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A Statement

ON

THE MUTUAL SECURITY PROGRAM

STATE DEPARTMENT
WASHINGTON, D.C. 20520

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The Mutual Security Program

A Statement

by the

Committee on the Present Danger

FOR THE second year, the Committee on the Present Danger submits to the Congress and the National Administration the results of its study of the Mutual Security program. As we did last year, members of the Committee have examined the program at first-hand both in Europe and Washington. A detailed study with accompanying economic data has been prepared. Here we present the conclusions of the Committee, the reasons for them, and certain recommendations.

The Committee on the Present Danger is a nonpartisan group of private citizens. It was formed spontaneously in the fall of 1950 to seek a greater public awareness of the present peril facing our nation from the threat of a major Communist aggression, and to urge adequate and timely action to meet it. The Committee has no other allegiance or interests to serve.

In this paper we do not discuss the proposals for Technical Assistance and other economic aid. But we support these programs as the best means of preventing the spread of Communism through subversive tactics in certain key areas, and because we feel that the United States must not open itself to any legitimate charge that its leadership and interests are confined to military defense. However, the principal question now before the Congress concerns the cost of support for the military aspects of the program. For this reason our Committee here concentrates its thought upon: How best to defend the United States? How to do so through averting World War III if possible? How to do so with the utmost long-range economy?

In Europe, we believe that all of the Mutual Security appropriations should be to support the military program, with relatively minor exceptions, principally Iceland, Austria, Spain and perhaps part of the aid for Greece. It is not a continuation of the Marshall Plan, which was expressly not for military purposes and which has been completed. We now have a new joint program to support a common defense. U. S. funds for

these countries are now necessary only because of the heavy drain of their military expenditures. These monies are in reality not assistance to such countries but a U. S. contribution to a common plan of defense.

Our Committee accepts the virtually unanimous view of our responsible military leaders that, without neglect of the Far East, the defense of the United States must be made in Europe and must be an allied defense. General Gruenther has recently summed this up, saying that "Any alternative which would jeopardize the security of Western Europe holds great perils for the United States."

In presenting the Mutual Security Bill to the Congress last year, Secretary Marshall indicated that the appropriation of about \$8.5 billion he then requested would be the first of three of approximately equal amounts required for the program (House Committee hearings, p. 85). The present Bill is the second installment of that plan for defense.

Our Committee subscribes to the following in Senator Connally's summary of General Gruenther's recent testimony:

"The impression he left with me was one of optimism that with steadfastness of purpose on the part of all concerned—both the United States and Europe—the problems and difficulties can be overcome."

* * * *

"We have high hopes for peace if we each do our part. General Gruenther left the impression that in NATO headquarters every effort is being made to see that each country does make its full contribution."

LISBON

At Lisbon the North Atlantic Treaty countries have now formulated a unified plan for contributions to the common defense. The increases in forces there agreed upon are practicable only if Congress continues for fiscal year 1953—as Secretary Marshall proposed—a contribution of the same general order of magnitude as was appropriated for the present year. The justification for this is that it is in the interest of the United States to make it possible for our European allies to put into the field effective armed forces on a far larger scale than their own resources can alone provide and equip.

THE SCALE OF THE RUSSIAN THREAT

General Eisenhower's recent report is conclusive as to the gravity and magnitude of the Russian military threat. Against this great danger, every loyal American knows that we must have an adequate defense. As General Gruenther has just said:

"* * * the dimensions of the Allied defense plans were predetermined by the magnitude of the existing Soviet forces opposing Western Europe."

Our Committee believes that not only the most effective, but by far the most economical, method of defense of the United States is through our joint allied effort now so well under way.

THE QUESTIONS

The principal questions before the Congress, as we see them, are: Can our nation afford such a program? Are the Europeans' own efforts sufficient so that it can succeed? How can we get the most value for our dollars?

CAN WE AFFORD IT?

Our nation must remain strong economically as well as become strong militarily. But because the threat confronting us is a continuing one, apparently destined to last for years, true economy can be determined only by considering the total *long-range* U. S. cost, not by looking at the next fiscal year or even the next two years alone. The real threat to the soundness of our economy lies in repeated deficits.

