The view that the proposed tax increase is required to defray the expenses of the war in Vietnam is, at best, merely a matter of perspective. The claim would be somewhat more credible or persuasive if nondefense expenditures of the Federal Government had remained at their 1965, preescalation level or even if they had grown moderately. But in fact, as table 1 shows, defense expenditures account for considerably less than half—$30.2 billion, or 45.7 percent—of the officially estimated $66.1 billion increase in expenditures—unified budget concept—between fiscal years 1965 and 1969. Nondefense expenditures, on the other hand, account for $35.9 billion, or 54.3 percent of the increase.

TABLE A.—DEFENSE AND NONDEFENSE EXPENDITURES, FISCAL YEARS 1965, 1968, AND 1969

[In billions of dollars]

Expenditure	1965	1968	1969	Increase	
				1965–69	1968–69
Defense:					
Amount	$49.6	$76.5	$79.8	30.2	$3.3
Percent of total	42.5	54 0	43.7	45.7	25.5
Nondefense:					
Amount	$67.1	$93.4	$103.0	$35.9	$9.6
Percent of total	57.5	55.0	56.4	54.3	74.5
Total	116.7	169.9	183.8	$66.1	12.9

Source: The Budget in Brief (p. 68.)

More recent budgetary developments make it even more difficult to accept the characterization of the proposed surcharge as a war-finance measure. The estimated increase between the current fiscal year and fiscal 1969 in defense expenditures is $3.3 billion, scarcely a quarter of the total increase of $12.9 billion. Indeed, the proposed increase in expenditures for the health, labor, and welfare function alone is $5.5 billion. Very much the same results are found in the NIA estimates.

In short, as between fiscal 1968 and fiscal 1969, it is not the proposed increase in defense but in nondefense expenditures which conceivably might provide the occasion for a tax increase. It is assuredly more consistent with the budget facts to characterize the proposed income tax surcharge as a welfare program finance measure. Similarly it would be more appropriate for the President to urge the Nation to pay an additional $10.8 billion in taxes to meet the increased demands of nondefense programs, rather than invoking the sacrifices of young Americans in Vietnam as the occasion for this request.

The surcharge as a curb on the expansion of aggregate demand

Heavily stressed in the administration's arguments for the surcharge proposal is the contention that it is needed to repress an otherwise excessive increase in aggregate demand and accompanying increase in inflationary pressures.

The Council of Economic Advisers now forecasts a 1968 GNP of approximately $846 billion, up $61 billion from the current estimate of $785 billion in 1967. This $61 billion increment, it is forecast, will represent a gain of somewhat more than 4 percent in real output and an increase of somewhat more than 3 percent in the general level of prices.

On the basis of the past forecasting performance, the widespread