



INTRODUCTION TO NATIONAL SECURITY
OBJECTIVES AND REQUIREMENTS

Colonel J. C. Lackas, USA

NOTICE

This lecture has not been edited by the speaker. It has been reproduced directly from the reporter's notes for the students and faculty for reference and study purposes.

No direct quotations are to be made either in written reports or in oral presentations based on this unedited copy.

Reviewed by: Captain W. P. Schoeni, USN

Date: 20 October 1959

INDUSTRIAL COLLEGE OF THE ARMED FORCES
WASHINGTON, D. C.

1959-1960

INTRODUCTION TO NATIONAL SECURITY OBJECTIVES AND REQUIREMENTS

5 October 1959

CONTENTS

	<u>Page</u>
SPEAKER--Colonel J. C. Lackas, USA, Member of the Faculty, ICAF.....	1

NOTICE

This lecture has not been edited by the speaker. It has been reproduced directly from the reporter's notes for the students and faculty for reference and study purposes.

No direct quotations are to be made either in written reports or in oral presentations based on this unedited copy.

Reviewed by Captain W. P. Schoeni, USN, 20 October 1959.

Reporter: Grace R. O'Toole

Property of the Library
INDUSTRIAL COLLEGE OF THE
ARMED FORCES

Publication No. L60-38

INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington 25, D. C.

INTRODUCTION TO NATIONAL SECURITY OBJECTIVES AND REQUIREMENTS

5 October 1959

COLONEL LACKAS: General Houseman, Gentlemen: My talk this morning is divided into two parts. One part concerns itself with the mechanics of the course, so to speak, the means by which we will present the subject matter of this course, National Security Objectives and Requirements. The second part will be a thought statement in which I will direct your attention to certain aspects of policy formulation and implementation.

On the first part, mechanics: As in all our courses we have a series of lectures. You might think about these lectures for this afternoon, for, as you know at 1:30 this afternoon we will have a group meeting. One of the important things that will be accomplished at those group meetings is to get you to volunteer to attend luncheons with our guests. I think many of you will like to attend the lunches with the guest speakers that we have, because they are military, in a number of cases, and in all cases--well, not all cases, but perhaps with one or two exceptions--they are people who are in government and who are working in the field of policy-making or the implementation of national policy.

Of course the speakers that come from the faculty we have no lunch for, and today there is a double-header, as you know, myself and Dr. Hunter. Perhaps we will set the tone for the ensuing weeks.

Following Dr. Hunter's talk, tomorrow the Honorable Gordon Gray,

who is a Special Assistant to the President for National Security Affairs, will talk on the National Security Council; and in the afternoon we will have a class seminar. The class seminar is an arrangement by which we obtain people from a relatively small group to speak more or less informally about what they do. Our discussion tomorrow afternoon has to do with what one might call the "in" and the "out" baskets of the National Security Council--on the one hand the Planning Board, which is the in-basket, and on the other hand the Operations Coordinating Board, which is the out-basket. Our class seminar will be as informal as it is possible to have it with an audience of this magnitude.

Then we will have Governor Hoegh, who will speak on the Role of OCDM, the Office of Civil and Defense Mobilization, in Policy Formulation and Implementation. Following Governor Hoegh, the speaker will be Admiral Post, who will speak on the Role of the Intelligence Community. Now, we think it will be Admiral Post, though there is a possibility that someone else will have to take his place, because, I understand, he has a somewhat prior responsibility placed upon him, or a priority, I should say; but, at any rate, we will have someone from the Intelligence part of the Joint Chiefs of Staff to discuss this rather interesting problem how of/the Intelligence Community contributes to the formulation of national security policy.

Following that we will hear a talk by an outsider, Abdul Said. This gentleman I observed early one morning presenting a course over television,

Class Room Nine, on international politics. He just happened to speak this particular morning, and for several mornings, on a subject that I was interested in having presented to you people. It has to do with how the public influences the formulation of national security policy-- what is the role of the public. He is rather a young man and a rather dynamic person, and I think you will find him rather stimulating. He has developed a philosophy concerning international politics, and this is something that I think we should hear more about. I like to think in philosophical terms. I did a lot of work myself in philosophy. I feel that a philosophical point of view about things is essential to their understanding, and this man has that kind of approach.

