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PRISM: Political & Rights Issues & Social Movements

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## The big hand in your pocket: Your taxes, your livelihood, and the growing power of the military

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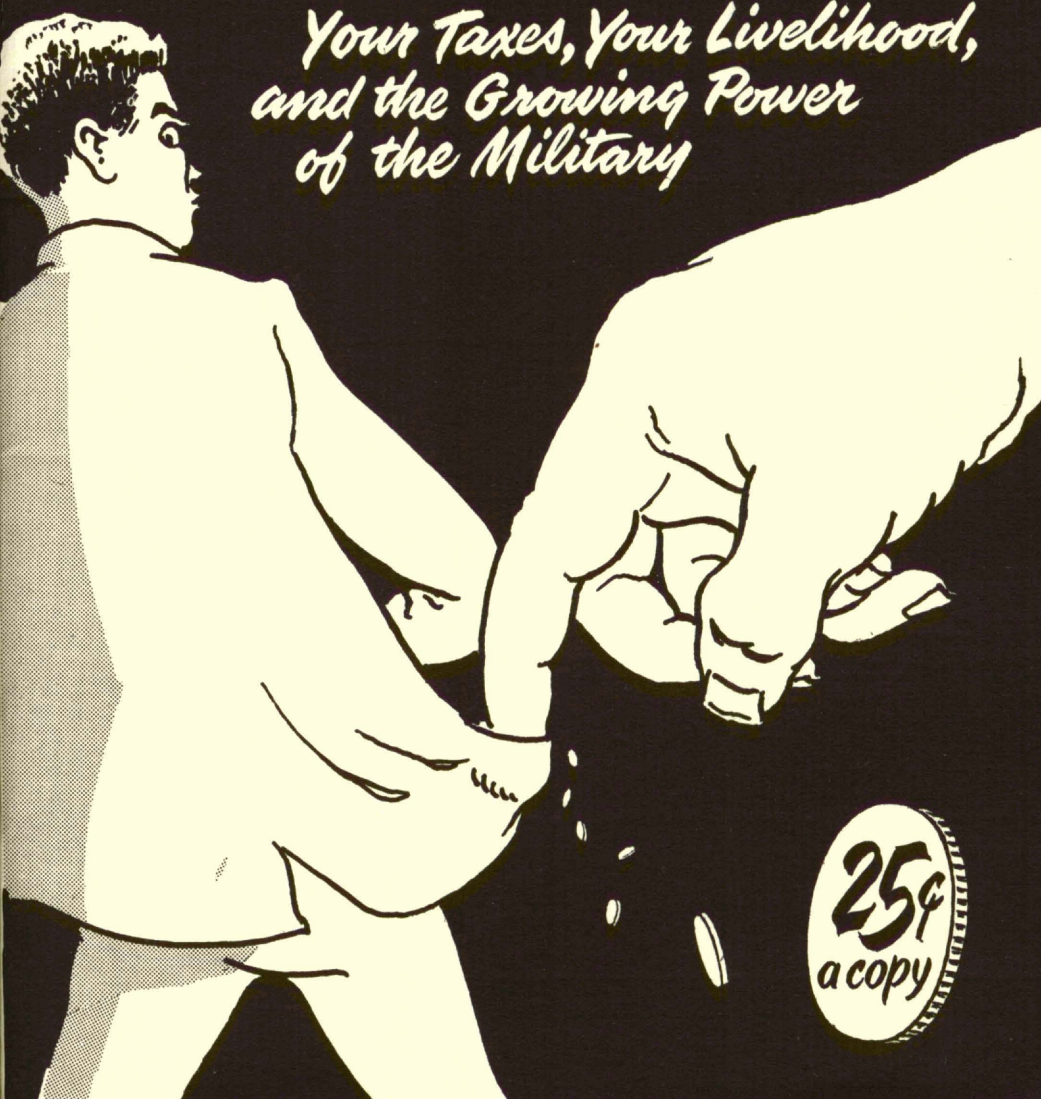
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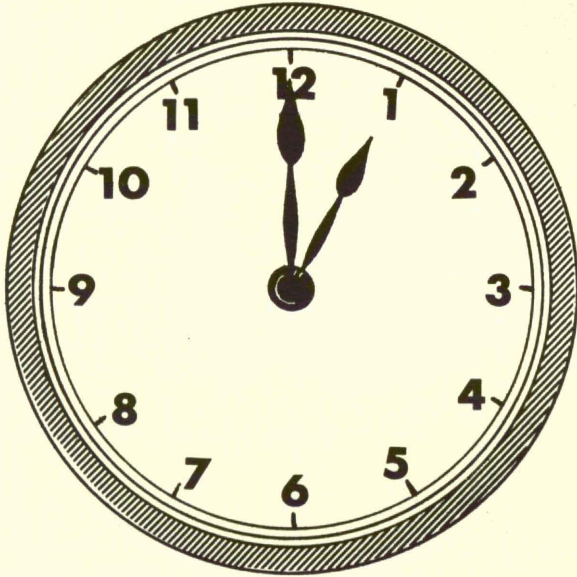
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# THE BIG HAND IN YOUR POCKET!

*Your Taxes, Your Livelihood,  
and the Growing Power  
of the Military*



25¢  
a copy



**U.S. Defense Outlays Cost the Taxpayer  
More Than \$5,000,000 Every Hour**

**August 1960**

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**Additional Copies—25 cents each**

Our government is spending tremendous sums every year in the belief that a huge military establishment is the best hope of preserving world peace. The editors of this pamphlet hold that peace is more likely to be achieved by a greatly increased effort for world disarmament, a strengthened United Nations under developing world law, and a concerted international effort for economic development.

But even for the reader who does not share the editors' assumptions, the facts presented here suggest the need for a sober look at the growing influence of the military establishment on our political and economic freedoms.

As then Secretary of Defense Charles E. Wilson told a House Subcommittee January 20, 1957:

*"I have said to a number of my friends that one of the serious things about this defense business is that so many Americans are getting a vested interest in it; properties, business, jobs, employment, votes, opportunities for promotion and advancement, bigger salaries for scientists, and all that. It is a troublesome business."*

As the world seeks ways of moving toward disarmament, it will need to study the problems involved in shifting to a non-military economy. We hope this pamphlet will provide some background information on these problems.

# **THIS BOOKLET DOCUMENTS THE FOLLOWING FACTS:**

## **I. COSTS OF U.S. MILITARY ESTABLISHMENT**

- Expenditures for Military Purposes Total 58% of Federal Budget
- Estimated Defense Expenditures for Fiscal 1961 are 400 Times Anticipated U.S. Contributions to the UN
- U.S. Disarmament Expenditures are Only a Tiny Fraction of Military Expenditures
- 65% of Proposed Foreign Aid Programs for Fiscal 1961 is Military and Defense Related
- 27.2% of U.S. Military Aid, 1950-60, Went to Underdeveloped Countries
- World Arms Expenditures Are Estimated at About 83% of Income of Underdeveloped Nations
- U.S. Defense Expenditures, Per Capita, are More Than Double the Per Capita Income of the People in the Underdeveloped World
- Diversion of Resources to Military Activities Impedes Social Progress in Industrial, as well as Underdeveloped World

## **II. PERSONS DEPENDENT IN WHOLE OR IN PART ON U.S. MILITARY EXPENDITURES**

- About 9-10% of the U.S. Labor Force Depends Upon Defense Expenditures for a Livelihood
- The Number of Servicemen and Civilians Working for Defense Agencies is Almost Three Times the Number Employed by All Other Agencies of the Federal Government

## **III. IMPACT OF THE MILITARY ON U.S. ECONOMY**

- Military Expenditures of the Department of Defense Alone Constitute About 9% of Gross National Product
- Department of Defense Expenditures for Procurement, etc., Total More Than \$19 Billion Annually
- Some Companies and Areas Are Heavily Dependent Upon Defense Expenditures
- Competition for Military Contracts and Installations is Keen
- Many Armed Service Personnel "Retire" to Defense Industries
- Many Defense Industries Receive Federal Aid in Addition to Contracts
- Defense Shares Survive International Crises Better Than Most Stocks
- Nearly 84% of Federal Research Expenditures in 1961 Will Go For National Security Purposes
- Nearly 24% of Federal Public Works in 1961 Will Be Defense Related
- The Social Costs of Defense Expenditures Are Great
- Waste is Extensive in the Defense Establishment

#### **IV. MILITARY PROPERTY AND BASES**

- Property Held by Defense Agencies is Valued at Almost \$170 Billions
- The Defense Department Controlled 31.3 Million Acres on June 30, 1959
- Defense Department Holdings are Larger Than Seven States Combined
- The Department of Defense Owns 3,553 Military Installations in the United States

#### **V. VETERANS**

- Veterans, Dependents and Survivors Constitute 45% of U.S. Population
- Veterans and Their Dependents Receive Many Benefits
- The Veterans Administration and its Predecessor Agencies Had Spent More Than \$99 Billion on Veterans Programs by June 30, 1959
- Preliminary Estimated Outlay by the Veterans Administration in Fiscal 1960, is About \$5,250,000,000

#### **VI. FOOTNOTES**

# I. COSTS OF U.S. MILITARY ESTABLISHMENT

## 1. Expenditures for Military Purposes Total 58% of the Federal Budget.

Expenditures for U.S. military programs and defense related activities at home and abroad in the fiscal year ending June 30, 1961, are estimated at \$46.4 billion, or 58% of the Federal Budget.

