

Now, We have labor problems going on. It would appear there may be some major increases in costs, increases incident to labor demand and therefore very possibly increases in prices. That will increase the gross national product automatically, will it not?

Mr. ANTHONY. Yes, sir.

Senator SYMINGTON. But you still feel, regardless of the international position, that if the gross national product increases and the percentage of increased cost of the Defense Department does not increase in percentage of the GNP that figure in itself demonstrates it is not punitive to the economy; correct?

Mr. ANTHONY. I would prefer that economists, who are much more versed in this subject than I, talk about this.

My impression is that the effect on the economy depends heavily on the rapidity of an increase and not the absolute amount at any level. That is, the economy can adjust to any level; the difficult time, the time of strain, is when you are building up rapidly to a new level.

I should also say, Senator—I should have said earlier when I gave you the figure for 1968, that this figure was in terms of current prices. I did not try to build in the inflationary factors that you just mentioned.

Senator SYMINGTON. Do you think this philosophy would justify—and I ask this with great respect—claims on the part of some people in this country as well as in other countries, that we are promoting a war economy to maintain economic stability?

Mr. ANTHONY. Not at all, no, sir.

Senator SYMINGTON. Thank you.

Thank you, Mr. Chairman.

Chairman PROXMIRE. I would like to do my best, Mr. Anthony, to try to button up your estimates on the expenditures and the costs and the appropriations for the fiscal year 1968, and I go back to what you have said in your statement, quote: "Thus, barring an unexpected significant change in the level of activity in Vietnam, or a new contingency elsewhere in the world, the fiscal 1968 budget represents a statement of our total foreseeable defense needs for that year," and you do not modify it at all.

Now, this morning's reported escalation—this morning newscasts reported some escalation in Vietnam. There have been some who have said we are going to send 50,000 additional troops there. One distinguished Senator said yesterday 100,000 additional troops will go there. What are your assumptions here? Do you assume that there will be additional escalation, or do you assume there will be no additional escalation?

Mr. ANTHONY. We assume a moderate amount beyond the end of 1967, and I would like to be more specific.

Chairman PROXMIRE. Beyond the end of June 30, 1967.

Mr. ANTHONY. Yes. And I would like to be more specific about the word "moderate"—

Chairman PROXMIRE. Good.

Mr. ANTHONY. If I could.

We are assuming that the increase in manpower worldwide, which is, I think, the best way to measure the full impact of Vietnam will increase above the fiscal year 1965 base by 734,000 in June 1967, and by 811,000 in June 1968.