

**A Statement**  
**on**  
**FOREIGN AID**



COMMITTEE ON THE PRESENT DANGER  
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WASHINGTON 5, D. C.

*BEST AVAILABLE COPY*

Washington, D. C.  
June 18, 1951.

**B**ASED on a thorough, non-partisan, objective study which it has submitted today to the Congress and to the National Administration, the Committee on the Present Danger believes that an appropriation of the general order of magnitude of the 8½ billion dollars proposed by the President for Foreign Aid to resist Soviet aggression should be adopted as quickly as possible.

Quick and decisive action by the Congress would be the most effective notice to Russia that the free world is determined to remain free at any cost. We are convinced that America has the ability to supply these funds without danger to its economy. We believe it is in the highest interest of American security that they be provided at once.

Military aid and economic aid are under present conditions, essentially the same. They are now parts of one program: to make our allies in all parts of the world strong enough to stand together and prevent the spread of aggression.

Both forms of aid should be administered by the same agency, which should not be a part of any existing Government department. In it should be placed the administration of all existing economic and military aid as well as the Point Four program. It should take over the functions and per-

sonnel of the Economic Cooperation Administration and of the units of the State Department engaged exclusively in this work.

The two kinds of aid are inseparable. Both are really economic assistance; but both are principally for a military purpose. One consists largely of military equipment produced in the United States and the other is for the most part assistance to make possible greater military production in the recipient countries. It is only through one agency handling both kinds that waste and duplication can be avoided, and intelligent, effective coordination made possible.

A single agency can better answer the many questions which have to be answered: the extent of the need in each country; whether that need can be filled better by military items or by civilian items; the extent of the ability of each country itself to produce and service items, military or civilian; the ability of our own resources to supply the needs, and the best way our resources can be so used in any particular area; what help can be interchanged between two foreign countries themselves. These questions—difficult as they are—should not be made more difficult by splitting and duplicating responsibility in budget-making and administration.

Of course the single agency must operate within the broad limits of our foreign policy, which is the responsibility of the State Department, and within the military policy laid down by the Department of Defense—but its administration at home, and through its offices abroad, should be independent, as ECA has been.

Under this plan the Defense Department would still do in effect what it is now doing. All funds for procurement of military items in the United States would continue to be allotted to the Defense Department for procurement through its regular channels.

Our foreign aid, since the close of the war, has prevented the economic collapse of nations which now stand at our side

in the fight against communism. Without it, the people of many of those countries would have lost their freedom through the spread of communist doctrine. Those peoples have been saved mentally, spiritually, and economically. We must now help them save themselves physically against aggression. That is the mission of General Eisenhower in Europe. Unless we back him up with the weapons of war, the armies which he commands will be helpless. And if those nations should fall before a Soviet attack, we know what a dangerous and unbearable future we Americans would face.

Bold action now in the form of military and economic aid will:

1. Continue to bolster the morale of the beleaguered people of Western Europe and defeat the communist propaganda which now seeks to divide and conquer them.
2. Provide the military strength in Europe which will discourage the Soviet Union from attack—or provide successful resistance if it does attack.
3. Enable countries in other parts of the world better to help themselves, especially so as to assist them to provide the strategic raw materials so necessary to defense.
4. Enable the free peoples of the world to carry out their will to live in democratic peace.

This is not primarily a project of humanitarianism. It is a project of self-interest for America—of the highest and most pressing urgency. This is the best means of self-defense. While we are gathering our strength in arms and in manpower, let us again show our allies and our enemies

our unshakeable determination to see this thing through from now on—to do whatever is necessary to avert a major war and to maintain freedom in the world.

The unanimous report of our subcommittee on Foreign Aid and a statement of the objectives of our Committee are attached.

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**Report of the Subcommittee on Foreign Aid**  
**of the**  
**COMMITTEE ON THE PRESENT DANGER**

This report deals with (a) the need to transfer a portion of the resources of the United States to supplement those of other nations to effect vital common objectives, and (b) how the United States can best administer appropriations made for such transfer.

The conclusions we are here expressing are based on an examination, the results of which are set forth in much more extended form in a separate study.