If the cost of veterans benefits and interest on the national debt is added to this grouping, the percentage of Federal expenditures devoted to defense activities and past wars will total 76.9% in fiscal 1961. Such a grouping can be justified, since most of the \$286.3 billion national debt is war created: \$270.4 billions was accumulated during the war years—fiscal years 1917-1919, 1939-1946, 1950-1954—and only \$25 billions of this wartime total has been paid off in peacetime.

### EXPENDITURES FOR NATIONAL DEFENSE, FISCAL YEARS ENDING JUNE 30, 1959 and 1961<sup>1</sup>

Major National Security Programs	Fiscal 1959	Fiscal 1961 Estimates <sup>2</sup>
Department of Defense—Military Functions .....	\$41,233,000,000	\$40,995,000,000
Mutual Security Program—Military Aid .....	2,340,000,000	1,750,000,000
Mutual Security Program—Defense Support <sup>3</sup> .....	881,000,000	730,000,000
Atomic Energy Commission (includes some non-military expenditures) .....	2,541,000,000	2,689,000,000
Stockpiling and Defense Production Expansion .....	312,000,000	134,000,000
National Security Council, Selective Service System, and Civil Defense .....	77,000,000	101,000,000
<b>TOTAL CURRENT MILITARY AND CIVIL DEFENSE PROGRAMS .....</b>	<b>47,384,000,000</b>	<b>46,399,000,000</b>
<b>Related Expenditures</b>		
Veterans Services and Benefits .....	5,174,000,000	5,471,000,000
Interest on the Public Debt, which is largely war created .....	7,593,000,000	9,500,000,000
<b>TOTAL RELATED EXPENDITURES .....</b>	<b>12,767,000,000</b>	<b>14,971,000,000</b>
<b>TOTAL FEDERAL EXPENDITURES .....</b>	<b>\$80,697,000,000</b>	<b>\$79,816,000,000</b>
% of Total used for Military Purposes .....	58.7%	58.1%
% of Total allocated to Military Purposes and Past Wars .....	74.5	76.9

## 2. Estimated Defense Expenditures for Fiscal 1961 are 400 Times Anticipated U.S. Contributions to the United Nations, UN Specialized Agencies and Special Programs in Calendar 1960.

U.S. expenditures for current defense programs average more than \$250 per capita per year, whereas contributions to all UN programs come to less than 65¢ per capita.

**U.S. CONTRIBUTIONS TO UN AGENCY OR PROGRAM, CALENDAR 1960**

	<b>Calendar Year 1960 <sup>4</sup></b>	
<u>Assessed Budgets</u>	<b>Estimated U.S. Contribution</b>	<b>Per Capita Cost</b>
United Nations .....	\$ 19,269,332	\$ .1075
Food and Agriculture Organization .....	2,999,210	.0167
Intergovernmental Maritime Consultative Organization .....	49,776	.0003
International Civil Aviation Organization (ICAO) .....	1,349,255	.0075
International Labor Organization .....	1,975,364	.0110
International Telecommunication Union .....	225,000	.0013
UN Educational, Scientific and Cultural Organization .....	3,832,952	.0214
Universal Postal Union .....	26,238	.0001
World Health Organization .....	5,355,110	.0299
World Meteorological Organization .....	125,918	.0007
Subtotal .....	35,208,155	.1964
<b>United Nations Emergency Force .....</b>	<b>9,697,064</b>	<b>.0541</b>
	<b>Special Voluntary Programs</b>	
ICAO Joint Support Program .....	740,253	.0041
UN Children's Fund .....	12,000,000	.0669
UN Expanded Technical Assistance Program .....	14,295,659	.0798
UN High Commissioner for Refugees .....	2,310,000	.0129
UN Relief and Works Agency .....	23,000,000	.1283
UN Special Fund .....	15,000,000	.0837
UN World Health Organization: Community Water, Malaria Eradication, Medical Research .....	3,800,000	.0212
Subtotal .....	71,145,912	.3969
<b>TOTAL .....</b>	<b>\$116,051,131</b>	<b>\$ .6474</b>

United States Population as of  
January 1, 1960—179,245,000

**3. U.S. Disarmament Expenditures Are Only a Tiny Fraction of Military Expenditures.**

**EXPENDITURES FOR DISARMAMENT ACTIVITIES, FISCAL YEARS, 1960, 1961**

	<u>U.S. Agency</u>	<u>Fiscal 1960</u>	<u>Fiscal 1961 Estimates</u>
Department of State <sup>5</sup> .....		\$ 450,000	\$ 951,000
Atomic Energy Commission (research on nuclear test detection) <sup>6</sup> .....		7,400,000	32,500,000
Senate Subcommittee on Disarmament (for years beginning January 31, 1959 and January 31, 1960) <sup>7</sup> .....		34,389	48,000
Department of Defense .....		Information not Available	

The U.S. disarmament effort is carried on by the following: An ambassador and a limited staff assigned to the Geneva negotiations on ending nuclear weapons tests; a State Department staff of about 34 people (assigned to the Special Assistant for Disarmament and Atomic Energy); about 4 professionals and 3 secretaries in the Office of Disarmament and UN affairs, under the Assistant Secretary of Defense for International Security Affairs; another 8 professionals in the Office of Special Assistant to the Joint Chiefs of Staff for Disarmament Affairs. Each military service also assigns one to two



people to disarmament problems. The Atomic Energy Commission has no special staff assigned to disarmament matters. The Senate Subcommittee on Disarmament has 3 staff members. The Special Assistant to the President for Science and Technology authorizes special studies on disarmament; these studies have been carried out largely by scientists working on a part-time basis.

Many groups, including the National Planning Association (NPA), the Stanford Research Institute and the Democratic National Convention, have called for more research and planning for disarmament. Last July, the Committee on Security Through Arms Control of the NPA reported that: "During the 15 years since the close of World War II, the U.S. government has not developed a sufficient corps of professional experts in the arms control field; it has not even evolved fundamental policy objectives. On the contrary, the record indicates that we have gone into each successive disarmament conference with positions hastily and often superficially prepared."<sup>8</sup>



#### **4. 65% of Proposed Foreign Aid Programs for Fiscal 1961 is Military and Defense Related.**

Last February, the President asked Congress for \$4,175 million for the Mutual Security Program for fiscal year 1961.

This request included \$2 billion for military assistance to help 41 allies maintain 5 million men under arms.<sup>9</sup> It also included \$724 million for "defense support" or economic aid to help 12 countries maintain extensive military establishments which their own economies could not support ". . . without incurring economic instability or inviting serious internal morale problems." More than one half of the 1961 request is programmed for South Korea, Taiwan, and South Vietnam. According to the Department of State, ". . . together these three countries maintain nearly a million and a half men under arms, or about 60% of the armed strength of the United States or Communist China. But their collective population is only one-fourth that of the United States and less than one-tenth that of Communist China. Even more striking, their total annual income is only about 1% of that of the United States."<sup>10</sup>

#### **5. 27.2% of U.S. Military Aid, 1950-1960, Went to Underdeveloped Countries.<sup>11</sup>**

When the Mutual Security Bill was debated in April, Senator Frank Church of Idaho, said: "We are already dispensing weapons in Africa . . . the pro-

gram is not large in Africa yet, but the administration proposes to increase it 50% next year over what it was last year. I cannot conceive of a continent that needs an arms race less than does Africa . . . We have been pouring lavish amounts of money into countries like Pakistan and Iran. We have been maintaining Armed Forces in those countries that are many times larger than necessary to maintain internal order; and yet these very forces would be of little consequence, by our own admission, against Russian attack . . . This is a mischievous policy. It is mischievous because these military machines have a capability only of fighting one another . . . We have fostered the development of forces so large in these countries that they are beyond the capacity of the impoverished economies of these lands to sustain them, and so to support the investment of American moneys in the armies, we have to add additional millions of dollars of American money to support the overburdened economies. This completes the circle. It makes a perfect zero." <sup>12</sup>

According to Senator Wayne Morse, Oregon, ". . . there are many causes for the deterioration of American-Latin American relations; but . . . the most important cause . . . is American military aid to Latin America . . . so much of our military aid in Latin America has been used, and is being used, to strengthen regimes of very questionable character . . ." <sup>13</sup>

