

HEARINGS

EMERGENCY FOREIGN AID

George C. Marshall Foundation, Lexington, Virginia

EMERGENCY FOREIGN AID

HEARINGS

BEFORE THE

COMMITTEE ON FOREIGN AFFAIRS

HOUSE OF REPRESENTATIVES

EIGHTIETH CONGRESS

FIRST SESSION

ON

PROPOSED LEGISLATION TO PROMOTE WORLD PEACE
AND THE GENERAL WELFARE, NATIONAL
INTEREST, AND FOREIGN POLICY OF
THE UNITED STATES BY PROVIDING
INTERIM AID TO CERTAIN
FOREIGN COUNTRIES

NOVEMBER 10, 12, 13, 14, 18, 20, 21, 22, AND 25, 1947

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EMERGENCY FOREIGN AID

MONDAY, NOVEMBER 10, 1947

CONGRESS OF THE UNITED STATES,
JOINT MEETING OF THE SENATE
COMMITTEE ON FOREIGN RELATIONS AND THE
HOUSE COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House met in joint session at 10:30 a. m. in the Senate caucus room (room 318, Senate Office Building), Chairmen Vandenberg and Eaton presiding.

Senator VANDENBERG. The hearing will come to order.

This is a joint initial meeting of the Senate Foreign Relations Committee and the House Committee on Foreign Affairs to hear a presentation of the Government's plan for further foreign relief.

The Senate committee has the pleasure and privilege in this connection of acting as host to the House committee, with its chairman, the distinguished gentleman from New Jersey, acting as cochairman.

We are also glad to welcome the members of the Herter committee from the House.

Because it would be impracticable for such a large group to indulge in effective cross-examination it was decided that for the purpose of this joint presentation the Secretary shall proceed without interruption. He and his staff, however, will return tomorrow morning for public cross-examination in this room.

All of the hearings this week will be public, despite insinuations to the contrary. There never was any other thought in the preliminary plans made by the distinguished gentleman from New Jersey and myself with regard to these hearings. Our constant purpose since this program was originally launched has been and will continue to be that Congress and the country shall have total facts in connection with this entire enterprise.

I should like to put into the record at this point the President's letter to the chairmen of both the House and Senate committees as a result of which this special hearing starts this morning, November 10.

(The letter is as follows:)

THE WHITE HOUSE,
Washington, September 30, 1947.

HON. ARTHUR H. VANDENBERG,
Chairman, Committee on Foreign Relations,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: The situation in western Europe has, in the last few months, become critical. This is especially true in the cases of France and Italy, where slow-recovery of productivity, particularly of goods for export, combined with the increasing drain on their dollar resources, has produced acute distress.

The unusually bad harvests in western Europe, together with rising costs of imports, the unfortunate results of the temporary cessation of sterling convertibility, and the near exhaustion of gold and dollar reserves, have placed these two countries in a position where they are without adequate food and fuel supplies for the fall and winter, and without sufficient dollars with which to purchase these essentials. They cannot, by their own efforts, meet this major crisis which is already upon them.

Political groups that hope to profit by unrest and distress are now attempting to capitalize on the grave fears of the French and Italian people that they will not have enough food and fuel to survive this coming winter.

The prospect of a successful general economic recovery program for Europe is one of the major hopes for peace and economic security in the world. The Congress will soon be called upon to consider the part which the United States should play in aiding this program. But the program will have no chance of success if economic collapse occurs in Europe before the program can be put into operation. Prompt and effective aid to meet the urgent needs of the present is essential, lest the strains become too great and result in an expanding economic depression which would engulf western Europe and, eventually, spread over much of the rest of the world.

I have examined with great care the means now available to the executive branch of the Government to provide the necessary assistance. They may meet the urgent needs of the next few weeks, but it is clear that they cannot provide the necessary assistance beyond December, if as long as that. Requirements beyond that time can be met only if further authority is granted by the Congress.

The problems arising out of these circumstances are of such importance that they should be considered by the Congress at the earliest practicable time. The early convening of your committee, together with other appropriate congressional committees, is a necessary first step in this consideration.