In such a long-range appraisal of costs, realism requires not a consideration of the Mutual Security budget separately, but of total U. S. defense costs of which it is a part. Since almost 90% of the cost of the whole U. S. defense plan is for our own Defense Department, any adequate economy measures to balance the national budget in the near future, and to reduce our taxes, must be such as to make it possible before long to cut our Defense Department budget substantially.

The planned size of our own forces, and so their cost, stem

of course from the Joint Chiefs of Staff's continuing appraisal not only of the magnitude of the Russian threat, but of the strength of our allies. If the present plan for a joint defense is carried out effectively, *a large cut of at least \$12 billion can be made in two years in the Defense Department's budget.* Under present world conditions it is only in this way that such a cut will be possible, and that our budget can be balanced without new taxes or greatly endangering our security.

On the contrary, the economic cost of a successful Russian aggression in Europe, which weakness there invites, was stated in General Eisenhower's recent report:

"* * * For the United States and Canada, the future could promise ever greater danger of attack, requiring endless sacrifices and defense costs which would ultimately break their economies."

We should not overlook also that, even considered over the short-range, this allied plan constitutes by far the most economical way to create at once the needed divisions. Divisions and their cost strikingly illustrate what is true economy for us—both long-range and short-range—in setting up our defense:

Under the present plan, if supported by Congress, there will be by this year-end twenty-five completely equipped divisions on active duty under SHAPE's command, of which only one-fifth will be American.

The annual maintenance cost of an infantry division, including combat support troops, is about \$160 million in the U. S. against \$50 million for an allied division of roughly equal strength. We pay all of the former and at most a small part of the latter.

To create, equip and maintain a division for the first year—even with two-thirds of the heavy equipment for an allied division coming from the U. S.—the aggregate cost is \$475 million for a U. S. division contrasted with only \$280 million for a European division—each with combat support troops. But after the first year, the U. S. division's cost continues at \$160 million per year for us, contrasted with either nothing from the U. S. or at most a small amount of "defense support."

(U. S. divisions, with combat support troops, have about 5% greater strength in men and somewhat greater fire-power, but a European division is a roughly comparable military unit. In using divisions as an illustration, we, of course, in no way overlook the requirements for air and sea power also.)

Further, it is not merely our costs for U. S. troops in Europe which can later be cut under this plan. The number of U. S. divisions on active duty forming our strategic reserve in this country can be progressively reduced as battle-worthy allied divisions on active duty and in reserve increase. The main objective of the Mutual Security program is to stimulate the growth of such allied divisions. This is in process, and the plans properly call for it to be supplemented by German troops.

Another evidence of what is true economy is that, under the present plan, our European allies (including Germany, Greece and Turkey) will spend for the joint defense in fiscal year 1953 the equivalent of \$14.4 billion, in contrast to only \$1.8 billion of "defense support" now requested to make full achievement of such \$14 billion program possible. In no other way can we get so much defense per dollar spent.

It was the U. S. which urged the Lisbon plan, strongly supported in this by SHAPE. The plan necessarily assumed that the U. S. would continue for next year its present rate of contribution to the joint effort.

The present allied defense program is accordingly not merely militarily the best—and perhaps the only—way to create a sound defense of the U. S., but it is by far the most economical way. For it leads toward a major cut of many billions in our own defense budgets.

Our Committee's economic analysis convinces us that the U. S. economy has the strength to bear these expenditures—provided they are temporary. And the present rate can be temporary unless the world situation further deteriorates.

In our study last year we pointed out that the U. S. economy would probably be able to absorb most of the increase in security costs through added total output. This proved to be an underestimate. *The United States has been able to meet increased security costs without reducing individual per capita consumption and with a large increase in private investment.*

After adjustments to comparable price levels, we find that *our great post-Korean increases in security expenditures have come, and will next year come, entirely out of increased national output*, and that we are maintaining the already unprecedentedly high pre-Korean levels of personal consumption and private investment.

These encouraging facts do not minimize the importance of balancing the budget as soon as possible consistently with reasonable security. But they do show that our nation can finance the present plan of defense for the temporary interval necessary without serious threat to the soundness of its basic economy.