#### DELIVERIES OF U.S. MILITARY AID, FISCAL YEARS 1950-1960 <sup>14</sup>

Africa .....				\$	46,884,000
Ethiopia .....	\$	37,254,000	Sudan .....	\$	3,000
Liberia .....		1,336,000	Tunisia .....		5,047,000
Libya .....		2,299,000	Classified and multi-		
Morocco .....		736,000	country programs .....		209,000
Europe .....					\$13,461,951,000
Belgium .....	\$	1,179,474,000	Norway .....	\$	661,085,000
Denmark .....		493,474,000	Portugal .....		292,067,000
France .....		4,450,954,000	Spain .....		374,236,000
Germany .....		918,451,000	United Kingdom .....		1,084,328,000
Italy .....		1,984,823,000	Yugoslavia .....		724,168,000
Luxembourg .....		8,275,000	Classified and multi-		
Netherlands .....		1,151,333,000	country programs .....		139,283,000
Far East .....					\$ 6,093,571,000
Australia .....	\$	32,500,000	Taiwan .....	\$	1,995,639,000
Cambodia .....		70,149,000	Thailand .....		306,143,000
Indochina .....		716,014,000	Vietnam (South) .....		498,663,000
Japan .....		621,745,000	Classified and multi-		
Korea (South) .....		1,316,726,000	country programs,		
New Zealand (new in fiscal 1961)			including ship-		
Philippines .....		241,192,000	ments to Laos .....		294,800,000
Latin America .....					\$ 417,772,000
Argentina .....	\$	223,000	Haiti .....	\$	1,802,000
Brazil .....		171,775,000	Honduras .....		880,000
Chile .....		49,681,000	Mexico .....		4,153,000
Colombia .....		30,998,000	Nicaragua .....		1,376,000
Costa Rica .....		9,000	Paraguay .....		308,000
Cuba .....		15,943,000	Peru .....		52,102,000
Dominican Republic .....		8,291,000	Uruguay .....		24,640,000
Ecuador .....		20,408,000	Venezuela .....		30,665,000
El Salvador .....		69,000	Classified and multi-		
Guatemala .....		1,248,000	country programs .....		3,201,000

Near East and South Asia .....				\$ 3,673,736,000
Greece .....	\$ 974,199,000	Turkey .....	\$ 1,682,710,000	
Iran .....	428,057,000	Classified and multi-		
Iraq .....	49,761,000	country programs,		
Israel .....	903,000	including ship-		
Jordan .....	13,284,000	ments to Pakistan,		
Lebanon .....	7,662,000	Saudi Arabia .....	517,160,000	
Nonregional—Includes administrative expenses, NATO maintenance supply, and other miscellaneous non-regional programs .....				1,699,200,000
TOTAL DELIVERIES .....				\$25,393,114,000
DELIVERIES TO UNDERDEVELOPED COUNTRIES .....				6,920,809,000

## 6. World Arms Expenditures are Estimated at About 83% of Income of Underdeveloped Nations.

World-wide statistics are still somewhat imprecise. And comparing income data for one year with military expenditures for a later period can only give an approximate relationship, but the following figures do indicate the way in which the world allocates its resources:

In 1957, the 1¼ billion inhabitants of 100 countries and territories of the underdeveloped world received an estimated income of around \$120 billion, or about \$100 per person. In some countries, the average was considerably higher, but in others, and these are by far the largest, the rate was much lower—in India and Pakistan it was around \$60 to \$70 per year.<sup>15</sup>

In 1960, the world is spending “not less than \$100 billion per annum” on the arms race.<sup>16</sup>



## 7. U.S. Defense Expenditures, Per Capita, Are More Than Double the Per Capita Income of the People in the Underdeveloped World.

The United States is spending \$46.4 billion a year for military defense, or more than \$250 per capita. The average annual income of people in the underdeveloped world, however, is about \$100.

Paul Hoffman tells us that if the per capita income of the underdeveloped nations is to rise to \$125 per year by 1970, the industrial world must expand its current investment in Africa, Asia and Latin America by \$30 billion over the next 10 years.<sup>17</sup>

In calendar 1959, the U.S. Government allocated about \$4 billion to international lending agencies and to multilateral and bilateral relief and economic aid to many countries around the world, including some industrial areas.<sup>18</sup> U.S. direct private investment in the less developed countries averages about \$480 millions annually.<sup>17</sup>

### 8. Diversion of Resources to Military Activities Impedes Social Progress in Industrial, as Well as Underdeveloped World.

“In terms of money this burden (arms race) as of 1960 amounts to not less than \$100 billion per annum, while in terms of human energy it means the full-time employment in the armed forces of some 15 million men and of not less than 30 million civilians in the manufacture of arms and other military activities . . . In the United States the resulting cost of about \$46 billion per annum in 1960-61 absorbs more than half of the total Federal budget and about 9% of the Gross National Product, while in the Soviet Union the proportion of the national product devoted to military purposes is even higher . . . Even in so affluent a country as the United States, the vast military expenditure holds back such urgent needs as the improvement of education and of medical care for lower-income people, urban renewal and the conservation of natural resources.”<sup>19</sup>

## II. PERSONS DEPENDENT IN WHOLE OR IN PART ON U.S. MILITARY EXPENDITURES

### 1. About 9-10% of the U.S. Labor Force Depends Upon Defense Expenditures for a Livelihood:

Planned Strength of the Army, Navy, Marines and Air Corps, June 1960 <sup>20</sup> .....	2,489,000
Civilians Employed by Defense Department and Other Defense Agencies, June 1960 <sup>21</sup> .....	<u>1,062,301</u>
FEDERAL EMPLOYEES ENGAGED IN CURRENT DEFENSE ACTIVITIES .....	3,551,301

NUMBER EMPLOYED BY DEFENSE INDUSTRIES. There are no adequate statistics at present on the size of the labor force employed by defense industries. Estimates center around 3 to 3½ to 4 million.<sup>22</sup>

**TOTAL CURRENT DEFENSE EMPLOYMENT.** On the basis of the above data, one can conclude that 6.5 to 7.5 million Americans derive their income from defense expenditures. This is out of a labor force that averages about 72 million persons.

**OTHERS,** in addition to the above, who receive some pay from the Federal defense establishment or work for veterans agencies:

Foreign nationals working on bases abroad, June 1960 <sup>21</sup> .....	177,801
Reserve personnel who receive some pay, planned for June 1960 <sup>23</sup>	1,082,709
Employees of the Veterans Administration, Soldiers Home, American Battle Monuments Commission, June 1960 <sup>21</sup> .....	173,840
<b>TOTAL RELATED EMPLOYMENT</b> .....	<b>1,434,350</b>

## 2. The Number of Servicemen and Civilians Working for Federal Defense Agencies is Almost 3 Times the Number Employed by All Other Agencies of the Federal Government.

Almost 3.6 million people work for Federal defense agencies; only 1.3 million are employed by all other Federal programs, including the Department of State and the Department of Health, Education and Welfare.

Table A.—FULL TIME PERSONNEL IN THE ARMED FORCES <sup>20</sup>

Size of Force Planned for June 30, 1960	Estimated Cost of Personnel, Fiscal 1960
Army .....	\$ 3,468,000,000
Navy .....	2,541,000,000
Marine Corps .....	608,000,000
Air Force .....	3,975,000,000
<b>TOTAL</b> .....	<b>\$10,592,000,000</b>

### Retirement Pay Estimated at \$700,000,000 for Fiscal 1960

This spring a group of social scientists met in Washington to discuss the problems of the comparatively young men who are now retiring from the military services. According to Robert T. Bower, director of the Bureau of Social Science Research, “. . . we can safely predict that starting this year there will be a marked increase in the numbers retiring from military service until, within a few years, we will have over a million retired officers and men.” The average age of these people will be in the low 40's; their military retirement pay will cost the nation more than \$1 billion a year by 1964.<sup>24</sup>

Table B.—RESERVE STRENGTH

Reserve Strength, Paid and Unpaid, Planned for June 30, 1960 <sup>25</sup>	Estimated Cost of Reserves, Fiscal 1960 <sup>20</sup>
Army .....	\$230,000,000
Navy .....	85,000,000
Marine .....	24,200,000
Air Force .....	51,000,000
National Guard .....	277,000,000
<b>TOTAL</b> .....	<b>\$667,200,000</b>

The cost of reserves includes the cost of reserve officers training for 325,440 students in the Army, Navy, and Air Force ROTC and 2,243 Marine officer candidates. This ROTC training is given at 233 colleges and 289 high schools by the Army; Navy training at 53 colleges; and Air Force training at 175 colleges.