I am requesting, therefore, that you call your committee together at the earliest possible date to consider these problems. I appreciate the fact that some of the members of your committee are investigating, or are planning to investigate, conditions in Europe at first hand. Time is of critical importance in this matter, however, and I earnestly hope that arrangements can be made for convening your committee at an early date.

The appropriate departments and agencies of the executive branch of the Government are prepared to provide information and make recommendations to your committee when its meetings begin.

Very sincerely yours,

HARRY S. TRUMAN.

Now, Mr. Secretary, will you take the stand? We will be very glad to hear your presentation on the subject.

STATEMENT OF GEORGE C. MARSHALL, SECRETARY OF STATE, WASHINGTON, D. C.

Secretary MARSHALL. Senator Vandenberg, Mr. Eaton, members of the committee, the Congress in the coming session will be called upon to make decisions which, although less spectacular and dramatic, will be no less important for the future of our country and the world than those of the war years. Your responsibilities as members of the committees directly concerned with our foreign relations are accordingly very great.

It appears unnecessary to elaborate for you on the somber picture of the world situation. You all, I am sure, are fully aware of its gravity and the immense responsibility which the course of events has placed upon our country.

The President will lay before the Congress the program of his administration for aid to Europe. My duty as Secretary of State is to present the reasons for this program, the reasons why I profoundly believe that the vital interest of the United States is directly involved.

In concentrating upon the problem of aid to Europe I do not ignore

the fact that there are other areas of the world beset by economic problems of tremendous gravity. But the very magnitude of the world problem as a whole requires a careful direction of our assistance to the critical areas where it can be most immediately effective.

The need for our assistance in the European area is real and it is urgent. The report of the 16 nations represented on the Committee of European Economic Cooperation sets this forth, I think, in a convincing manner.

As a result of the war, the European community which for centuries had been one of the most productive and, indeed, creative portions of the inhabited world was left prostrate. This area, despite its diversity of national cultures and its series of internecine conflicts and wars, nonetheless enjoys a common heritage and a common civilization.

The war ended with the armies of the major allies meeting in the heart of this community. The policies of three of them have been directed to the restoration of that European community. It is now clear that only one power, the Soviet Union, does not for its own reasons share this aim.

We have become involved in two wars which have had their origins in the European continent. The free peoples of Europe have fought two wars to prevent the forcible domination of their community by a single great power. Such domination would have inevitably menaced the stability and security of the world. To deny today our interest in their ability to defend their own heritage would be to disclaim the efforts and sacrifices of two generations of Americans. We wish to see this community restored as one of the pillars of world security, in a position to renew its contribution to the world advancement of mankind and to the development of a world order based on law and respect for the individual.

The record of the endeavors of the United States Government to bring about a restoration of the whole of that European community is clear for all who wish to see. We must face the fact, however, that despite our efforts, not all of the European nations have been left free to take their place in the community of which they form a natural part.

Thus the geographic scope of our recovery program is limited to those nations which are free to act in accordance with their national traditions and their own estimates of their national interests. If there is any doubt as to this situation, a glance at the present map of the European continent will provide the answer.

The present line of division in Europe is roughly the line upon which the Anglo-American armies coming from the west met those of the Soviet Union coming from the east. To the west of that line the nations of the continental European community have been grappling with the vast and difficult problem resulting from the war in conformity with their own national traditions without pressure or menace from the United States or Great Britain. Developments in the European countries to the east of that line bear the unmistakable imprint of an alien hand. All the nations of Europe, 16 in number, which were in a position to exercise free choice gave a prompt and energetic response to the simple suggestion made at Harvard on June 5 last and thereby an impressive demonstration of the continuing vitality of European civilization.

It would be well, therefore, to deal briefly with what the area encompassed by those 16 nations plus western Germany has meant to us and has meant to the world. This community before the war accounted for nearly one-half of the world's trade. They owned nearly two-thirds of the world's shipping. Their industrial production in terms of the basic commodities of coal, steel, and chemicals was, before the war, slightly greater than that of the United States. Their economy was highly integrated, each part depending upon the efficient working of the other.

