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SPEECH BY SENATOR HARRY F. BYRD (D.VA.) BEFORE THE U. S. CHAMBER OF COMMERCE, Statler Hotel, Washington, D. C., 2:45 p.m. Tuesday, May 1, 1951.

When the President submitted his \$71.6 billion expenditure budget in January he omitted detailed discussion of military and foreign aid items totaling \$49 billion.

It was shocking enough that in his January statement the President described how he proposed to spend \$9.8 billion for strictly domestic-civilian programs -- an all time record.

But now the budget picture is beginning to unfold on the delayed items. Yesterday we got the detail on the military expenditure budget. The President originally estimated that expenditures for the military in fiscal year 1952 would total \$41 billion. But recent testimony before the Senate Armed Services Committee indicates that these expenditures will total \$48 billion.

If my understanding is correct the real shock will come within the next few weeks when the country begins to realize:

That the President proposes to make the Economic Cooperation Administration a permanent agency;

That he wants to scramble all of the foreign economic and military assistance money into a lump sum so that economic assistance money can not be distinguished from military assistance money; and

That he has already issued a directive which has the effect of making the Secretary of State a czar over all foreign aid money and policies, both military and economic. The President indicated in his January Budget Message that he would request some \$10½ billion in foreign military and economic assistance authorizations, and he estimated that foreign economic and military assistance expenditures in the coming year would total approximately \$7½ billion.

These plans were revealed in a letter dated April 5 to Mr. William C. Foster, ECA Administrator, in which the subjugation of Mr. Foster and the ECA to the Secretary of State was spelled out in explicit detail. This letter was not made public but I have a copy.

After explaining that the order was necessary to assure that all overseas programs be fully coordinated with each other to support primary foreign policy objectives, it proceeded to direct that:

After foreign assistance funds are appropriated to the President and allocated to the operating agencies, the Secretary of State, with appropriate advice from the International Security Affairs Committee, should make broad decisions concerning the use of funds as between (a) military end-item assistance and economic support and (b) major political areas (this means he would control not only the purposes for which the money would be spent but also he will determine in what countries it is to be spent.);

That foreign assistance budget estimates should first be submitted by the operating agencies to the Secretary of State for clearance;

That general policy and program directives from ECA to its missions overseas should be substantively coordinated with the State Department and identified as coordinated instructions; and

That while ambassadors abroad are not to supervise day to day ECA operations they may suspend action on matters which they question pending decision at what was described as "higher administrative levels."

The letter goes into some detail with respect to relationship and coordination between ECA and the North Atlantic Treaty Organization and suggests that integration of economic work by NATO and the organization for European Economic Cooperation should be promoted.

The letter points out that the Secretary of State is a Cabinet Officer responsible, under the President's direction for the formulation of foreign policy and the conduct of foreign relations, and said he would provide leadership and coordination among the executive agencies in carrying out foreign policies and programs. Mr. Foster was told that the ECA, like other agencies engaged in administering specific overseas programs, will need to advise and consult with the Secretary of State and his staff to facilitate the responsibility for overall foreign policy and program coordination. The letter said any disagreement between the Secretary of State and the ECA Administrator would be resolved by the President.

The letter made no mention of coordination procedure between the Secretary of State and the Defense Establishment with respect to military assistance which was referred to in terms of "military end-item assistance."

In my judgment this whole matter of foreign assistance and especially foreign economic assistance should be examined from top to bottom before another dollar is appropriated, and certainly such an examination is in order if the Congress is

going to be requested to allow one politically appointed Cabinet officer to make such vast expenditures out of lump sum appropriations.

This is only one area in which reductions in federal expenditures could be made and these new proposals in my opinion would constitute another incident of profligate folly and inept administration.

CONQUERING HEEL OF FISCAL CHAOS

If the freedom and democracy of the United States go down in our time, it will be under the conquering heel of fiscal chaos; not military aggression.

And if we succumb to such economic attrition, it will be the result of our own profligate folly and inept administration; not super military tactics and strategy by the Russians.