Following Said's talk, Mr. John Irwin, the Assistant Secretary for International Security Affairs, Department of Defense, will speak on the Role of the Department of Defense in the Formulation of National Security Policy. Then we will have Admiral Eccles, who will talk on the Interrelationship of Logistics and Strategy, which I think is almost self-evident, but it is worth while emphasizing it, and so we have a lecture of this kind. There are several people who have delivered this kind of lecture. We have these lectures in the library--Esposito, for example, Lincoln--not the Lincoln that we are going to have but his brother, up at West Point--and several others. This is a rather interesting subject and we bring it to your attention.

Following Eccles' talk we will have Admiral Persons, who will talk on Planning in the JCS, and, to get depth to this, so that you will get a feeling for what they do, in the afternoon we will have a seminar, a group seminar--that is, each of your groups will have a man from the Logistics Section of the JCS talk to you about his job. Now, I want to emphasize at this time that these men have different jobs, and so some of them may not be able to answer a specific question you may raise. I might say that when we do something like this we practically paralyze a section in the JCS, but we feel that we compensate them on this. We take eight people out of there. Of course, they grew a little this past year, you know, so eight is a smaller percentage, but in previous years when we did this, taking eight people out practically took everybody out. We feel that we compensate them for this kind of thing, because, in order to prepare for this seminar, they have to get together and talk about what each of them does. For many of them this is a surprising revelation.

Following this kind of thing we will go into, I believe, Requirements Determination. General Lincoln, in the Army, Deputy Chief of Staff, Logistics, will talk about how requirements are determined in the Army. Then we will turn to Programming. We will use as our programming lecturer General Webster of the Air Force. He comes from the Programming and Planning Division of the Air Force. Here again we employ the same technique. We will have in the afternoon eight people to address the

groups on what they do. Here again I emphasize that these eight people are in different little units in this planning and programming process for the Air Force, and they may not know a specific question, but they will have a general concept of the thing, because here again they are preparing for this presentation, and again we compensate the Air Force for their fine cooperation here by giving them an opportunity to find out what each of them does.

Then we will talk about how the Department of Defense affects planning and programming insofar as their examination of the logistics implication of a plan or program is concerned. For this we have Mr. Ray Clarke of the Assistant Secretary of Defense Office for Supply and Logistics.

Then we use what is almost tantamount to a case. It is a lecture, and the seminar in the afternoon, on our Foreign Aid Program. Of course, here, in the formulation of the Foreign Aid Program, you see you have first a policy determination; you have the planning of it; and you have the programming of it; and you have the association of business processes with the budgeting for this program. Mr. Leffingwell of the Office of the Assistant Secretary of Defense for International Security Affairs will make the presentation, followed by panelists. Now, this is a relatively small office. To get people who are competent to talk about this matter we have limited ourselves to four, so we will put two groups together in each instance. So there will be double the number; there will be 36 or 40 of you in a group listening to these men who in the

past have demonstrated tremendous insight and knowledge about this process of formulating a policy regarding our foreign assistance program, the planning process, the programming process, and the budgeting for it.

Then we will turn to the overall picture of the implications of requirements--all the types of requirements about which I will speak in a few minutes--upon our national resources. This will be done by Mr. Lawrence of the Office of Civil and Defense Mobilization. He will give the lecture and talk about what they do. Again in the afternoon we will have, I think, four people. Similar to the other seminar, we will have four. We will bring you together. These four people work in this area and they will be able to explain in greater detail what the process is. So, you see, in these instances where we have seminars in the afternoon we provide the opportunity for you, in smaller groups, to participate more actively in the discussion.

Then we will turn our attention to the financial side, and we will have Mr. McNeil, we hope. He is happy to come over here. You know that on the first of November he leaves his present job and becomes, I think, the President of the Grace Lines. He says the only thing that will prevent him from being with us is that the Secretary of Defense, Mr. McElroy, requires his time for briefing. I think he is going to be in the Far East and is coming back at about this time, and he will require certain briefing from Mr. McNeil. At any rate, Mr. McNeil says that

he will provide us with a substitute who is also conversant with this tremendous problem of the defense budget.

