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THE WAR DEPARTMENT BUDGET

by

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It gives me great pleasure to come down and speak before the Industrial College this morning.

When Colonel Jordan asked me to come here, he said, "Won't you come down and tell us some of your troubles with the budget?" As a matter of fact, we do not have any troubles with the budget except that the budget is a question very largely of money and there is never enough money to go around, somebody has to take cuts. It is our business, therefore, we sit in the center of a very conflicting set of viewpoints all of the time. Sometimes I wonder, after it is all over, why anybody ever speaks to me any more. Nevertheless, it is a very interesting work and a very much worthwhile work for everyone who has to work in the War Department to understand because the basis of everything the War Department does is funds.

As you know, Cicero, a hundred years before Christ, said, "Endless money forms the sinews of war." It is no use having sinews in anything unless you have a framework to hang them on, and while the budget and the money side may form sinews there is another important side which is the bone or the framework of the Army that is found in the basic legislation which organizes and constitutes the Army. Army Regulations 10-15, in defining the duties of the Deputy Chief of Staff, state in part:

"His office is charged with the preparation of plans and policies in connection with legislation and with military estimates for funds, with processing budgetary matters in the General Staff, with reports concerning legislation and requests for legislation that come within the purview of The General Council or that are referred to the General Staff, and with such other duties as the Chief of Staff may prescribe."

Thus, the Budget and Legislative Planning Branch of the General Staff, which is part of the Office of the Deputy Chief of Staff, finds itself charged with these two functions:

First, the formulation of policies relative to the War Department's estimates, the processing of these estimates through the War Department, and the Bureau of the Budget until they are transmitted to the

Note: Slides used in this lecture are on file at the Army War College.

Congress as a part of The President's Budget, their presentation to the Committees of Congress, and finally following through the Bill embodying these estimates until it is finally passed by the House and the Senate.

Secondly, the processing of general legislation other than that pertaining to the budget until such legislation is enacted into law.

By direction of the Chief of Staff, the branch for the past two years has had a third function -- it is the liaison agency of the War Department with the Works Progress Administration and any other agency whose emergency funds may be made available to War Department purposes

You are, of course, familiar with the organizational set-up of the War Department. This chart is very small but perhaps you can read it. We have the Secretary of War, under him the Chief of Staff and the Deputy. The Deputy Chief of Staff's office includes the Budget and Legislative Planning Branch, the Secretary of the General Staff, and the Statistics Branch. Then there are the General Staff divisions which are the advisors of the Chief of Staff and the Deputy in their respective fields, the Adjutant General, who is the center of communication and record in the War Department, and the technical and supply services of the War Department. The chain of command, of course, comes from the Secretary of War down to the corps area commanders, the G H Q, Air Force, etc.

The budgetary set-up of the War Department is a little bit different. The Budget and Accounting Act of 1921 requires that each executive department has a budget officer. In the War Department that title and responsibility is given to the Chief of Finance. His office is the office of record in all matters pertaining to the War Department estimates. He has the essential clerical personnel trained in fiscal matters and in fiscal procedure, in fact, he is the operating agency for budgetary matters in the War Department. He, rather than the Adjutant General, is the channel of communication on these matters. The estimating agencies of the War Department in general are the same as the chiefs of arms and services, but you will also find among the estimating agencies the Adjutant General, who handles the estimates for the organized reserves, the R.O.T.C., the C.M.T.C., the National Board for Promotion of Rifle Practice, the Army War College, the Command and General Staff School, and the Military Academy. Also, the Assistant Chief of Staff, G-2, is an estimating agency of the War Department.

