

November 10, 1964. "So I think that today, as compared to a month or two ago, we can look ahead with greater confidence."²³

May 9, 1965. "I think in the last eight weeks there has been an improvement." In response to the question, then you, yourself, are more optimistic? "Yes, I am. . . ."²⁴

However, by 1966, a new note of caution had entered into official statements. In February, the Secretary of Defense testified to the House Appropriations Committee that "we must assume that the number of North Vietnamese Regular Army troops in South Vietnam will continue to increase substantially in the months ahead . . ."²⁵

In January 1967, he stated at a joint hearing of the Senate Appropriation and Armed Services Committees, "I do not know of any war of any substantial size that anyone has ever been able to predict the end of it accurately, and we cannot do it here."²⁶

To repeat, the purpose of reviewing these statements is to demonstrate and underscore the difficulties in analyzing the impacts of these developments on the American economy at the time they were occurring.

II. HOW A MILITARY BUILDUP AFFECTS THE ECONOMY OVER TIME

Many of the difficulties that have been encountered in analyzing the impact on the American economy of the Vietnam military buildup stem from long-term deficiencies in our theoretical knowledge or in our statistical information. This chapter indicates the nature of these deficiencies and briefly analyzes an earlier similar situation—the Korean mobilization program.

A. Leads and lags in Government spending impact

While each of the numerous steps of the Federal Government spending process need not be examined, it seems useful to highlight the ones that are most relevant to the purposes of the present study in order to detect the problems involved in measuring the economic impact of a military buildup.

As a starting point, we may take the Presidential budget which is transmitted to the Congress each January and covers the 12-month period beginning the following July 1. The Presidential recommendations are subjected to many months of detailed Congressional scrutiny and to numerous revisions before the funds are appropriated. Following quarterly apportionment of the funds by the Bureau of the Budget, the various Federal agencies commit the funds appropriated to them for their various authorized activities. Thus the funds are "obligated". For many government programs, disbursements follow rather quickly. Pension payments to veterans, interest payment to holders of the national debt, and wage and salary payments to government employees are made simultaneously with or very soon after funds are obligated.

However, obligations for major items of equipment purchased from the private sector are in the form of orders awarded or contracts placed; such transactions are not soon followed by equivalent amounts of expenditure. Particularly in the case of military weapon systems, a considerable amount of time is necessary for the design, production, and delivery of the items ordered. On the larger items, so-called "progress payments" are made to provide working capital but these are less than the cost of the resources currently being utilized by the defense contractors (about 70 percent). Also, these partial payments lag behind the actual disbursements by government contractors to their employees, suppliers, and subcontractors. The delays involved are hardly trivial. During the Korean War, it was estimated that the lag between ordering and delivering typical military items varied from six months for uniforms to fifteen months for tanks to over two years for combat aircraft. The leadtime for procurement of aircraft for Vietnam has been estimated by the Department of Defense at 18 months. The estimate for ammunition is six months.²⁷

²³ *Ibid.*, p. 75.

²⁴ *Ibid.*, p. 80.

²⁵ Cf. Committee on Appropriations, House of Representatives, *Department of Defense Appropriations for 1967*, 1966, p. 137.

²⁶ U.S. Senate, Committee on Armed Services and Appropriations, *Supplemental Military Procurement and Construction Authorizations, Fiscal Year 1967*, January 1967, p. 46.

²⁷ M. L. Weidenbaum, "The Economic Impact of the Government Spending Process," *Business Review*, The University of Houston, Spring, 1961, p. 11; U.S. Senate Committees on Armed Services and Appropriations, *Supplemental Military Procurement and Construction Authorizations, Fiscal Year 1967*, January 1967, p. 163.