

THE FOREIGN ASSISTANCE ACT OF 1961

A Special Report by

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A Reappraisal In Depth

One who participates in important public decisions ought to be willing and ready to set aside preconceived conclusions and evaluate proposals with an open mind. During the past four months I have tried in this spirit to reappraise extensively the whole problem of foreign aid. My study has included extensive reading, attendance at committee hearings, and careful attention to more than one week of full-dress debate.

I came to Washington with a general feeling that foreign aid, despite serious failures in specific cases, was an important factor in our national security. At one point in mid-summer, I was almost satisfied that the defects in proper administration could not be corrected, and I seriously considered voting to terminate the program. In a recent newsletter I reported that I was still uncertain, but sufficiently impressed by the views of our military and political leaders that I was "afraid not to vote" for foreign aid.

With the conclusion of the session I want to share with those on my mailing list a more detailed summary of my findings and conclusions on this important subject.

First, let me review what the foreign aid program is. Since 1946 it has gone through several phases:

PHASE ONE -- POST-WAR RELIEF AND REHABILITATION

At the end of World War II we looked out upon a changed world, one in which the old balance of powers had been altered, a world marked by great devastation of war. To meet this challenge in the immediate post-war period the United States provided funds for the relief and rehabilitation of countries devastated by war. This followed the tradition of World War I when Herbert Hoover helped Europe to its feet. The economies of France, Italy and England were badly in need of help, and in France and Italy there was imminent danger of a Communist takeover. With the help of our dollars -- although the part played by our expenditures can never be fully determined -- this prelude to the "cold war" was won, and these countries became strong bulwarks in the fight against Communism.

PHASE TWO -- GREECE & TURKEY

In 1947 the situation in Greece and Turkey was even more grave than that in France and Italy. Communist guerrillas were exceedingly active, and there was grave danger that these countries would fall into the hands of the Soviet Union. President Truman went to Congress and asked for the first of this nation's military assistance programs to aid Greece and Turkey. The military

equipment and training provided by the United States played some part -- perhaps the decisive part -- in helping these countries meet the Communist threat successfully.

PHASE THREE -- THE MARSHALL PLAN

In 1948, with much work yet to be done to rebuild Europe, the United States initiated the Marshall Plan, a three-year program to help replace industry and revitalize war-torn economies. Leaders of both Republican and Democratic parties, conservatives and liberals, now agree that this program helped strengthen Europe against Communist subversion. No one argues that these funds were wasted.

PHASE FOUR -- THE MUTUAL SECURITY PROGRAM

In 1952, in response to Russia's mounting military strength and its development of the atomic bomb, the United States began a program of military assistance known as the Mutual Security Program. With Europe on its feet much of this program was directed to less-developed nations in Asia, Africa and South America where the Communist threat was particularly acute. In addition to military aid, funds were provided to aid these countries in bolstering their economies and elevating the living and health standards of their people. It is this program, the post-1952 program, that has aroused the most criticism.

Complete Success, Complete Failure, or Something In-between?

Has the Mutual Security Program been a uniform success? Far from it. Anyone who has read Lederer's A Nation of Sheep and our excellent congressional investigation reports can cite many cases of outrageous mismanagement, waste and of selfish, petty politicians in other countries filling their own pockets with our dollars. These examples enrage us all. Also, we have learned that we can't "buy" the world's favor with our dollars. We want our nation to be strong and resolute, unbending on matters of principle, and such a bastion of strength that we will be respected without currying. In the light of its failures and our own convictions about the character of men and of nations, should the Mutual Security Program be allowed to continue?

Testimony before the Congress this summer was revealing. The nature of the struggle we are in was clearly pointed out. The whole southern hemisphere of our world is in ferment. New nations are emerging. Peoples are seeking a voice in their affairs and higher living standards. The siren call of Communism is being heard in nearly every land. Can we afford to let the Communists go in with their rubles and their technicians and represent their cause as the only avenue of progress? Can we allow the Chinese and Russians to dominate the independent countries of South America?

In testimony this summer I also took note of this fact, often ignored in discussions of foreign aid: Approximately 80% of all our foreign aid expenditures since 1952 have gone into military assistance. Less than 15% of these funds have gone into development assistance and development loans, those features most commonly criticized.

How important has this military assistance been to the security of the United States? Our military men -- one after another -- testified that we could not have bought as much defense any other way.

