Under conditions of peacetime prosperity, a 50–50 formula for sharing the budgetary burden of the U.S. Defense presence in Western Europe among the members of the Western Alliance is a formula worthy of consideration, being as equitable as any with which to open the dialog. The Government of the Federal Republic of Germany and the Deutsche Bundesbank in particular have shown explicit concern over the percarious position of the U.S. balance of payments in urging that the United States put its fiscal house in order. At present the U.S. taxpayer alone shoulders the budgetary burden of a major U.S. military establishment in Germany. The U.S. taxpayer's burden has, since 1961, been further increased by the wastage of resources that is involved in the U.S. Defense Department's program of shifting defense procurement from cheaper foreign sources to costlier sources in the United States in order to serve foreign exchange.

Domestically, the U.S. taxpayer is being confronted with ever-rising burdens of national, State, and local government expenditures in connection with the wars on poverty, on urban decay, and on crime. The West European nations of NATO, and the Federal Republic of Germany first and foremost among these nations, must no longer be treated, in effect, as financial wards of the United States, whose own balance-of-payments positions can no longer withstand this fiscal drain without undermining the role of the dollar as a reserve currency.

On New Year's Day, 1968, the U.S. Secretary of State stated:

> Well, you may recall that when we first stationed troops in Europe we did not have at that time arrangements for neutralizing the foreign exchange burden of such troop deployments. But, that was back in 1951–52, at a time when there was a dollar gap, when we, ourselves, were a surplus country, when we were supporting the effort of the countries of Western Europe to rebuild their economies following the war. So, we did not work out at that time specific and formal arrangements for neutralizing the balance-of-payments results of defense measures taken within NATO, but in the recent years we, ourselves, have become a deficit country and we do believe that there should not be a balance-of-payments windfall arising out of troop deployments, the effect of which would be to increase the surpluses of those who are in a balance-of-payments surplus position. So this has given rise to our need for offset arrangements and other acts of cooperation in the handling of reserves and of international financial transactions.[9]

The time has come for a new call to our Western allies. Not only have the Foreign Exchange Offset Agreements been very largely window dressing, but burden sharing in NATO can no longer be confined to foreign exchange costs alone. The full budgetary costs of the U.S. military presence in Europe must be laid bare before the taxpayers of the United States and the nations of the Western alliance. In particular, the Federal Republic of Germany is the single greatest beneficiary of the U.S. military presence in Europe and has become the second greatest economic power of the Western world. It must now be invited by the U.S. Government not only to "offset arrangements and other acts of cooperation in the handling of reserves and

[9] Press briefing, U.S. Department of Treasury, Monday, Jan. 1, 1968, pp. 4–5.