Then we will have Mr. Staats, who is a Deputy Director of the Bureau of the Budget, and he will talk about the overall national budget, with, of course, emphasis on the national security budget. Following that we will have Mr. Roderick, who is the Assistant Secretary of the Army for Financial Management, and he will talk about the mechanical means by which the data for the budget are obtained.

That will be the end of our outside speakers, and, if I am still around, I will come the last day and summarize what has been done over the course.

In addition to what I have said, we have two cases. Just as you had cases in Executive Development, we have had the Harbridge House people develop two cases for this course and, I might say, two cases for the course on Materiel Management, which starts in December. Of the two cases that we have, one has to do with the budget process and the other has to do with the Office of Civil and Defense Mobilization. The first one, the budget case, will be handled by specialists from Harbridge House. These people are thoroughly familiar with the case process. These cases are somewhat unique, I say again, because they contain substantive information. I think, if you read these cases carefully, you will get a tremendous insight and understanding, for example, of the budget process, and likewise you will see, in the OCDM case, the

growth, the development, of this agency and why it came about in this way. There is a very significant kind of analysis in the OCDM case. These cases are lengthy. They will be distributed to you about five days before the case is to be presented. We urge you to read them, to be thoroughly conversant with them, so that you can actively participate in the discussion of the case.

There is much to be gained by the use of these cases. In the past we have had to use a considerable amount of recommended reading or essential reading for you, and we hope that through these cases we can get the same points across, the same insights, the same understanding, and the same appreciation. So, feel that in going through these cases you are gaining a great deal more, perhaps, than you could gain any other way.

As I say, the first time we will have a specialist make the presentation. By the way, that first time there will be only two groups, one in this room and one in the large room in the College building. The first five groups will come here and the other three will go up to that room. The next case will be handled by the various faculty members for the groups.

One other process or technique which is rather important is the oral presentation. Certainly, in the course of this month--and that is about what it is--we cannot get across to you all the ramifications and details of this tremendous process of policy-making and requirements

determination. A very effective device we have found in the past is the oral presentation. Oral presentations are given by students who are familiar with these things--we have made a specific effort to do this--who have backgrounds, generally speaking, in the areas on which they wish to speak. The oral presentation is not a forensic exercise. It is not an exercise in rhetoric or in public speaking. In essence it is a teaching device, and a most effective one. I think, from past experience--and I have had plenty of past experience in this College--that you will find that you will learn perhaps as much from these presentations by your fellow students as you will learn from any of the lectures or seminars. So I urge you to be attentive to them and to see how they fit in. They will cover details which we cannot cover in the course.

Well, those in essence are the mechanics by which we hope to present our material. Now I'll spend another half-hour, I guess, talking about some of the things that we will consider in National Security Objectives and Requirements.

I have a statement here and I have a lot of quotations. I'll have to refer to this thing, because these quotations I feel are relatively significant. Certainly in many instances I could have said the thing myself, but I found, and I suppose this is a lawyer's trick, that it is always better to cite an authority. I have a raft of authorities here to cite. Then another technique I have, I put some of these up here on the screen. I portray the process on the screen because, I suppose, in teaching the

ideal thing is to get as much of a variety of experience as possible. Most of your learning here, you will observe, is by the ear. Certainly in this room it is by the ear. If we can get some learning accomplished through the eyes, so much the better. If you take notes, you have a feeling sensation involved, perhaps. So the attempt I am making is to appeal to as many senses as possible.

So I'll talk about National Security Objectives and Requirements. It is proposed to provide you here with a brief view of the material in the unit, outlining the sequence of events, beginning with the determination of policy and objectives at the highest level of government, and pointing out how these are converted into implementing plans and into requirements for materiel.

If a text was required for this talk and for this Unit, it should be the old German proverb, "Wer nicht kann, was er will, muss wollen, was er kann." That means, as I translated it, "When one cannot do what one wills to do, one must will what one can do." I used this text because that in essence is what we are talking about. Can we do a particular thing? I thought of Hitler during the battle of Stalingrad, which is outlined by a publication put out by the History Division, I believe, of the Department of Army. Hitler, with a lack of appreciation of the logistic factors involved in the Stalingrad battle, continued to press the German General Staff, who were a group of yes-men, to hold Von Paulus in Stalingrad without any possibility of providing him

with the means to carry on the battle to victory. He had no appreciation of this German proverb. As a matter of fact, there are a couple of other things that he should have had an appreciation of, and I suppose the most significant one is, "Love thy neighbor as thyself." Had he known that in the beginning he wouldn't have got into the difficulty he did in the end.