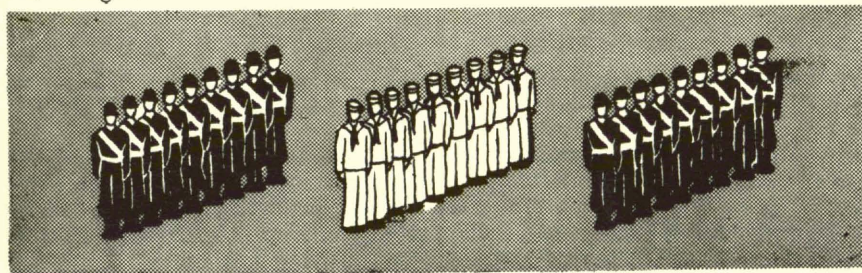


Table C.—CIVILIAN PERSONNEL IN DEFENSE AGENCIES <sup>21</sup>

	<u>Number Employed as of June 1960</u>	<u>Cost of Personnel for Fiscal 1960</u>
Department of Defense .....	1,047,217	\$5,754,960,000
Other Defense Agencies .....	15,084	86,016,000
<b>TOTAL CURRENT DEFENSE EMPLOYMENT .....</b>	<b>1,062,301</b>	<b>\$5,840,976,000</b>

Table D.—CIVILIAN PERSONNEL IN RELATED AGENCIES <sup>21</sup>

	<u>Number Employed as of June 1960</u>	<u>Cost of Personnel for Fiscal 1960</u>
Veterans Administration, Soldiers Home, American Battle Monuments .....	173,840	\$814,295,000
Foreign Nationals servicing U.S. Forces overseas .....	177,801	269,135,000
<b>TOTAL RELATED EMPLOYMENT .....</b>	<b>351,641</b>	<b>\$1,083,430,000</b>

### III. IMPACT OF THE MILITARY ON U.S. ECONOMY

According to Senator Philip A. Hart of Michigan, “. . . defense spending contains within it the capacity to produce both dislocation and prosperity, to bring about both labor surpluses and labor shortages, to foster both the growth and decline of all American enterprise.” <sup>26</sup>

Defense spending has been consciously used to accelerate economic recovery. Contracts may be channeled into distressed labor areas when the Secretary of Labor determines that there is widespread unemployment. In addition, the Office of Civil Defense Mobilization can offer incentives to defense contractors who locate their plants in surplus-labor areas.

During the 1957-58 recession, defense contracts were let at an accelerated rate and the President asked military departments to award more contracts in labor-surplus areas.<sup>27</sup> In March 1958, Congress passed a resolution favoring the acceleration of military construction programs in order to reduce unemployment.

## 1. Military Expenditures of the Department of Defense Alone Constitute About 9% of Gross National Product.<sup>28</sup>

According to a Joint Economic Subcommittee, "The increase in our defense expenditures as compared with the growth in our gross national product over the 20 years, 1939 to 1959, presents a startling picture." During that period the gross national product increased 411%; Department of Defense expenditures increased 3,333%.

EXPENDITURES FOR DEPARTMENT OF DEFENSE MILITARY FUNCTIONS AS A PERCENTAGE OF GROSS NATIONAL PRODUCT, FISCAL YEARS 1939-1959  
(in billions of dollars)

Year	GNP	% of GNP	Year	GNP	% of GNP	Year	GNP	% of GNP
1939	\$ 91.1	1.3	1947	\$234.3	5.9	1955	\$397.5	8.9
1940	100.6	1.5	1948	259.4	4.3	1956	419.2	8.5
1941	125.8	4.8	1949	258.1	4.6	1957	442.5	8.7
1942	159.1	14.8	1950	284.6	4.2	1958	441.7	8.9
1943	192.5	32.8	1951	329.0	6.0	1959	478.8	8.6
1944	211.4	36.0	1952	342.0	11.2			
1945	213.6	37.4	1953	365.4	12.0			
1946	210.7	19.9	1954	363.1	11.1			

The above percentages are minimal, since they are based on Department of Defense expenditures alone. When expenditures by the Atomic Energy Commission, the military aid and defense support programs, and the stockpiling and defense production program are included, the percentage of the gross national product devoted to *major national security programs in fiscal 1959 totaled 9.9%*.

## 2. Department of Defense Expenditures for Procurement, Construction, and Research are Estimated At \$19.1 Billion for Fiscal 1961. Additional Billions Will Be Spent On Department of Defense Maintenance Programs, and Procurement by the Atomic Energy Commission, the Military Assistance Program and Other Defense Related Agencies.<sup>29</sup>

Department of Defense	Fiscal 1959	Fiscal 1961 Estimates
Procurement of Aircraft, Missiles, etc. ....	\$12,542,700,000	\$12,022,200,000
Construction .....	1,941,630,000	1,354,060,000
Research and Development .....	4,949,751,000	5,729,535,000
TOTAL .....	\$19,434,081,000	\$19,105,795,000

In its discussion of procurement, the Joint Economic Subcommittee says: "Of the moneys spent by the Federal Government for procurement in fiscal

year 1959, more than 75% was spent by the Department of Defense, 2 percent was spent on defense related items (atomic energy and stockpiling), and less than 23% for the remaining procurement needs of the Government. Annual expenditures for defense procurement are twice as large as total net farm income of the Nation in 1959; almost twice as large as the total U. S. expenditure for public education; almost 45% larger than the total revenue received from Federal corporate income taxes in fiscal year 1959.”<sup>30</sup>

### 3. Some Companies and Areas Are Heavily Dependent Upon Defense Expenditures.

- The Government buys 80% of all aircraft, missiles, and space vehicles manufactured in the United States.<sup>31</sup> Boeing Airplane Co., for example, is dependent upon the Government for 99.6% of its sales.<sup>32</sup>
- Work on missiles accounts for 25% of total manufacturing employment in San Diego and San Jose, California.<sup>33</sup> More than 12% of the total work force in metropolitan Los Angeles and Orange County are directly engaged in defense contract work. Many additional workers are employed by defense subcontractors.<sup>34</sup>

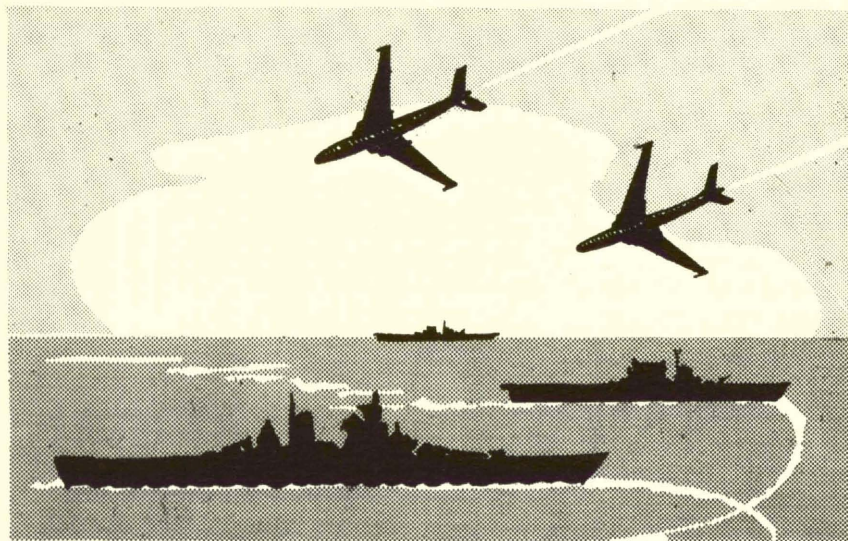
Table A.—TWENTY LEADING RECIPIENTS OF MILITARY SUPPLY, SERVICE AND CONSTRUCTION CONTRACTS AWARDED BY THE DEPARTMENT OF DEFENSE, FISCAL 1959<sup>35</sup>

Rank	Company	Value of Contracts	Percent of U.S. Total
1	General Dynamics Corp. ....	\$ 1,616,400,000	7.2%
2	Boeing Airplane Co. ....	1,166,500,000	5.2
3	North American Aviation, Inc. ....	1,018,100,000	4.5
4	General Electric Co. ....	914,000,000	4.1
5	Lockheed Aircraft Corp. ....	898,500,000	4.0
6	Douglas Aircraft Co. ....	676,400,000	3.0
7	United Aircraft Corp. ....	538,200,000	2.4
8	The Martin Co. ....	524,000,000	2.3
9	Hughes Aircraft Co. ....	494,000,000	2.2
10	American Telephone and Telegraph Co. ....	476,500,000	2.1
11	McDonnell Aircraft Corp. ....	403,500,000	1.8
12	Sperry Rand Corp. ....	403,200,000	1.8
13	Raytheon Mfg. Co. ....	392,600,000	1.7
14	Chrysler Corp. ....	323,200,000	1.4
15	Grumman Aircraft Engineering Corp. ....	300,200,000	1.3
16	Republic Aviation Corp. ....	280,500,000	1.2
17	International Business Machines Corp. ....	276,900,000	1.2
18	Bendix Aviation Corp. ....	271,300,000	1.2
19	Westinghouse Electric Corp. ....	238,000,000	1.1
20	General Motors Corp. ....	210,700,000	.9
	TOTAL contracts awarded to 20 leading companies .....	11,422,700,000	50.6
	U.S. TOTAL .....	\$22,591,800,000	100.0%



Table B.—MILITARY PRIME CONTRACTS AWARDED BY THE DEPARTMENT OF DEFENSE FOR SUPPLIES, SERVICES AND CONSTRUCTION, BY STATES, FISCAL 1959<sup>36</sup>

