

chairman pointed out earlier, at times you have been pretty far off; but is there no place where you check how far off you are, or are not, when you estimate the actual cost of the war?

Mr. ANTHONY. No, sir, and I would be glad to expand on that a little bit if you find this an undesirable thing.

Let me explain what the figures that we have tried to put in the statement do mean. They really result from requests that you and others made last summer that we try to come up with an estimate of the cost of the war. Now, there were two essential approaches we could take to that. One is what is called an allocated cost approach in which we would try, for example, to include a part of Secretary McNamara's salary, and all of the other allocations associated with the costs. We decided that was not really the better approach and was not the one you were interested in.

Senator SYMINGTON. Could you let me interrupt there? I want to listen, but want to be sure I understand.

Cost consists of material, labor, and overhead. Overhead can be divided into variable and fixed. You can establish your variable overhead, and can take a percentage of fixed overhead. That being true, inasmuch as the heat is so much on the Congress about the heavy cost of the war, is it not possible to estimate material costs and variable overhead—labor cost is obvious. If you want to split part of your fixed overhead, fine.

But it seems to me the basic elements of cost especially when you are working on a resultant basis—not extrapolation—it disturbs me that here are three different estimates of the costs of this war: One from the Senate Appropriations Committee, \$30 billion a year. Another from the Secretary of Defense several months ago, closer to \$2 billion a month. Then you have a figure here of some \$19 billion.

I know the trials and tribulations of costing any product, but I do think that somewhere, sometime, somehow, the American people should know the cost of this war. We are not getting it in the Appropriations Committee, nor in the Armed Services Committee. You would say \$19 billion?

Mr. ANTHONY. Certainly I would, and I think my figures are not inconsistent with Secretary McNamara's because when he was talking, I am sure he was rounding to the \$2 billion a month. We are here using the same figures. His estimates of the cost of the war are the estimates my people work out.

Continuing my description of how we developed cost figures, I think I was saying that this allocated cost approach is not the figure you want. We do not, for example, see any great point in trying to depreciate the ships and other major equipment items that are involved, even if we could.

Instead, we went to an incremental cost approach. I think this is what you had in mind when you said labor, material, and variable overhead.

We have tried to estimate incremental costs associated with Southeast Asia. This cost is certainly greater than the cost, say, of the people that are in Southeast Asia, because our whole support establishment has expanded because of Southeast Asia.

Senator SYMINGTON. That is what I wanted to ask. As example, take the tremendous expansion on Guam, also the large expansion