

These are indirect, but nevertheless real consequences which could well follow from failure to adopt responsible fiscal action.

The President's program of action calls for both tax increases and expenditures restraint. There have been, and will, I am sure, continue to be a number of voices raised to demand that the necessary action be concentrated solely on the expenditure side. Action by both the Congress and the executive to reduce and restrain expenditures is indeed called for. I shall discuss this in more detail at a later point. But it should be—and as a matter of fact I think it really is—clear to all, that expenditure reductions alone simply cannot accomplish the needed fiscal restraint.

In fiscal 1968 there are some \$21 billion of immediately controllable civilian expenditures, of which \$8 billion represents payrolls and \$1 billion, the proposed military and civilian pay raise. To suggest that, in addition to the cuts which will have to be made in this total under the President's proposals, a further \$7½ billion could be found in lieu of the requested tax increase does not, I submit, constitute a responsible or realistic approach to the problems we face.

In short, I believe the President's proposals, which offer a combination of expenditure restraint and tax increases, represent a desirable and meaningful solution to the situation which confronts us.

Let me turn now to a more detailed analysis of 1968 budget expenditures.

CURRENT 1968 BUDGET ESTIMATES

Before getting to the figures themselves, I would like to explain briefly the basis for the current estimates.

Basis for current estimates

First of all, since final action on appropriations and legislation in this session of the Congress is far from complete, the present estimates can take specific account of congressional action only in a few instances—those where both Houses have acted on a measure. Where neither body or one body alone has taken action to date, we are continuing to use the January estimate. However, where it is no longer possible for a measure to become effective on the date proposed in last January's budget, we do assume slippage in the effective dates of relevant legislation; this is the case, for instance, with respect to the President's recommendation for postal rate increases, for which we are now estimating effective dates beginning October 1, 1967, rather than July 1, 1967.

Second, the estimates take account of the latest actual experience with respect to agency spending rates and uncontrollable factors affecting the expenditure estimates.

Third, the current revisions reflect amendments to the original appropriation recommendations and legislative proposals included in the budget last January.

Administrative budget expenditures

The January budget estimated administrative budget expenditures for fiscal 1968 at \$135 billion. Since then, actions by the executive branch and the Congress plus certain changes in uncontrollable program workload have occurred which will raise expenditures by \$1.5