

we shall try, in addition to sorting out the issues as we see them and settling such issues as we can, to reach some recommendation.

Representative RUMSFELD. Very good.

Mr. Chairman, I have no other questions.

Representative CURTIS. Again, I thank all of you for this very helpful testimony.

This adjourns the hearings. There will be certain days during which the record will be kept open for any material that any of you would like to supply that would be helpful to the committee, and that will be made part of the record.

With that, the committee stands adjourned.

(Whereupon, at 4:55 p.m., the committee adjourned, subject to the call of the Chair.)

(The following letter and statement are made part of the record pursuant to the closing remarks of the chairman:)

NATIONAL ASSOCIATION OF MANUFACTURERS,
Washington, D.C., May 4, 1967.

HON. WILLIAM E. PROXMIRE,
Chairman, Joint Economic Committee,
New Senate Office Building, Washington, D.C.

DEAR SENATOR PROXMIRE: In accordance with discussions with members of your staff, I am enclosing a brief NAM statement which we hope you will be able to include in the record of your current hearings on the economic effects of the Vietnam War.

Many thanks.

Sincerely,

GENE HARDY.

STATEMENT BY THE NATIONAL ASSOCIATION OF MANUFACTURERS ON CONTINGENCY
PLANNING FOR THE TERMINATION OR DE-ESCALATION OF THE VIETNAM CONFLICT*

The National Association of Manufacturers appreciates this opportunity of expressing its views on advance planning for government action at the time of termination, or substantial de-escalation, of the present military action in Southeast Asia. We believe that we have some thoughts to contribute that may be helpful as you contemplate this question.

A few general comments may be in order at the start. First, it is certainly not too early to think about, and plan for, the opportunities and problems that will arise when the present war is settled. But it is too early to lay out in precise terms a set of procedural steps to be set in motion at some agreed-upon signal. We do not know what our military needs will be after the end of the war, since they will depend on the terms of the settlement and other circumstances. We cannot know what the cost of subsequent support to the civilian economy of Vietnam might be at that time. We cannot know what the state of the American economy will be—whether it will be suffering from unemployment, inflation or perhaps both. We do not know how certain international economic problems—for example, the provision of monetary reserves and the mutual lowering of tariffs—will be resolved. All these unanswered questions have a bearing on what can and should be done when the Vietnam War is de-escalated.

Still speaking in general terms, it is our belief that the problem of adjustment at a lower level of defense expenditures will be a comparatively minor one. There are several reasons for that conclusion. The level of defense expenditures, in relation to the size of the economy, has risen much less during the Vietnam War than in previous similar incidents. During the Korean War, the increase in defense purchases as a percent of gross national product was from about 5% just before the war to almost 14% at its peak three years later. Thus the incremental war effort demanded about 9% of the national output. By contrast, in 1967 the incremental war effort will absorb less than 2% of national output—the total share going for national defense rising from about 7.5% in 1965 to about 9% in 1967.

*Prepared for the Joint Economic Committee, Congress of the United States, May 3, 1967.