Accordingly, our Committee concludes that the United States can afford for the temporary period necessary the program for supporting a joint defense—and that it cannot afford not to support it without very much greater later costs and danger to our economy as well as to our safety.

**APART FROM DOLLARS AND CENTS, IT IS IMPORTANT
THAT UNDER THIS PLAN OTHER NATIONS
WILL SHARE WITH US IN THE HUMAN
CONTRIBUTIONS TO DEFENSE.**

In the Mutual Security Bill, the Congress is dealing not just with money, but with lives. Because of the lack two years ago of any concerted plan for defense through an allied force against aggression in the Far East, the U. S. has done over 90% of the fighting in Korea and borne most of the casualties. Whether or not this was unavoidable, it should not be repeated elsewhere.

There is a way to do this by assisting now with full vigor in the organization and equipment as effective fighting forces of the ample manpower our allies are ready to make available. In Europe this includes not only the NATO countries, but in all probability Germany. General Bradley has just underlined what this policy will lead to, saying that the great bulk of the troops and equipment for Western Europe's defense "should eventually be furnished by the countries of Europe."

The success of the Lisbon plan for an allied defense of the free world—of which the Mutual Security program is a cornerstone—is, therefore, something close to the heart of every American for reasons wholly independent of considerations of money and taxes.

ARE THE EUROPEANS' EFFORTS SUFFICIENT SO THAT THE PLAN CAN SUCCEED?

Of this, General Eisenhower is the best judge. General Gruenther recently reported for him that it is the Europeans' determination to defend themselves which makes available the effort they are now making:

“* * * I am happy to report this effort is now being made in good measure and is resulting in substantial forces now in existence and substantial additions definitely in sight for the future.

“Among the North Atlantic Treaty nations of Western Europe the will to defend has been demonstrated in their longer periods of conscription, increased budgets for defense and efforts to expand defense production.”

To corroborate this, we have for the first time under the Lisbon plan a screened, integrated joint program possessing unity and cohesion. Underlying it was the technical study headed by our General McNarney, supported by a group of able budget and other experts from the Defense Department, from SHAPE and from MSA, familiar both with costs and the facts of European military establishments and economics. Working with experts from the other countries, they had before them the intimate details of each of the European nations' present and prospective military contributions, their costs, requirements and economic capacities.

Using a more recent revision of their figures, the total military expenditures of our European allies (inclusive of Greece, Turkey and Germany) were in the past fiscal year about \$8.7 billion in dollar equivalent adjusted to fiscal year 1952 prices. This year (fiscal 1952) they will be \$11.4 billion, and next year, for which the appropriation is now being asked, the plan—as

above noted—calls for \$14.4 billion. This is an increase of about two-thirds in such European military expenditures in two years. It is convincing evidence of the reality of Europe's defense effort.

The above amounts take into account the results of U. S. "defense support" but not of our end-item military aid. If expected deliveries by us of end-items are also included, the European military program under the Lisbon plan will be, in dollar equivalent, almost \$14 billion for the present fiscal year, and is scheduled to rise to almost \$20 billion next year. As to this, General Gruenther in his recent statement, after noting the peril to the United States should Europe fall, said:

"* * * When we compare, from this point of view, the value of United States end-item equipment being received by the forces assigned to Eisenhower's command with the improved security position it produces for the United States as well as the other NATO nations, we feel that full value is being received from this undertaking."

Nor do the above European expenditures fully reflect the size of their military programs, because their conscripted forces serve for what we would here regard as nominal pay, and their other costs for maintenance and much of their equipment are far lower than ours. A U. S. soldier's pay and maintenance cost \$3,000 per year. For the U. K. the cost is \$1,200, for France \$1,100, and for Italy \$750.

Further, larger planned military expenditures by the European countries must come out of the small margin between their per capita product and essential cost of living. Their average per capita annual product in 1950/51 was \$538. Ours was \$1,997. (As we use official exchange rates, some allowance for their distortion of actual dollar values must of course be made.)

In our appraisal as to whether the U. S. could ask Europe to do more, we may well consider the above figures in the light of General Eisenhower's maxim that "Military strength is of little worth unless backed by healthy expanding economies."

