the Treasury, and including Mr. McCracken as a member and four of your associates in the Congress as members. I think I can say that they were looking for an appropriate measure that did not try to satisfy all users of the budget—this is impossible. They wanted to satisfy the vast majority of users by going to a concept which would include the net effect of the trust fund operations, because, from an economic standpoint, the taxes that are levied under social security do have an economic effect, different, of course, but an economic effect that is important to take into consideration.

We observed further—and I will continue to stress this point—that our decision to put a unified concept into effect in no way, in our mind, affected the sanctity of those trust funds. This is terribly important. And the Government securities held by these trust funds are just as legitimate investments as the investments by a private pension fund is in the stocks or bonds of an industrial corporation.

Senator MILLER. Be assured, I have no doubts about the integrity of the trust funds in your hands. However, I remember when the Secretary, the former Secretary, of the Treasury, testified before this committee around a year ago, in response to one of my questions, he recognized that Treasury borrowing is measured against the operating budget deficit.

Mr. MAYO. Borrowing from the public, yes.

Senator MILLER. That is right. Not the unified budget. And, therefore, to the extent the Treasury——

Mr. MAYO. I am sorry. I misspoke myself. The borrowing from the public concept plus the trust funds in the traditional sense is tied to the operating budget. You are quite correct.

Senator MILLER. Yes. And to the extent that such borrowing has an effect on inflation, then the operating budget deficit is very, very important. And because of the great amount of attention that the new administration has given to inflation, it would seem to me that something might be done about highlighting the operating budget deficit and the borrowing entailed and the inflationary possibilities that this would have.

Mr. MAYO. To pursue that one more step, however, Senator, I think, if you will go beyond that and look at the borrowings from the public, this is really the essential measurement of what the Treasury is able to do in debt management with the public, which is a very significant part of the whole inflationary environment. This is where the basic contribution is made. The basic contribution on the inflationary side that relates to trust funds is a contribution of an excess of those taxes over expenditures in the first instance. The issuance of the special obligations, therefore, is more neutral in the debt management concept, if I may disassociate the two.

I know this is getting a little esoteric, perhaps, but the point I am going back to is that, as an economist, I would pay even more attention to the analysis of the proper handling of the borrowing from the public as a good or bad indicator when I am analysing the inflationary problem.

Senator MILLER. Thank you very much.

Thank you, Mr. Chairman.

Senator PROXMIRE. Mr. Mayo, how many Budget Bureau personnel are assigned to Defense?