**THE PROBLEM AS WE SEE IT**

What we are now considering is the transfer of resources to enable the other nations to do more toward our common objectives of security than their own economic resources would permit.

During the past eleven years we have provided foreign aid in the form of food, materials, equipment—military and otherwise—and credits. But for such transfer during World War II, the civilian economies of England and other Allies could not have been sustained. They could not have put in the field the Armies that they did.

In 1948 Congress felt that it was necessary to systematize the effort to rebuild the economic strength of European nations whose fate was felt to be interdependent with our own, so that these nations could resist Communist subversion and again play an effective part in the community of nations. This aid so stimulated the efforts of the stricken countries that there was promise that, earlier than Congress had anticipated, there might be no necessity for continuing it.

Instead, the development of the atom bomb by Russia, and the rising threat of armed aggression, have imposed

a new strain on the resources of the European countries which have bound themselves together with us for common defense in the North Atlantic Treaty. Instead of the economic gap being closed, it has again been widened by the new need of great outlays for defense of freedom against armed aggression.

Further, Greece and Turkey, not yet parties of the North Atlantic Treaty, and other countries, still need assistance to support civilian economies and equip armies, both essential to the common security.

Recognizing this new armed threat, Congress in September 1950 stepped up its appropriations for foreign aid greatly; furnishing four billion dollars largely in military items.

Further, the rising tide of Russian imperialism has now engulfed a vast area of Europe and Asia from the Elbe to the Pacific. With its threat to overflow all the boundaries of the tremendous periphery of this area, there has also come to be a sense of the common interest and interdependence in peril of substantially all other areas of the world. That threat is not alone of military action. It is also of subversion. And it is effective even at distances physically remote.

Under-developed countries, with standards of living so low as to be intolerable in other areas, are such danger spots. But, given the application of new techniques and some inflow of capital, these countries are capable of making a vast and needed contribution to their own welfare and that of the rest of the free world. Aid to them to increase their production of strategic and other raw materials, stocks of many which are diminishing, can be of vital help to them and the common effort. This problem is one of long-range and of a magnitude not to be dealt with in a day. But Congress has recognized it in modest appropriations for technical assistance, and, indirectly, through capital contribution to the International Bank and through appropriations to the Export-Import Bank.

The current world situation confronts the Congress and the nation with the necessity for a decision as to whether we shall reinforce our present policy—national and bipartisan in its genesis and execution—to prevent the undermining of the whole structure for security which we have reared with so much effort and sacrifice and make positive efforts to build the foundations on which a structure of enduring peace alone can rest.

If it is our nation's decision to do so, then, within our ability, appropriations adequate to effectuate it, are essential.

It is our belief that World War III can be averted only by confronting the aggressor with a strong free world. Korea has underlined the need for this. It is, therefore, a matter of paramount importance that we should go through with our present bi-partisan national policy of building up joint European defense forces at the earliest possible date. At the same time, economic strength must also be built because it is not only an essential component of military strength, but also the most effective defense against Communist aggression from within.

To create a strong free world will require that all the nations concerned make full use of their resources to help themselves and to help each other. The United States is by far the strongest nation. As such it is called upon, in its own and the common interest, to furnish the other nations—within its ability and other needs—such aid from its resources as may be required to :

(a) Enable its Allies to create and maintain planned military forces larger and more effective than their resources would otherwise support, and equally important, the economic strength essential both for military power and for morale; (Since we are a member of an alliance, the effectuation of the mutually planned defense of our Allies is as much a part of our own defense as is our more direct U. S. military expenditure.)

(b) Counter subversion in vital areas;

(c) Secure an essential increase in production of certain strategic or other raw materials in certain areas for our own and the common use;

(d) Furnish some temporary refugee and famine relief;

(e) Increase productivity by technical assistance and otherwise in economically backward areas whose progress is a vital part of the effort essential to win the peace.

This report attempts to deal with basic principles rather than the precise amounts that may be needed for specific areas and purposes.

In our separate detailed study we discuss possible yardsticks that may be applied to determine the existence and measure the extent of such needs. The fundamental of the matter is to ascertain whether, for other nations to accomplish results which we regard as essential to the common security, there is a gap beyond what they can do with their own resources; and if so, what is the extent of such economic gap.