AS TO THE PROPOSAL TO SINGLE OUT "DEFENSE SUPPORT" FUNDS FOR CUTS

Our Committee emphasized last year that the two kinds of aid, so-called "military" and "economic," are really inseparable. This is because in Europe both are now entirely to support a military program (with the exceptions for the minor areas above noted). This view is confirmed by General Eisenhower as he was recently in substance quoted by General Gruenther:

"Few will disagree with him, I think, in his view that the economic and military aspects of defense, given the expensive and complicated mechanical implements of modern warfare, defy separation."

General Bradley has just testified that the whole program is a "balanced one" and that if a cut has to be made for fiscal reasons, Congress should order it in "blanket fashion" rather than curtail individual items. If it must be cut because our country cannot afford it, he stated that "the whole program must be restudied." We agree with this, but add that the whole defense program, including that for the Defense Department and Mutual Security, is a balanced one and must be considered as a whole.

WHAT ABOUT THE FAR EAST?

This area must not be neglected. But we must consider:

First: The treaty will make it possible for Japan to create a defense force, and Japan through many dollars earned from services and supplies furnished to our armies in the Korean war is for the present in an unexpectedly strong financial position. Japanese contributions to the expense of maintaining U. S. troops will henceforth be only half the occupation costs previously borne. Due to this combination of factors, Japan is at present in a financial position to create substantial ground forces of her own. We believe that Japan will desire to do so for her own safety. This should greatly reduce the need for U. S. divisions to be stationed there.

Second: Our Mutual Security assistance for France and the United Kingdom is also an important indirect defense of the Far East:

France is conducting the defense of Indo-China at a dollar equivalent cost of about \$1 billion a year. This is approximately equal to all of the aid she is receiving from us in Europe. (Our end-item assistance for military equipment for Indo-China is additional to this.)

In Malaya, the British, with the equivalent of about two divisions, are conducting a tough war against strong Communist guerrilla forces.

Defense of these areas must be maintained in the interest of Far Eastern security. Certainly neither France nor Britain could continue this without the U. S. Mutual Security contribution toward their European defense efforts.

Finally, about \$250 million in military aid for the Far East is included in the Bill, for assistance to the Philippines, Formosa and other key areas.

The Mutual Security program is, therefore, one which is balanced geographically, not unduly weighted toward Europe.

EFFECTS OF A FAILURE TO CARRY OUT THE PRESENT JOINT PLAN

The United States last fall at Ottawa and later at Lisbon urged the increase of the European nations' forces on a scale beyond that which their own resources would support. Some premise had to be used as to the U. S. contribution. Upon the assumption that it would be the same as this year's, an agreement upon a plan was obtained under which Europe would step up its total military effort by almost \$3 billion over the current year. This is nearly a \$6 billion increase over two years. If the U. S. should decide not to back up this position, the losses in total allied military strength would be many times the saving achieved by cuts in the appropriation.

The Schuman plan, an efficient NATO organization, and an effective command (SHAPE) have been achieved. The proposed European Defense Community, and as an essential part

of it the vital decision of Western Germany as to participation in a European army, lies just ahead. The Kremlin has offered Germany the appealing but false lure of promised unity and her own armed forces. We know that, if this offer is accepted, the Russians will before long reduce Germany to a satellite status; that continued freedom for the Germans requires their alignment with the West. But the Germans know that the latter puts them in a geographical and military spot of immediate danger if Russia attacks. No argument to Germans for a sound decision and strong support of it in the joint military effort, is more cogent than the news of a firm policy by Congress to give full support to the increased allied defense now planned.

Finally, we have at least 200,000 of our own boys in Germany exposed on the very edge of the Iron Curtain. These men and their families for them, are entitled to know that they will be supported by the greater allied forces now planned, to help deter an attack and to share with them in the defense if necessary.

After all our U. S. efforts to speed up European armament, it is no time, as we see it, to go into reverse. It would be false economy to play down the one course which promises to give us both defense and long-range financial relief. The possible consequences to our whole defense plan and to our boys in Germany are too serious—the stakes too high.

HOW CAN THE MOST VALUE PER DOLLAR BE OBTAINED FROM MUTUAL SECURITY FUNDS?

