Economies in all Government expenditures imperative.

The reduction in the cost of Government will in some respects be the most important measure which will occupy the executive and legislative branches of our national Government in the immediate future and for a period of several years. Measures leading to real economies are made imperative by decreasing tax returns and other forms of income of the Government from present sources. The tax burden is almost certain to be increased rather than lessened. Practically every Department and activity of our Government will have to be examined as to its organization and work in order to bring about simplification and eliminate duplication. Many activities now costing considerable sums will have to be examined to determine whether they are proper ones to be supported out of public revenue and to determine whether they should be eliminated, curtailed, or left entirely to state, municipal, or private initiative.

Disastrous effect on Foreign Service of recent horizontal cuts.

The last Congress made an attempt to reduce expenditures by applying a 10 per cent cut to the appropriations of the various Departments irrespective of the amounts which these Departments had been spending and without regard to the character of the activities of these Departments and their relative importance, and with no reference to previous adequacy or liberality of the appropriations which these Departments or activities had been receiving. Sufficient time has passed to determine the effects of such horizontal cut and it is evident that in the case of the State Department such a cut has resulted in grave injustices to the men in its Foreign Service, as well as disadvantages in the public interest. The more careful spending Departments and activities of the Government have been very seriously affected, while those activities which may not be so vital in the public interest but for which the appropriations have been greater, have been relatively unaffected.
It may be stated, therefore, as a generally accepted principle, that on account of the really serious economies which must be made in the administrative Departments and in various activities of our Government, the cuts to be made cannot be applied horizontally or vertically on a percentage basis in the same measure to all Departments and activities but that every single item of Government expenditure must be examined separately and on its merits. Economies can only be made through affecting unification and reorganization which will result in decreased expenditures.

The Department of State in a special position with regard to economy measures.

The Department of State was undoubtedly the one most affected by the economy measures made effective to be applied during the fiscal year beginning July 1, 1932. Although this Department is charged under the Constitution and the statutes with the sole responsibility under the President with the conduct of our foreign relations, and its Foreign Service scattered over some four hundred posts throughout the world is not only the agent of the State Department but is utilized by practically every other Department of our Government for the gathering of information outside of our territorial limits and is the means through which our Government promotes and protects its interests and those of its citizens abroad, its cost to our Government has been very moderate and a considerable part of the cost of its Foreign Service has been paid for by the fees collected for administrative services performed in foreign countries. From the purely administrative point of view the cost of the Department and its Foreign Service is less than that of any other branch of the Government. The State Department has also for many years been probably the most careful spending Department of our Government and its activities over a very narrow range and are carefully defined, and the control of its expenditures has been comparatively simple. It has not in many years engaged in any expansion of its activities and is probably the only Department of our Government which has not engaged in really new activities. What slow increase there has been in its appropriations through the years has been brought about by the volume of business which the Department has to handle under its traditional activities, but not by any increase in the number of its activities. In applying the cuts to the appropriations of the various Departments for the current fiscal year the same percentage cuts, however, were
applied to the State Department as to other Departments, the result being that these decreases in its appropriations have had a relatively greater effect upon it in its proved vital services than the same percentage cuts applied to other Departments whose appropriations were relatively larger and which cover in many cases over-expanded activities some of them being of doubtful value and comparatively recent.

Under existing organization further savings cannot be effected in the Foreign Service establishments.

The administrative expenditures and the personnel of the Department of State in Washington (and outside of the few passport offices in cities of the United States it has no activities outside of Washington) are limited and relatively small when one considers the volume of public business which the Department has to handle, and it is not probable that any measures of reorganization which may be attempted and which are feasible could effect economies in the expenditures of the Department in Washington. So much attention has been paid in recent years to the organization of the Department in Washington that it is doubtful whether any reorganization measures which may properly be undertaken in the public interest could effect further economies in the Department in Washington.

Foreign Service establishments maintained at minimum expenditure.

It is not believed that any reduction can be made in the number of consular establishments maintained by the Department outside of capitals as this problem has received very careful attention on the basis of experience over a long period of years, and consular establishments are maintained only in those places where they have been proved essential to the public interest. Similarly it is not believed that any reduction which has any significance whatever can be made in the officer or clerical personnel or in the administrative expenditures of these consular establishments outside of capitals, as the conduct of these establishments has over a long period of years been very carefully controlled both through the administrative control from Washington and through administrative control by supervisory officers and inspectors in the field, so that in the matter of personnel, officer and clerical, and in the expenditures for upkeep, no further economies can be made. On the contrary, more money is needed for some of these establishments. These consular establishments are vital not only to the Department of State but to practically every Department of our Government and to practically
practically every class of our people and there is no question whatever but that their administrative cost has been kept at the lowest possible level, even during the years when Government income permitted very liberal treatment for other branches of the Government service.

Reorganization and unification of Government establishments in capitals.