#### **OUR ECONOMIC ABILITY**

Have we the economic ability to furnish such resources? We believe that the amount of this security expenditure proposed by the President can be met. This view finds strong support in recent reports of the Office of Defense Mobilization. We develop the matter further in our study, but note here that the total sum requested is only 12% of our budget for national security and is just as truly a necessary defense expenditure as the appropriation for our own forces. Its purpose is not only "foreign aid" but American defense.

Without endorsing any specific amount as requisite, it seems apparent that an appropriation of the order of magnitude proposed by the President is an essential step toward carrying out the plans we have joined in formulating

under the North Atlantic Treaty and also the successful conduct of the broader struggle for survival in which we and the rest of the free world are engaged. The consideration of supreme importance is that this country furnish the aid required for these purposes. We recommend accordingly.

### **ORGANIZATION**

We come now to the secondary question—that of organization. The administration of foreign aid is a novel function which does not fit into the traditional pattern of any of our long-established departments. This was recognized in the Marshall Plan as to our then major effort. The same principle, in our opinion, applies equally to the whole of the aid program we are now planning.

### **THE EXISTING SPLIT IN ADMINISTRATION**

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.

The present division in administration has come about in this way:

(a) In 1947 Congress appropriated funds for what it described as “financial and economic assistance” to Greece and Turkey. This included military equipment as well as other forms of such assistance. The administration of this appropriation along with certain temporary relief funds in certain other areas was placed by the President, under discretion given him, in the State Department.

(b) In 1948 we embarked on a large scale program of cooperative assistance to be rendered over a period of years and involving billions of dollars. Congress, after careful consideration, and in accord with important extra-governmental opinion, determined that the administration of this novel function should be in a new temporary and independent organization rather than in the State Department or any other existing Department. Accordingly, the Economic Cooperation Administration was set up as an independent and coordinate organization.

(c) By way of exception to this general plan for the administration of such assistance, the Army continued to administer progressively smaller appropriations in progressively narrowing occupied areas. Further, the State Department, under assignment by the President, continued to administer relatively small appropriations for economic assistance to Greece and Turkey, in the form of military equipment procured in the United States. This, though it may have been an anomalous function for the State Department to perform, resulted, by reason of its minor scale, in no important conflict with the administration of the broader program of economic assistance in the same areas.

(d) The Mutual Defense Assistance appropriation in 1949 for aid to North Atlantic Treaty countries was assigned by the President to the State Department. With the enormous post-Korean increase in such appropriations, the split in the administration instead of being minor became major both in extent and seriousness. The industrialized areas of Western Europe, unlike Greece and Turkey, were capable of producing military equipment, and there were strong reasons for seeing to it that much of it was produced there. Whether it was practicable and preferable to produce an item or part of it there or in the United States involved knowledge of the European economies and ques-

tions of financing. Further, the question of the existence and extent of the economic gap and the best way to fill it was an overall question which could not be properly answered and budgeted independently by two separate organizations, State Department and ECA, administering two separate appropriations for assistance.

(e) Congress in 1949 made a significant approach to the pressing but long-range problem of productivity in the underdeveloped areas—a problem vital to them, and to us, in our objective of a free and peaceful world. But administration of this new appropriation for this purpose was placed in the State Department instead of in the economic organization already engaged extensively in that type of work.

We now have a new campaign to fight. We need the organization best adapted to win it. The present split in administration becomes more serious and the reasons for new measures to end it more pressing.

Persistent and useful cooperative efforts have been made by those actively engaged at top level to overcome the difficulties inherent in the existing split in administration. There have been various useful devices such as the operation of a coordinating committee including State, Defense, and ECA, among others.

A wide range of further modifications in organization for administering the proposed appropriations have been under discussion in the government and by the public. Naturally and properly, Congress is looked to for the final determination as to the form of administration which it believes will most effectively apply the appropriations it makes. No doubt all concerned will lend their best endeavors to effectuate its decision.

In this fluid situation we venture to advance the conclusions we have arrived at from our own observation of the matter.

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.

