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THE NATIONAL SECURITY BUDGET

16 February 1949

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THE NATIONAL DEFENSE BUDGET

16 February 1949

COLONEL McCULLOCH: General Vanaman, distinguished guests, and gentlemen: This is the last lecture on the first course on budget, fiscal, and finance activities conducted in the Industrial College. For the benefit of our visitors, our considerations in this course have related primarily to two subjects: First, The National Debt, with special considerations given to the impact upon our economy because of recurring large appropriations for national defense activities; secondly, we have studied the National Military Establishment Budget, and the difficulties that have been encountered in the development of a truly consolidated budget. Both of these subjects have been covered by the Case Method of Instruction.

On the budget questions we have been assisted materially by Mr. Garlock of the Office of the Secretary of Defense, Admiral Hopwood, Colonel Moore, and General White. General White, in addition to appearing at two of our seminars, delivered an excellent lecture on the formation of the United States Air Force budget.

It is quite appropriate that our final lecture should be given us by a representative of the Bureau of the Budget. As you are undoubtedly aware, the Budget and Accounting Act of 1921, provided, among other things, for the establishment of the Bureau of the Budget, at first under the Treasury Department, and later as one of the most important components of the Executive Office of the President. One of the exacting and time-consuming functions of the Bureau is the matter of reviewing the estimates of the several governmental departments in minute detail, and the results of this review with the approved recommendations of the President are presented to the Congress each year as the Budget of the United States.

As the Chief of the National Security Branch, Division of Estimates, Bureau of the Budget, Mr. Schaub's office is charged with the responsibility of reviewing all estimates for funds for the National Military Establishment.

It is a pleasure to welcome Mr. Schaub to our platform. Mr. Schaub.

MR. SCHAUB: I have prepared a statement here which is a rather condensed statement and oversimplified, and I will be glad to answer any questions. I am taking up not the over-all picture of the Federal Budget, but the more closely related problem of the budget process of the National Military Establishment.

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In the Budget for 1950, submitted by the President to the Congress, expenditures under the functional category, "national defense"--and that "functional category" might require explanation from this standpoint, that in presenting the budget, it has been determined in recent years to break it down into certain functional categories rather than those massive tabulations and figures which are difficult to understand--are estimated at 14.3 billion dollars, or approximately 30 percent of total budget expenditures of 41.9 billion dollars. The "national defense" category is confined largely to military programs of the National Military Establishment, stockpiling of strategic and critical materials, and to the proposed universal training program. Also, a great proportion of the rest of the budget is directly related to our national security. The largest single category for which this is true is the "international affairs and finance" function, which consists largely of the foreign aid programs; that is, ECA, Greek-Turkey aid program, and the government relief of occupied areas. It accounts for 6.7 billion dollars of expenditures, exclusive of the cost of military assistance to western Europe for which no specific estimate was made. In addition, there are other programs also of great importance to the maintenance of our defense potential, such as:

1. Merchant shipbuilding.
2. Expansion of power generating facilities for aluminum production and other needs.
3. Construction of strategic highways.
4. Modernization of the Federal airways.
5. Development of the strategically important Alaska area.
6. Development of synthetic liquid fuels.
7. Exploration and development of scarce mineral supplies, and, of course, the Atomic Energy Appropriation.

The Federal Budget presents a rather complicated problem when you try to relate it to operating programs. First, because it must be considered from an expenditure standpoint in relation to revenues. Expenditures must be estimated for appropriations and programs and compared with anticipated receipts. Secondly, from a cash appropriation standpoint which also involves continuing appropriations which require contract obligational authority as well as partial cash to liquidate this authority as the program is completed. In this second category are the items which are requested annually from the Congress, and which are contained in the appropriation document. Thirdly, from a new obligation standpoint only, which is the determining factor on the size of the program to be authorized.

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For purposes of this discussion I will limit my comments to the budget for the National Military Establishment.¹ In the following summary I have oversimplified the budget process purposely to retain the over-all picture. Some of the statements may require further details in order to make sense to those of you who have not had a working relationship with this problem. I will be glad to fill in any details to the best of my ability and answer any questions.