I think that the figures cited will indicate the importance, even from a purely economic point of view, of the 16 nations who have joined together to develop a program for their mutual recovery. Their response to our suggestion of June 5 was a remarkable cooperative effort in a postwar world in which that element has hitherto been distressingly lacking.

Congress will wish to go into the objectives and the details of the European recovery program at some length, but I feel that a brief summary of the tentative conclusions we have reached may serve the useful purpose of making clear the distinction between the long-range recovery program and the stopgap recovery program, which we refer to as interim aid.

Long-term European recovery program: The Committee of European Economic Cooperation, meeting in Paris, produced a recovery program extending over 4 years. After the most careful checking, with the assistance of experts drawn from many governmental agencies, we have concluded that the Paris report correctly identifies the courses of action necessary to produce recovery and indicates an approximate order of magnitude of the cost for the full 4-year period.

I feel, however, that we can estimate with reasonable accuracy and assurance the sum required for the first stage of the recovery program, which will cover a 15-month period from April 1, 1948, to June 30, 1949.

Our tentative estimate of the cost, subject to final checks in the light of the Harriman report, is something under 1.5 billions for the last 3 months of the fiscal year 1948 and somewhat less than 6 billions for the fiscal year ending June 30, 1949. The findings contained in the Krug report, the Nourse report, and the Harriman report, together with the studies made by our interdepartmental committees, make it clear that a program in this order of magnitude can be safely undertaken by this country. I shall therefore recommend to the President of the United States support of the European recovery program and that an amount be appropriated for the 15-month period ending June 30, 1949.

It is of cardinal importance that an able and effective United States administration manage the funds which may be made available by the Congress. How best to achieve this and other essential elements of an organizational and administrative structure for the program of aid to European recovery is a matter which the Congress will wish to examine with great care. There are several important principles which I believe should determine the nature of this organization:

(a) The operation of this program will in many ways define and express the foreign policy of the United States in the eyes of the European countries and the world. Therefore, the operation must fully accord with the foreign policy of the President as expressed through the Secretary of State.

(b) The organization, if it is to afford successful and dynamic management to the complete recovery program, must be granted the widest practicable flexibility both in its operations and in the use of the funds placed at its disposal. The program of United States support will achieve its objective only if it is kept responsive to changing situations and varying supply conditions.

(c) Full use should be made of the existing governmental agencies in carrying out those parts of the program which fall within the scope of their present activities. The Departments of Commerce, Treasury, Agriculture, Interior, the National Military Establishment and other agencies are well equipped to perform many of the necessary functions. The National Advisory Council and other competent interdepartmental agencies will have important parts to play.

(d) Strong central administrative direction is essential in a complex and varied program of this kind. There must be a high degree of integration in our operation, both in the United States and overseas. Unity of command, rather than diffusion of authority and responsibility is required.

The President will submit to the Congress his recommendations concerning the administration of the European recovery program.

There will be important functions for the United States to perform in Europe. Much of this work will be negotiation with governments of a nature constituting essentially in extension of the conduct of the entire relationship of the United States with the participating countries. Such matters are now handled through our embassies and legations and clearly should continue to be. There will be certain additional functions arising directly out of the operating program, such as screening of specific import requirements, arrangements for furnishing technical assistance and other similar specialized activities which will require the appointment of qualified men who can devote their full attention to such matters. These men in their dealings with participating governments should work through our ambassadors because it is essential to maintain a single channel of responsibility for United States negotiation with other governments.

For general coordination of the operations in Europe and for central representation in the continuing European organization which the participating countries have decided to establish, consideration should be given to the designation of a special United States representative for the European recovery program, with ambassadorial rank, appointed by the President with the advice and consent of the Senate.

As a general principle, aid should take the form of grants or loans, depending in each case upon the capacity of the particular country to repay and the effect which accumulation of additional external debt would have upon sustained recovery. The precise determination in each case should be made by the administrative agency with the advice of the Department of State and the National Advisory Council. In practice it is felt that, where need is clearly demonstrated and where repayment cannot reasonably be expected, imports of supplies which are quickly consumed, such as food, fertilizer, and fuel, of indispensable items of capital equipment for immediate replacement and repair, and of essential raw materials should be financed by means of grants.