#### **A. Unification of Administration**

The particular need in particular areas for assistance from our resources may vary widely. The form in which we can best apply that aid may also vary widely. But we are dealing with a single function and a single test. Are there things which, for mutual security, it is imperative should be done in and by other nations, which are beyond their unassisted economic ability to do? What is the measure of the additional resources which would enable these things to be done? Is it within our economic ability to provide such assistance from our resources, in view of the other demands upon them and within the general policies of Congress and the Executive? In what varying forms can they be supplied most effectively in a particular area?

The examination of these related questions, tying them together in the formulation of budgets, and programming the funds appropriated by Congress is a difficult enough task at best. It is desirable to center and fix, rather than diffuse or split responsibility for getting it done.

It would ignore these fundamentals of the task to attempt to split up its administration on the fortuitous basis of the extent to which the assistance found necessary, is actually furnished in the form of military equipment or in other forms.

The initial determinations have first to be made (1) as to whether there is an economic gap which reasons of mutual security require to be filled, and (2) its extent.

To make each of these determinations soundly requires knowledge and review of the situation in the various areas looked at separately and as a whole. To attempt to duplicate such fundamental determinations by different administrations, one dealing with military end items and one dealing with technical or other forms of economic assist-

ance, would not appear sound administration, even if it could be done. As a practical matter, neither of two administrations, each charged with using a particular form of economic assistance to fill a gap in the economic resources of a particular nation, could know the extent to which it needed to extend its form of assistance without first knowing what the extent of the whole gap was and to what extent it was being closed by the other. If we undertook to apply the whole amount of the assistance by taking over the equipping of a nation's troops, the resulting freeing of its economic resources for the civilian economy might well enable it to pay for all needed raw material, technical assistance, and other equipment. And, in reverse, if we applied our aid entirely in the other forms, such nations might well be able to pay us for any military end items needed to be produced in the United States. Attempts to deal with such a situation solely by cooperative efforts hardly seem a satisfactory substitute for single administrative responsibility to make such determinations promptly and to make them in a way to best effectuate national policies.

That so-called "military aid," is essentially a form of economic aid has come to be generally recognized. Under the original Greek-Turkish Assistance Act, military equipment, military and civilian supplies and credits were furnished. Congress was right, as we have pointed out, in describing all aid in that Act as "financial and economic assistance." Now in Europe, under the economic strain of an enlarged troop basis it may well be said that all the assistance for which appropriations are being asked is in one sense "military aid," as well as being "economic aid." The immediate occasion is "military"—the means to this end in whatever form are "economic." It would seem desirable to furnish this assistance in a single appropriation and to provide for flexibility in its administration by a single agency.

To do this job, as to Europe, the first step is to appraise the extent of the aid needed to maintain (1) the agreed

troop basis and, equally important, (2) the essential supporting economies beyond the amounts which their resources enable the recipient nations to furnish for themselves. This is a task for a unified administration with economic missions in the various countries, enabling it to gauge available economic resources.

A second step which again seems to call for a unified administration is the determination as to what military supplies and equipment can be produced in Europe. Clearly with the present burden on our economy, as well as for morale reasons, full utilization of European productivity should be made. What should be done is to produce in Europe to the full extent economically efficient to do so, and to supplement this by U. S. production where advisable for security, time table or other special military reasons. Further, if large amounts of U. S. procured items are to be included, Europe needs to build up industrial facilities for servicing of such equipment.

Again, for another reason, there should be no separation in overall administration as between complete military end-items on the one hand and so-called "economic" aid on the other. Under an imaginative administration much equipment needed should unquestionably be composed of parts produced in the United States and other parts produced in Europe, and assembled there. A single administration of the entire fund should be better able to exploit these opportunities to conserve the common resources.

Again, such a unified administration might well be able to accelerate European production of various items by making or providing for direct contracts in Europe for their production. By such contracts, financial aid, and financing mechanisms, it should be able to bring into fuller use the idle manpower and idle facilities in some European areas.

Other vital factors emphasizing the need of a unified administration are the necessity for overall world planning for the necessary production, recognizing the interdependence of the various areas referred to above. Just as

ECA in Europe has been able to furnish much of the aid for certain nations by arrangements with other recipient countries, so on a global basis a unified administration could achieve an efficiency and economy in the program now before us which could not be expected of a split-up administration. The placing of the administration of all foreign aid in a single agency would give a far stronger position with the respective countries, when occasion requires it, as to the measures each would take for the common security. If a foreign country has to go to separate agencies, it naturally tends to maximize its demands to each. Unification should both speed up the result and decrease the ultimate cost to the United States.