The policy of the budget is formed on the advice of the General Staff divisions. Placing the control of the process of formulating the budget and securing the military appropriation directly under the Chief of Staff and the Deputy rather than under any one of the General Staff divisions insures, first of all, a balanced consideration of these matters from the point of view of the Army as a whole. Neither personnel, nor operations, nor supply has a predominant position of permanence. Second, every important project of the War Department requires funds, and through his direct control of the formulation of the budget the Chief of Staff exercises his most powerful means in shaping the course of the Army directly in accord with his own policies. And third, there are important decisions which in the later stages of the budget, particularly when the appropriation bill is before the Congress committees, which have to be made quickly, and there are very much facilitated by having the direction of the budget close to the Chief of Staff himself. As we go along, however, I will show you that the entire General Staff participates continuously in its proper functions of planning and supervision and coordination.

The budget cycle is long. Nearly a year and a half elapses from the time work starts on a new budget until funds become available for expenditure. It starts in March, when the Budget and Legislative Planning Branch initiates a call upon the General Staff divisions and the estimating agencies of the War Department for recommendations as to the programs which shall be included in the estimates. About the first of April these recommendations come up from the estimating agencies to the appropriate General Staff divisions, and there they are considered in connection with the programs of those divisions themselves and are accepted or rejected or modified. Finally, they are forwarded to the Deputy Chief of Staff as the recommendations of that particular General Staff division. A recommendation from the Chief of the National Guard Bureau, for example, to start a new program in a particular item of equipment, would come up through G-4, and a National Guard recommendation probably increasing the strength of the Guard would receive cognizance both in G-1 and G-3. There is naturally some overlapping on differing ideas. The recommendations of all the General Staff divisions are received and tabulated and studied in the Budget and Legislative Planning Branch and are submitted to the Deputy Chief of Staff by a memorandum or by means of a conference, stating the opinion of the branch on the proposals of the General Staff. The Deputy Chief of Staff considers these, and after conferences with the heads of the General Staff divisions sends his views

to the Chief of Staff in the form of a memorandum, which when finally approved, becomes the tentative War Department program for military expenditures for the fiscal year under consideration. This approved program, which we usually call the tentative directive is then transmitted back by the Budget Office of the War Department to the estimating agencies. It goes by memorandum to the General Staff divisions, and becomes the guide in making out the money estimates. By the end of May the estimating agencies have completed their preliminary money estimates, which are then known as the abstracts of cost. Studies in the War Department through the winter which involve future funds are ordinarily only approved by the Chief of Staff for inclusion in the abstracts of cost, which gives them a tentative approval at that time but which in the end lets them be considered side by side with every other approved project that will demand consideration in the estimates. When these abstracts of cost are made up, the estimating agencies send them to the Budget Office of the War Department, and when returned refers them to the Budget Advisory Committee for examination and report.

The Budget Advisory Committee detailed by the Secretary of War is a fact-finding agency in these matters. It consists of the Chief of the Budget and Legislative Planning Branch, who is ex officio chairman of the committee, a member detailed from G-3, one from G-4, one from The Assistant Secretary of War's office, usually from Current Procurement, and a member from the Budget Office of the War Department. These officers while so serving are not special representatives of their chiefs. The committee is a fact-finding agency of the War Department as a whole. It has the power to hold hearings and summon any witnesses in the War Department. Its hearings are held daily, and they consume the time from about the first of June until the middle of July. I think many of you probably are familiar with the hot sessions that we had in the middle of the summer down here. The committee carefully goes into the detail of each item in the estimates and requires its justification not only as to the cost involved but also as to its proper inclusion and sufficiency under the terms of the tentative directive. At the conclusion of the hearing of the committee the Budget Advisory Committee report constitutes a complete document for the Budget Officer of the War Department to lay before the Deputy Chief of Staff, showing the opinion of the committee as to the amounts, by project, under each appropriation title which it is believed will adequately support the program prescribed in the tentative directive. All of the factors are

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included in such form that the Chief of Staff, by means of his blue pencil or his red pencil, can rapidly build a budget in any desired amount containing all the programs which he considers it desirable to present for the President's consideration. The Deputy Chief of Staff goes over this report in great detail, assisted by the Chief of the Budget and Legislative Planning Branch, and it is at this point that factors other than those of the purely military view of the War Department must begin to be given consideration. The general fiscal condition and the fiscal outlook of the Government must be weighed, past political experience and future possibilities must be considered - we have to be practical men. We operate under a known system of government and are bound by the law and by past decisions and viewpoints of the executive agencies.