Loans should be made to cover imports of capital equipment and raw materials which will directly produce the means of repayment and where such repayment can reasonably be expected. At the same time

every encouragement should be given to early initiation of private financing so as to eliminate as far as possible the necessity for direct assistance from the United States Government. Use should be made of the resources of the International Bank whenever in the opinion of the Bank the necessary and appropriate conditions for loans can be met.

It is obvious that the basic responsibility for European recovery rests on the European countries themselves. However, this Government must have assurance that the aid it provides is effectively utilized for the achievement of European recovery as rapidly as possible.

It is contemplated, to this end, bilateral agreements will be negotiated between the United States and each of the countries participating in the recovery program, setting forth the reciprocal undertaking relating to American assistance. These agreements will vary in form and content as between countries, depending upon the nature of the aid to be furnished and the conditions deemed important in each case.

The commitments should include undertakings to adopt monetary, fiscal and other measures to maintain stability in price and cost structures; to develop production to reach targets set by the participating countries and in particular, to increase the production of coal and basic foods; and to cooperate in reducing barriers to trade and promoting increased interchange of goods and services. Many other points and more detailed provisions to be covered in the agreements will be presented and discussed during the hearings.

Assistance to Europe will, to a considerable extent, take the form of commodities. The proposal to be submitted to the Congress contemplates the use of funds provided under the program for purchases outside the United States of commodities not readily available in sufficient quantities in this country. This policy will tend to protect our home economy against inflationary price movements which might result from concentrated buying in our markets. It seems clearly in our interest that the greatest possible amount of these supplies be obtained for Europe from other countries. Such countries should be encouraged to contribute directly as much as they can to the recovery program through grants-in-aid or by extending credits for exports to Europe.

Effects on world economy: I have so far confined my remarks to the European recovery program itself. But the economic effects of this program will extend far beyond the boundaries of the 16 countries involved. It is in one important sense a world recovery program. The delay in European recovery has created a serious problem for many countries which normally supply the European market with raw materials and other commodities. Where Europe's trade with the rest of the world would normally have been balanced by the equivalent exchange of goods and services, the low level of European production and the limited availability of exports has drastically reduced such payment possibilities.

Furthermore, the habitual triangular trade patterns have almost disappeared, whereby Europe met its deficit for goods obtained from the Western Hemisphere by means of balances obtained from other parts of the world. Similar patterns of triangular trade used to provide certain other countries in the Western Hemisphere with balances from Europe which were used to purchase goods in the American

market. With the break-down of these trade patterns, supplying countries, to a substantial degree, have had to accept nonconvertible currency or extend credit in order to sell in the European market. Neither of these procedures has given them dollars with which to purchase in the American market. The net result has been that trade continued around the world in large part on the basis of American grants or credits which made dollars available to other countries to meet their import requirements. The diminishing supply of dollars is restricting trade everywhere.

The European recovery program will be quickly reflected in other countries, if the important element of flexibility in purchasing is provided. To the extent that supplies for Europe are procured from non-participating countries for dollars, the trade position of these countries with the United States will be improved. In this way we feel that the problems of the other Western Hemisphere countries can be met through a combination of the European recovery program purchases and normal Export-Import Bank transactions.

More important in a fundamental sense, with increases in production in Europe such as those contemplated in the Paris report, exports from Europe will increase, and the necessity for the various supplying countries to accumulate nonconvertible currencies or to extend credit will diminish. Just as the progress of each individual country among the 16 will affect the progress of the others, so the recovery of Europe will inevitably be a significant link in a chain reaction creating or maintaining economic activity in other countries.

The situation in China continues to cause us deep concern. The civil war has spread and increased in intensity. The Chinese Communists by force of arms seek control of wide areas of China.

The United States Government and all other world powers recognize the National Government as the sole legal government of China. Only the Government and the people of China can solve their fundamental problems and regain for China its rightful role as a major stabilizing influence in the Far East. Nevertheless we can be of help and, in the light of our long and uninterrupted record of friendship and international cooperation with China, we should extend to the Government, and its people, certain economic aid and assistance. A definite proposal is under preparation for early submission.

