[In billions of dollars]

1968	Department of Defense, military	All other departments, etc.
Obligations incurred	74.8	68.3
Expenditures (deduct)	72.3	62.7
Deferred spending	2.5	5.7
Total	8.2	

It is interesting to note that this total of $8.2 billion in deferred payment of 1968 obligations is almost an exact equivalent of the rise in budgeted expenditures from 1967 to 1968. That increase in spending is $8.3 billion. However, a more significant point lies in the components of the deferred payment.

The commitments now being made for non-military purposes will entail in future almost $6 billion of expenditures not now included in the budget. This amount compares with a $6 billion "deferral" in 1966 and $5.6 billion now estimated for 1967.

Military spending, on the other hand, is more full anticipated within the presented budget estimates. However, this $2.5 deferral is substantially *less* than the $7.4 billion deferred in 1966 and the $6.5 billion deferral now estimated for 1967.

This contrast of the 1968 military estimate is especially significant because a long-lead is normally required, due to the time lag needed for delivery of defense hardware. There are two interpretations of the low deferred military spending as estimated. First, it could be simply a substantial underestimate—as the $10.5 billion expenditure estimated last January for the 1967 Vietnam spending turned out to be a gross underestimate. (The 1967 spending is now estimated at $19.4 billion). Second, it could be a genuine levelling off, a real assessment that the basic investment in high-cost hardware is fairly complete. The latter contention receives hopeful support in the evidence of intensified attention around the world to peace potentials, and in a cryptic sentence from the President's Economic Message:

". . . peace will return . . . and it *could* be sooner than we dare expect."

The *economic premise* of the 1968 budget is that the economy needs a little nudge from fiscal policy. The deficit positions (all three budget deficits are, after all, interrelated) are justified on the basis of *not* being restrictive—because the President is seeking a 7th year of uninterrupted growth.

The mildly stimulative charatcer or the budget is the net result of two somewhat opposing forces which it puts into motion. The first influence comes from the stimulate of high spending and a high administrative deficit. This is the particular deficit which indicates the amount of debt to be monetized and is thus the source of a fillip of inflation. The countervailing influence comes from the increased resources to be taken out of the economy via the President's tax proposals.

A first point to note is that the tax proposals[1] would bring in $5.5 billion in 1968, which would slightly more than offset the $5.3 billion rise in spending for national defense over the 1967 expenditures—a coincidence which serves as an appealing and compelling basis for the tax increases.

A second point to note is that 1968 budget receipts, even without the proposed tax increases, are expected to be $7.4 billion higher than in 1967—within a billion of the parallel rise in spending.

And a third point is that the rise of $8.3 billion in spending for 1968 over 1967 is roughly equivalent to the administrative deficit of $8.1 billion—which, *without* the proposed new revenue, would be $13.6 billion.

Clearly the nature of this tax increase is for revenue purposes only. It is not to calm down an over-buoyant economy; for, the acknowledged economic aim of the 1968 budget is to offset suspected sluggishness with slightly stimulative fiscal action. The President has said "a more restrictive fiscal program would

[1] $4.7 billion from the proposed surcharge and $800 million from further acceleration of corporate tax payments.