However, it should be pointed out, as expressed by Mr. Webb, former Director of the Bureau of the Budget, in speaking before the First Joint Orientation Conference held by the National Military Establishment, that "Military preparedness cannot be considered apart from the total National Budget. The background against which the 1950 Budget has been developed is unique in our history. In time of war or national emergency, all questions of military preparedness have only one answer. At such times, no military effort is too great, no cost too high. Right now, in a condition which is neither war nor peace, the proportion of our national resources which is to be devoted to military preparedness must be determined, with the knowledge that it is dangerous to invest so much in military strength as to weaken and wear down the Nation's economy, resources and fiscal stability."

In a few words this means that in order to maintain a relatively high level of military expenditures under existing conditions we must have a strong and stable economy. Limiting factors are determined after a coordinated consideration by the National Security Council, the National Security Resources Board, and the Council of Economic Advisors as to the national and international situation likely to exist. This results in the establishment of fiscal ceilings on new obligations within which all major government programs, including military programs and requirements, are planned.

These limiting factors are creating increasing pressures to reflect in military budgets, improvements in plans and organization, economics in operation and the development of accurate data on requirements to support plans and operations in order to get the maximum defense within available funds.

The problem of developing a budget for the National Military Establishment reflects, in part, the situation which existed prior to the passage of the National Security Act of 1947.

At that time, the Military Departments prepared and presented their programs and budget justifications on a unilateral basis. There was no approved integrated strategic plan on which to base the budget and no framework upon which to plan the over-all military budget. The Departments tended to overestimate requirements, programs were

frequently out of balance within the Departments, and wide differences existed in programs and practices among the Departments. This made it extremely difficult to get any degree of uniform treatment of the budget either in the Executive Office of the President or in Congress.

The National Security Act recognized the importance of the budget function and, in effect, made it one of the principal means by which the Secretary of Defense carries out his duty to establish general policy and programs, exercises general direction and control, and takes appropriate steps to eliminate duplication and overlapping among the Departments.

I will summarize briefly my understanding of this budget development problem. I will deal chiefly with budget formulation. The execution of the budget is a separate problem equally as important and just as complex.

The preparation of a military budget should be dependent on the development of strategic requirements which have been balanced against fiscal and other limitations and translated into a unified military program--a program based on a common understanding of service missions, and consistent operating policies, administrative procedures, and standards.

That is very easily said, but it creates a very difficult and complex problem for the Military Establishment to develop an integrated program which will get the maximum use of limited available funds. Assuming that the national military policy has been established and a strategic plan developed, the Secretary of Defense will probably want to know what adjustments are necessary to meet fiscal limitations. He will also want to know what controls are necessary to insure balanced programs between Services and to insure the execution of these programs by the Departments.

To accomplish this, it would appear necessary to develop, within the framework of an approved strategic concept, the strength and structure which it is desired to maintain for each Service. Also, it would seem essential to develop assumptions upon which the supporting requirements should be based. This involves determination of the order of priority of programs and activities and the degree of support desired for the major areas. Certain broad programs are subject to specific determination, such as public works construction, shipbuilding, research and development, and industrial mobilization. Other programs are subject to standards such as maintenance and operation.

Consideration must be given to those programs which will increase and those which will decrease in subsequent years in order to determine the future impact of such programs on the strength and structure which are under consideration. For example, it is evident that expenditures for civilian reserve programs will increase in size if they are to

fulfill their assigned missions and will require a substantial increase in materiel support. Another example is involved in the equipment replacement factors which will become of increasing importance as current equipment becomes obsolete or overage. This expenditure impact in subsequent years is one of the important factors in considering the budget, because program commitments made now will govern the size of expenditures in the future.

In addition, consideration will probably be necessary, in developing these basic assumptions, of new programs which appear to be of sufficiently high priority to require recognition within the fiscal limitations; for example, such programs as the radar fence and major research facilities--some of which you have seen publicized recently, such as the long-range proving ground and the air engineer development center.

