As measured in the *national income accounts*, Federal revenues will rise from \$149.8 billion in fiscal year 1967 to \$167.1 billion in 1968. This increase includes the effect of the President's tax proposals, but stems mainly from prospective continued economic growth. Federal expenditures in the national income accounts are estimated to increase somewhat less, from \$153.6 billion in 1967 to \$169.2 billion in 1968. This 1968 total will represent approximately 21 percent of the gross national product, up only 1½ percent from 1964 despite the added costs of Vietnam, new programs which have been undertaken, and the steady expansion in social security and other trust fund programs.

The increase in expenditures over 1967 consists of: (*a*) \$5.8 billion for Vietnam and other national defense requirements; (*b*) \$6.2 billion in trust fund outlays which, you will recall, are included in the NIA, and of this \$6.2 billion about two-thirds represents the proposed increase in social security benefits; (*c*) \$1 billion to cover the cost of pay increases to be proposed for military and civilian Federal personnel to help Government salaries keep pace with salary increases in private industry; and (*d*) \$2.6 billion for all other Government programs.

On the *consolidated cash basis*, which combines all administrative and trust fund transactions, *including* loan and credit transactions, total receipts from the public in 1968 are estimated to be \$168.1 billion and payments to the public \$172.4 billion, with a resulting deficit of \$4.3 billion compared with \$6.2 billion in the current year.

In the *administrative budget*, the least comprehensive measure since it excludes \$48.1 billion of trust fund receipts and \$44.5 billion of trust fund expenditures, total revenues are estimated to rise from \$117 to \$126.9 billion from 1967 to 1968. Administrative budget expenditures are expected to total \$126.7 billion in 1967 and \$135 billion in 1968. Thus, the deficit on this basis will decline from \$9.7 to \$8.1 billion in these 2 years.

As I noted earlier, the deficits in the national income accounts budget are estimated at \$3.8 billion in 1967 and \$2.1 billion in 1968.

The time pattern of the balance in the national income accounts budget, by half-year periods, is closely related to our expectations about the course of private spending.

During the first 6 months of calendar 1967, the growth in private economic activity will, we believe, be significantly moderated by a decline in the rate of inventory investment. And during that 6-month period, NIA budget expenditures will be rising slightly faster than revenues. But as the current move toward lower interest rates begins to have a significant impact on the economy, and as the increase in social security benefits provides additional purchasing power to consumers, revenue increases will begin to exceed the growth of expenditures. The NIA budget deficit in the second half of calendar 1967 will, therefore, move sharply downward, reaching a balance or slight surplus in the first half of 1968.

This provides a fiscal policy tailored to the Nation's economic requirements, helping to promote: (*a*) a healthy growth in economic activity; (*b*) a moderation of inflationary pressures; and (*c*) a continued move toward greater availability of credit.