

Armed Forces. Our capability to take on something like Korea was substantially less than our capability to take on Vietnam. Hence the addition to the size of the total Armed Forces was less now simply because we were starting with a much larger number.

Senator JORDAN. Because we started from a lower point.

Mr. SCHULTZE. In Korea we started from a much lower point. And in addition, the age of the population is such that there was a larger number of people coming into the labor force during this past 18 months than during the Korean period.

Senator JORDAN. Then you go on to say here, Mr. Schultze, that our experience between 1961 and 1965 in another earlier period clearly demonstrates that the American economy does not need stimulus of a war to reach and maintain economic growth and prosperity. Do you think it clearly demonstrates our experience from 1961 to 1965?

Mr. SCHULTZE. I would say 1961 to 1965 clearly demonstrates it. I would also say that if we look at the reconversion after World War II, and other periods in our past history, it, too, demonstrates this. I particularly say that fiscal policy in terms of taxes and expenditures can clearly be used to maintain steady full employment—or close to it. You never have perfection.

Senator JORDAN. Not automatically.

Mr. SCHULTZE. It has got to be a policy action, yes.

Senator JORDAN. It has got to be a policy action.

You said some time during your statement that something like \$20 to \$25 billion was the amount of displacement, perhaps.

Mr. SCHULTZE. \$15 to \$20 billion.

Senator JORDAN. All right. And that gross national product is increasing \$30 to \$35 billion a year. This makes a substantial demand on reprogramming both in the public and private sectors in order to keep this transition moving smoothly and to take up that amount of slack, isn't that true?

Mr. SCHULTZE. That is correct, sir. I think what I was trying to get at was something like this. Every year, quite apart from the transition or deescalation, our capacity grows \$30 to \$35 billion. And you have got to find uses for those resources, so that the problem of \$15 to \$20 million more on top of the \$30 to \$35 billion is not something completely new. It is not the kind of a problem that we have never had to face before.

Senator JORDAN. No more than 50 percent of what we have to do this year.

Mr. SCHULTZE. Exactly.

Senator JORDAN. You have enumerated a number of areas where this money can be channeled in the way of improvement in transportation and in air and water pollution, and housing and so on.

Mr. SCHULTZE. Yes, sir.

Senator JORDAN. My question to you is, Has anyone in the administration made a study of the amount of economic and physical rehabilitation that will be required in Vietnam itself after the war?

Mr. SCHULTZE. In terms of a complete study, not to the best of my knowledge. I am not sure I can really respond fully to the question. Clearly this is one of the things that will have to be looked at—which the Ackley committee will have to look it. And at the moment I am not sure exactly what is available.