Before the Departments can begin to prepare budget justifications, it is necessary that they have this basic guidance. It is also important, to the extent possible, at the time instructions for the preparation of departmental estimates are issued by the Secretary of Defense that certain over-all policies be determined for their guidance in establishing departmental policies and programs, such as:

1. The relative state of materiel readiness and training which is desired for the major military units.
2. The extent to which emphasis should be placed on economical operation. This may involve policies with respect to number and degree of utilization of stations; number of civilian personnel; use of motor vehicles, aircraft, and small boats for administrative or semi-administrative purposes; and other similar practices which would involve a uniform approach by the three Departments.
3. Provision for uniform standards, forms, and measurements to the extent possible in order to permit coordinated review and comparison of programs and requirements among the three Departments by the Office of the Secretary of Defense, the Bureau of the Budget, and the Congress.

The Departments then have the difficult problem of making the innumerable internal decisions necessary to develop policies and allocations within the range of their portion of the established fiscal ceiling. Sufficient guidance should be given from the Office of the Secretary of Defense so that these policies and decisions are coordinated among the three Departments in order to keep programs and requirements in balance. Necessary military and administrative decisions should be made to provide guidance for preparation of budget estimates within the Departments. The extent of desired materiel support should be indicated,

recognizing new developments, lead time, and mobilization problems. Plans should be developed for stations, equipment, and personnel related to the departmental operating plan.

Based on the policies, assumptions, and decisions reflected above, the departmental budget office issues instructions to the bureaus and technical services for the preparation of budget estimates and their justification. The bureaus and technical services forward instructions to all activities under their jurisdiction for the preparation of a statement of detailed requirements, justified by experience data, estimated work load, and work measurement units.

The planning, form, and detail contained in these instructions will determine the validity of the budget justifications. At this point, I would like to emphasize the importance of accuracy of data, validity of costs, and any other data which will contribute to a showing that the estimates reflect only essential requirements and necessary economic operation.

There is no doubt that the availability of funds has a direct effect on the extent to which military plans can be accomplished. So, if an accurate, economical, efficient job is not done in the development of this basic requirement data and if these data are not translated accurately and correctly into bureau and technical service programs, they will form a false base for decision and judgment in making the necessary military and administrative decisions to get a balanced program within limited funds.

After this information is pulled together by the bureaus and technical services and is reviewed in detail, necessary adjustments are made in line with the bureau or technical service and departmental policies. The estimates are then submitted to the department budget office where further detailed review and development of the final departmental program is required. The estimates are then forwarded to the Office of the Secretary of Defense who, in conjunction with the budget officer of each department, reviews and coordinates the estimates from the standpoint of the total Military Establishment firming up the pricing for specific activities and programs and pointing up the issues for review and determination by the Joint Chiefs of Staff and the Secretary of Defense. In the course of this process it is necessary to integrate the coordinating, programming and advisory responsibilities of the Munitions Board and the Research and Development Board. These Boards and other offices in the Office of the Secretary of Defense are playing an increasing role in coordinating the programs and procedures of the three Departments and pointing up the issues to be resolved.

I have summarized the broad steps which take place in the development of a military budget, with which most of you are probably familiar,

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for the purpose of pointing up the tremendous volume of detail, the several reviews, and the innumerable decisions which occur at various levels in the Military Establishment, all of which are time consuming. Because of the time element and the complexity of the problem, it is extremely urgent that the budget process get in motion at as early a point as possible. Any telescoping of the procedure means less thorough review, hurried decisions, and, if serious enough, arbitrary and uninformed action. Needless to say, there are many things which occur to upset this schedule and to create additional difficulties for the Military Establishment to comply with the law which requires budgets to be submitted on or before 15 September.

In addition to this problem of complexity and timing, there are many practical difficulties which occur in the process just summarized. There is so much diversity in the organization, policies and practices of the three Departments that, regardless of the nature of the strategic plan upon which the military program is based, much work yet remains to be done before the program itself can be unified. From a budgetary standpoint, this prevents a uniform presentation and evaluation of requirements for specific activities; for example, maintenance of plant, research and development, and industrial mobilization. Proposed legislation is now being developed for the organization of the Department of the Army which will raise many questions involving fundamental principles of the organization and operation for the entire Military Establishment.