I do not have to tell you that this foreign economic program of the United States seeks no special advantage and pursues no sinister purpose. It is a program of construction, production, and recovery. It menaces no one. It is designed specifically to bring to an end in the shortest possible time the dependence of these countries upon aid from the United States. We wish to see them self-supporting.

This is certainly not the program of a country seeking to exercise domination or to influence unduly any foreign country. The nations and political groups which have now declared their opposition to the program apparently wish to block for their own reasons the revival of western Europe.

Interim aid program: I have gone at some length into the major features of the long-range plan for European reconstruction and the part that the United States can prudently and wisely contribute because I fully realize that the speedy and adequate consideration of the interim aid program, which will be the first item of business presented

to you, cannot be dealt with by the Congress without understanding its relationship to the program of long-range reconstruction of Europe.

I would, however, urge upon you the necessity of a speedy decision in regard to the interim aid program. What is immediately needed is aid to maintain the status quo in food and in the material necessary to keep the wheels turning and people at work.

It will do little good to discuss the merits of a recovery program for Europe if in the meantime political and economic conditions have deteriorated to a point where such a program could not possibly succeed. The problem of overseas payment has become particularly acute in the case of Austria, France, and Italy. It is clear that the people of these countries in the absence of immediate assistance will, during the next few months, begin to suffer from a lack of food and other necessities of life and the whole economic and social life of the people will be seriously affected. Within a short time these countries will have exhausted all of the dollar resources which they can muster to maintain the flow of essential supplies.

Austria, whose economy is carrying the weight of a military occupation of four powers, has been able to survive in recent months largely through the assistance rendered to her under the United States foreign relief program. These funds will be exhausted shortly after the beginning of the year. The dollar resources of France will permit her to procure essential food and fuel from abroad only until the end of December. Because of her rapidly dwindling reserves, she took steps at the end of August to reduce sharply the placement of contracts for most other imports. Italy's financial situation is even more serious than that of Austria or France. Last June the Italian Government took steps to eliminate the purchase of most of the raw materials and supplies which she required for the operation of her economy. The United States foreign relief program has been able to provide food and coal until the present time. Funds are not in sight, however, beyond the first of December to maintain the flow of these necessary commodities.

In order to meet this emergency, I recommend that you give immediate and urgent consideration to a bill authorizing the appropriation of sufficient funds to provide the supplies necessary to permit the people of these countries to continue to eat, to work, and to survive the winter. This is not a recovery program. It is designed to help provide the essentials of existence to the people of these three countries.

To accomplish this purpose it is recommended that the Congress authorize an appropriation of \$597,000,000. Of this amount Austria needs \$42,000,000, France needs \$328,000,000, and Italy needs \$227,000,000. These funds should be sufficient to meet the situation until March 31, 1948, before which time we hope that some decision may have been taken by the Congress regarding a broad recovery program.

In the absence of a recovery program the problem of maintaining existing levels in Europe rapidly becomes more complex after March 31. Additional countries will by that time practically have exhausted their dollar resources, and the cumulative effect of the uncertainties as to the future and the continued low levels of production and consumption will have serious consequences throughout Europe.

The program of interim aid would be concentrated largely on such items as food, fuel, fertilizer, fibers, seeds, and medical supplies. With such resources as they can make available, the countries should be able themselves to procure other imports needed to prevent economic deterioration. The program should be sufficiently flexible to take account of such changes in requirements and availabilities as may occur.

Interim aid should be given to these countries under agreement to make efficient use of the commodities which we would supply. The bilateral agreements would also require that the local currency equivalent of the value of the commodities which we supply would be used only for such purposes as we and the recipient country might agree. They should also include a provision that the receiving government make known to its people the purpose and source of our supplies and that it would make available full information concerning their distribution and use.

The operation of a program of the type which is proposed can be handled expeditiously by existing agencies of the Government. The procedures and machinery which are being used in the current relief program have been set up in accordance with the relief bill enacted last summer.

The urgency of the situation is so great that I recommend that no new agency be set up to handle this interim program. The time required to organize such an agency, to hire personnel, and establish new procedures would defeat its very purpose. Whatever agency might be created to administer the long-term European recovery program could, of course, take over the operation of interim aid as soon as it comes into existence.

