

**Can  
FEDERAL EXPENDITURES  
Be Cut?**

*A Compendium of Proposals for Effecting  
Economy in the U. S. Budget*

**VOLUME THREE**

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**PART II**

***Classified by Function***

## ***Military Services***

MILITARY SERVICES

GENERAL

"...we wish to emphasize that waste in military expenditures not only places unnecessary burdens upon the citizens but also endangers the military effort. Military procurement is in many cases its own worst competitor. Non-essential military demands interfere with meeting essential military requirements. Wasteful expenditures that impose unnecessary tax burdens weaken the ability of the economy to support an enlarged military program. And waste and inefficiency reduces the willingness of the public to support the program."

"...the situation urgently requires, as the first step to greater efficiency, more intensive, independent civilian review at many levels--in Congress, in the National Security Council, in the National Security Resources Board, in the Army-Navy Munitions Board, and in the military departments and branches,"

Savings: Amount unspecified.

Source: Committee for Economic Development, Paying for Defense, November, 1950, pp. 12-13.

\* \* \*

"...The effect of the motion,...is intended to establish a ceiling of \$55,000,000,000 on our military appropriations at this time, this sum to be divided and allocated as the Committee on Appropriations shall think best after consulting the Secretary of Defense and such other advisers as the committee desires to consult."

. . . . .

"Should our State Department cease to be committed so completely to armed force in its policies and should it show energy, initiative, and imagination in performing its proper duties in the field of psychological and spiritual forces, we would cease to be completely dependent on military strength and could bring our expenditures in that field within limits which we could safely carry without dangerous inflation or the serious weakening of our social and economic system,"

Savings: Amount unspecified.

Source: Mr. Flanders, Senator from Vermont, Congressional Record, September 11, 1951, p. 11370.



\* \* \* \* \*

### ACTIVITIES SUPPORTING DEFENSE

#### GENERAL

"While the Munitions Board was obviously doing plenty of 'wool-gathering,' none of it was for a stockpile. Its shortsightedness will cost the taxpayers a minimum of many millions of dollars and might well result in inadequately clad troops if rapid mobilization becomes necessary.

"Close cooperation between the Defense Department and the Department of Agriculture is essential in the interest of an efficient and economical procurement program. The willingness of the Department of Agriculture to cooperate fully has already been demonstrated. That of the Defense Department has left something to be desired."

Waste: Millions of dollars.

Source: Third Report of the Preparedness Subcommittee of the Committee on Armed Services, Senate, 82d Cong., 1st Sess., Agricultural Products and the Mobilization Program, January 8, 1951, p. 14.

\* \* \* \* \*

### MILITARY FUNCTIONS

#### DEPARTMENT OF DEFENSE

"The point that I am getting to here, is that Congress is rushing ahead and appropriating untold billions, which are staggering amounts to us, for national security and defense, and which goes into conventional, standard weapons. That in so doing this, we are short-sighted in not looking ahead. We could save billions at present, by immediately going into newer, modern types of weapons and planes and submarines, as contrasted with going ahead in a standard, conventional way, and in that way we would have a nation better prepared, both offensively and defensively; secondly, we would be saving vast sums of money and taxes, and that is a problem which I think bothers all of us."

Savings: Billions.

Source: Mr. Bridges, Senator from New Hampshire, in Hearings before the Committee on Appropriations, Senate, 82d Cong., 1st Sess., Supplemental Appropriations for 1952, p. 1337,

\* \* \*

"...However, I happen to have spent a great deal of research money in my day, and I know that today much of the money appropriated for research [in the Department of Defense] can be wasted...."

. . . . .

"Suppose we cut that item 5 percent, which amounts to roughly \$75,000,000. Would that mean we would lose 5 percent of the effectiveness of the research? I do not believe so. Those in charge of the program would abandon, I hope, the most foolish of the projects and with close scrutiny they should, I believe, be able to consolidate some of the similar research projects being undertaken by each of the services; and personally I do not believe the research program would suffer very much; perhaps it would not suffer at all...."

Savings: \$75,000,000.