Appropriation structures have grown up over the years and are not related to current conditions nor to the structures in the three Departments. The proposed appropriation structure for the Air Force contained in the 1950 budget reflects a desire to provide flexibility to the top management of the Department so as to permit the flow of funds along functional and organizational lines in an orderly manner which can be reflected in the development of accurate requirements and costs. It must be recognized, however, that such a system places a great deal of responsibility at top levels in the Department for the proper administration and control of appropriated funds in accordance with approved budget programs. It also places much greater emphasis on the development of accurate reporting, accounting, and control systems, and the increased development of administrative know-how throughout the organization. It is planned that revised appropriation structures will be proposed in the 1951 budget for Army and Navy along the same basic principles of the appropriation structure proposed for the Air Force in the 1950 budget. Legislative authority has been developed unilaterally over the years and is not uniform or consistent. Basic adjustments will be required to get a uniform legislative base. Considerable progress, however, has been made in developing procedures for coordinating and appraising the legislative program through the Office of the Secretary of Defense.

REPORT OF THE
DIRECTORATE

Accounting procedures and practices are not uniform. In order to get adequate controls and standards and in order to provide a common factual reporting base for all three Departments, major adjustments will be required in this area. In this connection, there is a study under way to simplify and unify the basic accounting principles and systems throughout the Government. It is a joint arrangement between the General Accounting Office, the Treasury, and the Bureau of the Budget.

Property management systems are not uniform. Property handling, distribution, reporting, control, and procurement constitute a major portion of the activities of the Military Establishment. Uniform systems and standards, where practicable in this area, are essential to accomplishing major economies and efficiency in material requirements and supply procedures. The importance of the inventory and cataloguing and the standards and specifications activities now being organized under programs developed at the Munitions Board level cannot be emphasized too strongly. The completion of these projects is basic to the development of any major improvements in procurement and distribution systems and policies and to the development of accurate and realistic requirements.

It is important that every effort be made to correct or improve the afore-mentioned deficiencies. However, these are only a few of the more basic problems. Numerous others of a special nature exist which are equally as important, such as:

1. Increasing the current efforts to provide for effective coordination and review of research and development programs. In this area there are other limiting factors in addition to that of funds. Progress in this area depends considerably upon the ability to get qualified scientists, who are limited in number.
2. It is important to establish effective procedures for the development and review of public works construction programs, including the establishment of uniform policies in such areas as housing. In this connection, the public works authorization bills for 1950 and 1951 are being reviewed and coordinated under the supervision of the Chairman of the Munitions Board.
3. The development of a realistic and uniform maintenance program for all camps, posts, and stations, which is required to meet current operating plans.

4. Develop a uniform approach to civilian reserve programs.
5. Develop realistic standards, definitions, and procedures for industrial mobilization.

These problems, among others, are extremely complex and involve major studies and careful consideration and will take time to accomplish, but the budget problem will continue to be unduly complex until they are resolved.

There are many other factors which contribute to the development of a budget and its execution which I have not attempted to outline. I have failed to mention the importance of staff and operating relationships at all levels--the relationship between the program staffs of the bureaus and technical services to their field activities, between the departmental budget office and the top level military and civilian officials, between the departmental staff and the Office of the Secretary of Defense, and relations at all levels with the Bureau of the Budget and with Congress.

Also playing an important part in the military budget problem is the action taken by the Departments after the appropriations are passed by Congress in replanning their programs to reflect adjustments which have occurred in the period between initial development and final appropriation. This is important in order to get efficient and proper utilization of the amounts appropriated.

In conclusion, I would like to emphasize again, in a program representing so large a portion of the total national budget, the need to develop the basic planning, organization, and administrative procedures required to permit programs which can be clearly supported and issues properly defined.

COLONEL McCULLOCK: Gentleman, we are ready to proceed. I do suggest this is a rather unique occasion. In the limited experience I have had with this business, this is the first time I recall when members of the Military Establishment have had occasion to question the budget examiner. It generally runs the other way. Incidentally, I might add that on the reports being prepared, any answer Mr. Schaudt gives will undoubtedly be the approved solution.

QUESTION: There is a difference of opinion in regard to the structure of the budget groups in the Office of the Secretary of Defense in order for him to abide by the complete necessity of coordinating the budget estimates of the various Services. Would you care to make an expression of opinion on the size of that body that would correlate this work and, if so, and also the sources from which he would get these executives, budget people, or personnel?

which publications?

MR. SCOTT: What incidents do you think took place in December 1967 which involved the Board and Board staff members and the Governor?