With reference to asking for the earth with a fence around it just for the fun of asking, we ask for the things that we can really expect to get, and above all for those things that we can defend adequately in the light of existing governmental conditions. To transmit estimates to the Bureau of the Budget all out of proportion to these considerations would be simply to have these estimates cut severely from the purely fiscal point of view of the Bureau of the Budget rather than from priority of the military viewpoint. The interior control of the War Department then would pass too much into the hands of the Director of the Bureau of the Budget.

Before arriving at his final decision and recommendation the Deputy Chief of Staff has again had the benefit of conference with the heads of the General Staff divisions and sometimes with the heads of the principal estimating agencies, in which these items are all thoroughly discussed. Through his final action on the report of the Budget Advisory Committee, the Chief of Staff establishes, by appropriation title, the limiting amounts for each estimating agency, which the War Department will forward to the Bureau of the Budget. On his consideration are excluded or included or modified all the items in the tentative directive which are to come within these limiting totals. After that action has been taken by the Chief of Staff no chief of branch or estimating agency of the War Department is permitted to advocate more.

In August the directive in its final form goes back to the estimating agencies and is again used by them as the basis for the formulation of their final money estimates. These are now known as the estimates of the War Department rather than the abstracts of cost, they are received by the Budget Office of the War Department and are again referred

to the Budget Advisory Committee which checks them to see that they are in accord with the details of the final directive, that no items appear which are not included in that directive, and that there is authorization for all of the items under the law. During the course of these final hearings it rehearses and polishes the defense of the estimates as offered by the chiefs of the estimating agencies who must subsequently appear before the Bureau of the Budget and the House Committee. After these hearings, the Budget Office of the War Department obtains authority from the Secretary of War to transmit the estimates to the Bureau of the Budget, and the Chief of the Budget and Legislative Planning Branch, having conducted the final hearings, is able to assure the Chief of Staff and the Secretary of War that the estimates carry out the final directive

Under the law, the estimates must reach the Bureau of the Budget by the 15th of September. The War Department hearings before the Bureau of the Budget usually take place in November. They are heard by the Director, assisted by another fact-finding committee from his organization. The Chief of Staff appears in person to open the War Department hearings, and it is the duty of the Budget and Legislative Planning Branch to prepare for him such data as he may require. The Chief of this branch remains in charge of the War Department hearings as the representative of the Chief of Staff and the Secretary of War. The estimates are presented in detail by the heads of the estimating agencies, accompanied by such assistants as they may find necessary

The War Department estimates are subject to a searching scrutiny by men whose knowledge of War Department fiscal requirements is considerable and whose objective is to keep governmental expenditure to the minimum absolutely necessary. Every dollar in the estimates is carefully weighed and the defense of the War Department in its expenditures must be detailed and completely accurate

In December the Bureau of the Budget transmits to the Secretary of War the limiting figures for the War Department appropriation by appropriation title so much for pay of the Army, so much for travel, so much for clothing and equipage, so much for the National Guard, etc., together with such changes of language in the bill as should have been approved. Habitually the vision of the Bureau of the Budget is dominant and the War Department again must adjust its estimates to accommodate them to the new limiting figures. The Budget and Legislative Planning Branch quickly analyzes the effects of the cuts upon the War Department program, and, after such consultation in the General Staff divisions as is desirable,