Source: Mr. Douglas, Senator from Illinois, Congressional Record, September 10, 1951, pp. 11316-11317,

\* \* \*

"...The way to present the basic choice between quantity and quality for decision is to confront each branch with a closed budget, and leave a wide scope for reallocation of funds among different items. If the Air Force, say, has \$15 billion for the forthcoming year (and no prospect of getting it up to \$20 billion by coming to Congress for a deficiency appropriation), it will have to decide whether it can do a better job with more planes that are less fancy. To get away from the bottomless-purse psychology requires, of course, both strictness on deficiency appropriations for the current year and limitations on current spending out of earlier appropriations."

. . . . .



"We believe that methods of military programming should be reorganized with a view to using budgetary pressures as a means of getting maximum defense value out of limited resources: and we recommend that the President take steps to bring this about."

Savings: Amount unspecified.

Source: Albert G. Hart and E. Cary Brown, Financing Defense, New York: The Twentieth Century Fund, 1951, pp. 33, 160.

\* \* \*

"...we have from 1945 to 1951 wasted 6 or 7 years and spent \$100,000,000, and there is practically nothing to show for it. Sixty billion dollars was spent in the first 4 years following the war, and we could not blow a nation's hat off that had any ordinary force at all. Where did the money go? Nobody will know until the control of the committees of the Congress changes hands after the next general election."

Savings: Amount unspecified.

Source: Mr. Malone, Senator from Nevada, Congressional Record, August 1, 1951, p. 9519.

\* \* \*

"What I mean by an atomic Army is fewer foot soldiers, armed with rifles, more and more specialists equipped to fire an atomic shell wherever the enemy masses his troops, fewer mortars and more short-ranged guided missiles with atomic warheads..."

"Here is the way we can save from \$30 billion to \$40 billion of the from \$60 billion to \$80 billion a year that otherwise threatens to become the price of survival, and for every dollar spent on atomic defenses we can save five on conventional defenses."

Savings: \$30,000,000,000 - \$40,000,000,000.

Source: Mr. McMahon, Senator from Connecticut, as quoted in Hearings before the Committee on Appropriations, 82d Cong., 1st Sess., Supplemental Appropriations for 1952, p. 1340.

\* \* \*

"...the building and rehabilitation of the ~~set-ups~~ for the armed services are being done on a very extravagant scale and under loose contracts which cost vast sums of money."

Savings: Amount unspecified.

Source: Mr. Taber, Representative from New York, Congressional Record, January 23, 1951, p. A336.

## ***Veterans' Services and Benefits***

VETERANS' SERVICES AND BENEFITS

GENERAL

"In spite of the crushing tax load on family budgets, we're still running a loose, plush program of veterans' benefits. Experts believe benefits to veterans of World War II may eventually cost more than the war itself."

Savings: Amount unspecified.

Source: John L. Beckley, Could You Use \$250?, Montclair, N. J.: The Economics Press, 1951, p. 22.

\* \* \*

"We recommend that civilian programs (particularly farm programs, veterans' benefits and loan agency programs) be re-examined, although we do not anticipate a reduction of more than one or two billion dollars."

Savings: Amount unspecified.

Source: Albert G. Hart and E. Cary Brown, Financing Defense, New York: The Twentieth Century Fund, 1951, p. 159.

\* \* \*

"In the postwar period, \$16,000,000,000 have been spent for education, training and other readjustment benefits of veterans. This does not include compensation and pensions or insurance refunds or hospital and medical care. While many veterans have received long-term benefits from these payments, most veterans agree that some of the funds have been wasted.

"Now, more than ever, it is necessary to crack down on the recreational courses, fly-by-night schools, fraudulent training courses, exorbitant tuition rates, and excessive subsistence payments that have been made under various training programs."

Savings: Amount unspecified.

Source: Mr. Jenkins, Representative from Ohio, Congressional Record, May 7, 1951, p. 5130.

\* \* \*

"Michael Straight, national chairman of the American Veterans Committee, called for a Hoover Commission-type examination of veterans' benefits.

"The danger in continuing as we now are, with a jerry-built structure of veterans' legislation dating back to the Civil War, is that the country may be led into bankruptcy by benefits given regardless of needs," he warned.