MR. SCOTT: Can you explain what you mean by "publicly"?

MR. SCOTT: Who can bring this up? Under the new public disclosure, except for

private places enough to prevail.

MR. SCOTT: In principle, yes. Thus if, this same underlying

the budget, the budgetary estimates of all three branches to the same

QUESTION: Do you consider it important that, the preparation manager

and the Research and Development Board in that relationship.

At, that time would be a tendency to strengthen the authority and

people I talked to in this area were changing on changes in the National Security

of the National Security Act. There is a general amendment from the

House that would be in relation to the responsibilities as a result of the wording

provisions themselves as to what the role of the Joint Chiefs

They have recently come to an understanding in this area. They have a

cooperative process—call supply lines, for instance, and distributed systems.

After and the intentions Board on training which are of direct concern to

you. As you know, you have a certain budgeted position in the development

the Secretary of Defense and with the Department of Defense

agreement. It's relatively within the scope of the CIO of

MR. SCOTT: Practically none. The intention Board is just following

in reviewing departmental budget estimates?

these programs.

With the intent that Office of Defense will take care under a title to develop

which kind of power it is established up there, and what the relationships are

it becomes on how to work in terms with the Director of the Department.

Then with the budgetary of the Department as dependent on

titles to do that in the Office of the Secretary of Defense in managing

here, you can get this much program for this many dollars." That is

assumes from that kind of delegation to the Joint Chiefs and CIO,

as doesn't exceed unclassified classification. Then, should it exceed the

titles to do that in a unit, best basis between the Department, so that

Department should have a step by move to put the precise titles in it and the

Department, as I understand, on an appropriate basis. The Secretary of

Department, in this aspect please the data should come in publicly from the

MR. SCOTT: I would prefer approach it from a little different

MR. SCHUB: The only incentive is the desire to have good administration. I think my contacts with the Departments would indicate that there is a very strong desire for that, but it requires administrative drive from the top to start it off and a lot of hard work to improve systems. In an organization as complex and large as the Military Department, there are too many priority aspects in their problems right now so that it is sort of skewed aside. There is one thing that could be done, though, and that is to get the wartime psychology eliminated throughout the Establishment. It is gradually taking place, but the old form of economy thinking that you had prior to the war doesn't exist very much today. There are a lot of little extra frills that ultimately, I think, are going to come out of the picture, but I don't know what it is going to take to do it.

QUESTION: Do you believe, Mr. Schub, that this double control--personnel ceilings and money--is an extra frill and somewhat of a millstone?

MR. SCHUB: I don't get your question. Would you mind stating it again? What kind of double control?

QUESTION: Do you believe that this double control of the man in the operating office, that is, where the operating man has to contend with the balancing of his personnel ceilings and his funds--I ask you is that not one of these frills that you just mentioned and is it necessary?

COLONEL McCULLOCH: General Foster has a remark he would like to interject on that.

GENERAL FOSTER: I was talking with General Arnold at lunch today on that very subject. I think you mean where you have a manpower ceiling and a money ceiling also. He said he was working on that very problem now. The plan being considered will provide a money ceiling with a limitation on a percentage basis of the amount to be spent for people in the higher classifications. The double control you speak of is fast fading from the picture.

MR. SCHUB: To carry that a step further, General, the Bureau is on record to eliminate personnel ceilings throughout the Government. However, in areas like the Military Establishment, where they are relatively uncontrollable from the standpoint of dollars versus personnel--that is, the program is so widespread that it might be desirable to retain them temporarily. They feel the budget and apportionment process should be sufficient.

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QUESTION: Many research and development programs from their inception must be two, three, or four-year projects. Is there any present or contemplated provision for assuring from the beginning of long-range projects that the funds not only for the first year's phase but for the complete project will be assured?

MR. SCHUB: In certain areas that is possible now by using contract authority. That is, contract authority would be provided for the total project, but cash would be authorized only as the expenditures occur. However, the research program as a whole throughout the Military Establishment does have that problem. We recognize it. However, it is so tied in with the annual appropriations of the technical services and bureaus that it is almost impossible to break it out except by putting a limitation within each one of these appropriations to do it. As a result, you will probably get a proposal some of these days to put all research and development funds in one pocket for each Department.