"A Hundred Billion -- And Nothing To Show For It"

We often hear it said that we have spent \$100-billion on foreign aid and that we have nothing to show for it. This is a serious exaggeration as actual figures from the Congressional Record will show. These figures are from official government sources and show our "foreign aid" transactions since 1946 in these categories:

	<u>Program</u>	<u>Amount</u>	<u>% of Total</u>
PHASE ONE	Immediate post-war relief to countries devastated by war.	\$16.3 billion	19%
PHASE TWO & THREE	Marshall Plan (1948-51) Rebuilding European economy to head off threat of Communism	\$11.4 billion	14%
PHASE FOUR	Mutual Security Program (1951-): Emphasis on military aid to NATO and less-developed nations.	\$39.8 billion	47%
MISC.	Lend-lease carryover, International Monetary Fund, Export-Import loans, etc.	\$16.5 billion	20%
<u>Total</u>		\$84.0 billion	100%

It is obvious that the items in phase one and two are concerned almost exclusively with World War II and European recovery and reconstruction. They can be checked off as having been generally successful in accomplishing their purposes. (The same is true of another category of expenditure not included here, the \$48 billion we spent on lend-lease during World War II. This obviously was an investment in our own best interests in the conduct of the war.)

Turning now to phases three and four, it was necessary to study Congressional appropriations to arrive at a breakdown between military and economic aid. This causes some discrepancy in figures. Here is how it came out:


Mutual Security Appropriations
(In millions of dollars)

Fiscal year	Military assistance & defense support	Total development assistance & loans	Administration, international agencies & misc.	Total appropriations
1953	5,880	522	44	6,447
1954	4,123	329	79	4,531
1955	2,789	332	123	3,252
1956	2,472	354	459	3,285
1957	3,178	402	185	3,766
1958	2,029	638	101	2,768
1959	2,265	750	283	3,298
1960	1,995	976	254	3,225
1961	<u>2,410</u>	<u>962</u>	<u>350</u>	<u>3,722</u>
Total	27,141	5,265	1,878	34,294

Thus, we see that what we think of as foreign aid -- namely, development loans and grants to less-developed countries -- has totaled \$5.265 million, not \$100 billion as critics have charged. By comparison, during the last nine years the gross private domestic investment in the United States has been \$522 billion (according to figures of the office of Business Economics).

The 1961 Program -- What Does It Provide?

Many people have the idea that the \$3.6 billion in this year's Foreign Assistance Act will go almost entirely to "giveaway" development loans and grants to buy friends. Actually, the program has many aspects. The principal ones (using the figures passed by the House, and recognizing that some adjustments will have to be made in conference with the Senate):

<u>Fund</u>	<u>Amount</u>	<u>% of Total</u>
1. Development loans Loans, repayable in dollars, to foreign governments and firms to expand economies	\$1 billion 25 million	28%
2. Development <u>grants</u> Primary tool for helping least-developed countries overcome critical barriers	\$259 million	7%
3. International organizations Our share of support for the United Nations, Organization of American States, NATO, etc.	\$153  million	4%
4. Supporting assistance Non-military aid extended to	\$400 million	11%

sustain and increase military effort and assure retention of U.S. base rights abroad		
5. Contingency fund	\$175 million	5%
Fund for use of President in meeting emergency situations arising in the cold war		
6. Military assistance	\$1 billion	45%
Funds for internal security and military preparedness in Nationalist China, South Korea, Greece, Pakistan, NATO, etc.	600 million	
Total	\$3 billion 612 million	100%

Here we see an increase in the proportion going for development purposes, based on a critical appraisal of the whole program made over a period of several months earlier this year. Here is what the House Committee on Foreign Affairs had to say about the new program:

"The committee believes that this bill as reported provides the most effective means that it is possible to devise for attaining U.S. objectives in the cold war..."

Then the committee went on to comment on the criticisms many loyal Americans have been making of the program:

"The answer to the widespread criticism of foreign aid and the too frequent evidences of waste and ineffectiveness in its operation is not to terminate the program. The abandonment of our efforts to assist other nations would mean the abandonment of the cold war. This could result either in major gains for the Soviet Union or a hot war."

Differences over Features, But Not The Program Itself

In the entire debate in the House, continuing over more than a week, I never heard any congressman argue that the entire mutual security program should be terminated. Everyone agrees that we must continue to supply arms to Turkey and Greece, that we should maintain our air bases in Spain, Morocco and elsewhere, that we should help Pakistan, which is openly pro-American and anti-Communist and which is sitting right on the Russian border. The opponents only urged that particular portions of the program (such as development loans to African and Latin American nations) should be deleted. I would venture that 80% of the dollars involved in the bill are items which would be supported by almost every member of the House and nearly all Americans who have studied the subject.