Finally, we are engaged in a crucial task in *underdeveloped areas*. In some of these it is touch and go whether the situation may not set off a world explosion. We are endeavoring to build up their strength. We have already referred to the vital importance of building up their raw material output. The amounts we are applying are relatively not large as compared with the whole program. But perhaps in no area can a dollar, if properly applied, go further. A unified administration of foreign aid can bring to bear on each area a knowledge of its interrelationships to others. It can also bring its experience with similar problems in other areas. It should be able to furnish to Congress a useful picture and grasp of the problem as a whole.

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.

#### **An Independent Administrative Agency**

We recommend this, and propose that the Administrator have Cabinet rank, as Congress provided for ECA.

The relationship between State and such administrator would then follow the ECA precedent.

The Defense Department's relationship to the new administration would be essentially the same as Defense's present relationship to State in the Mutual Defense Assistance program. Defense would do in effect what it is now doing. It would supply the data as to what equipment is necessary for the proposed troop basis of our allies, its cost, the necessary timetable for its delivery, the fitness of facilities to produce a particular item, the items which as a matter of security must be produced in the United States and the availability in the United States of facilities to produce items needed to be produced here for reasons of timetable or security. All funds for procurement of military items and parts in the United States would be allotted to the Defense Department for procurement through its regular channels, as is done now.

In making our recommendation for such independent administrative agency we have had in mind that:

(a) In the adoption of the Marshall Plan, after exhaustive hearings and debate, the Congress determined that the vast expenditures contemplated for that new function could best be administered by a new agency independent of other departments, headed by an administrator of cabinet rank reporting directly to the President.

(b) ECA achieved success in securing the cooperation of other governments. This was done, moreover, while strengthening our foreign policy in Europe rather than weakening it through divided authority as some had feared. Further, it has been authoritatively stated that in no instance was it necessary to refer to the President any disagreement between the Administrator and the Secretary of State on a matter affecting their respective functions.

(c) The fact that the new reason for our now furnishing assistance to some countries is primarily to

enable them to meet the military threat to all of us does not change the fundamental of the organizational problem. We are just as much faced with problems of business administration of great magnitude and complexity. The precedent and reasons for an independent organization are in this situation no less applicable.

(d) The Hoover Commission put forward for consideration a proposal that the administration of foreign economic aid and other overseas programs be merged in one organization independent of the established cabinet departments and reporting to the President.

(e) The Gordon Gray report recommended that at least for all aid other than military equipment, there should be a single administration not a part of any government department.

(f) The Rockefeller Commission recommended a single administration for foreign aid and other overseas economic activities.

#### **PROPOSED SETUP**

The unified administration should have a title appropriate to its broad functions—to illustrate, Mutual Security Administration. It would exercise the responsibilities for the administration of the appropriations for foreign aid now respectively exercised by the State Department and the ECA. It would take over the rights and obligations under the contracts and agreements including those under existing bilateral agreements with foreign countries heretofore entered into by existing agencies and now outstanding.

We are dealing with going concerns. The unification could and should be effected without interruption in their activities. Into the unified administration would be merged the skilled and experienced personnel of the ECA and

those in the State Department who are exclusively engaged in the administration of the military assistance program, Point IV activities, or other foreign aid. The present ECA organization would, of course, be the core of the new set-up. The personnel in the Defense Department and other personnel in the State Department concerned with the administration of foreign aid would continue in their respective departments to carry on the important functions of those agencies appropriate to their respective roles in foreign aid matters.

The Administrator would necessarily carry on his function of the budgeting, programming, and actual application of this aid within the four corners of the established policies of the Government—political, military, financial and economic. The National Security Council and its staff might well have an increasing part in the formulation and clarification of the overall policies applicable to mutual security assistance.

