

the situation must be viewed dynamically, and to that extent it is a restraining budget.

Senator PROXMIRE. Of course, that restraint is being exercised right now, it wouldn't be exercised in 1970, that movement, because right now, as I understand it, we are operating at a level of give or take \$1 billion or \$2 billion surplus or deficit, that is, in—

Mr. MAYO. There are lags in the economic effect of this, as we all well know. It isn't a turn on and off sort of proposition.

Senator PROXMIRE. You described this as a tight budget, and perhaps an overly tight budget, which is surprising if not shocking to me, coming from your administration. What would happen if the Congress should do precisely what it did last year and use the same figures last year? In other words, supposing we should set a ceiling on expenditures at \$183.7 billion, which was the expenditure of last year, I guess, or close to that, what would be, in your view, the difficulties that would develop if Congress should take that action?

Mr. MAYO. Well, two points. First of all, I was referring in the overly tight description—to the budget of fiscal year 1969 as we face it right now.

Senator PROXMIRE. What I am talking about is maintaining that level of spending for 1970, if Congress should do that.

Mr. MAYO. The question of maintaining a level of spending such as you suggest raises two problems in my mind. First—I don't want to sound like a broken record, because I think this has perhaps been overused—there is the problem of commitments and contracts and so forth that have already been made. The Congress could do a great deal on this through its appropriation mechanism to keep expenditures at a lower level next year. Second, we do have built-in increases which are rather significant, the pay increase, interest on the debt, and so forth. This raises the question as to how control over the budget should be exercised, whether it is primarily or almost entirely through the appropriation process, in terms of what is done on authority to spend, or whether we need additional restraint to be exercised through the debt limit, as we have had—sort of *ex post*—for many years, or through outlay controls such as were enacted last year.

Senator PROXMIRE. I am asking you, supposing we follow the Williams-Smathers amendment of last year, which many people seem to feel was quite effective. Secretary Barr of the Treasury, for example, has written a recommendation to the Congress that we follow this kind of line. He didn't recommend that we have the same level, of course, as last year, but he thinks that this is something that Congress can do which is effective. And there are a few things that we can do in this spending area which gives us a feeling that we are having a really definitive effect on the amount that is expended. That kind of action seemed to have considerable effect—giving the administration the discretion to spend within that ceiling, and perhaps for the moment laying aside the manpower limitations, which I understand that the President opposes quite strongly—at any rate, confining you strictly to the dollar amount with flexibility.

Mr. MAYO. Well, I might say again, the ceiling does exercise restraint. I believe I reflected that in this statement. One of the questions that I am still seeking the answer to is how the restraint can be handled so that it is not arbitrary with regard to programs that are pretty