State	Percent	State	Percent	State	Percent
Alabama .....	.6	Kentucky .....	.2	North Dakota .....	.1
Alaska .....	.6	Louisiana .....	.7	Ohio .....	4.7
Arizona .....	1.1	Maine .....	.5	Oklahoma.....	.6
Arkansas .....	.1	Maryland .....	2.3	Oregon .....	.1
California .....	24.0	Massachusetts .....	5.2	Pennsylvania .....	3.1
Colorado .....	1.1	Michigan .....	3.6	Rhode Island .....	.1
Connecticut .....	4.2	Minnesota .....	1.1	South Carolina .....	.2
Delaware .....	.3	Mississippi .....	.4	South Dakota .....	.1
Dis. of Col. ....	.4	Missouri .....	2.6	Tennessee .....	.5
Florida .....	1.8	Montana .....	.1	Texas .....	5.9
Georgia .....	1.2	Nebraska .....	.3	Utah .....	.8
Hawaii .....	.2	Nevada .....	.1	Vermont .....	.1
Idaho .....	0.0	New Hampshire .....	.2	Virginia .....	1.3
Illinois .....	2.2	New Jersey .....	4.2	Washington .....	4.4
Indiana .....	1.8	New Mexico .....	.3	West Virginia .....	.4
Iowa .....	.7	New York .....	11.0	Wisconsin .....	.8
Kansas .....	2.0	North Carolina .....	1.5	Wyoming .....	.2



“In addition to military contracts, the military installations in the U.S. account for a Government military and civilian payroll of about \$11 billion a year. This payroll alone is equal to 1½ times the combined payrolls of the iron and steel industry and of all other basic metal producers. It is more than double the payrolls of the automobile industry. In California, the military payroll is about equal to the payrolls of the aircraft industry. In Virginia, the Government is spending about 75 cents in military pay for every dollar the manufacturers of the State pay their employees. In Texas, the military payroll is equal to about 40 percent of the wages and salaries paid by manufacturers.”<sup>37</sup>

Table C.—NUMBER AND PAYROLL OF DEPARTMENT OF DEFENSE MILITARY AND CIVILIAN PERSONNEL STATIONED IN THE UNITED STATES, BY STATES <sup>38</sup>

State	Active Duty Military Personnel		Civilian Employees	
	Number, June 30, 1959	Estimated annual pay and allowances	Number, June 30, 1959	Estimated annual pay- roll
Alabama.....	22,723	86,626,000	38,950	208,720,000
Alaska.....	32,033	124,022,000	6,373	43,320,000
Arizona.....	21,269	83,873,000	7,176	38,552,000
Arkansas.....	10,557	42,134,000	3,764	20,346,000
California.....	208,827	756,860,000	143,329	780,373,000
Colorado.....	28,431	110,658,000	14,477	77,443,000
Connecticut.....	5,513	19,943,000	2,394	13,139,000
Delaware.....	7,198	30,064,000	1,512	8,056,000
District of Columbia.....	19,724	73,456,000	34,316	188,037,000
Florida.....	62,595	248,252,000	25,113	136,687,000
Georgia.....	69,823	258,928,000	33,511	179,627,000
Hawaii.....	37,536	133,195,000	18,895	123,841,000
Idaho.....	4,747	19,560,000	720	3,891,000
Illinois.....	45,171	169,996,000	29,284	158,650,000
Indiana.....	8,006	31,472,000	11,025	60,109,000
Iowa.....	1,987	8,045,000	522	2,807,000
Kansas.....	34,875	135,205,000	6,504	34,826,000
Kentucky.....	43,988	156,074,000	12,077	65,604,000
Louisiana.....	21,932	89,790,000	7,110	38,471,000
Maine.....	13,022	53,559,000	1,921	10,325,000
Maryland.....	47,378	173,765,000	41,075	223,710,000
Massachusetts.....	36,732	142,589,000	25,492	138,761,000
Michigan.....	12,828	50,898,000	9,645	52,062,000
Minnesota.....	4,756	19,123,000	1,752	9,423,000
Mississippi.....	21,728	90,915,000	6,025	32,254,000
Missouri.....	29,704	110,772,000	15,032	80,908,000
Montana.....	6,070	25,371,000	718	3,668,000
Nebraska.....	14,554	60,773,000	4,212	22,659,000
Nevada.....	7,146	28,858,000	2,847	15,346,000
New Hampshire.....	9,007	36,408,000	8,866	48,808,000
New Jersey.....	42,940	158,068,000	26,458	141,701,000
New Mexico.....	23,982	95,410,000	11,259	60,511,000
New York.....	40,231	155,611,000	55,128	299,629,000
North Carolina.....	73,434	247,757,000	10,225	55,944,000
North Dakota.....	2,960	12,364,000	676	3,634,000
Ohio.....	19,317	78,981,000	39,573	211,370,000
Oklahoma.....	31,052	118,148,000	25,423	135,211,000
Oregon.....	4,799	19,298,000	3,715	20,102,000
Pennsylvania.....	15,760	57,122,000	69,027	375,541,000
Rhode Island.....	7,087	25,344,000	8,613	47,519,000
South Carolina.....	48,687	182,035,000	14,248	77,914,000
South Dakota.....	7,050	29,139,000	1,519	8,168,000
Tennessee.....	19,218	71,366,000	8,065	43,396,000
Texas.....	160,721	630,200,000	58,901	314,656,000
Utah.....	3,207	12,579,000	17,844	95,387,000
Vermont.....	1,510	6,276,000	275	1,464,000
Virginia.....	85,637	307,354,000	77,596	427,842,000
Washington.....	48,969	185,219,000	26,063	142,355,000
West Virginia.....	651	2,496,000	1,127	6,136,000
Wisconsin.....	5,079	20,196,000	2,043	10,979,000
Wyoming.....	1,726	7,211,000	765	4,060,000
In transit.....	29,130	99,935,000	195	1,056,000
U.S. TOTAL.....	1,563,007	\$5,893,293,000	973,375	\$5,304,998,000

This table does not include the number or payroll of persons stationed overseas in either a military or civilian capacity. Since U.S. armed forces are estimated at 2.5 million, the above figures would indicate that more than 900,000 soldiers and sailors are assigned to fleet units or stationed at overseas bases.

Table C also omits persons directly employed on military construction. "Contracts for military construction are running at a current rate of about \$1.4 billion a year, with California accounting for about 14 percent; New York, about 7 percent; and Texas, nearly 6 percent. Much of the expenditure for construction is for local labor and materials."<sup>39</sup>

#### **4. Competition for Military Contracts and Installations is Keen.**

Many segments of U.S. society are competing for the defense dollar. There is inter-service, inter-regional, and inter-company competition. Industries and localities tend to react violently when defense contracts are cut back or military installations closed.

##### **California vs. Other States**

- Several Congressional delegations have expressed alarm over the high proportion of defense contracts negotiated with California firms. In 1959 the whole New York delegation introduced legislation to increase the number of contracts allocated by competitive bidding. In introducing this legislation, Senator Javits referred to the rapid upswing in awards to California, and noted that New York taxpayers are contributing more to the Federal budget than California taxpayers, and getting fewer defense dollars in return.<sup>40</sup>

- After Senate and House conferees voted against an \$11 million appropriation for the construction of 11 jet airplanes by the Fairchild Corporation of Hagerstown, Maryland, Senator Butler of Maryland, told the Senate that, "I intend to press for a full and complete investigation of this policy of California first and foremost until I am completely satisfied that performance, and not influence from former generals and admirals on the boards of California companies, is responsible for the consistent winning of contracts by those golden-plated State firms."<sup>41</sup>

- Californians, on the other hand, have been fighting to retain contracts. The January 20, 1959, Santa Monica, California *Evening Outlook* carried an editorial complaining that because of the high level of unemployment in Washington State, Boeing Co. had "... secured more than one big defense contract, which should rightfully have gone to Douglas ... Union members working at the Santa Monica and El Segundo plants (of Douglas) have written nearly 3,000 letters to Congress. ... And the Santa Monica Chamber of Commerce has addressed a strong appeal to the U.S. Air Force that the Douglas Co. be given favorable consideration in the forthcoming award of a big defense contract for early warning and interceptor aircraft. Representatives of Southern California in Washington, notably Congressman Donald L. Jackson and Senators Kuchel and Engle, are lending their efforts to con-

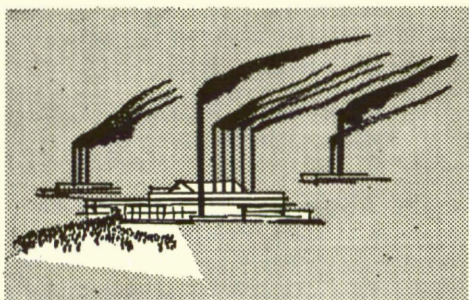
vince Defense Department and Air Force officials that the Douglas Co. must no longer be slighted.”<sup>42</sup>

- In March 1959, Senator Engle told the Western Space Age Conference that, “We in California have had brought home to us . . . what it means when a major defense contract is cancelled . . . We need to take a hard look at this situation to see to what extent such contract cancellation and stretch-outs are a necessary and unavoidable part of our national defense effort.”<sup>43</sup>

### Michigan and Washington, D. C.

- When the Department of Defense decided early in 1960 to cancel a contract with Chrysler Corp., members of the Michigan congressional delegation met with the Secretaries of Army and Defense to protest the decision. Senator Philip A. Hart later told the Senate, “There will be no letup in my efforts to see that new defense contracts are brought into Michigan and the Detroit labor-surplus area.”<sup>44</sup>

- When the Navy announced that production at the Naval Weapons Plant, Washington, D. C. would be phased out by January 1962, congressional representatives from nearby Maryland and Virginia objected; Senator Butler called for an investigation.