From the administrative point of view, however, changes can be made in the establishments of our Government in foreign capitals which can be effected without new legislation and which will result in efficiency and economy. As pertains to the Department of State, it is its practice to maintain in practically every capital both a diplomatic and a consular establishment, and these are usually maintained as entirely separate entities having separate administration, occupying separate buildings and being in fact separate establishments in every way although acting for the same Department and the officers therein being members of the same Foreign Service. This maintenance of two separate establishments of the State Department in capitals has now been found contrary not only to the best administrative practice, but under modern conditions hampers the most efficient performance of the services to be rendered for the Department and for our interests at home, and in the conduct of our foreign relations. The maintenance of these separate establishments is a relic of former procedure which has already been abandoned by many countries not only for reasons of economy, but also of efficiency. The consolidation of the establishments of the State Department in capitals, that is of the Mission and the Consulate, into one establishment both physically and administratively, is a step which should be taken in the near future if only for the purpose of bringing about a more efficient conduct of public business, although the considerations of economy are important. The money released by this consolidation in capitals would be sufficient to take care of urgent needs of the Foreign Service as a whole, particularly to take care of the promotions and allowances of Foreign Service officers and personnel which demand attention and which in the public interest cannot much longer be delayed.

In a capital such as London, Paris, Berlin or Buenos Aires where the volume of the business of the Department of State is large, and in capitals such as Montevideo, Vienna, Budapest and Stockholm where the volume of business is comparatively small, there are no insuperable or even difficult obstacles to be overcome in bringing about this administrative and physical consolidation of the Mission and the Consulate. Because of existing contracts
contracts for rent and because of certain conditions obtaining at particular posts, the actual physical consolidation may be effected at some more rapidly than at others. At Paris, for example, the building which our Government is erecting and in which all of the establishments of all Departments of our Government in Paris are to be housed, will be completed probably in the fall of this year. This will permit, therefore, in the immediate future, the physical and administrative consolidation of the Embassy and of the Consulate General. But in the interests of efficiency as well as economy, there must be effected at the same time reorganizations and restrictions in expenditure of other Departments in Paris, such as Commerce, War, Navy and Treasury, and their activities coordinated with those of the unified State Department establishment. In Berlin a building has been acquired but the changes which have to be made in it will not be completed for several years as they have not yet been authorized or started. But the administrative consolidation of the Embassy and of the Consulate need not await the actual physical consolidation and important economies can be made in the expenditures of other Departments in Berlin such as Commerce, by coordinating their activities more closely with those of the State Department establishment. The same applies at Buenos Aires where the construction of a building has been authorized but not started.

In certain capitals such as Santiago de Chile, the Mission and the Consulate are under the same roof but no actual physical or administrative consolidation has taken place although every opportunity therefor exists. The administrative consolidation in any capital need not be delayed until the physical is feasible or possible, for if the existing rent contracts for either the Mission or the Consulate in a particular capital prevent immediate operation under a single roof, the administrative consolidation can take place immediately with consequent immediate effects in at least partially increased efficiency and decreased expenditure. Irrespective of the capital, therefore, the same principles would govern in the consolidation of the two establishments of the Department of State and in the restricting and coordinating the activities of the establishments of other Departments in the capital, with the unified State Department establishment. In details, of course, the practical arrangements may differ but the general principles of organization would apply in all capitals. These principles have been carefully set forth, as well as some of the administrative detail, in a separate memorandum which may serve as a basis for consideration of the whole problem by the State Department. It is not practicable within the scope of this memorandum to set forth the administrative details or the actual details of the economies involved.
in such consolidation. It would, however, mean that the Department of State would have in every capital instead of two establishments as now, one establishment at the head of which would be the Ambassador or Minister and in which establishment all the activities of our Government in the capital and in the country would center, not only in theory but in practice. The various types of services would be taken care of at the establishment in major capitals in divisions set up for this purpose. In the smaller capitals, instead of there being a Foreign Service officer acting as Counselor or First Secretary of the Mission, and one acting as Consul General or Consul, these two positions would be merged into one. The merging of the two establishments will effect considerable economies in salaries and the number of Foreign Service officers of the State Department needed in the larger and smaller capitals will be decreased. More important, however, is that the work of the Government can be carried on more efficiently. By the merging of the officer and clerical staff in the two separate establishments of the State Department now maintained in capitals, it is estimated that at many posts the number of officers can be reduced by one-third and the clerical staff at the same rate. In addition there will be the considerably decreased cost of rent and general running expenses for one instead of two establishments. While the considerations of economy are important, it is essential to emphasize that the greater gain will really be in efficiency not only in the conduct of public business, but in the service rendered to the public and in the better training and general equipment of our Foreign Service officers who have to serve as the instruments of the Department abroad and for whom a well rounded training is essential and which can be given in such unified establishments and cannot be provided for properly under the present system. The difference between the diplomatic and the consular function has long since broken down in reality but has been maintained in practice. The two merge at so many points that the needs of our Government and of the public are best met through one establishment rather than two in capitals.