Thus, the subject matter of this Unit is as follows:

CHART 1
Requirements Unit Course

- A. The formulation of national policies and objectives.
- B. The planning, programming, and budget processes to support such policies and objectives.

There are a number of agencies concerned with this process of policy-making, planning, determining requirements, programming, and budgeting, and these agencies, in the performance of their individual functions, influence each other and impose restrictions upon each other. The nature of these agencies, how they came about, and what they do will be outlined for you in the lecture by Dr. Hunter, which follows this talk. It should be noted that the mere existence of an organizational structure does not assure the proper and appropriate performance of a function. Such a structure is merely the means toward an end and not the end in itself, for, as Senator Humphrey puts it, "No amount of structural manipulation can make up for a lack

of leadership that is politically wise and morally responsible."

CHART 2

Our national objectives are aptly stated in an Air Force Manual, which reads:

"Our Nation's philosophy--The American Way of Life developed over the past 180 years, our political system, and our foreign and domestic aims, all acting in concert, equate to an expression of national objectives. These objectives may be expressed formally and in legal documents as in the Constitution, historical documents, the political system, statements of public figures, etc. They may be expressed informally--sometimes as slogans or colloquialisms stemming from popular opinion or public demand. They may be unexpressed but live in the minds and hearts of our people."

This is our basic objective, and in the course of this course you may be concerned about specific policies. They may never be revealed to you, and I don't know that it is particularly significant. Many of the ultimate policies, by the way, are accomplished not through the machinery which I am going to describe but on an ad hoc basis. I have seen cases reported where some of the major actions taken by this country were predicated on policies which were formulated in a relatively short period of time by one or two people. This whole thing that I am outlining gets involved in only policies of a general nature or ones that you can foresee. Quite often the specific important policy is an ad hoc

determination.

From national objectives such as that which was given to you from the Air Force publication, national policy, both foreign and domestic, emerge to form a guide for the conduct of our Government. Thus, where the Government takes measures directed toward the assistance to world economic recovery, the support of the United Nations, the involvement in security pacts, these courses of action constitute our foreign policy. Our national policy constitutes the basis for the construction of national strategic concepts, which in turn form the basis for overall military planning.

The determination of policy, the planning, the programming, and the budget process are all steps in the decision-making process.

VU-GRAPH No. 3 The Decision Making Process

1. Determination of Policy Objectives
2. Planning
3. Programming
4. Budget Formulation
5. Budget Execution
6. Budget Review

You will observe in this listing of processes in decision-making that there are three indicated which relate to budgeting. This was done in order to emphasize the importance of the budget process. The Comptroller of the Department of Defense once said to an audience such as

this that all the issues passed over during the planning-programming-budget cycle must be decided, for better or for worse, in the final budget review.

An insight and understanding of the basic elements involved in the formulation and implementation of national policy was provided to you in the Foundations Unit. In that Unit your attention was directed toward the position of the United States today. You were provided with a brief account of the domestic, international, and scientific influences, if you recall, upon our present situation. You then considered the political thought and practices of our Nation. This aspect of the Foundations Unit is particularly applicable to the subject matter in this second Unit, for it provided you with the tools by which to critically examine the Federal Government, and also it indicated to you the role of the legislative branch in national affairs. In regard to the influence of the legislative branch of the Government, I call your attention to Senator Hubert H. Humphrey's article in Foreign Affairs for July 1959, entitled, "The Senate in Foreign Policy," in which he raises the question, "What is the role of a Senator in the formulation of United States Foreign policy?" The quotation I gave you before, which related to organization, came from this article. Foreign Affairs, July 1959. It is the lead article.

An important tool in the decision-making process as it relates to national security matters is economics. The study of economics which you undertook in the Foundations Unit should serve you in good stead in

examining the questions and problems raised in this Unit on National Security Objectives, for, as the Air Force Manual on Planning states:

CHART 4

"Military planning is an art which cannot live, today, without facing political, economic, social and psychological realities, as well as purely military problems. These realities, however, do not develop or act in isolation, but are so intertwined as to make it almost impossible to separate one from the other."

