in the estimates they made late last year. Yet, no task is more formidable than to try to predict—over 18 months in advance—a budget of around $135 billion and its related revenues for 200 million Americans.

The Nation now faces these hard and inescapable facts for fiscal 1968:

—Expenditures are likely to be between the January budget figure of $135 billion and $143.5 billion—as much as $8.5 billion higher—depending upon the determination and ability of the Congress and the Executive to control expenditures.

—Revenues are now estimated some $7 billion lower than in January, even with a 6% tax surcharge.

—These changes in the January budget estimates would result in a deficit of $23.6 billion.

—Without a tax increase and tight expenditure control, the deficit could exceed $28 billion. And that does not include an estimated $700 million higher cost of interest on the public debt that such a deficit would involve.

A deficit of that size poses a clear and present danger to America's security and economic health.

If left untended, this deficit could cause:

—A spiral of ruinous inflation which would rob the poor, the elderly, the millions with fixed incomes.

—Brutally higher interest rates and tight money which would cripple the home builder and home buyer, as well as the businessman. Interest rates have already turned up sharply despite the relatively easy money policy of the Federal Reserve System.

—An unequal and unjust distribution of the cost of supporting our men in Vietnam.

—A deterioration in our balance-of-payments by increasing imports and decreasing exports.

This Congress and this Administration must not accept so large a deficit.

Under these circumstances, we must choose between two alternatives:

1. The deficit could be accepted and totally financed by additional borrowing, which itself would drive up interest rates, or

2. The deficit could be reduced by rigidly controlling expenditures, raising as much money as possible through increased taxes, and then borrowing the difference.

The first alternative would be fiscally and financially irresponsible under present conditions. The second alternative is the only way to maintain a strong and healthy economy.

America in its strength and wisdom must choose to travel a responsible fiscal and budgetary course.

That is why I present for your judgment and action a fiscal program that is sensible and sound. There are two essential elements to this program:

—expenditure restraint, to which this Administration is committed and which I urge upon the Congress.

—tax measures to increase our revenues.

FISCAL 1968 EXPENDITURES

The budget for Fiscal 1968, submitted six months ago, estimated expenditures at $75.5 billion for the Defense Department and Atomic Energy Commission, and $59.5 billion for our civilian programs.

These estimates may now have to be revised upward by as much as $8.5 billion:

—$2.5 billion for civilian programs.

—$2 billion for reduced sales of participation certificates.

—$4 billion for defense.

1. Civilian Expenditures

The estimate of non-defense spending for Fiscal 1968 has already increased by $1.5 billion. This increase stems from two sources:

—First, a number of essential activities were temporarily deferred in fiscal 1967 as part of our fight against inflation. Early this year inflationary pressures had been brought under control. Some of these deferred funds already voted by Congress were released in late February, and again in March and April, particularly to help homebuilding. This *added $600 million* to Fiscal 1968 expenditures. These releases included funds for the purchase of low cost home mortgages ($500 million), construction grants for health and education facilities ($30 million), and the construction of dams, flood control projects, and other public works ($20 million).