aggregate figures.[34] Thus, the escalation of the U.S. commitment in Vietnam, can, to some extent, be translated into economic impact by looking at the changing overall pace of military demand.

The data on total U.S. defense expenditures on a fiscal year basis show that the Nation's military spending was declining from $54.2 billion in fiscal 1964 to $50.2 billion in fiscal 1965 and did not turn up until fiscal 1966. A more precise pattern emerges when the annual data are divided into 3-month periods. It shows that the decline in military spending ended by January 1, 1965, the middle of the fiscal year, and that the last two quarters (January–June 1965) were higher than in the same period of the preceding fiscal year (see Table 3).

Moreover, the data on defense obligations—which include commitments currently being incurred for pay of the armed forces as well as defense contracts being awarded to private industry—show that the upturn began in January 1965. By the fourth quarter of 1965, defense obligations were running at about $9 billion higher than the last quarter of 1964, at seasonally adjusted annual rates. By June 1966, defense obligations were running $22 above the rate of the end of 1964. The January 1966 Budget Message stressed restraint in Federal fiscal policy, a theme that became even stronger in later public statements.

TABLE 3.—*Selected measures of U.S. military spending*

[In billions of dollars at annual rates]

| Calendar year and quarter | Defense obligations | | Defense expenditures (budget basis) |
|---|---|---|---|
| | Actual | Seasonally adjusted | |
| 1964: | | | |
| 1st quarter | 52.0 | 55.2 | 49.2 |
| 2d quarter | 61.0 | 54.8 | 56.8 |
| 3d quarter | 55.0 | 53.3 | 43.1 |
| 4th quarter | 51.8 | 53.3 | 48.1 |
| Total | 55.0 | 54.2 | 49.3 |
| 1965: | | | |
| 1st quarter | 48.2 | 51.0 | 46.8 |
| 2d quarter | 62.2 | 55.0 | 51.6 |
| 3d quarter | 60.6 | 59.0 | 48.6 |
| 4th quarter | 62.1 | 62.1 | 54.1 |
| Total | 58.3 | 56.8 | 50.3 |
| 1966: | | | |
| 1st quarter | 60.5 | 64.6 | 56.4 |
| 2d quarter | 86.4 | 75.9 | 62.4 |
| 3d quarter | 77.0 | 75.2 | 63.4 |
| 4th quarter | 68.9 | 72.9 | 65.8 |
| Total | 73.2 | 72.0 | 62.0 |

Source: Departments of Defense and Commerce.

The January 1967 Federal Budget greatly clarified the pace of the military buildup resulting from Vietnam. It estimated that Vietnam spending would reach $19.4 billion in fiscal 1967 and $21.9 billion in 1968. By then the magnitude of the U.S. involvement in Vietnam, as well as its impact on the Budget

[34] This point is brought out vividly in the following dialogue between Secretary McNamara and Senator Karl Mundt:

"Senator Mundt: . . . What is it you are recommending in terms of Vietnam?

"Secretary McNamara: We talked some yesterday about Vietnam cost estimates, and I said then it was very difficult to make them on any rational basis. The best we can give you is a range of something between $17 billion and $22 billion for fiscal year 1968, the $22 billion being the more commonly used figure.

"Now, if it is $22 billion for the year, it is on the order of $2 billion a month for fiscal year 1968, and we are, I would guess——

"Senator Mundt: You can tell us how much per month is being spent now, though?

"Secretary McNamara: Not really for Vietnam alone, sir. It is almost impossible to do it on a yearly basis, and it is really impossible to do it on a monthly basis. I can tell you how much we are spending in total for defense per month of course, but splitting that into Vietnam and non-Vietnam is honestly almost impossible." *Military Procurement Authorizations for Fiscal Year 1968*. (Hearings before the Committee on Armed Services and the Committee on Appropriations, U.S. Senate, 1967, p. 265.)