"Accordingly, barring a significant change in the character or scope of the Southeast Asia conflict, or unforeseen emergencies elsewhere in the world, the fiscal year 1967 supplemental and fiscal year 1968 budget should be sufficient to cover our requirements until fiscal year 1969 funds become available, even if the conflict continues beyond June 30, 1968."

The fiscal year 1968 budget requested $75.3 billion in new obligational authority, with the expenditures being estimated at $73.1 billion. It is a tight budget. The new obligational authority is only about $2.5 billion above the total for fiscal year 1967 even though our military operations have escalated substantially. Of course, you take the news of yesterday. This indicates further escalation which could throw the estimates completely out of balance. The Secretary of Defense reduced the requests of the services by about $17.6 billion for fiscal year 1968. Admittedly, some desirable programs have been eliminated or deferred.

I am highly pleased with the more realistic approach to the fiscal year 1968 budget which eliminates any arbitrary assumption as to the date the war will terminate. I also approve of justified reductions in the service requests that do not deny essential military requirements.

However, it is still very doubtful that the fiscal year 1968 budget is adequate even for the scale and scope of military operations envisioned when it was approved.

It should be added that neither the fiscal year 1967 supplemental nor the fiscal year 1968 budget completely provides for replacement of assests which have been drawn upon to wage the war in Southeast Asia. Gentlemen, I think this is a major point, especially for those of you who are not on the Armed Services Committee, although you may be fully advised. The 1968 budget does not provide for replacement of the assets which have been drawn upon to wage the war in Southeast Asia. Nor does it provide procurement funds which would be required simply to replace items already in the inventory with later models except for helicopters and tactical aircraft and where the newer model is required to replace consumption. These matters are being deferred and will have to be funded in the future.

If I may give some illustrations of what I mean to indicate that the money bill is piling up and will have to be paid sometime later. There is no modernization overall program, except for certain items, the direct requirements of Vietnam, and items required to replace consumption. That may be all right under the circumstances, but it is a fact of life that we will have to face later.

There has been a drawdown of many items. There was at one time an acute situation with respect to a simple thing like clothing, particularly that needed for the climate in which the war is being fought. Procurement of tentage and materials of that kind had to go on a crash basis. That had the effect of putting much of our production here at home into the war effort. As a result, the foreign suppliers came in and got a greater share of the domestic market. I am talking about textiles now. That ran their quotas up—their imports up for that year—which is the basis for figuring their quotas for succeeding years. This shows how these things impact.

There is another illustration with respect to the replacement and drawdown of equipment. I understand that an entire division's worth of equipment in the strategic reserve had to be drawn upon to equip Active Force units. This, of course, was the proper thing to do under