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C.F.

THE SECRETARY OF DEFENSE  
WASHINGTON

10 January 1967

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MEMORANDUM FOR THE PRESIDENT

SUBJECT: Release of Deferred Construction Funds

In December 1965, because of the signs of developing inflationary pressures in the economy, we concluded that it would be advisable to temporarily postpone FY 1966 and prior year military construction projects totalling \$620 million, including \$160 million for family housing. On 21 December 1965 we publicly identified these projects which were located in 42 states. The projects, although necessary and desirable, could, nevertheless, be deferred without impairing military operations or effectiveness. # pressures

In no case was a project deferred which in any way affected our ability to support our forces in Vietnam, or which directly affected our military posture world-wide. Since the December 1965 decision, a limited number of the \$620 million of deferred projects (a total of \$33.8 million) has been released because of deployment changes or other compelling conditions which have caused the projects to become too urgent for continued deferral.

We have been watching the economic situation closely and have now concluded that on the basis of current trends, the inflationary pressures of a year ago have abated to a point where the economy can both absorb and benefit from the deferred construction starts. The release of additional construction projects will help offset the expected decline in physical volume of construction activity in calendar year 1967 and the effects of this decline on construction industry unemployment. Seasonally adjusted unemployment in the construction industry has increased in every month since June, indicating a definite upward trend. In the particular case of family housing, this segment of the industry has declined to a 20-year low.

In addition to meeting my commitment to the Congress to move forward with the FY 1966 program when conditions warrant such action, release of the projects now will have a beneficial effect upon morale in the Armed Forces, satisfy valid construction and housing requirements, and have a salutary effect on the construction industry.

In view of the above, I propose to rescind my temporary order of December 1965 and authorize orderly contract awards of the deferred programs. Allowing for projects already released and changes in requirements, the program to be released is estimated to total approximately \$564 million, including \$153 million for 8,250 units of family housing.

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Re JC. NARA, Date 1-10-05

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Robert S. McNamara

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