dent and the Congress to take this final decision when the course of economic developments accompanying the inventory readjustment in progress indicated that the impact of a tax increase would be beneficial rather than harmful.

We are now of the unanimous view, and that view is confirmed by the overwhelming preponderance of economic fact and opinion, that any real danger of an economic downturn is past. Indeed, the outlook, given the scale of Federal, State, and local public expenditures and private demand, is for a substantial rate of growth in the period ahead—with the debate being confined to exactly how rapid the growth will be.

This provides the fourth and final reasons for a temporary surcharge. We view the surcharge as a measure of insurance against the risk that, without this program of combining a temporary tax increase with expenditure restraint, the levels of growth would give rise to unacceptable inflationary pressures.

This development would take a toll of our economic balance and stability or be curbed by excessively high interest rates and tight money that would provide an unhealthy unbalanced economy, ill adapted to a smooth transition to peace with prosperity.

I. WHY WE NEED THE TAX INCREASE

1. To meet the special cost of Vietnam

Now let me develop some of these reasons. We need the tax increase, first, to meet the special costs of Vietnam.

I am sure that so long as hostilities are continuing in Vietnam no member of the committee would want or has wanted to deny the finances necessary to permit our fighting men to do an effective job.

In the fiscal year 1966, the special Vietnam outlays that followed upon our national decision of late July 1965 added $6.1 billion to our administrative budget expenditures.

However, due mainly to the accelerated growth of our economy, revenues climbed by $11.6 billion, so that we were able to close out the fiscal year 1966 with an administrative budget deficit of only $2.3 billion, which was $3 billion below the $5.3 billion forecast in the original submission of the budget in January 1965.

The original estimate for special Vietnam costs in fiscal 1967 as submitted in the January 1966 budget, was $10.5 billion, more than a $4 billion increase over fiscal 1966 costs for that purpose.

Accordingly, the Tax Adjustment Act of 1966 was recommended and shortly enacted. It provided an additional $1.2 billion of revenues in fiscal 1966 and an additional $4.6 billion in fiscal 1967, by accelerating collections and deferring scheduled excise tax reductions. That act did not involve any increase in individual or corporate liabilities.

In the latter part of the calendar year 1966 it was apparent that the special costs of Vietnam in fiscal 1967 would be nearly double those originally estimated in the January budget. This reflected the rapidly increasing scale of hostilities and the fact that, with these hostilities likely to continue, it had become necessary to plan and budget for the continued conduct of hostilities on a substantially increased scale through fiscal 1968.