"Mr. Straight said that A.V.C. was opposed traditionally to special privileges and hand-out benefits for veterans and feared the philosophy that says, in effect, honorable discharge equals public charge."

Savings: Amount unspecified.

Source: Michael Straight, National Chairman of the American Veterans Committee, as reported in New York Times, June 1, 1951, p. 4.

\* \* \* \* \*

#### VETERANS' EDUCATION AND TRAINING

##### INDEPENDENT OFFICES, VETERANS ADMINISTRATION

Item	Proposal
"On the farm training: Under the Servicemen's Readjustment Act of 1944, veterans can receive subsistence payments for on-the-job training on farms. The amount of their monthly payments is determined on the basis of that portion of their yearly income attributed to their labor, excluding the portion attributed to their capital investment.	The value of this training is doubtful. Short of eliminating it, determine amount of subsistence payments on basis of total income."

Savings: \$265,000,000 annually (as shown in table in source).

Source: Staff of the Joint Committee on the Economic Report, Report of the Joint Committee on the Economic Report, Senate, 82d Cong., 1st Sess., January 1951 Economic Report of the President, p. 94.



\* \* \* \* \*

OTHER VETERANS' READJUSTMENT BENEFITS

INDEPENDENT OFFICES, VETERANS ADMINISTRATION

"...efforts to prevent abuses and waste in the provision of readjustment benefits for veterans of World War II should not be relaxed merely because total expenditures under the program are declining."

Savings: Amount unspecified.

Source: Committee for Economic Development, Paying for Defense, November, 1950, p. 11.

\* \* \* \* \*

VETERANS' COMPENSATION AND PENSIONS

INDEPENDENT OFFICES, VETERANS ADMINISTRATION

Item	Proposal
"Pensions: No limitations on income are required for veterans of the Spanish American War. For World War I veterans full pensions are allowed with incomes of up to \$1,000 a year for single men and \$2,500 for those with dependents. Government insurance payments, veterans' bonus payments, and Federal and municipal overtime pay are not included in the definition of income. (With increased social security, these exclusions are important.) Veterans over 65 with a 10 percent disability are considered totally and permanently disabled for pension purposes.	Establish income limitations for all veterans. Redefine income concept. Reduce pensions as income approaches limits. Do not allow presumption of total disability with less than 40 percent disability."

Savings: \$60,000,000 annually (as shown in table in source).

Source: Staff of the Joint Committee on the Economic Report, Report of the Joint Committee on the Economic Report, Senate, 82d Cong., 1st Sess., January 1951 Economic Report of the President, p. 94.

\* \* \* \* \*

VETERANS' HOSPITALS AND MEDICAL CARE

INDEPENDENT OFFICES, VETERANS ADMINISTRATION

"As a veteran wounded in World War II, I have a right to fight for veterans' benefits. But here, too, cuts are in order. For example, we have a hospital program giving free medical care to veterans with service caused ailments. The law also grants veterans with non-service-connected illnesses the same free facilities, provided the patients cannot afford to pay.

"The catch is that no one checks on the veterans' financial status. So the whole system is loaded with free riders. We can save \$100,000,000 a year without harming veterans who really need medical care."

Savings: \$100,000,000 a year.

Source: Paul H. Douglas, "We Can Cut the Budget!", Coronet, Vol. 30, No. 5, September, 1951, pp. 42-43.

\* \* \*

Item	Proposal
"Dental care: Veterans who had cavities filled during military service are considered to have a service-connected ailment entitling them to lifetime dental care.	Eliminate dental care after specified period after discharge."

Savings: \$5,000,000 annually (as shown in table in source).

Source: Staff of the Joint Committee on the Economic Report,  
Report of the Joint Committee on the Economic Report,  
Senate, 82d Cong., 1st Sess., January 1951 Economic  
Report of the President, p. 93.

\* \* \*

Item	Proposal
"Hospitalization: A veteran of any war unable to pay for hospitalization shall be furnished care within the limits of facilities, regardless of the service connection of the ailment (38 U.S.C. 706). 2/3 of patients have non-service-connected ailments. Test ability to pay is a statement by the veteran which the administrator cannot question.	Establish an objective test."

Savings: \$100,000,000 annually (as shown in table in source).