The Washington, D. C. Board of Trade wrote a Senate Subcommittee that “. . . the total economic impact . . . on this community of the naval weapons plant is approximately 14,500 jobs having a \$69 million annual payroll income . . . These jobs support approximately 10,000 households and a population of some 25,000. We estimate that total retail sales attributable to the weapons center and supporting employment is about \$45 million a year. These statistics make it clear why this organization is deeply concerned . . .”<sup>45</sup>

### Nike vs. Bomarc

- In the spring of 1959, the Army, the Air Force, Boeing Airplane Co., Western Electric Co. and Douglas Aircraft Co. all became involved in a struggle for appropriations for the development and purchase of two competing anti-aircraft missiles—the Bomarc (an Air Force missile produced by Boeing, Seattle, Wash.) and the Nike-Hercules (an Army missile produced by Western Electric and Douglas in North Carolina). Testimony before a special House subcommittee revealed that Bomarc producers carried their case to the Air Force; to Rep. Magnuson of Washington who arranged for the company to appear before Rep. Mahon, Chairman of the Defense Appropriations Subcommittee of the House; and to Senator Jackson, who according to the Senior Vice-President of Boeing is “. . . a very good Senator . . . who is extremely interested in the defense of the country.” Boeing also ran a series of 4 supportive advertisements in such papers as the *New York*

*Times*, the *Washington Post*, the *Wall Street Journal* and the *Washington Star*.<sup>46</sup>

Nike producers, on the other hand, consulted the Department of Defense, the Army, Governor Hodges of North Carolina, one of the Senators from North Carolina, the local congressman, and members of the Senate Appropriations and Armed Services Committees. They too inserted ads in the *New York Times*, the *Washington Post*, and the *Wall Street Journal*. Western Electric witnesses revealed that the Public Information Office of the Army suggested that Western Electric should advertise the Nike.<sup>47</sup>

The battle is still raging, Rep. Reese of Tennessee argued in April 1960 that the “. . . Army’s efforts have not been directed exclusively toward the defense of our country. . . . The Army actually has no control over the situation . . . the Army has become the captive of industrial forces of great power, particularly Bell Laboratories and Douglas Aircraft.”<sup>48</sup> Rep. Jamie L. Whitten, Mississippi, on the other hand reports that last year “. . . the city of Washington was full of the employees of that company (Boeing) here to influence not only the Defense Department but the Congress. The company obtained the procurement contract. This year what do we find. . . . We find the military itself coming down and scaling down by two-thirds the procurement of that missile.”<sup>49</sup>

### Alaska and Wisconsin

- The Alaska Congressional delegation has recently denounced the abandonment of Ladd Airfield in Alaska as undercutting U.S. defenses. Reference has also been made to the “seriousness of this blow to Alaska” and to its “crippling effect” on the economy of the nearby city of Fairbanks.<sup>50</sup>
- A furor arose in Wisconsin in 1959 when the Air Force announced it was abandoning construction of Bong Air Force Base in Racine and Kenosha counties after spending \$15 million on the proposed \$80 million base. Economy and the switch to missiles were cited as reasons. In the ensuing discussion, Rep. Alvin O’Konski, Wisconsin, said that at least two dozen other military bases in the country should be closed “but political pressure from Senators and Congressmen and the Chambers of Commerce frighten the military authorities from closing them.” He said if these pressures were not applied “. . . taxpayers could save five billion dollars a year.”<sup>51</sup>

### 5. Many Armed Service Personnel “Retire” to Defense Industries.

Last year a Special House Subcommittee was commissioned to investigate the employment of retired military officers by defense industries to see if Pentagon contacts are used to acquire defense contracts. In January, Subcommittee Chairman F. Edward Hébert, Louisiana, told the House that testimony before the subcommittee left “. . . some important questions unanswered: . . . Salaries when measured against the statement of duties performed left me at least not quite satisfied that all of the salaries were associated with pious hard work. The coincidence of increased company business and the employment of retired officers may have been accidental but it left me skeptical.”<sup>52</sup>

The Subcommittee study revealed that 261 generals and admirals and 485 retired officers above the rank of colonel and Navy captain are employed by the companies that manufacture 80 percent of our military weapons systems.<sup>53</sup>

**The top 10 ranking defense contractors in fiscal 1959 employed a wide variety of military personnel as follows:**<sup>54</sup>

*General Dynamics Corporation* has about 186 retired officers on its payroll, including: 1 general, 1 lieutenant general, 5 brigadier generals, 1 vice admiral and 19 rear admirals. The 186 officers receive an average pay of \$770 a month, plus \$400 per month in retired military pay. The Chairman of the Board of General Dynamics is Frank Pace, former Secretary of the Army, 1950-53. General Joseph McNarney is a member of the Board.

*Boeing Airplane Co.* which is almost wholly dependent upon defense contracts, employs 72 retired officers including: 1 major general, 1 brigadier general and 3 rear admirals. The average industry pay of this group is \$750 a month. They also receive \$500 a month in retirement income.

*North American Aviation, Inc.* employs about 92 retired officers including: 1 major general, 1 brigadier general and 6 rear admirals. Their pay averages \$900 per month; their retirement income, \$430 a month.

*General Electric* (defense work represents 24% of their sales) has 26 retired officers on its staff including: 3 major generals and 4 rear admirals. The 26 receive an average pay of \$1,100 per month; an average retirement income of \$500 per month.

*Lockheed Aircraft Corp.* employs 171 retired officers including: 5 brigadier generals, 3 vice admirals and 19 rear admirals. These receive an average pay of \$740 per month; an average retirement income of \$490 per month.

*Douglas Aircraft Co.* employs 1 lieutenant general, 2 brigadier generals, 2 rear admirals and 35 officers of lower rank. These receive \$830 per month plus retirement of \$500 monthly.

*United Aircraft Corp.* employs 24 retired officers including: 1 lieutenant general, 2 brigadier generals, 1 vice admiral and 1 rear admiral. Their industry salaries average \$1,150 per month, retirement pay \$500 a month.

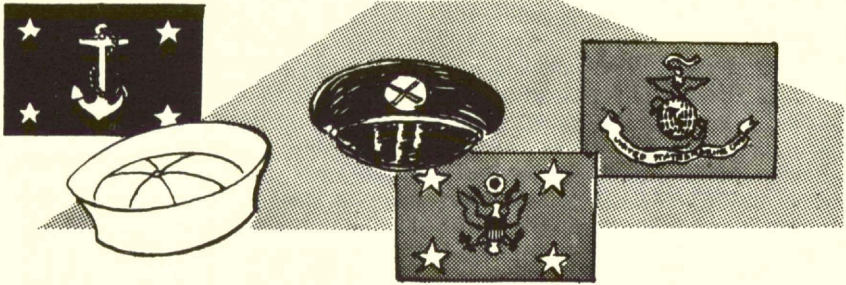
*The Martin Co.*, which is completely dependent on government contracts, has 63 retired officers on its payroll, including: 2 major generals, 2 brigadier generals, and 5 rear admirals. These receive an average salary of \$798 a month; retirement pay of \$455 monthly.

*Hughes Aircraft Co.* employs 22 retired officers including: 1 lieutenant general, 2 brigadier generals and 2 rear admirals. These receive an average salary of \$1,070 a month; an average retirement income of \$500 monthly.

*American Telephone and Telegraph Co.* employs only 6 officers of a comparatively low rank.

When officials of *Western Electric*, an *American Telephone and Telegraph Co.* subsidiary, were asked why their company doesn't hire more retired officers,

witnesses replied that Western Electric promotes from within and that this is probably “. . . more possible within our scheme of things since our personnel applied to the defense effort represents only about 15 percent of our total personnel.”



**6. Many Defense Industries Receive Federal Aid, in Addition to Contracts.**

Producers of military hardware are almost uniformly allowed to use Federal plants and immovable equipment free of charge. According to Rep. Carl Vinson, Ga., Boeing’s profit in 1958 was based upon a private investment of \$145 million and \$245 million of Government facilities; Douglas’ profit was based upon a private capital investment of \$123 million and a gross Government investment of \$215 million. That same year Lockheed had a private capital investment of \$129 million and a Government investment of \$130 million; North American’s private investment was \$90 million; its Government investment \$125 million. The Martin Co. had a private investment of \$81 million, a Government investment of \$79 million.<sup>55</sup>

These companies showed the following profits after taxes in 1959: <sup>56</sup>

Boeing Airplane Co. ....	\$12,435,754
Douglas Aircraft .....	33,822,229
Lockheed Aircraft Corp. ....	8,733,000
North American Aviation Inc. ....	30,726,134
The Martin Co. ....	13,336,981

**7. Defense Shares Survive International Crises Better Than Most Stocks.**

• After the collapse of the Summit conference, Rep. Charles A. Vanik, Ohio, called the attention of the House to the “. . . strange paradox that bad news for the world should be such good news for the stock market.” He continued, “The defense group of stocks, aircrafts, missiles, and electronics, as well as steels, took a sharp rise in the trading which was the heaviest in more than a year . . .” <sup>57</sup>

• “From a strictly bread-and-butter point of view, one ‘bright’ result of the summit debacle is that you need not fear any progress on disarmament will undermine your job, shrink your paycheck . . .

