

We are now carrying the cost at—and I will take only DOD and leave out AID, which is a half billion dollars, roughly—we said \$25.8 billion in the January budget for fiscal 1969. We have now added \$2.4 billion, so we are now carrying \$28.2 billion for DOD expenditures in Vietnam. I would pause and point out this is the first time that we have reduced the estimated cost of Vietnam. The President said on March 31 it would be an added \$2.6 billion. We are now estimating that add-on at \$2.4 billion rather than \$2.6 billion.

We are now using a total of \$28.6 billion, including economic assistance. On this basis, the summer review shows an increase of \$2.3 billion for Vietnam. We have a \$100 million decrease in economic assistance, because commodities did not go in during the Tet offensive. Excluding AID, we are using an estimate for DOD and military assistance for Vietnam of \$2.4 billion over the January budget, or a total of \$28.2 billion.

Now, there have been estimates up as high as \$30 billion and \$32 billion essentially for that same program. Here you get into a cost accounting problem, and I think different cost accounting approaches give you slightly different answers.

We, for example, have tried in our estimating to get at the “additional costs” from fiscal year 1965 in Southeast Asia. In other words, to give you a good example, we try to allocate the extra costs of the war on Okinawa. Okinawa support has several purposes. It has a strategic purpose as well as support of Vietnam. So we have tried to put in the added costs of Vietnam taking that into account. People who get slightly higher numbers put in all of some of these programs, and so that can push the cost up.

On the other side, if you get down to an estimate of \$20 billion, it is again a costing question. Some of the B-52's, ammunition, and equipment that we are now charging to Vietnam would have become obsolete and would have been replaced, some aircraft would have crashed in training missions, and some losses would have been incurred anyway. So that you do have a costing problem here.

There has been some drawdown in inventories. I think that is correct. So that when you talk about the difference between \$28.2 and \$30 billion, I think as long as you have a consistent way of measuring this, I wouldn't argue very hard about it. I have a bias for the way we do it, different accounting procedures will lead to slightly different levels; but the important issue is how this is changing through time.

The estimate of how much defense will come down when Vietnam ends depends an awful lot on what sort of deployment posture you assume in Southeast Asia after Vietnam. And it also depends on what level of training you assume, and what sort of obsolescence rates you have.

The other point that you raised toward the end of your question, when I think you referred to Mr. Schultze and Under Secretary Barr's statements, is that there are defense programs other than Vietnam that are claimants for scarce budget dollars, in the strategic area and in the general purpose forces. And that issue, as I read what Under Secretary Barr said, and what Mr. Schultze has said, is going to be a public policy debate of significant importance. And if it comes out in one direction, we could be spending elsewhere in Defense most of the \$17 to \$20 billion budget relief that will in fact be coming from an