

DEFENSE BUDGET HIGHLIGHTS*

APPROACH TO THE FISCAL YEARS 1968-72 PROGRAM AND THE FISCAL YEAR 1967-68 BUDGETS

(Editor's Note: This issue of the Defense Industry Bulletin is devoted almost entirely to Secretary of Defense Robert S. McNamara's statement on January 23, 1967, before a joint session of the Senate Armed Services Committee and the Senate Subcommittee on Department of Defense Appropriations on the fiscal years 1968-72 Defense program and the 1968 Defense budget.

While space limitations permit only an abbreviated treatment of the statement, an attempt has been made to excerpt those portions which are of special interest to Defense industry. Using the method established in previous years, paragraph markings have been deleted from the original text for the sake of clarity.

The statement of the Secretary of Defense on the fiscal year 1967 supplemental for southeast Asia will be carried in next month's issue of the Bulletin.)

Last year when I appeared before this committee in support of the fiscal years 1967-71 program and the fiscal year 1967 budget I said:

With regard to the preparation of the fiscal years 1967-71 program and the fiscal year 1966 supplemental and the fiscal year 1967 budget, we have had to make a somewhat arbitrary assumption regarding the duration of the conflict in southeast Asia. Since we have no way of knowing how long it will actually last or how it will evolve, we have budgeted for combat operations through the end of June 1967. This means that if it later appears that the conflict will continue beyond that date, or if it should expand beyond the level assumed in our present plans, we will come back to the Congress with an additional fiscal year 1967 request.

Throughout the spring and summer of last year in my appearances before various congressional committees, I reiterated the fact that the fiscal year 1967 budget was based on the arbitrary assumption that the conflict would end by June 1967, and that additional funds would be required if the conflict continued.

What we were trying to do was to avoid the overfunding which occurred during the Korean war when the Defense Department requested far more funds than were actually needed. For example, the Defense Department requested a total of about \$164 billion for the 3 fiscal years 1951-53; the Congress appropriated a total of \$156 billion; the amount actually expended was \$102 billion; and the unexpended balances rose from \$10.7 billion at the end of fiscal year 1950 to \$62 billion by the end of fiscal year 1953. It took about 5 years to work the unexpended balance down to about \$32 billion; and we were able to support a Defense program of about \$50 billion

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