There is one further element. It is my understanding that the Department of the Army will be presenting certain additional requirements for funds for occupied areas above the present appropriations available for this purpose during the current fiscal year. I am told that these will be on the general order of \$500,000,000 of which slightly more than \$300,000,000 will be for additional requirements in western Germany.

I have endeavored to present in broad outline the long-range European recovery program and, in somewhat more detail, the interim-aid program. The proposals will be presented in full to your respective committees.

Conclusion: In considering them I know you are aware of the momentous importance to the world of your decisions. While we are dealing at the moment with the drab though vital facts of economic life, they carry with them fateful consequences.

The automatic success of the program cannot be guaranteed. The imponderables are many. The risks are real. They are, however, risks which have been carefully calculated, and I believe the chances of success are good. There is convincing evidence that the peoples of western Europe want to preserve their free society and the heritage we share with them. To make that choice conclusive they need our assistance. It is in the American tradition to help. In helping them we will be helping ourselves—because, in the larger sense, our national interests coincide with those of a free and prosperous Europe.

We must not fail to meet this inspiring challenge. We must not permit the free community of Europe to be extinguished. Should this occur, it would be a tragedy for the world. It would impose incalculable burdens upon this country and force serious readjustments in our traditional way of life. One of our important freedoms—freedom of choice in both domestic and foreign affairs—would be drastically curtailed.

Whether we like it or not, we find ourselves, our Nation, in a world position of vast responsibility. We can act for our own good by acting for the world's good.

Senator VANDENBERG. Thank you very much, Mr. Secretary.

It is my understanding now, under the tentative arrangements made by Chairman Eaton and myself, that you and the Under Secretary and your staff will return tomorrow morning at 10 o'clock and we will devote the day to a public cross-examination in respect to these problems, in this room.

On Wednesday you will similarly appear, according to the tentative program, before the House committee for a similar public cross-examination.

I simply want to ask you this one question with regard to procedural information: When will you be prepared to submit to us the specific legislative proposal respecting stopgap legislation?

Secretary MARSHALL. It is ready.

Senator VANDENBERG. I think if it might be submitted today in connection with this present hearing it would facilitate matters.

Mr. LOVETT. Your clerks have that, Mr. Chairman.

The CHAIRMAN. Very well. The proposal will be printed at this point in the record.

(The proposal is as follows:)

DRAFT, EUROPEAN INTERIM AID BILL

A BILL To promote the general welfare, national interest, and foreign policy of the United States by providing supplies to certain European countries on an emergency basis

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as "the European Interim Aid Act of 1947."

SEC. 2. It is the purpose of this Act to provide immediate assistance in the form of food, fuel, and other commodities urgently needed by the people of Austria, France, and Italy, hereinafter referred to as the recipient countries, to alleviate conditions of intolerable hunger and cold and prevent serious economic retrogression which would jeopardize any general European economic recovery program based on self-help and cooperation.

SEC. 3. The President, acting through such departments, agencies, or independent establishments of the Government as he shall direct, may, by allocation of funds to any such departments, agencies, or independent establishments, or by making funds available to the government of a recipient country, whenever he finds it in furtherance of the purposes of this Act and upon the terms and conditions set forth in this Act and upon such other terms and conditions as he may determine—

(a) Procure, or provide funds for the procurement from any source, by manufacture or otherwise, food, seed, and fertilizer; coal, petroleum, and petroleum products; other fuel; fibers; and such other commodities as are necessary for the accomplishment of the purposes of this Act as set forth in section 2;

(b) Transport, or provide funds for transportation of, such commodities;

(c) Transfer such commodities to any recipient country;

(d) Incur and defray expenses, including accessorial and administrative expenses and expenses for compensation and travel of personnel, for carrying out the purposes of this Act.

SEC. 4. (a) There is hereby authorized to be appropriated not to exceed \$597,000,000, out of any money in the Treasury not otherwise appropriated, to carry out the provisions and accomplish the purposes of this Act.

(b) Funds authorized under this Act, when allocated to any department, agency, or independent establishment of the Government, shall be available for obligation and expenditure in accordance with the laws governing obligations and expenditures of such department, agency, or independent establishment or organizational unit thereof concerned, and without regard to sections 3709 and 3648 of the Revised Statutes, as amended (41 U. S. C. 5; 31 U. S. C. 529).

