Budget controllability always poses a problem. In the very short run, the President and his Budget Director have few choices. Flexibility, even in the 1970 fiscal year, is distinctly limited. It is only when we look farther down the road that significant room for maneuver appears. We must appraise our actions now in the context of that future—which will be upon us all too swiftly, and which will foreclose our options if we are not watchful now.

Federal department and agency heads have been asked to send the Bureau proposals for specific revisions of their budget estimates within the next week or so. The proposals will be reviewed by the Bureau, and, along with our recommendations, submitted to the President for decision. He will then transmit formal budget amendments to the Congress in accordance with law and established procedures. This is also in accordance with the expressed wishes of the chairman of the House Committee on Appropriations. I am optimistic that this review will produce *real* savings. I am realistic enough, however, to appreciate that overall savings are not likely to be dramatic either for the few remaining months of 1969 or for 1970.

Until this process is completed, I have no basis on which to provide complete overall revised budget figures. The following discussion of the budgetary outlook for fiscal years 1969 and 1970, therefore, deals with selected factors which have thus far emerged apart from the review.

FISCAL YEAR 1969

In January the outgoing administration presented a budget which showed estimated receipts of $186.1 billion in fiscal year 1969, outlays of $183.7 billion and a modest surplus of $2.4 billion. This is a tight budget, one born of restraint growing out of the expenditure ceiling enacted last June. Its comparison with the budget deficit of $25.2 billion a year ago shows dramatic improvement.

The need for a surplus—however modest—in fiscal 1969 is clear. But there are enough uncertainties in the estimates to suggest that the indicated surplus may turn out to be more modest than was indicated in January. Let's turn first to expenditures.

Outlays. Limitations established by the Revenue and Expenditure Control Act of 1968 (P.L. 90–364) cover about half of the total estimated 1969 outlays. The budget transmitted last month estimated that outlays for the covered programs would be $8.3 billion below the January 1968 estimate, which is $2.3 billion more than the reduction required by Public Law 90–364. Outlays for programs excepted from the limitations established by the act were estimated at $6 billion higher than those in the January 1968 budget.

The outlay estimate of $183.7 billion for the year was described as tight, given the programs it was intended to finance. It already appears to be overly tight in the sense that some of the expenditures, not all, but some of them, appear to be very conservatively estimated.

One reason why outlays are increasing is the unrelenting strong demand for credit. Interest rates are now higher than was assumed when the budget was prepared. Outlays for interest on the public debt, therefore, have risen significantly and will consume a part of the estimated 1969 surplus shown in the January budget. Moreover, as a result of the strong demand for credit, private banks may wish to