Source: Staff of the Joint Committee on the Economic Report,  
Report of the Joint Committee on the Economic Report,  
Senate, 82d Cong., 1st Sess., January 1951 Economic  
Report of the President, p. 93.

\* \* \*

"4. Virtually all federal hospitals would come under a United Medical Administration. This would create a single pool of hospital facilities and personnel and make possible a rational assessment of further building needs. One probable effect would be to establish sensible standards for the admission of veterans to federal hospitals...."

Savings: Amount unspecified.

Source: Fortune, Vol. XLII, No. 4, April, 1951, p. 84.

\* \* \*

"10. Veterans' Services & Benefits

(Millions of Dollars)

Budget Estimate	AM Recommendation	Difference
4,911	4,706	-205
Present Program	<u>Specific Savings</u>	
Hospital Construction	155	
Operating Expenses	<u>50</u>	
	205	

"Veterans' Hospitals" The subject of veterans' hospitals has become primarily a political one, rather than one having as its purpose the discharge of the government's obligation to veterans on account of illness or disability incurred in the service of the country. A hospital construction program has been planned and authorized which will, if completed, provide hospital facilities greatly in excess of requirements for service-connected disabilities. In the budget recommendations for the fiscal year 1951, the President recommended rescission of an uncompleted part of the hospital program involving expenditures of \$237 million. The Congress rejected this recommendation and extended the authorization to continue the building of more hospitals. The budget for 1952 carries an estimated expenditure of \$155 million for this purpose. In the Budget Message it is stated that 'approximately two-thirds of the patients in veterans' hospitals are being treated for non-service-connected disabilities.'

"This expenditure should not be made in 1952 for these reasons:

"1) It will mean the diversion of manpower and materials into a type of construction for which there is no present need. From this standpoint, it will be pure waste.

"2) Insofar as construction is to be followed by provision of medical and nursing staffs, it will increase the drain on our limited numbers of medical and nursing personnel at a time when the military demand for persons with these skills is encroaching severely upon the medical facilities required for health of the civilian population. Even before the onset of the Korean war, the chief medical officer of the Veterans' Administration had repeatedly told Congressional committees that it was not then possible to staff and service more hospitals.

"If these additional facilities are not provided, there should be a saving of at least \$50 million in over-all operating expenses."

Savings: \$205,000,000.

Source: National Association of Manufacturers, Cut Non-Defense Spending Now, Economic Policy Division Series, No. 40, New York, February, 1951, p. 17.

\* \* \* \* \*

OTHER SERVICES AND ADMINISTRATION

INDEPENDENT OFFICES, VETERANS ADMINISTRATION

Item	Proposal
"Interest gratuities on mortgages: VA now pays first year interest cost on all mortgages it insures. This gratuity is usually deducted from the principal, so that the veterans' cash outlay is not reduced in the year he purchases a house. However, he can make an income tax deduction for the amount.	Abolish gratuity."
Savings: \$76,000,000 annually (as shown in table in source).	
Source: Staff of the Joint Committee on the Economic Report, Report of the Joint Committee on the Economic Report, Senate, 82d Cong., 1st Sess., <u>January 1951 Economic Report of the President</u> , p. 94.	

\* \* \*

Item	Proposal
"Burials: In addition to offering to bury any veteran, his wife, minor children, or unmarried, widowed or divorced daughter, the Government will contribute \$150 to burial expenses of any veteran in a non-Federal cemetery, regardless of financial need, cause of death or number of years that have elapsed since service.	"Abolish payments for burial of veterans who do not die of service-connected causes or in VA facilities."



Savings: \$10,000,000 annually (as shown in table in source).

Source: Staff of the Joint Committee on the Economic Report,  
Report of the Joint Committee on the Economic Report,  
Senate, 82d Cong., 1st Sess., January 1951 Economic  
Report of the President, p. 95.

# ***International Security and Foreign Relations***

INTERNATIONAL SECURITY AND FOREIGN RELATIONS

GENERAL

"...the Hoover Commission holds that a 25% cut in personnel engaged in foreign affairs activities and other unlisted economies would save \$20 million...."

Savings: \$20,000,000.