Direct responsibility for effective administration of the task should be in the Administrator. However, it is clear from the variety of factors involved in successful administration that the Administrator would have to work in the closest cooperation with the appropriate representatives of the State and Defense Departments at the country level, at a regional level, such as Western Europe, and finally, in Washington with representatives of these and other governmental agencies such as Treasury and Defense Mobilization.

At the country level the relationship with the State Department would be through the Ambassador, and with the Defense Department through the local Military Mission.

At the European level the instrumentality of such consultation might well be the existing European Coordinating Committee. It would be important to preserve and strengthen the present participation of both the U.S. Deputy on the North Atlantic Treaty Council and of the top military command in Europe and the staff of such Committee. Further, the tie-in of the Administrator and

his European Deputy with the North Atlantic Treaty Organization in that area would need to be particularly close so as to get the full benefit of its Defense Production Board, with its international executive staff, and of the Finance and Economic Board of NATO. The Administrator should also be in a position to avail himself to the utmost of the Organization for European Economic Cooperation (OEEC), of which certain members are not members of NATO.

At the Washington level the organization for exchange of information and consultation should include representation of State, Defense, Treasury, the Office of the Special Advisor to the President, the new unified aid administration and the Office of Defense Mobilization. This would be in general similar to the representation upon the present International Security Affairs Committee. It might well have a functional relationship with the National Security Council.

Effective relationships of the Administrator with the Office of Defense Mobilization would be vitally important for the success of the foreign aid program. The availability of raw materials and other economic resources of the United States to the economies to which we are furnishing assistance can go far to make or break these programs. The Administrator would be the appropriate claimant-agency with the Director of Defense Mobilization on these matters.

In the NATO area there would be another prime factor in the duties of the Administrator. There the test of the success or failure of the administration would be its effectiveness in meeting General Eisenhower's objectives—the equipment of the troops of the various nations called for by his plans, on the time schedule stated, with the maintenance of the economy at a level requisite for their support and morale.

In view of General Eisenhower's international position any formal participation by him or his staff in the unified administration would appear impracticable. But a pri-

mary function of the Administrator should be (a) to see that General Eisenhower is kept currently supplied with information as to the budgeting, programming, and execution of the provisions for aid in the NATO area, and (b) to satisfy General Eisenhower in his administration of these matters.

### THE OVER-RIDING CONSIDERATION

*While the foregoing seems the soundest organizational structure, the consideration of supreme importance is that this country give the aid to General Eisenhower in setting up the forces in Europe called for in the joint defense of the free world and also give such other aid as is vital elsewhere. Therefore, while we recommend an organization which we believe will be more economical in operation and sounder in structure than the split administration now existing, we also recommend that an appropriation of the order of magnitude proposed be supported unreservedly under whatever form of organization the Congress determines to be most effective. For organization, while important, must be considered as secondary to the overall objective of furnishing the sinews necessary, in whatever form, to enable our Allies to participate with full effectiveness in the joint defense and to take the broader measures in all areas required to win the peace.*

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## **Objectives of the COMMITTEE ON THE PRESENT DANGER**

The Committee on the Present Danger is a non-partisan, non-political group of private citizens. It was formed late last year because of the deep conviction that the United States and its democratic way of life are gravely threatened by Soviet aggression.

The Committee believes that it is still possible to avert war, but that this can be done only if the nation realizes the danger it faces and is willing to take the steps needed to make the United States and its Allies so strong that they will not be attacked.

During the months immediately ahead, through non-partisan action, the Committee will continue to work for:

1. An American public opinion which will wholeheartedly support the joint defense of Europe, without neglect of the Far East.
2. The firm support of General Eisenhower's mission.
3. A determination not to allow political differences at home to obscure our vision of the Soviet menace to our existence as a free people.
4. Full realization of the peril to the United States arising from the current spirit of complacency, while the Soviet power grows and its stock-pile of atom bombs increases.
5. Adoption of the principle of universal military service and training through appropriate legislation and administrative action.
6. Adequate legislative measures to make the United States and its Allies strong.
7. Rejection of any thought of preventive war.

8. A national policy of averting World War III by confronting the aggressors with a strong free world, attacking their weaknesses by non-military means and supporting the United Nations.

The Committee has throughout considered this to be a program necessary for the survival of freedom and the maintenance of American leadership in the search for peace.