For example, Michael Padev, foreign editor of the Arizona Republic, a frequent critic of foreign aid, supports military assistance to "reliable allies." Thus we find that what appears to be a large area of serious disagreement isn't very big, after all.

"ALIANZA PARA PROGRESO"

Included in the area of disagreement would be the Alliance for Progress, a program of cooperation between the United States and its allies to help build the economies of Latin America, on condition that the Latin-American countries improve and strengthen their democratic institutions and undertake economic reforms. Here is a program that sets out to combat the forces of extreme poverty and political oppression which are the best possible breeding ground for Communism. It may be argued that this is too ambitious a program, but can we fight Communism only with bombs? As the Wall Street Journal said August 16, in commenting on the program, "The simple facts of geography and our security interests make it a key area for us, especially when the Communists are working hard there."

WHAT OTHERS HAVE SAID ABOUT FOREIGN AID

In studying the foreign aid program I have weighed the judgment of a great many people who have unique qualifications to evaluate it. Following are some of these views:

FORMER PRESIDENT EISENHOWER (in his State of the Union Message on January 12, 1961): "These vital programs must go on. New tactics will have to be developed, of course, to meet new situations, but the underlying principles should be constant. Our great moral and material commitments to collective security, deterrence of force, international law, negotiations that lead to self-enforcing agreements, and the economic interdependence of free nations should remain the cornerstone of a foreign policy that will ultimately bring permanent peace with justice in freedom to all mankind."

FORMER VICE-PRESIDENT NIXON (in July, 1961): "Congressional approval of a long-range foreign aid program is an absolute must if we are to be successful in our fight against world Communist aggression. But because so many Americans do not understand the complex character of the Communist threat, some Congressmen and Senators who have the courage to vote for foreign aid may be risking their political lives in doing so."

U.S. CHAMBER OF COMMERCE (testimony, June, 1961): "The national chamber supports the principle of mutual security as an instrument of U.S. foreign policy...We recognize that U.S. economic and military assistance to the less developed areas is still urgently required. The reasons for this are many: Growing population pressures on poorly developed resource bases, the so-called revolution of rising expectations taking place in these areas, the ferment created by highly nationalistic pressures for economic progress and political independence, and of course, the continuing drive of the Communist bloc to exploit these conditions for its own purposes."

PRESIDENT KENNEDY (on his return from Vienna): "A small group of disciplined Communists could exploit discontent and misery in a country where the average income may be \$60 or \$70 a year and seize control, therefore, of an entire country without Communist troops ever crossing any international frontier. The future for freedom in these areas rests with the local peoples and their government. Our historic opportunity is to help these countries build their societies until they are so strong and broadly based that only an outside invasion could topple them."

GENERAL LYMAN L. LEMNITZER, Chairman, Joint Chiefs of Staff (in testimony, June, 1961): "The military assistance program has frequently been misunderstood. Some of its opponents have called it a giveaway program and have referred to it as foreign military aid -- as though it were something given to other countries without return. Nothing could be further from the truth. In fact, this program reflects a realistic, hardheaded, common sense approach to our very difficult security problems -- problems which also confront the other free nations of the world...Without any question, the assistance we have provided, and continue to provide our allies...has been a major factor in thwarting Communist aggression...No amount of money spent on our forces could give the United States a comparable asset of trained, well-equipped forces, familiar with the terrain, and in suitable position for immediate resistance to local aggression."

REP. CHARLES HALLECK, Republican minority leader (in debate, August 16, 1961): "Mr. Chairman, may I now just go back to the days of the 80th Congress in 1947 and 1948, when I was the Republican leader -- the majority leader at that time. Mr. Truman was President of the United States. He came to us with requests involving interim aid for France and Italy, aid for Greece and Turkey, and then the Marshall Plan. As the Republican leader, I responded to those requests and supported those programs, and I have voted for similar programs consistently since that time."

HENRY CABOT LODGE, former vice-presidential candidate (statement, August 21, 1961); "Passage of the foreign-aid bill directly affects the vital interests of America. In fact, this legislation is, in its way, as important as the support of our diplomatic service or of our military establishments."

SENATOR ALEXANDER WILEY, ranking Republican, Senate Foreign Relations Committee (Congressional Record, August 4, 1961): "I urge my colleagues to join in closing ranks behind the President in this critical period, for the future not only of our beloved Nation but of the whole world is at stake...We appear to have become so obsessed with an acknowledged sizable amount of waste -- we hear much about that -- or misdirected effort that we tend to overlook the many solid accomplishments of our foreign aid programs."

