perhaps $1 billion of the $3.8 billion now being spent to support the U.S. Military Establishment abroad and as nonmilitary grant aid, together, could be transferred from the "dollar" category to the "in kind" category.

The requirement that the proceeds of dollar loans granted by the Development Loan Fund be spent entirely in the United States was a step in this direction, although there is some question as to whether the move was adequately explained to the public at the time it was announced. A similar result could be achieved by reducing offshore procurement. Such a move, as well as the "Buy American" requirement of the Development Loan Fund, would add to the cost of foreign aid, although probably not substantially.

Transfer to our allies of a larger share of the cost of military defense and economic aid

The rapid economic recovery of Western Europe raises the question of whether those countries should not be called upon to pay a larger proportion of the cost of the common military defense and economic developmental aid. Immediately following World War II, when the Marshall plan was inaugurated and the North Atlantic Treaty Organization was formed, it was understood that Europe would not be expected to make huge dollar expenditures because of the then worldwide dollar shortage.

In view of Europe's economic recovery and the disappearance of the dollar shortage, it has been suggested that Europe assume a larger share of these costs. Whether or not the Western European countries are bearing a fair share of the cost of military defense and economic developmental aid, they are now in a better position to pay than they were a few years ago as far as their balance of payment positions are concerned.

The fact that the United States has been spending $3 billion a year for quite a few years to maintain U.S. military bases throughout the world indicates that the American people believe the maintenance of an adequate global military posture is vital to this country's self-interest.

If the maintenance of U.S. military forces abroad is essential to world peace, it would be foolish to abandon the effort merely because of temporary international payments difficulty. The size of our foreign Military Establishment should be determined as part of the overall defense picture, not as an aspect of the balance of payments problem. The same reasoning applies to nonmilitary foreign grants as an essential part of foreign policy.

The military equipment and supplies that are being furnished to other countries under the mutual security program (military assistance) and which amount to between $2 and $2.5 billion a year, are not included in the expenditures herein referred to. Military assistance is given "in kind," rather than in dollars, and does not directly affect the balance of international payments.

Try to increase merchandise exports, relative to merchandise imports

Governmental restriction of imports would widen the export trade surplus by reducing imports. Within a short time the effect would be to throttle exports also. For more than 25 years the United States has led the movement for the mutual reduction of tariffs and other trade barriers. It has done so through the reciprocal trade agree-