Source: Commission on the Organization of the Executive Branch of the Government, as reported in "How to Streamline the Federal Budget," The Conference Board Business Record, Vol. VIII, No. 5, May, 1951, p. 195.

\* \* \*

[Statement of Robert L. L. McCormick submitted for the record:]

"Over 30 separate branches of Government are in this field. They have been operating in an era of continuing international crisis. No broad congressionally sponsored study or program for coordination has been made. It is necessary to take a long-range view of the administration of these programs. It is logical that an independent bipartisan commission, which would operate at arms length from our present crises and emergencies, would be the agent to make an objective study of this nature.

"I might add at this point, estimates of overseas expenditures since 1946 range from \$30 to \$100 billion. Congressional committees have been trying for 2 years to get an exact audit of these estimates. The Library of Congress, various Senators and Representatives, and several commissions, have also tried. We must frankly admit that it can't be done.

"Yet, it is clearly the right of Congress and the taxpayer to know: What has been spent and how it has been used. This can only be done through a full-scale study."

. . . . .

"This Commission, like the Hoover Commission, will be primarily concerned with organization. This Commission and its staff would be authorized and directed to study the administration of many overseas activities of the Federal Government with a view to making recommendations for the coordination and integration of such activities to the Congress. Just as the Hoover Commission at home accomplished the greatest reorganization in our history, this "Hoover Commission" abroad can expedite great savings in this area."

. . . . .

"The United States itself employs abroad some 193,000 persons, which is somewhere around 8 percent of the total payroll. Including military, of course, it would be considerably more; but that is the civilian figure, 193,000, excluding military. With some 20,000 persons in the Federal Government who are working on these matters who should be added to the 193,000, it would make a total of somewhere near 200,000 who are working on overseas administration, with some 30 Federal agencies which I have mentioned before, being involved in this."

. . . . .

"Mr. Curtis. I am wondering, since you have testified with reference to these Federal employees whom you have mentioned, whether there has been any study made as to just where they are working and do you know yourself generally what fields they are in?"

"Mr. McCormick. No, there has not. The latest figures were compiled by the Byrd committee something over 2 years ago."

"To show you a few interesting examples that I raised before the Senate committee (1948 figures): The Commerce and Interior Departments had more civilian employees in Alaska than the Army, the Navy and the Air Force services combined. There were some 30,000 Federal employees in the Canal Zone; some 28,000 in Hawaii; some 28,000 in the Philippines. There were 743 Federal employees in Lybia. The Federal Works Agency, now General Services, had 459 employees overseas."

"The Veterans' Administration had 1,603 employees overseas."

"The Federal Security Agency had almost 1,000 in 19 countries."

"And I think the significant, most significant thing that the Byrd committee brought out was that the State Department at that time, according to those figures, had only some 12,000 of these 193,000 Federal employees abroad."

"Mr. Curtis. There is no over-all coordination to know what these people are doing; is that correct?"

"Mr. McCormick. Nobody knows who they all are, or where they all are,"

Savings: Amount unspecified.

Source: Mr. Robert L. L. McCormick, Director of Research, Citizens Committee for the Hoover Report, in Hearings before a Subcommittee of the Committee on Expenditures in the Executive Departments, House of Representatives, 82d Cong., 1st Sess., A Commission to Study Overseas Activities of the Federal Government, pp. 3-4, 5, 10-11.

\* \* \*

"...there has to be the closest kind of relationship between our principal agency abroad, the State Department, heads of missions, and so on, and any other agency that is set up. The trouble now is that you do not have one agency, and if you go to Paris or London or Athens or anywhere, you will find representatives from almost every agency in Washington, and presumably they all clear through the head of the mission, but it is a whole lot easier if they come from one agency than if they come from a good many others."

Savings: Amount unspecified.

Source: Prof. James K. Pollock, former Hoover Commission member, in Hearings before the Subcommittee on Reorganization of the Committee on Expenditures in the Executive Departments, Senate, 82d Cong., 1st Sess., Administration of Overseas Activities of the Government, p. 63.