GENERAL RAILINGS: Didn't you make an effort to help that problem this year by making it continuing money? I wonder if that is not what he is talking about?

MR. SCHUB: In aircraft.

GENERAL RAILINGS: In research and development, too.

MR. SCHUB: In the Air Force, yes, where you have it identifiable all in one pocket, but you can't do that in the Army or Navy where you have it spread out.

GENERAL RAILINGS: So the Bureau of the Budget has attempted to help us in that respect in the Air Force this year.

QUESTION: The Army, the Air Force, and I presume the Navy are in the process of installing a cost accounting system whereby we can get cost data. Do other Departments have cost accounting systems?

MR. SCHUB: That depends upon what you mean by cost accounting. It has always been my opinion that you couldn't mix government accounting with real cost accounting procedure. The Air Force tells me it has the answer. I want to get over there and see it. I think there is a point where you can use the same data, the same approach, but when you get into the detailed costs as you do with a navy yard or an arsenal, or into maintenance and operation or the repair of aircraft, it is an almost separate procedure that you can't relate to your government appropriation accounting, because it is just two different pictures you are building up. You are using materials out of stock that have been purchased out of some other appropriation.

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QUESTION: I have heard mentioned several times the desirability for a single accounting base for all three Services. I wonder if you would say something more about the benefits that would come from such a single accounting base. It seems their functions are quite different.

MR. SCHUB: The accounting system, as I understand it, is nothing more than a service function for administration. It tells you how you are to spend your money. It serves purposes of reporting and control. In that aspect it is the base on which you charge and follow through the whole funding problem. If you can't talk about things in the same language in that kind of area you get all mixed up.

QUESTION: That is what I wondered about. Would you get common language from a common accounting base, the cost in a shipyard, or gun factory, or station, or air base?

MR. SCHUB: You are mixing up cost accounting and appropriation accounting.

QUESTION: Are you talking about appropriation accounting?

MR. SCHUB: I am talking about appropriation accounting. That is all I am referring to, and cost accounting is a separate subject that I think needs a lot of exploration in the Military Establishment.

QUESTION: This 14 or 15 billion-dollar budget has been divided into more or less equal parts--Army, Navy, Air. This might not always be desirable. Suppose at some distant future time it would be desirable to devote most of our effort--say 50 percent of our entire effort--to long-range bombardment, would you say under the present system how we could arrange to have that done?

MR. SCHUB: Your question infers that the dollars were just arbitrarily split, which was not the case. The budget is predicated entirely on decisions made by the Joint Chiefs of Staff and agreed to, recognizing that they are compromises under limited funds. There may have been certain factors that were not understood or brought into the picture at the time, but at any rate they were agreed decisions as to the strength and structure. The budget didn't change one iota of those. All it did was to relate the dollars to support that strength and structure and throw in a few contingent items which the Departments failed to bring into their own considerations. The fact that they came out relatively equal was a coincidence or accident rather than any intentional distribution of funds, and in the future the action should follow the same course. We are out of the military business so far as making these kinds of decisions--unless the President himself has some desire to make an adjustment. That responsibility lies entirely within the Military Establishment.

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QUESTIONER: I have a question in connection with the Research and Development Board's activity in this picture. For instance, I notice this year that of the funds for research and development programs about 500 semi-cad million dollars are now in the Public Works Program and about 450 million dollars for the whole combined Public Works for the Armed Forces.

MR. SCHLUED: Still to come.

QUESTION: Yes. I mean those were projected breakdowns. And there are research and development programs they are now trying to establish, but all facilities to support this program have gone over into another compartment of the budget. For instance, in 1948 we got no money for construction of facilities. I was wondering how much effect the R&D might have on balancing out these programs on one hand and supporting facilities and utilities on the other?

MR. SCHLUED: You have two problems there.

QUESTIONER: One is one budget and one is facilities.

MR. SCHLUED: That's right.

QUESTIONER: And you have personnel.

MR. SCHLUED: The construction program requires legislative approval before you can obtain an appropriation. The timing on that got away off in the last few years and if we are not careful this year it will get off another year. It is going to require a little more integrated and coordinated planning. There may be trouble in 1950 but by 1951 we ought to be back in line so that authorizations are obtained in one year and the appropriation the next year.

