

defense and relatively uncontrollable programs or commitments. As I said earlier, about \$8 billion of this represents the Federal payroll at present pay rates and an additional \$1 billion is the cost of the military and civilian pay raise recommended by the President.

Most of the reductions must come in the remaining \$12 billion. As you can see, this means that the reductions would have to amount to well over 10 percent of controllable programs. Nevertheless, we will identify and carry out such reductions. A breakdown of the budget into controllable and uncontrollable expenditures is attached to my statement as table 3.

Compared to 4 years ago, Federal expenditures, apart from Vietnam, have indeed risen. But they constitute a smaller, not a larger, share of the Nation's economic activity. In 1968, even if we realize only \$1.5 billion in civilian expenditure reductions out of our \$2 billion plus target, non-Vietnam expenditures will constitute only 14 percent of the nation's gross national product. This compares with 16 percent in fiscal 1964 and 16½ percent in the last half of the 1950's. I realize on the basis of past experience, that some members of this committee are not sympathetic to the participation sales program. If I exclude those from the calculations, non-Vietnam expenditures in 1968 would still be only 14½ percent of our national economy in fiscal 1968 compared to the 16 percent in 1964 and 16½ percent in the late 1950's.

Even if we add Vietnam outlays to the total—at the level budgeted in January—the 1968 share of Federal expenditures in the national economy would be about 16⅔ percent, only a shade above the ratio in the latter half of the 1950's when, of course, there were no Vietnam expenditures. Finally, if military expenditures should rise the full \$4 billion discussed earlier, the Federal share of the national economy would increase to 17.2 percent of GNP—about the same as in 1955 and 1959, and far below the 21 percent reached during the Korean war.

In short, Federal expenditures outside of Vietnam have indeed risen over the past 4 years—risen to meet the growing workload generated by an expanding population and to help meet some of the Nation's major problems in health, education, urban development, and poverty. But the rise has been held within reasonable bounds. As a share of our national economy, Federal outlays outside of Vietnam have been reduced over the past 4 years.

During fiscal 1968, as a part of the President's overall fiscal program, we shall be applying still further restraint to Federal expenditures. This can and must be done, in view of the situation which faces us.

In summary, Mr. Chairman, I believe the President has proposed a responsible combination of measures to prevent an excessive budgetary deficit. Both expenditure restraint and tax increases are called for. Neither will be easy. But the pain of both is far less than the consequences, for all Americans, of failure to act.

Thank you.