billion below the January estimates, by reason of failure to enact the necessary authorizations, total budget expenditures will exceed the January budget by $2 billion.

4. Interest on the public debt may increase over the January budget estimate, to the extent that expenditures rise toward the high end of the range of possible contingencies or revenues fall below those now estimated. The resulting increase in the deficit would lead to increased Federal borrowing requirements and higher market rates of interest—both of which would increase interest costs on the public debt.

If these contingencies should turn out on the high side, expenditures would exceed the January budget by $8.5 billion:

$4 billion for defense; $2 billion for lower participation sales; $1.5 billion for increase in uncontrollable expenditures, that I discussed earlier; and $1 billion for the additional pay rise.

In turn, these higher expenditures, coupled with failure to enact the proposed tax measures, would cause interest costs on the public debt to rise substantially, by perhaps $700 million above the January budget estimates.

Decisive action on the part of the Executive and the Congress, however, can hold these contingencies well below the $8½-billion total. In the case of both military and civilian expenditures, we are launching a program to identify and put into effect major expenditure reductions designed to offset, to the maximum extent possible, those unavoidable increases which do occur. I will describe that program at a later point in my testimony. By its actions on pay and participations certificates, the Congress can also contribute to this effort. Expenditure restraint is an essential part of the fiscal program which the President has recommended to the Congress.

ADMINISTRATIVE BUDGET REVENUES AND THE DEFICIT

Turning now to administrative budget revenues and the deficit, Secretary Fowler has presented to the committee revised estimates of revenues for fiscal 1968, and discussed the revenue yield of the tax proposals.

With no tax increase, without action to reduce expenditures, with military spending rising the full $4 billion discussed earlier, and with the revised revenue estimates presented by the Secretary, the budget deficit could range up to $29 billion.

On the other hand, adoption of the President's tax proposals, combined with expenditure restraint on the part of both the Congress and the Executive could reduce that deficit to a range of $14 to $18 billion.

If, as one example, the Congress holds the civilian and military pay raise to the level proposed by the President, and authorizes the full amount of participation certificates requested in the January budget; and if reductions in civilian expenditures are made sufficient to offset fully the $1.5 billion increase now in prospect; and if military outlays should rise by the $4 billion I mentioned earlier, total administrative budget expenditures in fiscal 1968 would be $139 billion—$135 billion as forecast in the January budget plus $4 billion of added defense spending. Under these circumstances, and with the enactment of the President's tax proposals, revenues are estimated at $123 billion—slightly higher than the $122.5 billion noted by the Secretary in his