Our revised figures are based on congressional action up to the time of adjournment for the conventions. At that time, five regular appropriation bills—covering more than half of the total budget authority for fiscal year 1969—were still not enacted. Nevertheless, it has been necessary to provide guidance to the agencies on how to achieve the $6 billion cutback in outlays required under the Revenue Expenditure Control Act of 1968.

The current estimates must be viewed as tentative. In addition to changes which will occur as a result of the normal problems of estimation, there will undoubtedly be later revisions when Congress completes action and when the President reviews and approves the individual agency cutback plans. Nevertheless, they do represent our best appraisal at this time of the overall budgetary outlook.

Before turning to questions, I would like to discuss briefly several aspects of the Revenue and Expenditure Control Act of 1968. When I testified before this committee in February, I stressed the urgent need for a temporary and modest tax increase to help pay the added costs of Vietnam responsibility and thereby to—

Lessen inflationary pressures;
Improve the balance of payments; and
Stem the upward pressure on interest rates.

At that time, the clear consensus among analysts of economic conditions was that recent and foreseeable trends in the economy indicated the need for the fiscal restraint proposed by the President in August 1967 and again last January. Subsequent events confirmed the accuracy of this diagnosis.

During the spring of this year, prices and interest rates continued to rise at disturbingly rapid rates, and our international trade position continued to weaken. Confidence in the dollar waned as doubts arose both here and abroad concerning the willingness of the United States to take the fiscal measures necessary to slow the advance of economic activity to a reasonable speed and to restore balance to its economic growth. Indeed, we had begun to run a serious risk of overstimulating the economy into an unsustainable boom leading to a tragic bust, with its inevitable, costly high unemployment of manpower and other resources.

The passage of the tax surcharge provisions of the Revenue and Expenditure Control Act of 1968 toward the end of June was a major step toward putting our economic house in order. Because the Act has been in effect for only 2 months, it is still too early to see the full impact of this fiscal restraint in the Nation's economic statistics. Some results are evident, however.

Most types of interest rates began to recede from their May peaks in anticipation of passage of the act and are now very substantially below those peaks. The presence of strong fiscal restraint has significantly reduced the needed degree of monetary restraint. Wholesale prices of industrial commodities show signs of having slowed their rate of rise. And confidence in the dollar as a basic currency in international transactions has been restored. We are looking forward to significant slackening in the upward movement of retail prices in the months ahead. And we expect the stabilizing effects of the Revenue and Expenditure Control Act to assist in improving our international trade performance.