sends direction through the Budget Office of the War Department to the estimating agencies for the formulation of the estimates as they will finally be presented to Congress. Generally speaking, within any appropriation the War Department may redistribute funds in its best judgment, and this redistribution of costs requires the approval of the Chief of Staff if any major change in the program is to be made. The revised estimates are then sent back to the Bureau of the Budget to be printed as a section of the President's budget, which is transmitted to Congress with his budget message on the second day of the session. Until that day everything in connection with the formulation of the budget is confidential. At an appropriate time during the session the Military sub-committee of the House Appropriations Committee commences its hearings, with the view to formulating the War Department Appropriation Bill. These hearings usually last about three weeks. Again the Chief of Staff, and sometimes the Secretary of War, appears to open the War Department hearings, the Chief of the Budget and Legislative Planning Branch remains as their representative throughout the hearings, and again the chiefs of the estimating agencies appear and defend their estimates in detail. Under the terms of the Budget and Accounting Act, representatives of the War Department are stopped from advocating any increase over the President's figures. This is well understood in Congress. Therefore, on their own responsibility, members of committees frequently ask questions which must be answered and which lead to discussion of items not included in the budget. In due course of time the bill is reported by the Appropriations Committee of the House, and it is the duty of this branch again to analyze for the Chief of Staff and the Secretary of War the effect of the action of the committee upon the War Department program.

Last year, for the first time in many years, the House Committee separated the military from the non-military estimates and brought out two bills. Incidentally, just today I am expecting the Army Bill to be reported to the House. I have officers up at the Capitol now waiting for the committee's report on the bill so that by mid-afternoon I can have a complete memorandum on the Chief of Staff's and the Secretary of War's desks, telling them exactly what that committee did to their Army Bill and what should be done on the floor or in the Senate to rectify any damage that may have been done. What it will be I do not know myself, I have not been able to get that report as yet today. The bill is carried to the floor, is defended by the sub-committee, and during the course of its progress through the House the War Department representative watches it most carefully, offering

such further last minute advice, recommendation, and information in the name of the Secretary of War as is calculated to insure the best possible action on the bill. After passage by the House the bill is reported immediately to the Senate and referred to the Senate Appropriations Committee. Unlike the House, the sub-committee of the Senate Appropriations Committee, which considers the War Department Bill, is assisted by the chairman and two members of the Senate Committee on Military Affairs. The House, for some reason, does not do this, and it is a great pity it does not because their appropriation committees and the military and naval committees are not always in step.

The Senate Committee hearings usually follow very quickly after the receipt of the bill. The Chief of Staff, assisted by the chief of the Budget and Legislative Planning Branch, is usually the only War Department witness, although it may develop during the course of the hearings that the Senate Committee desires to hear more detailed testimony on certain technical points and then appropriate officers are sent for. The House Bill constitutes the framework and the Senate Committee usually confines itself to making such changes as it desires on particular items, sometimes it adds items which the House has omitted. The War Department frankly states its opinion of the House Bill and indicates such changes as will, in its opinion, within the limitations of the budget improve the bill. Again representatives of the Budget and Legislative Planning Branch are available to the chairman of the Senate sub-committee to furnish such data, information, and advice as will best aid in the debate of the bill on the floor of the Senate.

When the bill is passed it goes to conference, where the points of difference between the House and the Senate are ironed out. It then goes to both houses for confirmation of the conference report, and when this is accomplished the bill is signed by the Vice-President and the Speaker and goes to the President for approval. The President refers the bill through the Bureau of the Budget to the War Department for report, and, of course, the War Department habitually recommends that the President approve the bill. The bill for the current fiscal year was approved the first of last July, after having been sent by airplane up to the President at Hyde Park. With the President's signature the bill becomes an Act.

