

In the case of the Defense Department, the Bureau of the Budget staff and then later I and my top aids work right with the Secretary of Defense and his staff in his overall budget recommendations to the President. In other words, instead of the Secretary formally submitting a budget request to us and the Bureau reviewing it separately, we work together with him in developing his presentation to the President.

Chairman PROXMIRE. So, you work with him in determining that the cost of the Vietnam war will be \$10 billion.

Mr. SCHULTZE. We work with him in determining—

Chairman PROXMIRE. It was a joint error, so to speak.

Mr. SCHULTZE. I accept whatever responsibility comes out of this procedure. Now, let me go ahead on this.

The next point is that the expenditures with respect to Vietnam could not really be determined with any accuracy until the requirements were determined, and those requirements were not determined or pinned down until very late in the year, for two essential reasons, and I think the first one particularly you would be quite interested in.

Chairman PROXMIRE. You knew the requirements involved, 400,000 troops by the end of the year. That was known.

Mr. SCHULTZE. Gradually, that became known; that is correct.

Let me go back a little, if I may.

In October and November of 1965 when the Defense budget for fiscal 1967 was being prepared, our own buildup in Vietnam was literally on a 60° curve. In 120 days we shipped 100,000 men overseas. At the same time, according to actual reports and intelligence estimates, the Vietcong and other strength was rising also at a 60° angle. At that time, we just did not know where this was going to level off.

Rather than present a budget request then or even later in the year, based on unknown requirements, the assumption was made that we would finance the war just through 1967 and come back in later for a supplemental if the war was going to go on longer.

Chairman PROXMIRE. But throughout that period, you must have realized again and again and again that you were going to be off and you did not tell us. There were no figures given.

Mr. SCHULTZE. I disagree.

Chairman PROXMIRE. No opportunity for the Congress to modify its policy. Congressman Laird and Senator Stennis spoke out on this, nailed it down. They turned out to be dead right and all we got from the administration was that they were wrong; they stuck by their figures.

Mr. SCHULTZE. In February of last year, Secretary McNamara, in appearing before a joint session of the Senate Armed Services and Defense Appropriations Subcommittee, pointed out that if the war were going to have to continue beyond the end of 1967, he was going to have to come back in for more money. In August, he told the same committees that it was pretty clear at the time that a supplemental was going to be necessary but he did not know the amount, and I did not know the amount.

In September and October, in appearing before the House Ways and Means Committee and the Senate Finance Committee, to ask for the suspension of the investment credit, Secretary Fowler and I both pointed out unless there was a dramatic breakthrough in the situation in Vietnam, there would be additional need for funds.