\* \* \*

"On March 25, 1949, the Hoover Commission submitted to the Senate a report entitled 'Administration of Overseas Affairs' which emphasized the fact that the war and its aftermath had created new and heavy operational and promotional responsibilities abroad which have resulted in annual expenditures by this Government of more than \$5,000,000,000. In addition, the United States must still continue to govern its trust territories, dispose of large amounts of surplus property overseas, and discharge newly acquired responsibilities of trusteeship with respect to several Japanese mandated islands. Further overseas responsibilities include military government in the Far East and occupation in Europe, special missions administering aid to China, Greece, and Turkey, and the administration of certain small independent agencies, such as the American Battle Monuments Commission, the Philippine Alien Property Administration, and the Philippine War Damage Commission.



"The Hoover Commission pointed out that these obligations and responsibilities have grown so rapidly that time has not permitted adequate planning for efficient administration. This has resulted in confusion, inconsistencies and uncertainty of policy and program as well as the inefficiencies which inevitably follow as a result of improvisation and lack of over-all planning. Finally, the Commission found that the administration of overseas affairs is now scattered and diffused among a number of departments and independent agencies, including the Departments of State, Army, Navy, and Interior and the Executive Office of the President..."

. . . . .

"Chairman Hoover and Commissioners Pollock and Mead recommended the immediate creation of an Administration of Overseas Affairs which would assume responsibility for existing policy and administration with respect to all overseas operations. This, it was felt, would effect a unification of policy under one responsible head, enable the development of a corps of career men for foreign administration and reduce the total number of agencies in the Government presently concerned with these matters. Such action would also have the effect of relieving the Departments of Army, Navy, and Interior of burdens which are unrelated to their normal duties."

Savings: Amount unspecified.

Source: Hearings before the Subcommittee on Reorganization of the Committee on Expenditures in the Executive Departments, Senate, 82d Cong., 1st Sess., Administration of Overseas Activities of the Government, pp. 6, 7.

\* \* \*

"...I think that the primary object of this administrative investigation [of the overseas activities of the Federal government] would be to protect the taxpayer, although I think it would undoubtedly be helpful in connection with policy decisions as well as administration, and I certainly would think that the expenditure of \$1,250,000 should be viewed with considerable concern, although, in all frankness, if this investigation did cost that much and would point up the way to economy and a probable reduction in foreign spending it would be well worth that expense in my opinion."

. . . . .

"...I think that what should finally be done is that all the temporary agencies should be abolished, that supervision activities should be put in the State Department, perhaps, on a committee basis,

dealing with the representation from Commerce and the Treasury in order to get a balanced domestic point of view."

Savings: Amount unspecified.

Source: Statement by Mr. Sawyer, Secretary of Commerce, in Hearings before a Subcommittee of the Committee on Expenditures in the Executive Departments, House of Representatives, 82d Cong., 1st Sess., A Commission to Study Overseas Activities of the Federal Government, pp. 40, 51-52.

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#### MILITARY AND ECONOMIC ASSISTANCE

##### GENERAL

"...when I first learned about this grain to India bill I looked upon it with favor because I thought it was to be a loan and not a gift; I thought that the United States had the grain and that India needed it. I thought that India had mica, manganese, monazite sands, jute, and certain strategic materials that we needed in the war effort; I thought it would be well that we should trade the grain to India and that in turn we would receive these strategic materials; first, because we need them; and, second, every bit that we take from India I thought would be taking away from Russia."

. . . . .

"Of course, we all appreciate the plight of the people of India and we want to be charitable to them, but that old maxim still remains firmly imbedded in my mind that charity begins at home. While we talk about the undernourished people of India, is that not true of the people of Israel, of Iran, of Spain, of Arabia, of Pakistan, of Yugoslavia, of all the countries throughout Africa? Is it not true that they are all undernourished? How in the world can 150,000,000 people in our own country provide the necessities of life for approximately a billion people scattered all over the world who are undernourished?

"I say that this is a precedent. How can we justify giving grain to India without giving grain to Israel, Spain, Iran, Yugoslavia, and to the other peoples throughout the world?"

. . . . .

"...we hear that this is for the defense of the United States. Is it not true that all of these countries that I just enumerated--Spain, Israel, Arabia, Pakistan, and the rest of them--are important in the defense of this Nation? I say that although this bill involves the gigantic sum of \$190,000,000 in the event this bill is passed by the Congress you will have one brought in for Israel involving \$150,000,000; you will have one brought in for Pakistan, Iran, and about 30 other countries."