Besides the Annual Appropriation Act, the War Department frequently has important items in deficiency bills which require much preparation and attention. Today I am going to a

hearing in the Bureau of the Budget to assist the Treasury Department in again presenting the estimates to start the proposed new War Department building. I hope we have some success this time

When funds have been appropriated, the expenditure becomes a matter of current finance. This is the function of G-4. As you may remember, for the current fiscal year the President decided that the appropriation for the Government was too heavy, and he directed that a complete survey be made with the view of impounding ten percent. The Budget Advisory Committee, therefore, in considering the expenditure program, with its agency G-4, was given the task of recommending where cuts should be made in the appropriation to accord with the President's ideas, and another series of very painful hearings had to be held. The expenditure program, as any other fiscal paper, is referred to the Budget and Legislative Planning Branch before its approval by the Chief of Staff. The net result of all that action, including the reservation of the President last year, was that the Army for a month after the new fiscal year had begun, was very very uncertain as to what programs it was going to be able to pursue.

Throughout the year or more that these programs and estimates have been under consideration, involving, as they do, every arm and every branch of the service, you can see that their control requires not only fiscal knowledge but the broadest military knowledge that it is possible to bring to bear. Particularly while the bill is before Congress quick decisions have to be made which involve sometimes some important War Department projects and sometimes involve huge sums of money. It is essential, therefore, that General Staff officers who deal directly with the subject have a wide and broad knowledge of the Army, and they should never miss an opportunity to acquire that knowledge at first hand.

In regard to the fiscal affairs of the War Department in peace time, I would like you to remember when you serve in the War Department or in command capacities in the Army that money does not grow on trees, that the best of your plans will fail and bog down if financial support is lacking, and that in the formulation of your plans you must think far ahead. You must consider not only that the immediate fiscal effect will be but what the accumulative effect through the years will be, and you must remember also that in the final analysis your plans will be subjected, under our system, to consideration, both fiscal and political, outside of the War Department by men who are not soldiers.

Just to fix these matters a little in your mind, I will show you two slides, give you the big basis those things are worked on (Displayed slides.) Here are the opening paragraphs of the tentative directive. It is a five paragraph order, providing in general for general instruction, for personnel, intelligence, operations, and supply. Very seldom do you see a dollar mark - it is all in programs which are to be estimated according to the strength, according to the costs, and everything that enters into the subject, general instructions on supply, general instructions on the war reserves, rearmament, and re-equipment programs laid out in quite a degree of detail. After that tentative directive the estimating agencies (and this example just happens to be the Army War College) make out their preliminary money estimates, called the abstracts of cost. This is what we call the project sheet. It shows a summary of all of their projects and an estimate that year of \$83,177.00 in all that the War College wanted. This is the project sheet for the War College for the pay of civilian employees, which they estimated at \$73,000.00 This is a slightly changed form, after the War Department has revised it. It came down from seventy-three thousand to sixty-nine thousand after the Budget Advisory Committee and the Deputy Chief of Staff and the Chief of Staff got through with it. And, instead of having sixty-three thousand for pay of employees we thought they could get along with sixty thousand. This is what it looked like when it went to Congress.

I brought the slides to show you the relative weight of the various War Department appropriations. As I told you, these were all formerly included in one bill, now the non-military has been excluded and is brought out in a second bill in Congress. This is the departmental appropriation, which is the War Department overhead, these are all of the military activities, these are the non-military, such as the Panama Canal, rivers and harbors, communications, etc. I brought that slide down for the fiscal year 1937 because it shows the changes in the total of the War Department estimates to which the estimating agencies have to continually accommodate themselves through the year. The chiefs of branches submitted estimates for four hundred and ninety-two millions. The Budget Advisory Committee recommended four hundred and forty-three millions. The Deputy Chief of Staff cut that to four hundred and twenty-nine millions - four hundred and thirty millions. The Secretary of War went up, added a lot of money that year for the Air Corps, to four hundred and fifty-two millions. The Bureau of the Budget gave it a good slash, cut it down to three hundred and seventy-eight millions. The House Committee went up a little -

