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Carry-Over Provisions of Mutual Security Act

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For release Noon, July 7, 1955

STATEMENT BY SENATOR MIKE MANSFIELD
REGARDING CARRY-OVER PROVISIONS OF MUTUAL SECURITY ACT

Mr. President, I rise to discuss briefly a most disturbing situation which has come to light during Congressional consideration of the Mutual Security Act of 1955. The Department of Defense supplied estimates to the Congress which were at one point more than \$800 million in error. Whether that error resulted from gross negligence or from a calculated attempt to mislead the Committee, I am not prepared to state. The discrepancies in estimates were so great, however, that they should serve as a warning to every member of this body that henceforth figures and estimates supplied by the Executive Branch must be viewed with the utmost care.

I should like to give a chronological account of the facts and let them speak for themselves.

1. April 20, 1955. On that date the President asked the Congress to authorize a Mutual Security Program of \$3.4 billion. At that time the Committee on Foreign Relations was informed that the Department of Defense estimated that military assistance funds which the Executive would not be able to obligate or reserve in accordance with provisions of law would total \$100 million on June 30, 1955.

2. May, 1955. During consideration of the Mutual Security legislation, the Committee on Foreign Relations noted that the Executive did not ask for simple authority to carry-over this \$100 million amount, but asked instead for broad language which would have permitted the carry-over of any amounts not obligated or reserved by the end of the fiscal year.

3. May 26, 1955. During consideration of the bill, in the Committee I offered an amendment which instead of leaving the Executive with blank-check, carry-over authority, provided that unobligated and unreserved funds in excess of \$150 million should lapse into the Treasury. During discussion of that amendment, the Minority Leader, Mr. Knowland, asked representatives of the Department of Defense whether the limitation of carry-over funds to \$150 million would be adequate. They indicated that they had no objections to my amendment provided the carry-over amount could be fixed at \$200 million. I accepted that amount as an amendment and it was written into the bill.

4. June 2, 1955. During Senate floor debate the usual criticism was levied at the Mutual Security Act to the effect that vast unexpended, unobligated, or unreserved funds would be carried over into the new fiscal year. The distinguished chairman of the Committee, Mr. George, was asked why the \$200 million limitation was placed in the bill. Mr. George replied:

"It was placed in the bill because the testimony was undisputed and it was unquestioned that every dollar of this money had been allocated under the statutory definition made by the Appropriations Committee of the Senate, which was binding upon that committee. It was stated there was remaining only \$100 million. It was first proposed that only \$100 million of the unexpended balances should be carried over. It is true we did reappropriate the unexpended balances, but in accordance with the testimony, and we limited the carryover to \$200 million.

"So do not worry about the unexpended balances or the unallocated balances. That is all there is to the

question. More than \$200 million cannot be carried over. There is no way for more than that amount to be carried over."

(Record, June 2, 1955, p. 6463)

This statement emphasizes the good faith with which the chairman and the rest of us on the Committee accepted the estimates of the Executive Branch.

The Senate passed the bill.

5. June 13, 1955. According to the Report of the Committee on Foreign Affairs of the House of Representatives, information was received on June 13 that the estimated unobligated balances would exceed the \$200 million limit fixed by the Senate amendment. I understand that a plea was then made to the House Committee to restore the original language -- the language permitting a blank-check carry-over. That change was successfully resisted by the House Committee.

6. June 21, 1955. On that date, according to the House Committee Report, it received a memorandum from the Executive Branch stating that the unobligated carry-over of military funds would be, and I quote, "some \$600 million."

7. June 28, 1955. On this date, the distinguished chairman of the Committee on Foreign Affairs of the House of Representatives stated in presenting the Mutual Security Act to the House, and I quote him, that "on June 21, ... we received word that the estimated unobligated balance on June 30 would be \$670 million." (Record, June 28, p. 8034)

8. June 30, 1955. This was a memorable day with respect to the unobligated balances of the Department of Defense.

Mr. Passman of the House Appropriations Committee announced on the floor of the House that, and I quote, "They [the Department of Defense] called yesterday and said it [the unobligated balance estimate] had gone up to \$932 million." (Record, June 30, p. 8245)

The same day, Mr. Vorys announced on the floor that he had "been informed that the amount of unobligated funds is not \$600-some-odd millions but has been reduced to about \$200 million . . ."

At this point I addressed a letter to the Secretary of Defense asking him for a report on this situation. I ask unanimous consent that my letter of June 30 and the reply of the Department of Defense appear in the Record at this point.

"June 30, 1955

"The Honorable
Charles E. Wilson
Secretary of Defense
Washington 25, D. C.

Dear Mr. Secretary:

During consideration of the Mutual Security Act of 1955 by the Senate Committee on Foreign Relations, it received information from the Department of Defense that the 'estimated unobligated and unreserved balance' of mutual security funds as of June 30, 1955 would be \$100,000,000. The Department asked, however, for a blanket authorization to carry over any funds that might have been unobligated or unreserved on that date.

