rather depressed level of early 1965. Although the Pentagon originally expected to spend $51.2 billion in fiscal 1965, delays and economies in procurement resulting from Secretary McNamara's cost-cutting program kept actual outlays down to only $47.4 billion, or $1.6 billion less than the estimate for fiscal 1966. But last spring the Defense Department increased its spending steeply toward the budgeted level for 1966; and then, as the Vietnam "situation" worsened, it revised its goals sharply upward. Not only is Defense spending the $49 billion it planned to spend last January, it has twice asked Congress for more. In May it got authority to spend an extra $700 million, and in August it got its second "supplemental" of $1.7 billion. It is also taking advantage of Section 512c of the appropriations act, which allows it to commit itself to outlays for operation, maintenance, and personnel—e.g., outfitting and training draftees—without prior appropriation by Congress.

Next January, Defense will again petition Congress for a large spending permit, partly to cover outlays made and planned under section 512c. This request will be for at least $4 billion, possibly more than $6 billion. Whatever its psychological impact, however, it will not result in $5 billion or $6 billion additional spending in the fiscal year ending June 30, 1966; contracts are still to be made, and the bills for many will not come due until fiscal 1967 or 1968. The Pentagon's actual increased spending in fiscal 1966 will include $800 million to take care of the $1 billion pay rise granted last August, about $1 billion for added military personnel, and perhaps $1.7 billion of the $2.4 billion in "supplementals" it got last spring and summer. Thus outlays will probably total about $3.5 billion above last winter's estimate, or $52.5 billion in all. By late spring or early summer, of course, Defense will be spending at a higher *level*—say at an annual rate of about $55 billion.

What the $3.5 billion "extra" to be disbursed in fiscal 1966 does for the economy will depend on what it goes for. About half will be used for manpower increases—pay, uniforms, food, housing, etc. Since the Pentagon will add men to the forces at the rate of only 35,000 a month, the annual rate of outlays for them will not be attained at least until next summer. Thus the total cost for new military personnel, including the cost of clothing, housing, shipping, and paying combat rates to the men shipped to Vietnam, will probably come to no more than $1 billion by July, 1966. The cost of ocean transportation is hard to estimate. No stepup for capital outlays is yet called for; Defense has chartered some 55 modern vessels, has taken over a score or so from the Maritime Administration's large reserve, and can get more where those came from. The United States needed 600 to 800 ships in the Korean fracas, but these figures provide little edification. A lot of men are now being flown to the Far East, and in any event the buildup is slow enough so that the present inventory of ships, including Navy-operated vessels, may be adequate.

To the extent that some men will eat better in the services than they did at home, food buying will be stimulated. If an employed youth is drafted and his job goes to an unemployed man, the economy is stimulated. But the difference between an unemployed man's income and a soldier's pay and upkeep may not be very great. There will be less Government spending on unemployment benefits and other Federal programs than there might have been. Other factors, includ-