three hundred and eighty-three millions. The House went up two millions - three hundred and eighty-five millions. The Senate went up five millions - three hundred and ninety millions. And then we did that year quite a remarkable thing, that I have never seen before and I do not expect to see it again - I tried last year and got licked - we came out of conference with more money than we had either in the House Bill or the Senate Bill. Here are the 1939 estimates as they were recommended by the Budget Advisory Committee, showing you the distribution. Here is the total - four hundred and eighty-one millions recommended this year. Fixed charges - pay of military direct, pay of civilians, clothing, subsistence, and forage amounts to two hundred and sixty-nine millions, and the variables, two hundred and eleven millions. The variables are maintenance and operation of plants, which is thirty-one millions; maintenance and operation of equipment, which is forty-three millions. The direct charges include such things as training, ammunition, tactical gasoline costs for all the schools, maneuvers, etc., twenty-one millions, miscellaneous things, five millions, new equipment ninety-seven millions, and construction thirteen millions. We always analyze the budget this way in its various stages, and in my opinion the more we reduce it to proportions, the more the proportion of your new equipment and your training rises against your total, the better budget you have, because then you are making a budget to prepare the Army for war. This shows the same estimates broken down as affected by the cuts of the Bureau of the Budget. The total came down to four hundred and twenty-one millions that the Bureau of the Budget submitted, fixed charges to two hundred and fifty-eight, and in the variable charges, and there is where you have to do all your planning in the War Department is within that one hundred and sixty-three millions, new equipment came down to sixty-seven millions and training to fourteen millions.

The second function of the Budget and Legislative Planning Branch is the processing of legislation other than that of the budget, and it is upon such legislation that the framework of the War Department rests. All programs of the War Department must have some authorization of law. This authorization lies in the National Defense Act and in other enactments which affect the Army, or in the Appropriation Act itself, although legislation in the Appropriation Act is usually restrictive rather than further authorization.

The obtaining of general legislation is another methodical process which involves the General Staff divisions and all other agencies of the War Department. We make a call upon them for items to be included in the legislative program.

These come up and are approved as items by the Deputy Chief of Staff after analysis and consideration. Then they go back to the General Staff divisions to have the legislation drawn and the drafts of the letters to Congress submitted. Legislation advocated by the War Department must be submitted to the Bureau of the Budget to see if it is in accord with the President's program. If the President, acting through the Bureau of the Budget, states that legislation will not be in accord with these programs the War Department, of course, is stopped from forwarding it to Congress at that time. The Bureau of the Budget may state that if the legislation be modified in certain particulars it will then be in accord with his program, and it may then be restudied and revamped to follow such suggestion. If the President, through the Director of the Bureau of the Budget, states that the legislation will be in accord with his program, that fact is added to the Congressional letters and they are signed by the Secretary of War and dispatched. The chairman of the appropriate committee, as a rule, introduces the bill and it is referred back to his committee for consideration. The committee may or may not hold hearings. Frequently they do, and the Budget and Legislative Planning Branch arranges for the attendance of the necessary witnesses of the War Department. Personal and political considerations frequently come into play in the process of these bills through Congress, and they must be most carefully watched. In addition, many other bills which affect the War Department are introduced by members of the Congress themselves, or on their own initiative, and are referred to these committees. The committees call upon the War Department for reports on many of them. These bills in turn must be studied in the appropriate General Staff division or other vitally interested agencies of the War Department, and the reports submitted are considered by the Chief of Staff and the Deputy, and are also forwarded to the Bureau of the Budget to ascertain whether or not the legislation is in accord with the program of the President. Officers or agents of the Budget and Legislative Planning Branch are in constant touch with the committees of Congress throughout the session. It is in no respect lobbying, it is the proper conveying of military information and advice in matters of detail from the executive to the legislative branch of the Government. Again, when such bills are passed they are referred to the Bureau of the Budget and then to the War Department for report as to whether the President should sign or veto the bill.

