

WALL ST. J. 7 Dec 66

Johnson to Seek Up to \$10 Billion More for Vietnam

Sum to Supplement Current Budget; No Decision Set On Any Tax-Increase Bid

Figure Is 'Best Estimate'

By WALL STREET JOURNAL Staff Reporter

AUSTIN, Texas — President Johnson announced he expects to ask Congress for an additional \$9 billion to \$10 billion to finance the Vietnam war in the current fiscal year. But he emphasized that he still hasn't decided on whether to seek an anti-inflationary tax increase.

The determination of the size of the supplemental appropriation needed for the war has been cited by Administration analysts as one factor in a White House decision on a tax increase. Mr. Johnson, in a news conference here, said the size of the supplemental, combined with last week's Commerce Department Securities and Exchange Commission report indicating a slower rise next year in planned capital outlays by business, "gives me help" on a tax decision.

He said the \$9 billion to \$10 billion range for the supplemental request represents the "best estimate," adding: "We think that's a safe, reasonably accurate estimate." The President said he didn't think the estimate would be changed "materially" between now and early next year when he delivers his State of the Union Message and budget to Congress.

The supplemental appropriation, Mr. Johnson noted, would bring defense spending for fiscal 1967, which ends next June 30, to \$67 billion to \$68 billion. At \$67 billion it would be the biggest defense budget since the \$79.8 billion of 1945.

Home Loan Banks

In another economic development, the President announced that the Federal Home Loan Bank Board had informed him that the Home Loan banks are in a position to increase their lending to member savings and loan associations and savings banks by \$500 million in the next few months. These additional funds, the President noted, would help to "ease the shortage of money for investment in home mortgages that has depressed the housing and construction industry." Mr. Johnson's announcement didn't reflect any change in the Home Loan Bank Board's lending policies, however.

The President announced the supplemental budget figure after meeting with Defense Secretary McNamara and the Joint Chiefs of Staff, who flew to Austin to participate in a Medal of Honor ceremony. The Secretary and the Joint Chiefs were in general agreement on the supplemental estimate, Mr. Johnson said, adding that a few specifics remain to be resolved.

Asked if the Administration planned to finance the Vietnam war in fiscal 1968 by asking for another supplemental, Mr. Johnson indicated that he would attempt to avoid that method. Saying that he would review defense requests on the basis of "a full year's operation."

Slice of GNP

Secretary McNamara, who also attended the briefing, said a determination hadn't yet been made of what military spending would run in fiscal 1968. The defense budget, Mr. McNamara said, wouldn't take a "significantly different part" of the gross national product in fiscal 1968 than it had from fiscal 1961 through fiscal 1963, when military expenditures were about 8.9% of GNP. This would imply a defense budget of around \$71 billion for the next fiscal year, since private analysts assume the GNP in the coming year will be around \$790 billion.

Repeating earlier statements, the Defense Secretary said there would be a "leveling off" next year in the rate of buildup and expenditures in Vietnam. The \$9 billion to \$10 billion supplemental budget estimate was well within the \$5 billion to \$15 billion range that has been discussed by analysts for several months.

The exact amount of the supplemental, the President said, will be given in the State of the Union Message, adding that the estimate will be "perfected throughout this month and any adjustments that can be made will be made."

The extra \$500 million in lendable Home Loan Bank funds doesn't reflect any change in the lending policies of the Federal Home Loan Bank Board, an official said in Washington, explaining that it represents the improved position of savings and loan associations themselves. Since associations haven't been seeking credit to cover withdrawals as extensively as had been expected, the district banks have more money left with which to make loans allowing associations to expand their mortgage lending.

The \$500 million is an estimate of the lending for expansion that the banks will make over the next few months "compared with what we thought it would be as of 60 days ago," an official said. The money isn't to come from new financing by the bank system, but results, officials said, from rising repayment by associations of withdrawal advances combined with reduced demand from associations for new withdrawal advances.

The banks haven't been able to meet all requests for expansion advances lately and probably won't in the near future either, a spokesman said. Advances for both purposes—expansion and withdrawals—at the end of October totaled \$7.2 billion, up fractionally from the month-before level and sharply above the \$5.8 billion of a year earlier. Associations suffered a net loss of \$80 million of savings during October, but this outflow was less than expected, and industry analysts said it appears that associations had a net inflow during November.