Should last year's Act be revised? Our Committee urged at that time a bill for a unified administration of both kinds of aid. The House passed such a bill. However, the law as finally enacted differed in form. Under it, purchases of end-item equipment have still been made almost entirely in this country. So far the set-up has not functioned to utilize effectively the European economies to produce what they could for their own defense. So-called "off-shore procurement" is still held up by legal questions, by procurement regulations which were designed for contracting in this country for the supply of our own forces and by administrative complications.

The lack of such procurement in Europe has been especially serious because of the deterioration in the dollar position there. We are still failing to give Europe the chance to earn, by producing more of its military equipment, the dollars which its economies must have. We are not yet taking the necessary steps to enable Europe to make the spare parts to maintain the end-items we are furnishing them. Unless promptly corrected, this will lead to continuing dependence upon us. General Eisenhower, in his recent report, said:

“* * * America cannot continue to be the primary source of munitions for the entire free world. To do so would be militarily unsound. Moreover, the United States cannot long continue such expenditures without endangering her own economic structure.”

An encouraging development is that the U. S. organization in Europe has recently achieved unity through the appointment of a U. S. Special Representative with new powers. This official now represents directly the President, the Secretaries of State and Defense and the Director of Mutual Security. He is also the permanent U. S. representative on the NATO Council. These are great steps forward, with real promise for the future.

We are confirmed in our belief that it is highly desirable to have a single unified administration of the aid program in this country—with certain operational functions delegated to the Secretary of Defense. Mere “coordination” of separate agencies is not adequate. As the Congressional intent in last year’s Act has not been so interpreted as to require such a unified administration, it would, we believe, be well to make such a purpose clear in the pending Bill. We suggest also that in the Committee reports a strong indorsement and commendation of the unified set-up already created in Paris would be appropriate and constructive.

We propose several specific steps which could together correct certain of the conditions above mentioned. Some of these apparently require legislation. Some could be brought about through the Committee reports on the Bill as an expression of the desire of Congress. Some are matters which could be put into effect at once by administrative action.

(1) We recommend a shift to Paris under the new U. S. Special Representative in Europe (Ambassador Draper) of a much larger responsibility for administering both forms of U. S. assistance to Europe. This would make full use of the unified set-up there already achieved. The formulation of future programs and next year's Mutual Security budget for the NATO area—as well as the requisite continuing revision of present plans—can best be done initially to a much greater extent over there where the facts are, and where SHAPE can effectively participate. It should not be done primarily by remote control from Washington.

This would not involve any change in the responsibility and authority of the Secretary of Defense as to military aid now provided in the Act. But we do suggest that in this function, the U. S. Special Representative in Europe be used to the full as the representative of the Secretary of Defense. This should be done particularly in the employment of appropriated funds for obtaining "end-items" in Europe and in decisions as to whether and how it is advisable to secure them there. This has the added advantage that there is available in Paris to the U. S. Special Representative in Europe the essential information from SHAPE and NATO, and from the MSA's economic data and plans. The Defense Department could provide him with much of the requisite staff by moving to Paris personnel from the office for off-shore procurement recently set up in Heidelberg. (This, we understand, is being considered.)

With the new office of U. S. Special Representative in Paris, much of the planning and work now done by MSA here should also be shifted to Paris and so better unified with the other parts of the program.

The above changes could—and it is important that they should—help to iron out certain administrative difficulties within the Defense Department itself which are now causing delays in off-shore procurement, and which result from the division of these procurement functions among the three armed services.

(2) For the principal European countries, Congress should, we believe, end entirely the division between—or at least

create more operating flexibility between—"military aid" and "defense support." In English these two phrases seem to us to mean the same thing. We pointed out last year and General Eisenhower confirms that these two types of aid are inseparable. We recommend that Congress consider designating the whole appropriation for these areas as aid to support a military program. If, however, Congress should not desire to make this complete change, at least the right to shift 10%—as was authorized last year, instead of the 5% as now proposed—from one category of aid to the other should be restored to make the appropriation most useful.

