

The explanation for the need for a supplemental to the fiscal 1967 budget if the war were to extend beyond the fiscal year lies in the long lead-time of military procurement. In many cases, weapons required in the fiscal year 1968 would need to be ordered during 1967. This helps to explain also why the military appropriations requested for 1967 were lower than those for 1966 (\$58.9 billion versus \$61.8 billion).

Another factor revealed in the Congressional hearings was that, in order to avoid the buildup of surplus inventories that occurred during the Korean War, Secretary McNamara reduced the estimates of certain supply requirements below the consumption levels predicted by the services for the force levels then being planned for. He pointed out that if the services' initial estimates later proved to be correct, inventories could be drawn down to cover the difference or additional funds could be requested. The Secretary of Defense emphasized his concern that the Nation avoid the situation that occurred at the end of the Korean War when a vast quantity of surplus military stocks were on hand, far beyond any need at the time.⁴⁶ The Department of Defense had unexpended balances of about \$32 billion at the end of 1953. It took about five years to work the unexpended balances down to more reasonable levels.

It was estimated in the January 1966 Budget Document that the Department of Defense would end the fiscal year 1967 with unobligated funds totalling \$10.4 billion and unexpended funds totaling \$43.8 billion.⁴⁷ Hence, it appeared that the Pentagon would be able to support a level of defense spending for Vietnam \$10 billion above the original estimate for fiscal 1967.

During much of 1966, it was becoming clear that the military spending rate was exceeding that implied in the January budget. However, the Administration did not issue the traditional Midyear Review of the Federal Budget in the Fall of 1966, which would have updated the estimates contained in the January budget. The reasons given were the uncertainties in Vietnam and the delay of Congressional action on budgetary legislation.⁴⁸

Nevertheless, *the lack of current estimates of military spending requirements made more difficult any intelligent public debate over appropriate economic policy.* Statements such as the following one by the Secretary of the Treasury in March 1966 indicated the difficulties faced by nongovernmental observers:

"At the same time let me emphasize that our current estimates of Vietnam expenditures remain, in the view of those most qualified to judge, an accurate evaluation of our needs so far as we can now foresee, and I would hope that, when the need for responsible restraint is so great, no one will base his economic decisions on the purely speculative assumption that our Vietnam needs will exceed current expectations."⁴⁹

A slowdown also occurred in the release of the most detailed public source of historical defense expenditure and obligation information, the Defense Department's *Monthly Report on the Status of Funds*.⁵⁰ Through the Fall of 1966, when most business, financial, and other private observers were preparing and issuing economic forecasts for the calendar year 1967, the latest available issue of the *Monthly Report* was that for June 1966. The July and August issues never did appear; the September issue appeared too late in December to be useful for most of the forecasting work for 1967. More recently, the reports have been issued with only the customary lag.

The Budget for the fiscal year 1968, transmitted to the Congress in January 1967, did not contain any arbitrary assumption as to the termination of the fighting in Vietnam. The President's budget message, in discussing the Vietnam requirements, stated that the 1968 Budget "... provides for those requirements on a continuing basis, including the possibility of an extension of combat beyond the end of the fiscal year."⁵¹

⁴⁶ Same as footnote 40.

⁴⁷ 1967 Budget, p. 49.

⁴⁸ The discussion of this point between Congressman John W. Byrnes and Budget Director Charles J. Schultze is quite fascinating. At first the Budget Director stated that in no year when the Congress adjourned as late as it did in 1966 was a midyear review issued. In the face of numerous citations to the contrary, the Budget Director then modified his position to the effect that in no year that the budget legislation was enacted as late as it was in 1966 was a review issued. See U.S. House of Representatives Committee on Ways and Means, *Temporary Increase in Debt Ceiling*, January 1967, pp. 53-55.

⁴⁹ Quoted in *Hearings on 1967 Economic Report*, Part I.

⁵⁰ U.S. Department of Defense, Office of the Assistant Secretary of Defense (Comptroller), *Monthly Report on the Status of Funds by Functional Title* (processed).

⁵¹ 1968 Budget, p. 19.