

*Ratio of total defense expenditure to gross national product, selected countries, 1958, 1959, and 1960*¹

[Percent]

	1958	1959	1960
United States.....	10.3	9.7	9.6
France.....	7.0	7.1	7.5
United Kingdom.....	7.0	6.8	7.2
Canada.....	5.4	6.5	6.2
Netherlands.....	4.5	3.9	4.4
Italy.....	3.9	3.6	3.9
Norway.....	3.7	3.6	3.7
Germany.....	3.1	4.7	4.8
Denmark.....	2.9	2.7	2.9

¹ Expenditures for 1960 related to GNP figures for 1959.

Source: NATO and International Monetary Fund.

Nonmilitary grants

Present-day foreign aid is a postwar extension of the lend-lease philosophy of World War II, the theory underlying which is quite different from that underlying aid given in connection with World War I. At that time foreign aid took the form of interest-bearing loans which, at the end of the war, amounted to more than \$11 billion, plus interest. Most of our allies defaulted and in 1932 President Hoover granted a moratorium on repayments, which was equivalent to canceling the indebtedness. From this experience the United States learned that the unilateral international transfer of billions of dollars can lead to problems that are practically insoluble.

The lend-lease program, inaugurated in 1941, made possible the transfer of billions of dollars' worth of war materials without raising the problem of monetary transfer after the war. The law authorizing lend-lease recognized that the financial and economic aspects of war cannot be separated from its military aspects and provided for a common pool of economic, as well as military, instruments of war. The theory of lend-lease was that the materials needed to wage the war should be made available among the allies in accordance with need and ability to supply. Repayment after the war was to be made in terms of unexpended war materials or other goods or services.

After the war numerous national and international organizations were created to provide postwar rehabilitation and reconstruction, including the United Nations Relief and Rehabilitation Administration. In 1947-48, the United States inaugurated the Marshall plan for the economic reconstruction of Europe. It contemplated that approximately \$5 billion a year, for 4 years, would be made available by the United States to the Organization for European Economic Cooperation (the OEEC) which, in turn, was to apportion the proceeds among the cooperating countries. The rapid recovery of Europe and its present prosperity are evidence that the plan was successful.

The bulk of the foreign aid granted by the United States between 1947 and 1950 was economic in nature and most of it went to Europe. In 1948 the United States came to the military assistance of Greece and Turkey, which were threatened by Communist aggression. In 1950 the Communist invasion of Korea changed the complexion of the aid program into one that was primarily military. Since then the bulk of the funds spent for foreign aid have been for military defense.