

ECONOMIC EFFECT OF VIETNAM SPENDING

MONDAY, APRIL 24, 1967

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The joint committee met pursuant to notice, at 10:05 o'clock a.m. in room 1202, New Senate Office Building, Hon. William Proxmire (chairman of the joint committee) presiding.

Present: Senators Proxmire, Symington, and Jordan; and Representatives Moorhead, and Curtis.

Also present: John R. Stark, executive director; and Daniel J. Edwards, staff economist.

Chairman PROXMIRE. Today we start the Joint Economic Committee hearings on the past and future impacts of Vietnam spending on the U.S. economy. As I pointed out during our hearings on the President's Economic Report, "Lack of accurate expenditure information handicapped the Congress seriously in reaching appropriate tax, spending, and other economic policy decisions."

Our present purpose is to obtain clarification on three basic questions:

First, is Congress being adequately informed on the rate of change of defense expenditures right now? That is, are they going up, as some interpret, or are they going down, as others interpret?

Second, what impact on our manpower and resources is the Vietnam war now having? I cannot recall any time in our history when the Congress has attempted to assess the full economic impact of a war. In this sense, we may be pioneering, in this inquiry, in a most important aspect of economic policymaking, because we all know the immense and significant and often changing impact that wars have had in the past on our economy that undoubtedly this war is having.

Third, if the President is successful in terminating Vietnam hostilities, are adequate contingency plans available for conversion of the "wartime" uses of our resources into peaceful pursuits.

As background to the first question, let us review briefly the past record.

In August 1965, Secretary McNamara requested a supplemental of \$1.7 billion over and above the original budget request to finance military obligations. Then in January 1966, testifying on supplemental appropriations requests for 1966, the Secretary requested \$12.3 billion in new obligational authority. It appears that this figure was based on the assumption that the war would be terminated in June 1967, that is, June of this year.

The request for the fiscal year 1967 was based on a similar postulate, that is, that military operations in Vietnam would continue through