"From a stock market point of view, one 'pleasant' angle is that corporations closely connected with production for national defense need not brace themselves against developments which could close their factories, slash their earnings. . . .

"While sanity cries out that we should greet with delight any chance for relief from \$41 billion a year of Pentagon spending, the fact is that every time there has been a suggestion of a major cut, the stock market has gone into a tailspin."<sup>58</sup>

- "Aircraft and missile issues again were in demand and up better than a point. This was a natural reaction to the international tensions resulting from the harsh words flying from Washington and Moscow."<sup>59</sup>

- "Aircraft and missile stocks, benefiting from Wall Street talk of more defense spending, no matter who wins the November election, generally were stronger."<sup>60</sup>

- "The most active list also showed a majority of gainers. Setting the pace was Lionel Corp., up 3 $\frac{3}{8}$  at 34 $\frac{1}{4}$  (another new 1960 high) on turnover of 65,500 shares. The firm has spurred 11 $\frac{1}{4}$  points since last Wednesday, when it named Maj. Gen. John B. Medaris, former army missile chief, as president and investors became more aware of its increasing work in electronics."<sup>61</sup>

### 8. Nearly 84% of Federal Research Expenditures in 1961 Will Go For National Security Purposes.

The Federal Government supports well over half the research and development of the Nation. And over four-fifths of the Federal contribution is directed primarily to national security needs, although the results are frequently of benefit to the civilian economy as well.

#### FEDERAL EXPENDITURES FOR RESEARCH AND DEVELOPMENT, FISCAL YEARS 1959, 1961<sup>62</sup>

Agency	Fiscal 1959	Fiscal 1961 Estimates
Department of Defense .....	\$4,949,751,000	\$5,729,535,000
Mutual Security Program—Military Aid .....	30,855,000	35,100,000
Atomic Energy Commission (includes some non-military expenditures) .....	699,755,000	836,183,000
Defense Production Expansion .....	875,000	169,000
Office of Civil and Defense Mobilization .....	5,003,000	6,530,000
<b>TOTAL CURRENT MILITARY EXPENDITURES .....</b>	<b>\$5,686,239,000</b>	<b>\$6,607,517,000</b>
Related Expenditures:		
Veterans Administration .....	15,970,000	16,344,000
Non-Defense Related Agencies .....	649,602,000	1,251,445,000
<b>TOTAL FEDERAL EXPENDITURES .....</b>	<b>\$6,351,811,000</b>	<b>\$7,875,306,000</b>



## 9. Nearly 24% of Federal Public Works in 1961 Will Be Defense Related.

FEDERAL EXPENDITURES FOR PUBLIC WORKS, FISCAL YEARS 1959, 1961 <sup>63</sup>

Agency	Fiscal 1959	Fiscal 1961 Estimates
Department of Defense .....	\$1,941,630,000	\$1,354,060,000
Atomic Energy Commission (includes some non-military expenditures) .....	207,254,000	277,663,000
Defense Production Expansion .....	807,000	— 223,000
Office of Civil and Defense Mobilization .....	600,000	3,262,000
Central Intelligence Agency .....	6,252,000	19,200,000
<b>TOTAL CURRENT MILITARY EXPENDITURES .....</b>	<b>\$2,156,543,000</b>	<b>\$1,653,962,000</b>
Related Expenditures:		
Veterans Services and Benefits .....	49,313,000	70,018,000
Non-Defense Related Construction, including grants to states .....	4,478,383,000	5,220,327,000
<b>TOTAL FEDERAL EXPENDITURES .....</b>	<b>\$6,684,239,000</b>	<b>\$6,944,307,000</b>

## 10. The Social Costs of Defense Expenditures Are Great.

According to Seymour Harris, Lucius N. Littauer Professor of Political Economy at Harvard, the Government has been “underspending” for years “. . . under the pressure of cold war costs and budgetary stress . . . in such vital areas as education, urban renewal, housing, power, pollution, irrigation, conservation, flood control, navigation, forestation, airport improvement, highways, hospitals and health services and social security.” <sup>64</sup>

## 11. Waste is Extensive in the Defense Establishment.

- In fiscal 1959, 86.7% of Defense contracts was awarded without competitive bidding.<sup>65</sup> Senator Paul H. Douglas, Ill., has estimated that the Government could save from \$2 billion to \$3 billion a year by putting the Department of Defense procurement program on a more competitive basis. He supports this estimate with reports of overcharging released by the Comptroller General, and data he has procured himself. In June Senator Douglas showed the Senate 10 items bought under negotiated contracts which cost the Government from 6 to 100 times the market price. These included a small wrench set which the average citizen can purchase at his local store for \$3.89 (the army paid \$29); and a 25¢ lamp socket which was sold to the navy at \$21.10 each.<sup>66</sup>

- About \$26.7 billion or 23% of Defense Department equipment, materials and spare parts is said to be in excess of present defense needs. The disposal program has been accelerated to \$10 billion a year in order to rid the Department of these tremendous stocks. According to some reports the net return on these sales is less than 2% of acquisition costs.<sup>67</sup> The Department estimates the overall rate of return at over 20%.<sup>68</sup>

- Stockpiles of strategic and critical materials exceed defense needs by some \$4.3 billion.<sup>69</sup>
- Construction of the new Air Force Academy is expected to cost about \$139.7 million. This is more than four times total plant costs of the following Friends colleges: Bryn Mawr, Earlham, Friends University, George Fox, Guilford, Haverford, Swarthmore, Whittier, William Penn and Wilmington.
- March 26, 1959, Senator Douglas attacked the Pentagon for "using tax dollars to purchase support". According to Senator Douglas, thousands of private citizens are flown to military displays each year at government expense. He estimates the cost of these functions at "several millions" annually. These expenditures are in addition to the regular "public information" and "legislative liaison" programs of the Defense Department. In fiscal 1961, the Department of Defense expects to spend \$2.7 million on "legislative" activities.<sup>70</sup>
- This spring the *Wall Street Journal* carried an article by Alan L. Otten in which he reported that ". . . about 110,000 Air Force pilots, navigators, flight surgeons and other airmen now get some \$200 million a year in bonus flight pay. Provided originally as compensation for hazardous combat flights, the pay can now be earned for flying as little as 4 hours a month and 100 hours a year."<sup>71</sup>
- Armed Forces medical and hospital costs have been estimated at over \$400 million a year. The 185 military hospitals in the United States and the 90 military hospitals overseas have an average occupancy of less than 40%.<sup>72</sup>
- When a U.S. Air Force base in Germany requested 300 footlockers, the Quartermaster Depot at Philadelphia sent them 30,000 lockers only to discover that the order could have been filled by an Army depot in Germany. The error cost some \$100,000 in excess shipping costs.<sup>73</sup>
- The middle of July the Navy killed a project for developing a plane-launched guided missile after spending \$80 million on it. According to the Navy, the weapon would have too limited a use to warrant further development.<sup>74</sup> After putting \$18 million into its Atlas-Vega missile, the National Aeronautics and Space Administration discovered that the Air Force was working on a similar missile. The net loss is estimated at \$16 million.<sup>75</sup>
- In 1959, Rep. Frank Kowalski, Conn., a former Army colonel bitterly assailed the Department of Defense for using more than 20,000 enlistees as chauffeurs, "laundry boys" and "maidservants." He said the armed forces could save taxpayers as much as \$250 million a year by stopping such practices.<sup>76</sup>
- In the fall of 1959, the House Committee on Science and Astronautics accused the Department of Defense of wasting five years and \$200 million on two chemical plants which became obsolete before they were ready for production.<sup>77</sup>
- In June 1960, the General Accounting Office charged that the Army has purchased nearly 19,000 combat and tactical vehicles valued at about \$1.6

billion that have deficiencies “. . . which seriously impair their operation and maintenance.” The Army denied the charge.<sup>78</sup>

- In March 1960, the Comptroller General reported that the Navy has spent \$607.8 million for planes and radar equipment that are “incapable” of carrying out their assigned military mission.<sup>79</sup>

- In February 1959, Senator Stephen M. Young, Ohio, told the Senate that the Administration’s request for additional funds for civil defense is “shocking”; that the program is “obsolete”; that most of the \$500 million appropriated by Congress for civil defense over the past 9 years has been “wasted”.<sup>80</sup>

## IV. MILITARY PROPERTY AND BASES

### 1. Property Held By Defense Agencies is Valued At Almost \$170 Billions.

“As of December 1958, about 10% of our total national wealth was invested in the implements of warfare and in the facilities, supplies, and materials required to maintain our fighting forces.”<sup>81</sup> The tangible assets of major defense agencies were estimated at about \$170 billion as of June 30, 1959.