As an indication of the importance of economics in our consideration of national security objectives, your attention is called to the General Electric publication, entitled, "TEMPO Report - A Challenge to Planners - 1970." There are some copies in the library. TEMPO means Technical Military Planning Operations. Here is what it said:

"There is in a democratically-based society a close relation between what is done governmentally and what is done privately to plan and carry out the economic destiny of a nation. An investigation into the levels of defense and non-defense governmental spending that are likely to be possible in the 1965-1970 period leads us to some general conclusions about the ability of the American economy to sustain a high-figure demand to meet the challenges of the cold war. Projections of existing capabilities indicate that the United States can carry heavy governmentally-supported burdens in both the defense and non-defense fields, without endangering the economic health of the nation."

By the way, these pamphlets are extraordinarily interesting.

Furthermore, of great significance in your consideration of the subject matter of this second Unit is the material which was contained in the Modern Warfare and Strategic Concepts section of the Foundations Unit. Colonel Kintner's lecture on Current National Strategic Concepts is particularly important in this regard, for, in the formulation of policies, plans, and programs, thought must be given to the entire spectrum of conflict, which extends from all-out nuclear war, tactical war waged with atomic weapons, mass armies fighting in the old pattern of military conflict, brush fire wars, to extended cold war. In the study of this spectrum of conflict resort must be made to the revelations of the traditional social sciences, political science, sociology, psychology, and economics. As the General Electric TEMPO Report states,

"The proper distribution of weapon system emphasis during 1965-1970 in SAC, TAC, and the Navy, with attendant supporting systems involving early warning, surveillance, continental defense, and the like will involve a great deal more than the technical state of the art at that time. Economics and politics will enter into the calculations, also. And this is why the planner will have to concern himself not only with the particular weapons on hand, on order, and on the drawing boards, but also with the wise allotment of funds for their procurement and operation. At the same time--and here the planner must be practically omniscient--he will have to know the political reliability of the

territories where he has or proposes to put bases, the political climate of his homeland he is planning to defend, and the political future of those portions of the world likely to survive the impact of the first blows of total war."

This indeed is a formidable task for the policy-maker and planner.

One of the most complicated aspects of planning is the determination of requirements. One definition of requirements is:

CHART 5

"Requirements mean, the quantitative compilation of the needs in men, materials, and services to support a military plan or to sustain a definite civilian living standard."

In their dictionary of military terms, the Joint Chiefs of Staff have defined requirements as follows:

CHART 5 Overlay

"The needs or demands for personnel, equipment, and supplies, facilities or services by specific quantities, for specific periods of time or at specific times."

The requirements estimating process forms the basis of all subsequent supply activity and provides the basis for allocation and control of resources and the establishment of production levels. Furthermore, they are used for the expansion of production capacity and resources.

In the determination of requirements constant attention must be given to the consideration of the impact of these requirements upon our

Nation, the soundness of its economy, and the morale of our people, for these are important elements in our national strength and security. In planning requirements four essential categories must be considered:

1. Military
2. War-supporting industry
3. Civilian
4. Assistance to our allies and other friendly foreign nations.

The requirements for the military and for the assistance to allies do not require further definition for this audience. However, it may be helpful to you to define essential civilian requirements and war-supporting requirements.

CHART 6

Essential Civilian Requirements are those that are necessary to maintain an acceptable living standard, make it possible for people to work, and maintain the morale of the civilian population.

CHART 6 Overlay

War-supporting Requirements are those necessary to produce the equipment, facilities, and supplies that are considered necessary by our military planners.

The planning for and the determination of these four categories of requirements is a most difficult and arduous task. The determination of what is really essential to the civilian economy, for example, is

complicated by the fact that we have little data upon which to base our calculations, little knowledge by which to determine replenishment factors, and have no adequate yardstick to be used in the determination of future war damage to our country.

In order to even approach this task of requirements planning and determination we must constantly

CHART 7

obtain appropriate guidance, compute the requirements, and review and adjust so as to obtain a balance between our needs and our available resources.

As previously indicated, in this process of policy-making, planning, requirements determination, programming, and budgeting, many agencies in the executive branch of the Government are involved.

At the very top level is the National Security Council.

