6. *Aid to Defense Areas and Veterans.*—The last category of adjustment actions mentioned in the Economic Report was aid to veterans and to the workers, companies, and communities involved in defense work. To some extent, the more general measures discussed above would provide help to those directly and adversely affected by the economic consequences of a military cutback.

However, certain special actions are to be expected. Certainly there is ample precedence for generous assistance to disabled war veterans and to the dependents of those who lost their lives in the conflict. In addition, a Vietnam "GI Bill" would provide assistance for a rapid and successful transition to civilian life for returning servicemen generally.

The question then remains as to the extent of specific aid to the portion of the civilian economy directly affected by a reduction in defense production. Two factors tend to limit pressures from this sector. First of all, as pointed out earlier, it is likely that a high level of military spending—perhaps $50 billion a year—will be maintained after a military cutback. In addition, so much of the expansion in Vietnam requirements was met by production of civilian-oriented industries which should experience relatively minor difficulties if aggregate demand is maintained in the economy as a whole.

Certainly, the choices among the six adjustment routes analyzed here may be neither easy nor their implementation quick. Nevertheless, the official attention to the basic problem of post-Vietnam economic adjustment during the continuation of active hostilities is an important sign in itself.

C. Adjusting to Changes in Military Spending: Further Escalation.

The possibility of substantial further increases in U.S. military spending, either in Vietnam or elsewhere, needs to be acknowledged. There is little indication, in the dat aavailable to date, that any slow down in military spending is imminent. It recently has been estimated by the Deputy Assistant Secretary of Defense for Procurement that defense procurement orders to private industry will increase $7 billion from fiscal 1966 to a peak of $45 billion in the fiscal year 1967.[81]

The $45 billion estimate also indicates that the Pentagon's rate of placing orders with domestic industry will accelerate in the remaining months of the current fiscal year, from an average of $3.2 billion during each of the first eight months to an average of about $4.0 billion during March–June 1967. However, the traditional tendency to concentrate government procurement in the latter part of the fiscal year (so-called "June buying") obscures the underlying trend.

Should another major expansion occur in U.S. military spending once again it would be important to analyze accurately the domestic economic impact and to take offsetting economic policy measures promptly.

VI. SUMMARY

An evaluation of U.S. expenditures for Vietnam and their economic impacts must of necessity be based upon a review of the events in South Vietnam itself and of the changing nature of the U.S. involvement there. From 1954 through early 1963, the U.S. role was that of providing relatively minor amounts of training and military advisory assistance. Fewer than 1,000 American troops were involved.

Beginning in November 1963, with the overthrow of the Diem government, the extent of the U.S. commitment increased, but quite slowly at first. By the end of 1964, the total of American troops stationed in South Vietnam was 23,300. A significant change in the nature of the conflict occurred in 1965, the intensification of infiltration of arms and personnel into South Vietnam from North Vietnam. The buildup of U.S. troops there accelerated rapidly, reaching 184,314 at year end. According to the Pentagon, the U.S. involvement was necessary in order to blunt the Vietcong monsoon drive of 1965 which was attempting to dismember South Vietnam.

By early 1966, American forces apparently were conducting the bulk of the offensive "search and destroy" military actions against the Vietcong. The South

[81] "Defense Buying Bill to Climb to $45 Billion, Up $7 Billion, in Fiscal '67, Official Predicts," *Wall Street Journal,* April 13, 1967.