there is a general agreement between your view and the administration's view on the need to get on with these public purposes.

The second question of what happens in fiscal 1970, 1971, and 1972—and that was the dialog that I believe Senator Percy was referring to in terms of where we are going—I think the budget arithmetic for fiscal 1970 is just very difficult and very obvious. It doesn't take any sophisticated analysis.

If the surcharge goes off on July 1, 1969, or the beginning of fiscal 1970, we will roughly have the same revenues in fiscal 1970 as we have in fiscal 1969. In other words, the tax surcharge would be giving us close to \$10 billion of revenues, and that is how much additional revenue we would get if the economy keeps growing every year, the so-called fiscal dividend. So that you are looking toward, with no tax surcharge, in fiscal 1970 essentially the same revenues that you are looking toward in fiscal 1969.

Now, what is the expenditure situation? Several things are obvious. Trust funds increase automatically, not only the social insurance trust funds but the highway trust fund and others. There is an increase of \$2 to \$3 billion, let us say—just for the sake of this discussion—in trust funds over which no administration has any control. There is no control over social insurance trust funds, I hasten to say. We argue that we do have some control over the highway trust fund, of course.

The pay increase enacted by the Congress in October of 1967 is also a factor. There was a pay increase which had as an objective the elimination of the gap between public and private pay scales. That Act was so structured that we would close half of the gap on July 1, 1968, with the pay raise that just went into effect, and the other half of the gap on July 1, 1969 plus an adjustment on July 1, 1969 for any change in private wages during calendar year 1968.

I think it is quite clear now that we are having a big, upward adjustment in private salaries and wages in calendar 1968. Therefore we are facing a pay increase in fiscal 1970, unless the law is changed, of, I would say, double what we are facing this year—around \$3.2 billion, \$3.3 to \$3.5 billion, let's say. So these two factors total around \$6 billion.

Then on top of that, there will be a number of workload increases. Now, on that point we could argue all day. I think I will just quote an expert, an authority on the other side of the aisle, one of my predecessors, Maurice Stans, who argued when he was in office that spending goes up \$2 to \$2½ billion a year just due to workload and other built-in factors.

In January of 1967, in a U.S. News & World Report story, he estimated that such increases might be up to about \$4 billion now, so I think he must have some pay increase in there.

No matter how you slice this, and without getting into anything very specifically, you are looking at \$7 billion to \$9 billion worth of