The third function with which the Budget and Legislative Planning Branch has been charged is the matter of supervision and contact with respect to emergency funds. A number

of years ago this contact was in G-4, later it was placed in the construction branch of the Quartermaster General's Office. By memorandum of June 29, 1936, the Chief of Staff directed that the Budget and Legislative Branch undertake the responsibility of securing these funds for the use of the War Department, along with its similar responsibility for appropriated funds. For the past several years the Works Progress Administration has allocated funds to the War Department for projects of appropriate character. Because of the fact that the purpose of these funds is the widespread relief of unemployment, the Works Progress Administration naturally requires that a very large percentage of this money shall go to the employment of labor on the job. The regulations allow only a very small percentage to be expended for material. These percentages are such as to make funds applicable primarily to repair projects and others of similar nature. However, because of the fact that the War Department supplies supervisory labor and overhead, which would otherwise have to be hired, the W.P.A. allows the War Department in its direct allotments a higher percentage of material than it does in allotments which it makes to the states. We have secured great benefit from these funds. After consultation with the Quartermaster General and other chiefs of services and with G-4, a program is drawn up as the basis of negotiation with the W.P.A. As a rule, every W.P.A. allotment is supplemented by a War Department contribution of personnel in supervisory capacities, material, and other funds, the W.P.A. allotment serving to supply the bulk of the labor on the job plus a small allotment of funds for other than labor costs. Careful coordination of these allotments and the allotments of the appropriated funds for barracks and quarters, and similar purposes, is necessary and should be studied long in advance in the War Department, so long as there is any prospect of continuing these relief appropriations.

Direct grants to the War Department are not the only source of these emergency funds. The W.P.A. has allotted to state Administrators, in proportion to the unemployment in the various states, vast sums for the purpose of ameliorating that situation. By personal contact, post and corps area commanders have been able to persuade state administrators that their posts have worthy projects, that the expenditure of some of the relief funds allocated to the states represents money going back to property of the Federal Government, in addition to affording employment within their states. The Budget and Legislative Branch is charged with issuing such instructions to corps area and post commanders as will facilitate and coordinate the presentation of their requests to state administrators and expedite their being put into

proper form. When the proposed allotments from the several states have been received here in the national headquarters of W.P.A., the War Department endeavors to bring a proper consideration and to obtain their approval. This work requires on the part of the branch constant and daily liaison with W.P.A., with the Bureau of the Budget, sometimes with the Comptroller General. During the fiscal year 1937, the War Department received in all twenty-three millions. To date in this fiscal year we have, I think, well upward of forty millions. They are really important funds.

I think I have now given you considerable detail on the War Department's treatment of its fiscal and legislative problems as they bear on its military problems in time of peace.

At the invitation of the Director of the Industrial College, I will discuss to some extent the questions involved in war budgets. I can say that this can be only a matter for conjecture because the law, the fiscal system, and fiscal conditions of the country are constantly changing, and the conditions of presenting the War Department's viewpoint as to what will constitute the essential needs of the next war may be quite different from the conditions prevailing during the last war. In Congress lies the power to declare war, in Congress lies the power to raise and support armies, and in Congress will lie the decision as to what detail it will demand in considering estimates for War Department appropriations and in appropriating for them. Personally, I believe that if war were now declared Congress would place at the disposal of the President, as it has in the past, a fairly large lump sum to be applied, in his judgment, to meet the most urgent immediate necessities. This sum would be small in comparison with the real needs of a major war, and Congress would immediately take into consideration estimates prepared by the War Department to carry out its plans for its share of national defense. At the beginning of the World War, Secretary Baker went to Congress and in his opening statement asked that the War Department estimate, which he was submitting as a deficiency for that fiscal year - nearly three billion dollars - be appropriated in one sum. The committee took issue with him immediately and stated that while it would not require the amount to be justified, as it would in peace time, it intended to appropriate the money under the general headings of the War Department Appropriation Act, and the Committee so examined the estimates which were submitted by Mr. Baker. It appropriated for pay, subsistence, ordnance, etc., in the amounts of