CHART 8

The National Security Council is responsible for the assessment and appraisal of the objectives, commitments, and risks of the United States in relation to its actual and potential military power, in the interest of national security, for the purpose of making recommendations--and I underscore recommendations, because that is what they do--to the President. They do not determine policy; they make the recommendations. After the approval of a policy by the President, the basic military objectives

are referred through the Secretary of Defense to the Joint Chiefs of Staff. However, as the Joint Chiefs serve as military advisers to the National Security Council, a two-way flow takes place, for the views of the Joint Chiefs have considerable influence on the National Security Council's recommendations to the President on national military policy.

In advising the President, the National Security Council considers the extent to which the national security is believed to be threatened and what expenditures can be provided for defense without jeopardizing the economic structure of our country.

CHART 8 (1)

Following the approval of a policy by the President, the Joint Chiefs of Staff are responsible for the formulation of plans by which it is believed the United States will be able to cope with the challenges to our security. Thus, it is the responsibility of the Joint Chiefs of Staff to prepare strategic plans and supporting logistic plans, to prepare integrated mobilization plans, and to participate in combined planning.

CHART 8 (2)

From the Joint Chiefs of Staff, the finished, approved plan goes to the military services for further development and the preparation of supporting plans. The detailed calculations of the thousands of separate items are performed by the technical services in the Army, the technical bureaus in the Navy, in the Headquarters of the Marine Corps, and in the Air Materiel Command of the Air Force.

CHART 8 (3)

Final review of the plans takes place in the Office of the Assistant Secretary for Supply and Logistics. Although each service reviews its own requirements for accuracy, adequacy and balance between various programs, the Assistant Secretary of Defense, (Supply and Logistics), analyzes them for balance between services, availability of critical materials, and the achievement of readiness objectives. This process may be conceived of as an Industrial feasibility test. In this test the stated military needs in various commodity areas are measured against industry's ability to produce, and the materials and manpower required to manufacture the various items are measured against availability. This capacity to produce is determined in collaboration with the Office of Civil and Defense Mobilization, the Business and Defense Services Administration, and directly with industry.

End-item schedules are translated into raw materials which are usually expressed as mill products, such as bars and plates. The end items themselves are given special treatment. Some 500 major items which make up an estimated 70 percent of the Department's hard-goods budget are subjected to what is called a Materiel Planning Study. This study yields information for each item concerning its peacetime and mobilization-phased requirements, current asset position, those which are due in, and expected post-mobilization production, and, subsequently, excesses or deficiencies.

CHART 8 (4)

OCDM is particularly interested in the controlled critical materials--steel, copper, aluminum, and nickel alloys--and the Assistant Secretary of Defense (S&L) provides that office with the estimated needs for the Department of Defense. Where deficiencies appear which cannot be made up, some cutbacks in requirements have to be initiated by the Office of the Assistant Secretary of Defense (S&L).

OCDM coordinates the military, industrial, and civilian requirements so as to assure the effective use of natural and industrial resources. It coordinates all the mobilization activities of the executive branch of the Government, including procurement, production, manpower, stabilization, and transportation. In the performance of its responsibilities it delegates tasks to other agencies. The principal objective of OCDM is to establish and maintain a mobilization production base which will shorten the time necessary to shift to a war footing. For this purpose it obtains estimates of requirements from all agencies having a claim on national resources, including military, civilian, and foreign aid. Each claimant is responsible for developing detailed and specific plans within its allocated money ceilings and for translating the generated requirements into the controlled critical materials--steel, copper, aluminum, and nickel alloys.

I might say that this process requires a considerable amount of analysis, and so we talk to you in the Economics Course about the tools

that might be used. A very gross kind of tool is the gross national product analysis, but I pointed out to my own section--and I imagine the other instructors of economics pointed out to you--that the gross national product does not give as good an insight into war-sustaining capabilities as does an understanding of production. The production figures are important, and the kind of production. When you compare, for example, the Russian gross national product with our own, I think you will find that somewhere in our own there is 50 percent of services in our GNP. Fifty percent of the GNP comes out of services. Services are the kind of things that you and I are doing, and the bus drivers, and the television artists. Of course we all assume that your and my function, in the case of the military objective, military conflict, is significant, but it is questionable about the significance, let's say, of Dinah Shore, or I could think of Marilyn Monroe. Of course they have certain morale value, as you know.