#### VALUE OF GOVERNMENTAL PROPERTY AS OF JUNE 1959<sup>82</sup>

Type of Assets	Allocated to National Security	Total Governmental Assets
Personal Property Assets such as equipment, supplies, inventory .....	\$133,373,000,000	\$192,808,000,000
Real Property Assets—land, utilities, buildings .....	36,566,000,000	71,756,000,000
<b>TOTAL</b> .....	<b>\$169,939,000,000</b>	<b>\$264,564,000,000</b>

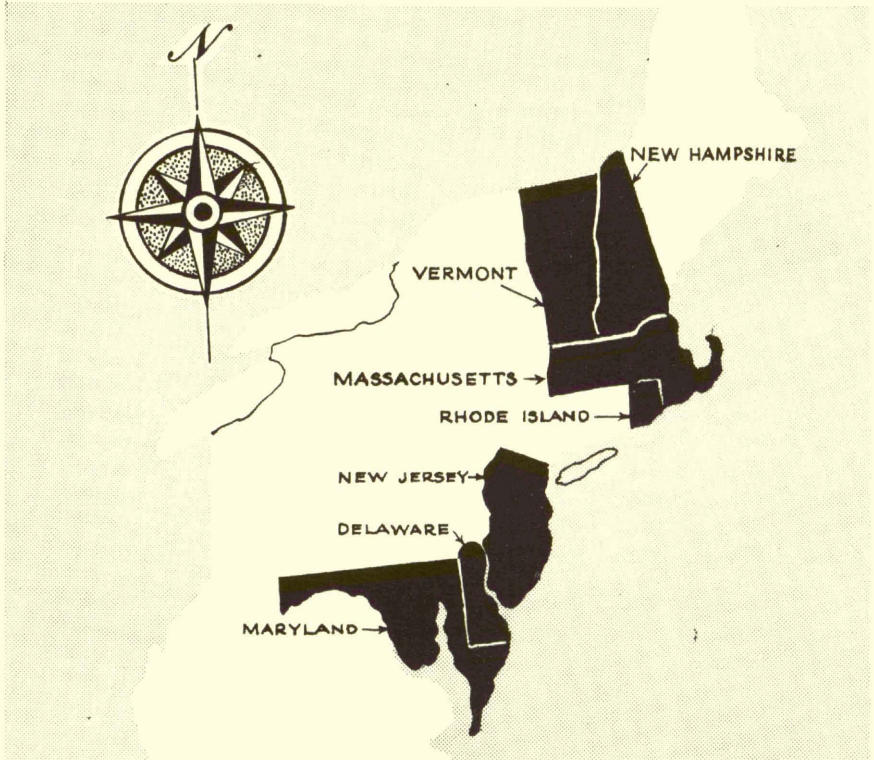
### 2. The Defense Department Alone Owned or Leased 31.3 Million Acres of Land on June 30, 1959. More Than 50% of This Total Was Concentrated in the Five States of Nevada, California, Arizona, New Mexico, and Utah.<sup>83</sup>

Location	Department of Defense—Total	Army	Navy including Marine Corps	Air Force
Continental United States .....	25,324,292	8,714,253	4,691,344	11,918,695
Alaska, Hawaii and Possessions .....	3,459,967	1,045,834	309,498	2,104,635
Foreign Countries .....	2,519,318	508,701	321,495	1,689,122
<b>TOTAL</b> .....	<b>31,303,577</b>	<b>10,268,788</b>	<b>5,322,337</b>	<b>15,712,452</b>

### 3. Defense Department Holdings Are Larger Than Seven States Combined.<sup>84</sup>

The 31,303,577 acres or 48,912 square miles controlled by the Department of Defense is greater than the area of Rhode Island, Delaware, New Jersey, Massachusetts, Vermont, New Hampshire and Maryland combined. It is a larger area than any one of the following 19 states (Area is in square miles including inland water):

Connecticut .....	5,009	New Hampshire .....	9,304
Delaware .....	2,057	New Jersey .....	7,836
Indiana .....	36,291	Ohio .....	41,222
Kentucky .....	40,395	Pennsylvania .....	45,333
Louisiana .....	48,523	Rhode Island .....	1,214
Maine .....	33,215	South Carolina .....	31,055
Maryland .....	10,577	Tennessee .....	42,244
Massachusetts .....	8,257	Vermont .....	9,609
Mississippi .....	47,716	Virginia .....	40,815
		West Virginia .....	24,181



4. The Department of Defense owns 278,237 buildings on 3,553 military installations in the United States (exclusive of Alaska and U.S. territories),<sup>85</sup> and leases additional facilities at home and abroad. It occupies 250 major bases in 36 foreign countries.<sup>86</sup>

## V. VETERANS

### 1. Veterans, Dependents and Survivors Constitute 45% of U.S. Population.

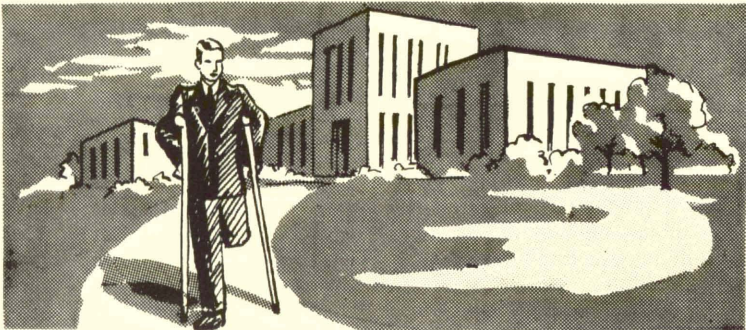
President Eisenhower reported in his January 1960 Budget Message that:

“Programs of the Veterans Administration, providing compensation and pension, medical, and readjustment benefits for the Nation’s veterans, rank fourth in size among all Government functions in this budget. Total expenditures for these programs, as presently authorized, will continue to increase in future years as our veterans advance in age. The 23 million living veterans, together with the dependents and survivors of veterans, comprise a total of 81 million people, a considerable proportion of whom are potential recipients of one or more types of benefits.”<sup>87</sup>

### 2. Veterans and Their Dependents Receive Many Benefits

The GI bill for World War II veterans has “provided unemployment and self-employment compensation payments to 9.7 million veterans; education and training benefits to 8.4 million veterans; and loan assistance to 5 million veterans for the acquisition or improvement of homes, farms and businesses. . . . Similar readjustment programs, which will continue into 1965 for veterans of the Korean conflict, have already provided 2.3 million veterans with education and training benefits and 700,000 with loans. The special unemployment compensation program for Korean conflict veterans which ends in 1961 has aided 1.3 million veterans.”<sup>87</sup>

*Medical care.* Veterans with service-connected disabilities are given free medical and dental care by the Veterans Administration: more than 2.2 million outpatients received medical services during fiscal 1959. Hospital care is provided to veterans with service-connected disabilities, and within the limits of existing VA facilities, to veterans with non-service-connected disabilities who are in need of and cannot defray the cost of hospitalization. In fiscal 1959, a total of 41.6 million days of inpatient care was provided to a daily average of 114,100 patients in VA and non-VA hospitals.<sup>88</sup>



*Compensation and Pension Program.* "Indirectly, the VA's compensation and pension program exerts a significant stabilizing effect upon the national economy." More than \$3 billion in benefits were paid during fiscal year 1959 to more than 4 million veterans and dependents.<sup>89</sup>

*Insurance Program.* "The VA insurance program is the second largest ordinary life insurance program in the world. On June 30, 1959, there were 6.4 million Government life insurance policies in force. . . . Each year, hundreds of thousands of veterans and their families receive Government life insurance benefits totaling hundreds of millions of dollars."<sup>90</sup>

*Guaranteed Loans.* As of June 30, 1959, the VA had guaranteed or insured \$46.8 billion of home, farm, and business loans made by private lenders to veterans of World War II and Korea. Of this sum, 1 2/3 million loans having an original principal of almost \$9.5 billion have been repaid in full.<sup>91</sup>

*Direct Loans.* The VA also makes direct loans to eligible veterans in rural areas and in small cities and towns where VA-guaranteed loans are not generally available from private lending sources. Direct loans totaled more than \$1 billion as of June 30, 1959.<sup>92</sup>

*Preference in Applying for Federal Jobs.* Veterans and widows of deceased veterans are given preference in applying for Federal civil service jobs. As of December 31, 1958, 65% of all male employees of the Federal Government had veterans preference.<sup>93</sup>

### **3. The Veterans Administration and its Predecessor Agencies Had Spent More Than \$99 billion on Veterans programs by June 30, 1959.<sup>94</sup>**

**Important Components:**

Compensation and Pensions .....	\$48,809,000,000
Education and Training .....	18,233,000,000
Services Rendered, including medical care and direct loans	11,970,000,000
Insurance and Indemnities .....	7,254,000,000
Unemployment Benefits and Self-Employment Aid .....	3,805,000,000
Vocational Rehabilitation and Training .....	2,394,000,000

### **4. The Preliminary Estimated Outlay by the Veterans Administration in Fiscal 1960 is About \$5,250,000,000.<sup>94</sup>**

# Peace Education Program

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