SECRETARY OF STATE DEAN RUSK (in testimony, May, 1961): "The battleground of freedom...is the whole southern half of the globe. Here over 40 new nations have attained independence since the war, 19 since the beginning of last year. Here nations, old and new, are struggling to convert formal independence into true nationhood...And, if the democratic world cannot satisfy this passion for modernization, then the Communists can leap aboard this great revolution, seize it, direct it to their own ends and make it the instrument of their own limitless imperialist ambitions."

AMERICAN FARM BUREAU FEDERATION (in testimony, June, 1961): "We believe that the United States should continue to stand ready to support needed constructive assistance to nations of the free world."

REP. WILLIAM E. MILLER, Chairman, Republican National Committee (on "Meet the Press," August 27, 1961): "We have always supported foreign aid. We supported it as a party during the

Truman administration; we supported it as a party during the Eisenhower years. We are supporting foreign aid now as a substantive program."

BOARD OF MISSIONS, THE METHODIST CHURCH (in testimony, June, 1961): "Although we have not called it by that name, the church has had a long record of experience with technical assistance. Our experience makes us believe that this kind of aid holds a great potential of services to people. We rejoice in the fact that programs of Government and international organizations can be large enough to meet major needs."

NATIONAL BOARD, LEAGUE OF WOMEN VOTERS (in testimony, June, 1961): "Foreign aid has, in the past, served a mishmash of purposes with a mixture of means. We urge you to recommend the Act for International Development (another name for the Foreign Assistance Act) so that development assistance can become an effective instrument in the achievement of our Nation's goals of security, economic well-being, and freedom."

REP. WALTER H. JUDD, Republican member of House Committee on Foreign Affairs and former medical missionary to China (in debate August 17, 1961): "I get letters the same as all the rest of you, saying, 'Why do you not cut out or cut down this foreign aid program? Then you could raise my social security allowance, or we could have more money for hospitals, schools, highways, or to reduce the taxes, and so on.' I can only answer, I'm sorry, but if we were to cut out the foreign aid program, we would not have more money available to increase those benefits; we would have less. Without the forces and bases overseas which this program makes possible, we would immediately have to expand our own armed forces to such an extent that our military budget would be increased by a larger amount than this program costs; and we would have less security. We would have less to reduce your taxes or the national debt."

The people I have quoted here, together with a great many more I cannot take space to quote, are people with far more information on the foreign aid program than is available to the public at large. I could ill afford to ignore their opinions.

HISTORY OF THE 1961 ACT

The Foreign Assistance Act of 1961 was introduced with a provision for five-year treasury financing to enable the Administration to make commitments beyond the year-to-year basis procedure employed in the past. There was considerable debate on this question, and the conclusion was a compromise whereby the Administration could make long-term commitments but with each year's appropriation coming before Congress, as always.

Both the House and Senate passed legislation authorizing the Foreign Assistance Act on August 18. The vote in the House was 287 to 140. The vote in the Senate was 66 to 24. Joining me in voting "yea" were leading members of both parties, liberals and conservatives. Among them were Rep. John J. Rhodes, my Arizona colleague in the House; Sen. Everett Dirksen, Republican minority leader in the Senate; Rep. Charles Halleck, Republican minority leader in the House; Rep. Francis E. Walter, chairman of the House Un-American Activities Committee; Sen. J. William Fulbright, chairman of the Senate Foreign Relations Committee; Sen. Alexander Wiley and Sen. Bourke Hickenlooper, ranking Republicans on the same committee; Sen. Mike

Mansfield, the Democratic majority leader in the Senate; Rep. Frances Bolton, highly respected conservative Republican from Ohio; Rep. John W. McCormack, the Democratic majority leader in the House; Sen. Karl Mundt, former chairman of the Senate Government Operations Committee; Sen. Thruston Morton, former chairman of the Republican National Committee; Sen. Henry M. Jackson, chairman of the Democratic National Committee; and Rep. William E. Miller, new chairman of the Republican National Committee.

The bill went to conference to settle differences between the Senate and House versions, and it finally was adopted by both bodies on August 31.

The appropriation was contained in a separate bill, which passed the House on September 5 by a vote of 270 to 123, with Rep. Rhodes and I both voting "yea". As it left the House the appropriation bill was at the \$3.6 billion level, considerably below the \$4.2 billion originally authorized. At this writing it is expected the Senate will vote a higher amount, once again requiring a conference. The final figure probably will be somewhere between these two amounts.

