

There appears to have been no further basic change in the scale of effort *planned* by the U.S. in Vietnam since last winter. If there has been, it is not evident in official statements nor in data on expenditures. Nor, so far as I have been able to ascertain, has information indicating any basic change in plan been communicated by the President and the Defense Department to the other vitally interested Government agencies.

I emphasize *plans* and *outlook* in discussing the Vietnam war and defense spending because these are our principal interest and because it is easy to lose perspective when actual day-to-day events change rapidly and dramatically. Each new troop buildup receives a headline; and each time an unidentifiable Pentagon employee speaks of an increase in U.S. troops in Vietnam to 400,000 by the end of the year, this also is considered news that's fit to print on the front page.

Thus the January 1966 budget—with some modifications and statistical license I shall describe presently—along with official statements issued in support of that budget remains the best source of detailed information on defense spending prospects for the period to mid-1967. And this is likely to remain the case until the fiscal 1968 budget is announced next winter.

ADJUSTING THE BUDGET

To this point most of our discussion of defense spending has been in terms of the national income and product accounts, as this is the basis on which defense spending figures enter the typical general economic forecast. The budget figures are of the same general magnitude and show the same general trend—as can be seen in the charts—but there are differences, particularly in timing.

Defense expenditures on the administrative budget basis were estimated as follows in the January budget. Preliminary actual figures for the completed 1966 fiscal year also are given.

[In millions of dollars]

	1965 actual	1966		1967 estimate
		Estimate	Actual	
Department of Defense, military functions.....	46,173	52,925	54,363	57,150
Military assistance.....	1,229	1,275	945	1,150
Atomic energy.....	2,625	2,390	2,404	2,300
Total ¹	50,163	56,560	57,700	60,541

¹ Total includes defense-related activities, which are negative in 1966 and 1967.

Considering the rapidity of the buildup in Vietnam in recent months, actual expenditures in fiscal 1966 came reasonably close to the January budget estimate. Examination of the monthly status of funds reports of the Defense Department for details on spending by broad category through the month of May bear out this observation. Much of the billion-dollar "error" can be ascribed to the expansion of number of men in uniform ahead of schedule. Military personnel had been expected to total 2,987,000 on June 30, 1966, and 3,093,000 on June 30, 1967. Actually, the June 1967 target has already been attained, and presumably some further expansion will occur.