In five years since World War II:

The Federal Government has collected more taxes than ever before;

It has spent more money for purely domestic-civilian programs, many of them highly inflationary, than ever before;

It has spent more money for foreign economic props, many of them inflationary to our own economy, than ever before;

It has failed to reduce the quarter of a trillion dollar federal debt, which is the heart of inflation;

In the absence of emergencies it has operated on deficits, every dollar of which is inflationary;

Now the federal administration has maneuvered us into a position where it is talking out of both sides of its mouth. At the same time it is saying;

We must hold down prices, but increase social security payments so those on fixed incomes can pay higher prices which are to be allowed;

We must conserve scarce construction materials for defense, but continue nonessential public works;

We must have maximum employment to produce for defense, but increase public assistance so returning to work will be less attractive to those who are able;

We must cut back non-military spending, but spend more for domestic-civilian programs. We must expand production for defense, but discourage private enterprise expansion by taxes virtually to the point of confiscation;

We must restrict private credit to curb inflation, but authorize \$13.3 billion in new commitments for federal credit agencies, with more than \$10 billion of it in housing and agriculture.

How inept and inconsistent can we be; or should the word be irresponsible?

Of course we can not minimize the Russian military might or disregard threats of communist aggression. And we must be prepared to defend ourselves, not so much because we fear invasion here, as because we have assumed the role of half the world's keeper.

But no Russians have been shot in any of the communist sideline wars to date. Why should Russia risk trying to bring us to our knees militarily when, by our own irresponsibility, we are assuming that attitude economically?

We should be far more malleable to communist dictation in a state of fiscal and economic chaos than we would be under the heel of a military defeat by a country 5,000 miles away.

BLOWING UP THE EXPENDITURE BALLOON

With increased taxes already in effect, receipts may be running a little ahead of expenditures at the end of the current fiscal year on June 30. But this condition will be more a matter of bookkeeping than realism because delivery on military orders is running behind schedule.

To get an idea of the acceleration at which the federal expenditure balloon is blowing up, here is the box score, by quarters, for the current year and the one beginning July 1:

ACTUAL AND ESTIMATED EXPENDITURES

| Fiscal Years | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|--------------|----------------------------|----------------------------|----------------------------|------------------------------|
| 1951 | \$9.0 billion (Actual) | \$10.1 billion (actual) | \$11.0 billion (actual) | \$13.2 billion (estimate) |
| 1952 | 15.8 billion (estimate) | 17.4 billion (estimate) | 18.1 billion (estimate) | 20.3 billion (estimate) |

(These figures are based on the President's estimates. They will be higher in fiscal year 1952 on the basis of \$48 billion in military expenditures.)

How long can expenditures increase at this rate? I don't know. But here are some indicators of what we may expect.

Military expenditures last year totaled \$12.3 billion. It is estimated that in the current year ending June 30 military expenditures will be something under \$20 billion. In the coming year, beginning July 1, military expenditures will total more than \$40 billion. Military Establishment officials recently testified before the Senate Armed Services Committee that after next year the military budget will exceed \$48 billion, under conditions short of war.

General Eisenhower has estimated before Congress that we may be on a war-alert basis for 20 years or more.

So, for the foreseeable future:

To a military budget of \$48-\$50 billion or more, add some \$6 billion or more for interest on the federal debt which can not be cut, add \$7-\$8 billion in foreign aid which the administration has requested, add approximately \$5 billion for veterans, and add \$9-\$10 billion which the President has requested for domestic-civilian programs, including socialized housing, agriculture and medicine.

All this adds to a federal budget in the foreseeable future of \$75-\$80 billion a year. Add to that state and local public expenditures and you have an annual tax bill of nearly \$100 billion, if we are to avoid inflationary deficit spending.

That means we are working nearly a third of the time for the government.

Against the probability of federal expenditures at an annual rate of \$75-\$80 billion, the latest estimates on federal revenue, taking into account the prospects for still further inflated incomes, indicate the federal tax take next year will be between \$55 and \$60 billion at current tax rates.

The President started in January asking for \$16 billion in new income and corporate taxes. Then he revised his request to a "quickie" hike of \$10 billion. No matter how you slice it, new taxes are bound to come unless we resort to more deficit spending, or reduce expenditures.

If the President's January tax request were granted, we would be raising federal taxes 60 per cent within a year, counting the two increases already imposed.

To grant such increases would be to take terrible chances that the free enterprise system would not be confiscated. Under such conditions it is questionable that preparedness production requirements could be met.

To resort to indefinite deficit spending of a \$10-\$20 billion magnitude would be to throw away the inflation brakes and invite chaos.

The alternative is elimination of nonessential federal expenditures. And therein lies our only hope for the defense and preservation of freedom here and in the world.

DEFLATING THE EXPENDITURE BALLOON

There is only one major area in the federal budget where immediate, substantial and constructive reductions cannot be made. That is interest on the federal debt.

Only this week are we beginning to see the full force of the Administration's real spending plans for the military establishment and foreign aid take form.