ANSWERING SOME SPECIFIC OBJECTIONS

Why give aid to Communist countries?

One of the objections to the act was the charge that it would provide funds for Communist countries. In the past funds have gone to Yugoslavia and Poland, partly for reasons that are classified. There was debate over the wisdom of listing the names of Communist countries in the act, but in the end the Senate and House agreed on the following safeguard: "No assistance shall be provided under this Act to the government of any country unless the President determines that such country is not dominated or controlled by the international Communist movement." It should be emphasized that no other countries of the Communist persuasion -- Russia, China, Czechoslovakia, etc. -- have received any aid whatsoever. My colleagues who have read classified reports on the programs for Poland and Yugoslavia -- started during the Eisenhower administration -- tell me they are contributing to the security of the United States. I am willing to leave this matter to the President, within limits of the language of the Act.

Why allow back-door spending?

A question discussed at length was that of "back-door spending" on foreign aid. The Administration, with backing of former Vice-President Nixon and other top Republicans, sought enactment of a plan to facilitate long-term programs, up to five years, rather than continue year-to-year piecemeal projects. Proposed was a plan to borrow such funds as would exceed a given year's appropriation from the treasury, to be paid back in succeeding appropriations. In the end, long-term planning was enacted, but Congress eliminated "back-door spending" and retained tight fiscal control.

Must we bankrupt our country to help others?

It has been charged that foreign aid is bankrupting our country. Now, foreign aid may or may not be accomplishing what it sets out to do, but it is not bankrupting us. The vitality of our economy

has been demonstrated consistently through the post-war years, most recently in the resurgence following the slight recession of last winter. An important point, often missed, is that 80 to 90 percent of all foreign aid money is spent in this country to buy equipment and supplies and hire technical experts. This money buys the produce of our factories and farms and creates thousands of jobs for Americans. Of course, this is not the purpose of the program and does not justify it, but this fact puts these expenditures in a different light.

SUMMARY

Having come to Washington with serious questions about the foreign aid program, I now find that most features of this program are essential to our national well-being in a world filled with unrest and danger. Other features, perhaps, should be eliminated. In the coming year I intend to study the matter still further. I am happy to report that the Administration, too, will be undertaking a careful and complete re-examination of the premises that underlie the entire program.

In making my decision on this matter I was struck by the remarks of Sen. Alexander Wiley, the ranking Republican on the Senate Foreign Relations Committee. A few weeks ago he told the Senate:

"First, 23 years ago, when I came to the Senate, I was a noninterventionist -- not an isolationist, but a noninterventionist. So was George Washington. Why? The best reason for being a noninterventionist was the European nations were always fighting among themselves, and they were so far away that it did not make any difference. It was not long before I found that the geography of the world had changed. With its changing came a new perspective, a new responsibility...Who is Khrushchev? I will answer that question. When I came to Washington there was no Khrushchev. There was no Communist-dominated world. That is all changed. Khrushchev is the head of that movement. He has taken into his orbit over 1 billion human lives. Let there be no mistake about it. It is not only our friends and our allies who are waiting to see how we hold the reins of leadership which are thrust into our hands. No, Mr. President; Moscow and Peiping are avidly watching our every move -- or our failure to move -- as they hurl repeated challenges in our teeth. This is not time for us to falter in the great task we have set for ourselves. We must continue and heighten our efforts to ensure that liberty and human dignity will not wither and eventually vanish under the constant blows of adversaries who advance a totalitarian and inhuman view of the meaning of life."

In my judgment the vote on mutual security was a unique test of that intangible quality, "statesmanship." I say this because those who receive our assistance do not vote in any congressional district; they have no lobby. Opposition to this program is "popular" back home and an easy way to make votes, yet most congressmen know in their hearts that we would cripple our country in its fight against Communism if we ended the program. In this spirit I was proud that Arizona's two-man delegation in the House voted together in non-partisan fashion. My able colleague, Rep. John J. Rhodes, has studied this program in detail as a member of the

subcommittee which passes on the mutual security appropriations. He voted "yea" as I did on passage of the act and on passage of the \$3.6 billion appropriation bill.

For reasons that I have recounted I have voted to support our nation's 1961 long-range foreign aid program, and I trust you will perhaps better understand my reasons. Circumstances and conditions change, and I will follow future events closely. If the time comes that this program, or any part of it, fails or ceases to be a constructive tool in protecting our nation's security and long-range welfare, I shall not hesitate to change my position.