This consolidation of the establishments of the State Department in capitals is a measure which all thinking persons interested in our foreign relations approve, and against which there can be no administrative objections but which for reasons difficult to explain, has been delayed. The delay has largely been due to the traditional slowness to change anything which affects our foreign practice, but it is a step which some of the smaller and larger countries have already taken and find in every way satisfactory and a great improvement. If there is any difficulty placed
placed in the way of this improvement in our Service, it is due to the reactionary influence of a selfish, personal or snobbish character which cannot be permitted by us to stand in the way of progress and efficiency.

More effective coordination of the establishments in capitals of other Departments with that of the Department of State.

More important from the view of economy as well as of efficient administration, is the necessity for carefully examining into the establishments of the Departments of Commerce, Agriculture, War, Navy and Treasury in foreign capitals.

The Department of Commerce has in recent years expanded its Attache service until it covers most capitals. It started also on a policy of expansion beyond capitals to certain strategic trade centers. This latter policy has now been practically abandoned although it still maintains some establishments outside of capitals where consular establishments also exist and are necessary, and where these consular establishments are fully prepared to furnish all proper services for all Departments of our Government. The separate establishments of the Commercial Attaches in capitals have been growing steadily in personnel, until in some capitals they are formidable. In certain cases, although the Commercial Attaches are under the law purely trade promotion officers, they have concerned themselves with representation and protection matters which do not fall within their province, and have complicated our relations with foreign governments by undertaking matters which lie solely within the province of the Department of State and its officers. They have undertaken to do work and to answer correspondence which does not fall within their statutory sphere and which is already cared for by consular establishments, and have engaged in some cases in deliberate duplication of work already performed by other Departments, principally by the State Department. This expansion of activities and field it has been definitely shown by experience is not in the public interest nor in the interest of the proper conduct of our foreign relations. 90 per cent of the work now done by Commercial Attaches, if not more, can be done by Foreign Service officers of the Department of State already on the spot and whose services cannot be dispensed with. The interests, therefore, of economy, of proper administration and of the conduct of our relations with other states, require that the activities of Commercial Attaches should be restricted to their proper sphere of advisers in commercial matters. The number of these Attaches should
be reduced and they should be assigned only to capitals where their services may really be in the public interest. The personnel of their establishments, where such establishments are needed, should be brought within reasonable limits and their activities restricted to those authorized by the statutes. The savings which can be effected by bringing these establishments of Commercial Attaches into their proper sphere and by coordinating the activities of the Commercial Attache with the unified State Department establishment and by doing away with the cost of rent and upkeep for their separate establishments, will bring about economies of a very real and important character.

While the number of Agricultural Attaches is still comparatively small and the size of these establishments in capitals has been kept within more reasonable limits than those of the Department of Commerce, there is an increased tendency for these Attaches to widen the scope of their activities into fields already covered by the Department of State, and a corresponding increase in expenditure for staffs and upkeep. The number of these Agricultural Attaches should be kept within reasonable limits, separate establishments done away with, and the scope of activities limited to a reasonable and proper sphere and the necessary arrangements be made to coordinate the activities of the necessary Attaches with the unified State Department establishment.

Although Naval and Military Attaches have been attached to the State Department establishment in certain capitals for many years, neither of these departments has shown any tendency to increase the number of these establishments or to expand unreasonably the staffs. Under the present system, however, the tendency is for these Attaches to maintain in many capitals separate establishments paying rent, maintenance charges, and having separate personnel. The services of these Attaches are of a purely technical nature but in certain cases their activities have expanded to cover fields already covered by the Department of State. Measures may be properly taken which will more properly coordinate the activities of these Military and Naval Attaches with the unified State Department establishment and which will result in important economies in the establishments which these two Departments now maintain abroad.

The foregoing also applies to Treasury Attaches for whom the maintenance of separate establishments and staffs on the existing scale should be carefully examined and whose activities should be more carefully coordinated with the unified establishment of the State Department in those capitals where the Treasury Attache may be considered as indispensable.
The whole problem of our representation in foreign capitals requires the most careful study and should be given attention without delay. No changes, however, should be made abruptly or without the most careful study and it is believed that they can only be made through the Department of State which, as the sole instrument of our Government under the President for the conduct of our foreign relations, is the proper Department to handle this matter after consultation with the other Departments concerned. Congressional action which might be based on political considerations or which might be entered into before a sufficiently complete study of the question has been made, is not necessary, for the necessary reorganization can be made without change in the statutes. So far as the consolidation of the establishments of the Department of State in capitals is concerned, no legislative action is necessary. Once a program is decided upon and the general principles accepted, rapid progress can be made in all capitals, and the step is one which would be welcomed by all persons interested in the conduct of our foreign relations.