(3) We should enable the Europeans to earn as far as possible monies we may otherwise have to furnish them to buy raw materials essential to support the military program. To this end, we suggest that the Congress express, through its Committee reports on the Bill, its desire that military aid funds should be utilized in the above manner to the full extent practicable and consistent with accomplishing the purposes of the Act. This should also serve to broaden the too narrow list of end-items which are now authorized by the three armed services for off-shore procurement.

Of course, many kinds of heavy equipment can, if priorities are adequate and are rigidly enforced, be delivered more efficiently and rapidly from U. S. production lines. For this reason the so-called U. S. "end-item" aid is fully justified, and will continue over the next year at least to constitute the principal part of the "military aid" furnished under the Act. But there is a critical need that the administration of the program should be such as to produce *in* Europe—especially in areas where facilities and manpower are not being fully utilized—as soon as practicable the maximum possible amount of the equipment *for* Europe. This will conserve our funds by making them the source both of needed military equipment and dollar income. It will also prepare Europe to be self-sustaining as far as possible in such production, not indefinitely dependent upon our supplying its equipment.

Such off-shore procurement of these "end-items", due to the long lead time required for many of them, can probably not result in large deliveries and thereby of dollar income to Europe

during the coming fiscal year. Therefore, this proposal does not constitute an immediate substitute for the "defense support" part of the program—but it could reduce this significantly the following year.

(4) The Act should, we believe, be so phrased as clearly to authorize the President to except "off-shore procurement" from technicalities of armed forces procurement laws not intended for such a situation. Also, the Committee reports could usefully express the desire of the Congress that there should be a corresponding exception from armed services procurement regulations. An extension to off-shore procurement of existing powers to create such exceptions from statutory contract and accounting technicalities is contained in the Administration's Bill (Sec. 532). Whatever form the statutory provisions finally take, they should permit and facilitate means of applying funds for such items, not only through formal U. S. procurement contracts, but under appropriate arrangements with governments and the planned European Defense Community, which will have its own procurement set-up.

(5) The appropriation should, as heretofore, be made to the President. But, to preserve the flexibility necessary to get the full value from our dollars, no complete allocation of the appropriation should be made initially to the Defense Department and to MSA, respectively. This has in the past divided the appropriation more or less rigidly into U. S. military "end-item" aid and "economic aid" and has so tended to decrease its potential usefulness.

(6) We recommend that allocations to the Defense Department by the President for off-shore procurement should be made specifically for this purpose. This would do much to stimulate such purchasing.

(7) In placing off-shore procurement contracts in Europe, full effect should be given to the important by-product of such procurement in needed strengthening of the economies and dollar positions of certain of these countries.

(8) Another step which would conserve dollars and advance the program, would be to assure a strong U. S. team to continue at regular intervals the screening and costing studies which were initiated last fall under General McNarney. Con-

tinuation of studies of this kind will, we understand, be a function of the NATO organization. However, the success of this work last fall stemmed in large part from the fact that General McNarney directed the study and that he was supported by very able experts, many of whom were key men temporarily borrowed for the purpose from the Comptroller in the Office of the Secretary of Defense. To assure comparable vigor and ability, a similar group should be made available on a temporary duty status at regular intervals, reporting to Ambassador Draper while in Europe, to assure the development of dependable data on which to proceed in applying U. S. aid.

(9) Finally, the Congress should, we believe, express, through the Committee reports, its desire for the application in actual practice of a high enough priority to assure adequate deliveries of military equipment produced in this country to the NATO forces. This should be done to place them on a parity with the U. S. forces in Europe which are already well equipped. Although shipments are now improving, one of the handicaps to the program to date has been our country's failure to make scheduled deliveries to NATO of U. S. end-items—a condition due to inadequate priorities, to retarded production and to the overriding needs of Korea and Indo-China. If we want a prompt allied defense, the U. S. must deliver the planned equipment.

CONCLUSION

We believe that the Mutual Security program is sound in conception, militarily and economically; that it is being administered with integrity; that it is the only way to achieve a long-range defense within the limitations which the U. S. economy can stand and remain strong. Very real progress has been made toward this goal. The appropriation requested is needed and the full amount can be effectively used toward it. This is the economical route to our defense. But improvements can be made in flexibility and in administrative ways to get even more defense for our dollars and to speed up the program.