All actions we take to reduce Federal spending must—and will—be carefully and compassionately weighed. For we cannot turn our backs on the great programs that have been begun, with such promise, in the last three and one-half years. And we cannot now postpone—at a much higher economic and human cost later—the urgent task of making the streets of America safe from crime and chaos and rooting out the underlying causes of unrest and injustice in our land.

Nevertheless, we must move with determination to assure that those for whom these programs were begun are not robbed by the inflation that would accompany an unacceptable deficit.

2. Defense Expenditures

I have concluded, after considering the recommendations of Secretary McNamara, the Joint Chiefs of Staff and General Westmoreland, that I should authorize an increase of at least 45,000 in the number of men to be sent to Vietnam this fiscal year.

This Nation has taken a solemn pledge—that its sons and brothers engaged in the conflict there shall never lack all the help, all the arms, and all the equipment essential for their mission and for their very lives.

America must—and will—honor that pledge. It is for this reason that expenditures for Vietnam—subject as they are to the variable demands of military operations—may now exceed our earlier estimates.

The Department of Defense has been a pace-setter in the Federal Government for efficiency and economy. Still, any organization that has so greatly expanded in so short a time is bound to have some areas in which further economies can be achieved or less essential expenditures stretched out.

I have asked Secretary McNamara, therefore, to conduct a searching review of all defense expenditures and to withhold all such expenditures that are not now essential for national security.

By such action we will try to hold total defense expenditures as near as possible to the level budgeted in January. However, the history of war teaches one clear lesson: the costs of conflict can never be precisely estimated nor fully foreseen. Thus, the possibility remains that defense spending in fiscal 1968, based on present plans, may exceed the January budget by up to $4 billion.

FISCAL 1968 REVENUES

The Fiscal 1968 budget submitted in January projected revenues of approximately $127 billion, including income from the tax measure I proposed at that time.

Since January, revenue estimates have been revised downward by a total of about $7 billion:

—*$800 million* as the result of Congressional action in restoring the investment credit and accelerated depreciation earlier than the budget had assumed and more generously than the Administration had requested.

—*$1.3 billion* because of lower corporate profits and *$300 million* because of lower personal income than projected six months ago.

—*$3 billion* because of a decrease in estimated yield from existing income tax rates and *$200 million* because of a decrease in the estimated yield of gift and estate taxes and customs.

—*$600 million* because of a reduced estimate of miscellaneous receipts such as stockpile sales ($450 million) and offshore oil revenues ($80 million).

—*$800 million* because of a later effective date for the surcharge on personal income taxes than recommended last January.

A PROGRAM TO INCREASE OUR REVENUES

Just as we must take determined action to control expenditures, so we must take action to increase our revenues if we are to avoid an unsafe and unmanageable deficit in the fiscal year ahead.

The three point tax program here presented is shaped to provide the fairest and least disruptive means of sustaining—without inflation—America's unprecedented period of uninterrupted prosperity, now in its seventy-eighth month.

1. *A speed-up of corporate tax collections, as recommended last January.—Beginning January 1, 1968, corporations would pay their estimated taxes on the basis of 80% of their liability*, rather than 70%.