

II. Range of possible contingencies:

Defense expenditures—increase up to-----	4,000,000,000
Excess Federal pay raise—increase up to-----	1,000,000,000
Participation sales—increase up to-----	2,000,000,000
Interest on the public debt—increase up to-----	700,000,000

TABLE 3.—1968 civilian administrative budget expenditures based on actions and developments to date by type of controllability

[In billions]

Relatively uncontrollable civilian expenditures:

Major programs:	
Interest-----	\$14.2
Veterans' pensions, compensation, and insurance-----	5.0
Public assistance grants-----	4.4
Farm price support (CCC)-----	1.9
Postal public service costs and revenue deficit (existing law)---	1.0
Health insurance payments to trust funds-----	1.1
Legislative and judiciary-----	.4
Other-----	2.3
Total, major programs-----	30.2
Payments on prior contracts and obligations-----	15.3

Relatively controllable civilian expenditures:

Sale of financial assets-----	-5.3
Proposed pay increases-----	1.0
Personnel compensation-----	8.0
Other-----	11.7
Total-----	61.0

The CHAIRMAN. Thank you, Mr. Schultze. Mr. Ackley, you are recognized, sir.

STATEMENT OF HON. GARDNER ACKLEY, CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS

Mr. ACKLEY. Mr. Chairman and members of the committee, although tradition has generally restricted congressional testimony by the Council of Economic Advisers to appearances before the Joint Economic Committee, the importance of the proposals before you justifies an exception to that practice.

I am here, on behalf of my two colleagues as well, to register our strong support for the President's tax proposals.

Secretary Fowler and Director Schultze have covered well the budgetary and financial aspects of the situation. I do not intend to repeat their discussion. Rather, since great interest has been expressed in the economic impact of the proposed program, I shall expand on what they have said about the economic outlook with and without the President's program.

Let me summarize at the outset the points I shall make.

1. Federal budgetary policy has been highly stimulative so far in 1967. It would remain highly stimulative if no action is taken to increase tax rates and to restrain expenditures.

2. Fiscal stimulus was appropriate and constructive in the first half of this year. Along with an easing of monetary policy, it helped generate a rapid growth of final sales—the combined spending of consumers, governments, and of business for fixed investment—in the face of an unprecedented drop in inventory investment.