Savings: \$190,000,000.

Source: Mr. Allen, Representative from Illinois, Congressional Record, May 22, 1951, p. 5685.

\* \* \*

"The request for economic assistance to this area totaled \$282,156,000 of which \$45,000,000 was requested for contribution to the United Nations Korean Reconstruction Agency. The committee has disallowed the latter amount since testimony revealed that approximately \$50,000,000 of funds previously provided were unobligated June 30, 1951, and that this agency's fund requirements will be nominal until a military settlement is reached in Korea...."

Savings: \$45,000,000.

Source: Report of the Committee on Appropriations, House of Representatives, 82d Cong., 1st Sess., Mutual Security Appropriation Bill, 1952, pp. 5-6.

\* \* \*

"...Not the least item to be given careful attention is the extent to which the U. S. taxpayer unwittingly has subsidized the foreign-flag airlines through E.C.A.

"It is known that the Senate Interstate and Foreign Commerce Committee is checking into the situation, which sees American-flag airlines, though themselves not entirely unsubsidized, placed at a definite competitive disadvantage by the devious and not always revealed media of subsidization by foreign governments of their own so-called flag lines.

"The yardsticks measuring this international subsidy factor are non-existent, but nonetheless, the factor is a comparatively strong one. Virtually all of the foreign airlines are owned, in varying degrees, by their governments. Thus they maintain direct

pipelines to the national treasuries instead of drawing their main support from private capital."

. . . . .

"Even the U. S. taxpayer has contributed to the support of foreign lines through E.C.A. financial purchases of aircraft, spare parts and accessories. Some \$86.5 million went for this purpose. France obtained more than half of these grants, largely for Air France. The Netherlands, through K.L.M., was the next leading beneficiary, receiving \$27.8 million. The overall E.C.A. program further released considerable funds for aircraft purchases which otherwise would not have been available. Although the E.C.A. program for commercial aircraft has now ended, the repercussions have not. Through it, foreign airlines were supplied with modern equipment, which helped them step up their competition with U. S. carriers over the same route. Thus the United States has ended up financing both sides in the struggle for business: It not only has paid for equipment, flown by foreign airlines, but is also footing the bill for certain subsidy payments to help American carriers in the running."

Savings: Amount unspecified.

Source: Barron's, Vol. 31, No. 11, March 12, 1951, p. 11.

\* \* \*

"Now we have before us the President's message on a so-called mutual-security program, and it is clear that my forecasts were entirely too correct. The amount requested for the coming year hits a record high--\$8,500,000,000 for grants, plus \$1,000,000,000 in additional lending authority for the Export-Import Bank, a total of \$9,500,000,000. That figure is far in excess of total expenditures of the Federal Government for all purposes during any of the years of Mr. Roosevelt's administration through the fiscal year 1940--up to the beginning of the war. And Mr. Roosevelt was considered a pretty good spender."

"...this program, if enacted, will far outstrip any... previous foreign-aid programs which have been adopted. The most recent period for which we have detailed figures covering Federal grants and loans to foreign countries is the calendar year 1950. In that year, our total spending for such purposes amounted to four billion five hundred and thirty-one million dollars, compared with the nine and a half billion dollars the President now requests for next year. At this particular time, when the most stringent economy is absolutely essential in order to balance the budget and check the rising cost of living, the President seems to have thrown the very notion of financial sanity to the winds. Instead of cutting back the foreign assistance figure, he asks us to double it."

. . . . .

"...the share of the foreign-aid program for the whole State of Nebraska is rather staggering. The total cost to the State of Nebraska amounts to \$923,350,000; almost \$1,000,000,000. That is at the rate of over \$75,000,000 a year. It is a great deal more than has been spent during the past dozen years by Nebraska for all purposes, including roads, education, State institutions, assistance and welfare, and all other functions of government. That may give Senators some idea of the size of the debt we have incurred for foreign aid."

. . . . .