GENERAL RAWLINGS: Wouldn't it help to explain that one deal--what Mr. Carpenter is doing. You alluded to it in your talk; where the Departments are coming up with priorities, R and D and everything else. Mr. Carpenter of the Munitions Board is making a determination that will come over to you with the authorizing bill. So if we are out of phase in Research and Development, it should be adjusted within the Department's priority.

MR. SCHLUED: In connection with the 1950 budget, it was contemplated to submit a construction program for which it is expected to obtain legislative authority and the appropriation in the same session.

QUESTION: Were there any changes in the Bureau of the Budget in the method of handling the 1950 defense budget which can be effective in the 1951 budget and which you have recommended? What I want particularly is the method of handling and procedures which have been corrected and improved on within the present structure and within the legislation.

MR. SCHAUER: The Director recently sent a letter to the Secretary of Defense asking him to advise him what he was going to do in connection with procedures for the 1951 budget. Officially, I don't know. Unofficially, the 1950 procedure can be improved on a lot, and that is not being said too critically; this was the first year and they were feeling their way through.

QUESTION: When is the latest practicable time or the earliest in the year that the President can make that determination as to ceilings for the Military Establishment?

MR. SCHAUER: That is done in conjunction with the expenditure review which normally is developed in June. I don't think you could get a realistic review any earlier than that. The expenditure pattern isn't clear enough and the revenue pattern isn't clear enough. You can come to some rough estimates, yes, but the Military Establishment can come to those from a planning standpoint just as well.

QUESTION: What tools are used by the Bureau of the Budget in reviewing the military budget? You have said that the budget is supposed to be developed.

MR. SCHAUER: It is in the process of being developed now.

QUESTION: For the budget for the support of a strategic plan are you going to use the same tools to review that budget and how much review is going on by the Bureau of the Budget?

MR. SCHAUER: That is one of the problems that has to be worked out in the near future in order to cut down this time element I spoke about, because if you do the job from a realistic standpoint, as at each level you would like to if you had time, it would take a year to develop a military budget and process it. I think we had two or three weeks this last year at our level. The Departments, because of changing programs, didn't have much more than that. So we got into a rather unsatisfactory position. Everybody was in a rather unsatisfactory position to do a realistic job. The time element is the major factor to be overcome. The degree to which some of these basic standards that I was talking about are here, so that you don't have to go through all that detail and run into a lot of confusion in trying to make comparisons. If you can get that corrected at the start and you have some degree of confidence in the system and the controls and the information you are getting, it would simplify the thing tremendously.

QUESTIONER
MR. SCHLESINGER

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QUESTION: I have heard rumored certain sentiments which might be considered criticism of the fact that the Armed Forces are not capable under the present system of fully presenting their picture to the Congress. Perhaps it gets through to the Bureau of the Budget, but it is not completely understood by the Congress what the results of the cuts would be. Do you feel that that is a proper criticism?

MR. SCHLESINGER: Very few people, even the staff of the Appropriation Committee, got a proper picture of the military problem. I think the budget officers will agree with me on that.

COLONEL McCULLOCH: I would like to reserve the last question for myself. Last April Senator Bridges and Mr. Mark Sheld spoke before a meeting of the United States Chamber of Commerce here in Washington. In the talks that both of these gentlemen gave they indicated that, in their opinion, financial control of our Government had been lost. Mr. Sheld had one recommendation to make. He said that he thought it was rather ridiculous to turn out a single budget program by the President each year, and then have that budget returned to the various departments by means of separate appropriation bills covering each of the various departments. He said if there was a single program for the President, it should be taken care of in a single appropriation bill. One further point: Mr. Sheld pointed out that 80 percent of every tax dollar being appropriated in that fiscal year was being appropriated for costs, direct or indirectly, of war. He said if they wanted to make any departure from the single appropriation bill, he would suggest that the bill covering direct or indirect costs of war be put in one bill and all other costs of Government be included in a second bill. Is such a thing workable?

MR. SCHLESINGER: I don't think so.

COLONEL McCULLOCH: Sir, on behalf of the staff, faculty and student body I wish to thank you for a most excellent presentation.

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