But the point is that here we have 50 percent of services in our GNP while the Russians have somewhere in the neighborhood, I suspect, of 20. The rest is in the production of things.

So the tools for measuring this production are available. A very important and valuable tool that we touched on is the input-output analysis, if you recall, because here we can see, particularly in the area of critical materials, where a demand for a particular critical material will affect

a whole array of industries. There are certain commodities, for example, in tanks, in aircraft, and in naval ships, the requirements for each of which, when totaled all together, may exceed availabilities, both in natural resources, perhaps, and in productive resources.

When requirements are balanced against resources, gaps and deficiencies may come to light.

CHART 9 (Scales)

The demands may at times considerably outweigh the supply.
and
The Office of Civil/Defense Mobilization must then undertake corrective action.

CHART 10 (Correcting imbalances)

This may be done by means of stockpiling, or by expansion of the mobilization base, and if neither of these two actions is adequate it may require revision of the plans which had generated the excessive requirements.

It is evident that, when we consider the conditions under which wars may be fought today and in the future, and the many contingencies for which we have to be prepared, there could readily be established a magnitude of requirements for the military, the civilian economy, and for foreign aid that could greatly exceed the capacity of our Nation to produce.

What we seek, therefore, are:

CHART 11 (Five Objectives)

1. Military plans tied to feasible production levels.

2. Rapid identification of specific deficiencies
in resources.
3. Firm foundations for expansion goals.
4. Realistic base for stockpiling.
5. Integration of all planning for mobilization
readiness.

Thus far the emphasis has been on the material side. However, in an economy such as that of the United States, the financial side becomes of almost equal importance, as you well realize. Not only must our objectives be those enumerated previously but we must also be concerned with the maintenance of a sound economy. This implies, among other things, the careful handling of the financial aspect of governmental activities. The Administration at the present time, for example, is greatly concerned about inflation. They are concerned about deficit budgets because deficit budgets are inflationary. They, deficit budgets, increase the money supply without adding to the material side, the availability of things and services. Furthermore, deficit budgets imply deficit financing, and deficits increase the national debt. At the present time, the interest charge on our national debt is the second category in magnitude of expenditures, in size following national security. So you see it becomes a significant thing. Last week the Treasury had to make a loan offering 5 percent interest. This is a substantial amount of interest.

Of course, fiscal policy considerations are a secondary consideration, following national security. Yet the interrelationship of fiscal policy to national security is intimate and significant.

As Arthur Smithies, the economist, says,

CHART 12 (Budgetary Process)

"Although the outlines of strategy may be determined outside the budgetary process, the complex of foreign policy changes radically depending on whether \$25 billion, \$50 billion, or \$75 billion a year is spent for national defense."

This is pretty obvious.

At the present time we are spending annually between 11 and 12 percent of our gross national product. This is a substantial outlay, and over the past several years we have been rather consistent in the level of our expenditures, as the accompanying chart indicates:

CHART 13 (US Defense Spending)

It is to be observed that since the Korean War U. S. defense spending has been fairly substantial and has been maintained each year on a relatively high level.

As the Committee for Economic Development has stated the problem in their study entitled, "The Problem of National Security:"

"Fear that a high defense burden will weaken the economy has been exaggerated and should not be decisive in the determination of the size of a defense budget representing 10 to 15 percent of the gross national

"product, or even more. There is no factual basis for the notion that we are within reach of or exceeding some 'breaking point' beyond which tax-financed expenditures will critically impair economic growth. We can afford what we have to afford."

Now, the Committee for Economic Development is a tremendously important committee, and I felt that this quotation should have tremendous meaning for you.

The report points out that "the amount we are willing to devote to defense is for the public to decide." Yes, the public, we, must be willing to make the sacrifice to retain for ourselves and our progeny our national aspirations and institutions--our way of life. In this regard, I think it is significant to observe the synthesis of Dr. Albert Schweitzer's philosophy. I think it characterizes an important thing for us. This is the synthesis of Albert Schweitzer's philosophy:

"The final decision as to what the future of a society shall be depends, not on how near its organization is to perfection but on the degree of worthiness in its individual members."

I thank you. We will have no question period.