two billions two hundred and eighty-one millions. The War Department estimated for its requirements in round figures, based upon per capita or military unit prices; and the appropriation was enacted so as to allow considerable flexibility within each appropriation title. It is my opinion, after talking to members and to old and established employees of the appropriations committee, that the Congress would follow very much the same procedure now. It will develop, as in the past, that the War Department cannot expend these huge sums in one fiscal year. The rate and the probable expenditure will be a matter with which Congress will greatly concern itself for it must build taxation or loan programs to finance that expenditure as the checks are presented to the Treasury for payment. Since great quantities of guns, clothing, ammunition, airplanes, and other military supplies take a long time to manufacture and only a portion of the checks will be presented for payment within a fiscal year, the Congress will resort, as it has in the past, to legislative contract authorizations, which in effect allow the War Department to place the orders and which pledge the Government to appropriate the pay for them in the future as the supplies are delivered.

As to the basis of formulating the War Department's estimates, we are in a much better position than we were in 1917 and we would be in a still better position if our mobilization plans could remain stabilized for a period of three or four years at a time. The Four Army Plan had just reached the point where this fiscal requirement could be calculated for a given period of time when it was changed, now we have gone to the Protective Mobilization Plan. The result of this plan has been to reduce initial requirements. G-4 has completed a very thorough and exhaustive study of the war reserve requirements under the Protective Mobilization Plan. These, of course, furnish the guiding line toward which our peace-time efforts should flow, for these are the essential military requirements which should be on hand to bridge the gap before industry can reach a speed of production commensurate with expenditure of materiel. Any deficit in war reserve items remaining on M-day will, therefore, be a first item of war expense for consideration and will be largely taken care of, we hope, out of the lump sum.

In addition to the war reserve item, of course there is the very important program of The Assistant Secretary of War on aids to manufacture which should receive equal consideration. This year we were able, I am very happy to say, when we submitted our supplementary estimates under the President's message, to include a sizeable item for the

reduction of that deficiency in aids to manufacture, as well as a fairly good item for reduction of deficiency in war reserves. From the Protective Mobilization Plan itself it is not difficult to compute in a fair degree of accuracy the requirements in pay, clothing, subsistence, and shelter for any given period. From the color plan involved would come the information on which to base costs for the transportation of troops and supplies, and from the character of the impending operations and progressive plans of the War Department to meet the emergency, will flow the determining factors for the building of further estimates. With the amount of study that has been put upon the mobilization of industry, as well as upon the mobilization of manpower, I believe that the basic data is on hand in the War Department to enable its plans to meet any given situation to be rapidly crystallized into estimates for funds. As a matter of practice, in the War Department in peace time we find that the estimate of one agency when submitted to the scrutiny of a well informed fact-finding body often contains mistakes, miscalculations, and duplications, and that priorities are not often well balanced. If time were available and the basic mobilization plan would remain stabilized sufficiently long, I believe it would be an excellent idea to cause the fiscal scope of the Protective Mobilization Plan for a given period of time to be estimated by the procuring agencies and then to subject these estimates to an examination by such a fact-finding committee to see that all the elements of the plan were provided for, that stabilized priorities in their plan are in their relative order of importance in the estimates, that two agencies are not asking for funds for the same thing. Such a committee might well be composed of representatives of the Deputy Chief of Staff, all the General Staff divisions, and the Planning Branch of The Assistant Secretary of War's Office. The attitude of this examination should not be to force economy, as is frequently necessary in peace time, but to see that we get the most war and the most effective war for the money. In war as in peace, I believe that one agency close to the Chief of Staff must be constantly employed in assembling, scrutinizing, and presenting to the President and the Congress the War Department's recurrent estimates of funds necessary for the prosecution of its aims. Speed will be an essential factor, therefore, the number of people who appear before the committees will undoubtedly be reduced, and favorable Congressional action will depend largely on the confidence which the Congress has in the ability and the integrity of the few men who appear before it.

I could not tell you much about my troubles, but that I think is about the story of what we do from day to day.