On the basis of the \$100 million estimate, I offered an amendment to the bill which provided that unexpended balances in excess of \$200,000,000, not reserved or obligated by June 30, should not be continued available after that date. The figure was raised to \$200 million on the chance that Defense Department estimates might have been optimistic.

I now understand on the basis of information obtained from House debate on the bill that about the middle of June the Department of Defense stated that the unobligated and unreserved balance would not be \$100 million, as estimated to the Senate Foreign Relations Committee, but would exceed \$200 million. I understand further that on June 21, the House Committee on Foreign Affairs was informed that the estimated unobligated balance on June 30 would be \$670 million.

Could you tell me if this is an accurate picture of the situation and, if so, why the estimates received by the Senate Foreign Relations Committee in April were in error by \$570 million?

I have noted, in the statement of Congressman Richards on page 8034 of the Congressional Record of June 28, 1955, that he said the 'rules governing the process of obligation of funds were changed this year by the appropriations legislation' and this change has 'interfered with operations in the Pentagon.' According to my recollection, however, the obligating procedures were changed during the last Congress and those changed procedures should have been known to the Department of Defense when it submitted its original \$100 million estimate.

I should like to have a reply to this letter by July 6 at the latest since the Mutual Security Act will be in conference between the two Houses at that time.

Sincerely yours,

/signed/

Mike Mansfield"

Note: As of this morning, July 7, I have not received an answer to my letter to Secretary of Defense Wilson. Should I receive it by noon, I will try to make it available.

9. July 1, 1955. On this date, at my request, a member of the staff of the Senate Committee on Foreign Relations spoke with Mr. Markley Shaw, Office of International Security Affairs Comptroller, Department of Defense. Information was received that during the last 24 hours of the month of June, \$575 million had been reserved or obligated and that during the total month of June, \$983 million -- nearly one billion dollars -- had been obligated or reserved.

Mr. President, that is the record. Between April 20 and June 30, the Department of Defense gave various Committees and Members of Congress estimates of the unobligated carry-over of military assistance funds running from \$100 million to \$932 million. Then, during the last 24 hours of the fiscal year, the Executive Branch managed to go through the motions of reserving over half a billion dollars.

I suppose that it will be argued that my amendment limiting the unobligated carry-over to \$200 million had the effect of forcing the Department of Defense to commit its funds recklessly. If the amendment had that effect, it was because the Department of Defense either did not give the Congress reliable figures in the first place or because the Department sought to mislead the Congress. Certainly no objections were heard from the Department's representatives when my amendment was offered in the Committee. They were there!

My amendment was not designed as an invitation to reckless last-minute obligation of funds. It was not an invitation to financial gyrations which,

as I think the record will show, thoroughly confused Congressional consideration of a most important matter. The amendment was designed to keep Mutual Defense funds within reasonable limits so far as planning is concerned. It was designed to keep the authorization funds to those amounts that the Department of Defense can reasonably expect to obligate within one year. It was designed to permit excess funds to revert to the Treasury so that we might balance the budget, rather than to keep it unbalanced by giving the Defense Department a billion dollar kitty as a backlog in the event Congress should not appropriate the funds requested.

In concluding my remarks, Mr. President, I want to make three points as forcefully as I can.

First. In a government of separate powers it is essential that the Congress and the Executive deal with each other with a mutuality of confidence. That means Congress must be able to accept proposals of the Executive with assurance that they are backed up by reliable figures and estimates. This government cannot operate efficiently if Congress must view every Executive estimate with suspicion.

This Congress has been criticized in recent weeks for not acting with sufficient alacrity on the President's program. I do not accept that criticism as valid. I do say that if Congress is confronted by financial manipulations of the kind that have gone on in connection with the unobligated Mutual Security funds, the interests of the American people require far more careful scrutiny of Executive Branch proposals than is possible if we rubber

stamp them as is so often suggested.

The second point I want to emphasize, Mr. President, is that despite 24-hour reservations of more than one-half a billion dollars, there is still opportunity for Congress to control these irresponsible actions of the Department of Defense. I hope the Committee on Appropriations will examine these June operations with the utmost care and submit its recommendations accordingly. While I would not cast any vote to cripple our Mutual Security Program, I cannot become a party to loose financial operations in the Department of Defense or anywhere else.

Finally, Mr. President, during the fiscal year just completed, the Department of Defense had available for obligation for military assistance purposes some \$3.3 billion. As I indicated earlier, \$983 million was reserved or obligated during the one month of June. In other words, more than one-fourth of the funds available for obligation during twelve months was obligated in one month.

I think that the operations of the Department of Defense during the month of June in dealing with these unobligated and unreserved Mutual Security funds deserve the most careful investigation and scrutiny by the General Accounting Office and the House and Senate Appropriations Committees.