

The major increases in expenditures are for National Defense and Social Security. Other civilian expenditures are projected to show a rather small increase. Table II gives this information on an NIA basis (thus eliminating the effect sales of participation certificates).

TABLE II

PROJECTED GROWTH IN FEDERAL EXPENDITURES, FISCAL YEARS  
(Billions of dollars)

	1966 actual	1967 proj.	1968 proj.	Change	
				1966-67	1967-68
National Defense	56.5	68.3	74.1	11.8	5.8
Health & Welfare	33.0	39.2	46.4	6.2*	7.8*
Space	5.9	5.6	5.3	- .3	- .3
Great Society Sector**	12.0	14.0	14.9	2.0	.9
All other***	24.9	26.5	28.5	1.6	2.0
Total	132.3	153.6	169.2	21.3	16.2

\* Includes increased Social Security payments and Medicare payments.

\*\* Education, Housing, Communication, and Transportation, National Resources.

\*\*\* Int. Affairs, Agriculture, Veterans, Interest, General Government.

The projected growth in revenues has two explanations. First, a succession of discretionary tax rate changes are expected to result in revenue increases of \$8.0 in fiscal '67 and \$5.1 billion in fiscal '68. The important changes are the 1966 increase in Social Security tax rates and the proposed surtax on corporate and personal incomes. Over and above these discretionary changes, revenues are expected to grow with the growth in projected income. Table III breaks down the growth in revenue into these two components for each type of tax. The table suggests that the Budget Document has projected quite an optimistic automatic revenue increase between fiscal 1967 and 1968, but it is not clear whether this optimism pertains to the level of income in January-June 1968 or to the relationship between revenues and income.