

THE GUNS, BUTTER, AND THEN-SOME ECONOMY*

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The United States could fight several Korean wars with just its annual increase in output; the Vietnam buildup, at its present pace, probably will not push the economy to capacity. But enlarged global responsibilities may raise future military spending.

Like the first surge of a rapidly rising river, the flow of U.S. materiel into South Vietnam has told the world that America is determined to lay out what it takes to hold the line in southeast Asia. Men and supplies, guns and ammunition, bulldozers and helicopters, and all the other military machinery provided by modern logistics have begun to inundate the little country as the United States consolidates its position in the grim business of war. Yet this war, like all wars, is more than a war. In the gigantic U.S. economy, upon which so much of the world depends, war is a powerful economic force. And it is not only a powerful force, but one that can be enlarged tremendously in a very short time. The war is also a force that is uncommonly volatile and unpredictable.

Because of Vietnam, the Nation is confronted with a wide variety of economic possibilities, diffused, overlapping and penetrable only by informed and careful speculation. The hope of many economists that military spending will rise just enough—but no more than enough—to take up the slack in the economy is a fragile one, already nearly squeezed to death by other more portentous possibilities. First and most immediate of them, so strong that it still amounts to a probability, is that despite the war the growth of U.S. output will slow down somewhat during the next 6 months. In that event, the United States could be in the odd position of fighting a difficult war while enjoying a sufficient surplus of resources to present it with something of a “peacetime” problem.

But other and opposite possibilities, though not imminent, are growing more minatory. Military men and their backers in Congress may wangle a big increase in military spending to compensate for what they regard as the penny pinching of Secretary McNamara’s economy program; the cost of the Vietnam war may rise to much higher levels; general restlessness in Asia suggests that other Vietnams may break out without much warning; and the United States may soon embark on production of a whole new strategic weapon system, the Nike-X antimissile missile, which would soon begin to cost billions per year. And beyond that the United States may yet fall heir to most of the British commitment in the Far East. All these possibilities suggest that defense spending could later rise considerably higher than has been commonly expected. A combination of such possibilities, depending on when and how they arise, could conceivably

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