There is nothing in the military budget as it has finally been presented to alter the reputation of the military services as the most wasteful agencies on earth, both in manpower and money. There has not yet been opportunity to analyze the estimates in detail. But there is no doubt that at least a half billion dollars could be saved by reducing requests for civilian employment.

Since before Korea the Military Establishment has been employing civilians at the rate of more than 1,000 a day. In February they hired 6 civilians for each 8 men drafted. At this moment they have more than 35,000 people in the Pentagon, and they have 500 military establishments scattered around the country. Altogether they are employing a million civilians; one for every three men in uniform. In some areas, such as Dayton, Ohio, they have run out of qualified civilians to hire. So they are trying to hire inexperienced high school children, pay them \$42 a week while they send them to business school with tuition paid under government contract.

It is significant that this week also it has been disclosed that the Secretary of State is to have control over the expenditures to be made in all foreign aid programs - military and economic.

This shift of control is the sequel to the earlier indication that economic and military aid would be scrambled in such a manner as to make it inseparable. *

These programs should be separated and so-called economic aid abolished. We can't fight a war for those people, arm them at home, and indulge them in economic luxuries all at the same time. It is a little too much to ask.

How these foreign aid programs may affect our people at home is demonstrated by one serious example. In his January Budget Message, the President said "Our chronic shortage of doctors, dentists and nurses will be aggravated as more of them are called into the armed services." xxx

"Many communities that will be faced with added health burdens arising from defense needs do not have adequately staffed local health departments x x x."

Despite these conditions which the President says exist throughout the United States, I am in receipt of confirmation by both the ECA and the Public Health Service that we are sending doctors, nurses and public health experts to Indonesia, Indochina, Thailand and Burma. The purpose of these expeditions, according to ECA Administrator William C. Foster, is "to build strength, and at the same time make a favorable political impact on the people."

It would be a fine thing to wipe out all of the malaria and poverty in Asia and the Near East, but achievement would seem to be highly improbable while we are in a shooting war, and attempting to arm half the world against atomic attack. We can't do both. We must confine ourselves to meeting the first requirements of our own security, or we shall extend ourselves to failure in all respects.

Continuing with examples of where federal expenditures may be reduced, we come to the third major category -- veterans costs. I do not propose to eliminate one dollar of pensions, medical costs or readjustment aid to men who have made permanent service-connected sacrifices in the military service of their country. But the Veterans Administration Empire Builders never sleep. For instance, when banks, as a group in a community of 40,000 to 50,000, recently responded to federal edicts to restrict nonessential loans as a means of curbing inflation, Veterans Administration agents moved in and started making federal loans direct.

Veterans expenditures could be reduced 10 per cent, simply by eliminating these "busy beaver" operations, without impairing the bonafide obligations of the government to its veterans.

In the category of domestic-civilian programs, examples of nonessential expenditures are more obvious to all of us. We see them every day. A few recent examples:

There is the case of the Public Health Services using commercial telegrams to inquire how many marriage licenses were issued in an Indiana county during the preceding month;

There is the case of \$15,000 for Economic Stabilization Agency easy chairs;

There is the case of the Post Office Department, already operating at a half billion dollar deficit, considering the printing of multicolored postage stamps.

These are only a few examples of federal spending we can do without in these times of emergency. They are cited because they are simple, uncomplicated indicators not only of the kind of extravagance we see every day, but they represent the kind of inept administration that make the man in the street lose faith in his government.

In my own considered judgment, the recent national demonstrations were more the result of an accumulation of dissatisfaction over this kind of administration than they were expressions of indignation over any one single incident.

I sincerely believe that reduction of federal expenditures by \$7-\$9 billion under the President's request for the coming year would be the most wholesome thing that could happen to this country at this time.

By my own analysis, I know that it could be done without impairment of a single essential function, and I have submitted suggestions to the President in detail. In brief, I have suggested reducing:

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| Military expenditures by at least | \$0.5 billion |
| Foreign economic aid by more than | 3.0 billion |
| Veterans expenditures by up to | 0.5 billion |
| Domestic-civilian expenditures by up to | 5.0 billion |

If orderly reductions in these proportions were made in the current budget, the administrators in the executive branch would apply them with sympathetic effectiveness, I sincerely believe we would achieve more efficient military preparedness and foreign assistance, render better service to veterans who need it and accomplish more in the essential civilian programs.

Oppressive tax increases would be avoided. Increased production would be served. More effective preparedness would result. Inflation would be curbed. Respect for federal programs, and faith in federal administration would be restored at least in some degree.

These I submit are the immediate objectives we must achieve.