

present third quarter. All of this means the second quarter was lower than we thought it was going to be, and the third quarter was higher. There probably was some shifting between quarters which tended to distort the figures.

So my general answer to your question is that we are not changing our forecast of \$68.0 billion now, but we are watching this very, very carefully, and we may be led to change it somewhat—by \$500 million to \$1 billion, something of that order, I would say.

Chairman PROXMIRE. Senator Jordan?

Senator JORDAN. Thank you.

Mr. Anthony, the 1967 budget request was prepared on the assumption, as you have stated, that the war—the hostilities—would cease by June 30, 1967. The chairman has gone into some of the vast discrepancies that appeared in that planning. Even if the war were to cease by June 30 of this year—tell me why—what was the reason for the change in policy. You say that “Our basic assumption for fiscal year 1968 was that the war would continue indefinitely at levels of activity indicated in our current projections”?

So you have changed from the assumption in the 1967 budget that the war would terminate at a time certain to one of indefinite duration.

Mr. ANTHONY. Yes.

This, incidentally, was an assumption never made during the Korean war. Each budget during the Korean war was based on the stated assumption that the war would terminate before the beginning of the next fiscal year.

I am sure you would agree one has to make some assumption. One does not know when the war is going to terminate, and in this very complicated, vast exercise of building a budget everybody has to work on the same set of ground rules.

In the budget for 1967, had we gone to the other assumption then, we would not only have had to estimate the speed of the buildup and the rate of the buildup, but also the point at which it would level off and continue thereafter, then we would have had to translate all of these physical things into monetary terms by the application of attrition rates and consumption rates based on the Korean experience. The end result would have been an extremely unsatisfactory set of figures because everything was so uncertain at that time.

So it seemed much preferable to make the assumption we did, one that did not require so much guessing far out into the future, make that assumption perfectly clear to everybody—and we certainly tried to make it clear at the time—and then recognize that, should hostilities continue or should activity rates increase, we would have to request more funds.

In 1968, as I have tried to indicate, we are in a much better position to make reasonably accurate estimates. We can see the end of the buildup. We have better attrition rate and consumption rate data. Consider, for example, attrition rates. In order to make an estimate of aircraft procurement requirements in the 1968 budget under the new assumption we have to estimate the losses of aircraft through the end of calendar year 1969. That is a long way off, and the farther out you extend your estimates the more “guessy” those estimates become