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MEMORANDUM

TO: Ambassador Williams DATE: March 21, 1972

FROM: Herman Marcuse

SUBJECT: Block Grants v. Programs Administered
by U. S. Agencies

Since time seems to begin to run short, I did not clear this memorandum with the legal group.

The Micronesians may suggest that the potential irritations resulting from the applicability of U.S. laws in Micronesia might be reduced, if assistance were given by way of block grants to the Micronesian Government rather than in the form of programs administered by U.S. agencies.

It may be useful to point out the following drawbacks to block grants:

First, even in the case of block grants, the Congress will insist on some method of controlling and auditing the manner in which the Government of Micronesia will expend the funds.

Second, the block grants will be visible in the budget, and a clear target for budget cutters, especially those of the xenophobic type. Moreover, such specific grants would become available only when actually appropriated and the well known delays in the U.S. appropriation process may play havoc with the Micronesian budget. On the other hand, if assistance to Micronesia should continue in the form of participation in programs administered by U.S. agencies, the assistance made available to Micronesia will not be directly visible, and in most programs the amount will be relatively small and, hence, not likely to arouse any objections. Moreover, there will be usually a substantial amount of money in the agencies' pipelines. Hence, programs will rarely run out of funds as a result of delays in the passage of appropriation acts.

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