"...we must turn back before it is too late. If we accept this program we might as well give up the hope of ever bringing to an end the system of hand-outs to foreign countries. We will have trained all those countries so thoroughly to the idea of depending on us that they will never again be able to make ends meet out of their own resources."

Savings: Amount unspecified.

Source: Mr. Butler, Senator from Nebraska, Congressional Record, June 1, 1951, pp. 6182, 6183.

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"At present the responsibility is split up primarily between the Economic Cooperation Administration and the State Department. This has led to the administration of economic assistance by different organizations in the same area under different appropriations--particularly the ECA and State Department. Also a type of assistance which one organization has handled successfully in certain areas may be initiated and administered in other areas by a different organization."

. . . . .

"We recommend (a) a single appropriation for foreign aid administered by a single agency of the Government, and (b) that such agency be independent of, though cooperating closely with, other departments."

. . . . .

"It is the examination of these problems that has convinced us of the need for a unified administration, and the inherent unsoundness and likelihood of wastefulness of the split administration



which has grown up primarily because of historical accident. Congress is now clearly furnished the opportunity to build a modern tool designed to do the job ahead on the principles it recognized in the first Greek-Turkish Aid Act and developed in its ECA legislation."

Savings: Amount unspecified,

Source: Committee on the Present Danger, A Statement on Foreign Aid, Washington, June 18, 1951, pp. 9, 12, 15,

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"...this amendment...is, an attempt to eliminate the \$50,000,000 that can be appropriated in accordance with the accounting provision as provided in subsection (a) of section 303 of the Mutual Defense Assistance Act of 1949. This accounting method for this \$50,000,000 is what I want to call to the attention of the House....:

"Certification by the President of the amounts expended out of funds authorized hereunder and that it is inadvisable to specify the natures of such expenditures shall be deemed a sufficient voucher for the amounts expended."

"In other words, that is just a complete blank check for \$50,000,000 to be spent in the Chinese area."

. . . . .

"I suggest that the House consider very carefully whether it wants to extend this principle of giving blank checks of this nature, particularly in the area of China. Personally I am against any blank check of this nature."

Savings: \$50,000,000.

Source: Mr. Curtis, Representative from Missouri, Congressional Record, August 17, 1951, p. 10496.

\* \* \*

"...this is a very small cut...The amount is only \$1,383,000 but it is part of the unobligated balance carried over to 1952.

"There is one slight difference here. This applies to economic aid. It is very important at this point to realize,... that the counterpart funds that are already available in Europe add

up to a balance of \$2,400,000,000. There is no one who can figure out right now how to spend that \$2,400,000,000. So, unless somebody can tell me what they are going to do with the \$2,400,000,000 already available in counterpart funds, and what they are going to do with the additional amount appropriated in this bill, I shall insist on my amendment. As the matter stands, it is merely an invitation to everybody who has a boondoggling scheme figured out to present it to a particular government in Europe."

Savings: \$1,383,000.

Source: Mr. Curtis, Representative from Missouri, Congressional Record, October 11, 1951, pp. 13291-13292.

\* \* \*

"...the most expensive 'gimme' program ever initiated by any country, yes, probably by all countries combined, has been our various foreign-aid programs. Lend-lease, European Recovery Act, military aid, foreign rehabilitation programs, United Nations Relief and Rehabilitation Administration, displaced persons, and numerous other programs have cost us many billions.

"The contributions we have made to Russia would, if repaid, reduce our national debt by about twelve billions.

"The European-aid program and the aid programs for all foreign countries have served their purpose but have been very expensive. Many persons who are familiar with the work of these organizations are now taking the position that all these economic-aid programs should be abandoned in the near future. They claim 3 months would be enough time to close up all these expensive programs. Some of these programs have been in operation for several years, and together have cost the United States \$28,000,000,000 since July 1, 1945. This money was spent largely for two purposes, rehabilitation and preventing the spread of communism. The rehabilitation in some countries might work to our advantage, but much of it now is benefiting Soviet Russia. And while communism has been stayed in some countries it still flourishes in many countries, into which large sums of American money and supplies have been sent."

Savings: Amount unspecified.

Source: Mr. Jenkins, Representative from Ohio, Congressional Record, May 7, 1951, pp. 5130, 5131.

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