

The policy officials who initiated the study addressed some fairly simple questions, they thought, to the group of economists assigned to this particular task. First, would it be feasible to maintain military forces of the size required in recent years on a completely voluntary basis, in the coming decade?

Second, if so, how much will it cost.

It would have been tempting to submit simple, unqualified responses to these questions. However, in spite of intensive research efforts, in which my copanelist, Dr. Oi, participated in the first year, this did not prove possible.

To do so, in my judgment, would have entailed a serious risk of grossly oversimplifying the many uncertainties and variable factors inherent in any projections of this type. The risks involved were the greater for the very reason that the problem we were dealing with was no theoretical exercise. It is directly related to our national security and to the ability of our Armed Forces to meet their commitments in future years.

It also clearly affects the lives of millions of young men in our country, and has significant implications for our civilian economy as well.

These uncertainties can be illustrated by examining two of the key steps in our estimating procedure, and there were many, Mr. Chairman.

These were: first, the projections of military recruitment capabilities in the absence of a draft.

Secondly, the estimates of the responsiveness of recruitment to increases in military compensation.

In the first area, I would like to emphasize particularly that our analysis of past recruitment trends in the Army, which always had the capability of accepting enlistments, showed a significant relationship between enlistment rates and the unemployment situation in normal years. We found that, for example, a given percentage change in unemployment rates would result in a closely corresponding percentage change in the Army enlistment rate.

Our initial estimates, which were developed in 1964, were based upon experience in a preceding period of years between 1956 and 1964, when the average unemployment rate was about 5½ percent. As we moved into the 1965 period, our experience, as you well know, was that unemployment declined significantly to a level which is now below 4 percent.

We subsequently, therefore, found it not only desirable but absolutely essential to present our estimates in some range of possible variation in unemployment rates. In addition to the 5½ percent assumption, we showed what recruitment would be under the lower 4 percent level of unemployment. These ranges were not designed to reflect either a desirable or possible variation in unemployment. They simply were designed to illustrate the implications for military recruitment of even limited variations in the level of civilian job opportunities.

The second and more difficult forecasting problem was to estimate the responsiveness of military recruitment under a voluntary system to increases in military pay.

I should note in this connection that increases in pay were only one of many management incentives explored in this study as a means of increasing volunteering, or eliminating reliance upon the draft. However, increases in pay are the conventional methods followed in