

opportunities when defense spending goes down after the Vietnam war is over.

Before giving you a general description of this research, which is listed and described in greater detail in exhibit A which I file with my prepared statement, I should like to make two general observations about the research and its premises.

The first observation, based on the experience of the United States in the years since the end of World War II, is that we are likely, over a period of time, to run into some periods of increasing, and other periods of decreasing, defense expenditures, according to whether our security and that of the free world are more or less menaced. Thus, in order to maintain national and international security, we shall have to plan our economic moves so as to be prepared both for increases and for decreases in defense spending. Flexibility in this regard, and in regard to measures dealing with the economic consequences of defense spending, must be a premise of our thinking. We cannot plan to travel indefinitely in one direction on a one-way street, whichever way it is headed.

The second observation, as to reductions in defense spending, is that, since we do not have the gift of prophecy, and must develop knowledge and policy alternatives for a variety of degrees of reductions, we had to ask the researchers, in appropriate cases, to make several assumptions regarding the severity of the reductions. For instance, in preparing the request for proposals on some of the industrial and regional impact research, we have provided assumptions concerning the severity of the decline in defense spending. These assumptions were made after discussion with some of the other departments and agencies of the Federal Government, and taking into account the kinds of arms control agreements which might be reached.

Our research on the economic consequences of arms control and disarmament has been divided, for convenience, into four main categories. These may be called:

1. Measurement of impact;
2. Impact on industry;
3. Impact on employees; and
4. Impact on regions and communities.

The research, almost all contract research, which I have listed in exhibit A, has been classified in this way, although some of the research necessarily covers more than one class of impact. For instance, regional impact necessarily takes into account manpower and industrial problems peculiar to the region.

MEASUREMENT OF IMPACT

The first group of studies attacks the problem of measurement of impact, in terms of geography, industry, and people, which would result from termination of particular kinds of items of defense expenditures. It was early agreed by those who considered this problem that unless it were solved, valuable leadtime would be lost in putting into effect any measures that might be needed to supplement existing economic and social processes in facilitating transition for regions or communities, employees, and industries or firms. Much of the research