SEC. 5. After March 31, 1948, no funds may be obligated under this Act.

SEC. 6. Before any commodities or funds are made available to any recipient country under the authority of section 3 of this Act, an agreement shall be entered into between such country and the United States containing an undertaking by such country—

(a) To make efficient use of any commodities made available under the authority of this Act and to take insofar as possible the economic measures necessary to increase its ability to achieve a self-sustaining economy;

(b) To make, when any commodity is made available under this Act, a commensurate deposit in the currency of such country in a special account under such terms and conditions as may be agreed to between such country and the Government of the United States, and to hold or use such special account only for such purposes as may be agreed to between such country and the Government of the United States;

(c) To give full and continuous publicity within such country as to the purpose, source, character, and amounts of the commodities made available by the United States under this Act;

(d) To furnish promptly upon request of the President information concerning the method of distribution and use of commodities made available under this Act.

SEC. 7. The President shall promptly terminate the provision of assistance under this Act for any country whenever he finds that such country is not adhering to the terms of its agreement entered into in accordance with section 6 of this Act.

SEC. 8. All commodities made available pursuant to this Act or the containers of such commodities shall, to the extent practicable, be marked, stamped, branded, or labeled in a conspicuous place as legibly, indelibly, and permanently as the nature of such commodities or containers will permit, in such manner as to indicate to the people of the country of destination that such commodities have been furnished or made available by the United States.

SEC. 9. The President may, from time to time, promulgate such rules and regulations as he may find necessary and proper to carry out any of the provisions of this Act; and he may delegate to the Secretary of State or any other official or officials of the Government any of the powers or authority conferred on him under this Act.

SEC. 10. Personnel employed to carry out the purposes of this Act shall not be included in computing limitations on personnel established pursuant to the Federal Employees Pay Act of 1945 (59 Stat. 298), as amended by section 14 of the Federal Employees Pay Act of 1946 (60 Stat. 219).

SEC. 11. The President, from time to time, but not less frequently than once every calendar quarter, and until the end of the quarterly period after all operations under the authority of this Act have been completed, shall transmit to the Congress a report of operations under this Act. Reports provided for under this section shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, if the Senate or the House of Representatives, as the case may be, is not in session.

SEC. 12. If any provisions of this Act or the application of such provision to any circumstance shall be held invalid, the validity of the remainder of the Act and the applicability of such provision to other circumstances shall not be affected thereby.

Senator VANDENBERG. Have you anything you wish to say, Congressman Eaton?

Representative EATON. Only that we are very anxious to have the proposed legislation in our possession at the earliest possible moment for further study before the hearings go on.

Secretary MARSHALL. It is being delivered now.

Representative EATON. Thank you very much.

Senator VANDENBERG. I should like to ask the Senate Foreign Relations Committee to meet at 11:30 in the regular Foreign Relations Committee office in the Capitol, not for the purpose of hearing witnesses but for the purpose of discussion of procedure and so forth, inasmuch as I have had no opportunity to consult with the committee until now.

Senator BARKLEY. Mr. Chairman, are there enough copies of the proposed legislation for each member to have a copy?

Senator VANDENBERG. Yes; I am advised that there are.

Representative EATON. I would like to have the Foreign Affairs Committee of the House meet in executive session in our committee room at 2 o'clock this afternoon and discuss procedural matters.

Senator VANDENBERG. I think that is all. I ask the members of the Senate committee to remember the 11:30 meeting in the other office.

On that basis, the joint session is dissolved.

(Thereupon, at 11:10 a. m., the joint meeting of the committees adjourned, to reconvene separately Tuesday, November 11, 1947, at 10 a. m.)

EMERGENCY FOREIGN AID

WEDNESDAY, NOVEMBER 12, 1947

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the caucus room, Old House Office Building, at 10 a. m., the Honorable Charles A. Eaton (chairman) presiding.

Chairman EATON. The committee will please be in order. Our program for today is to interrogate further the Secretary of State and the Under Secretary on the general statements which were made before the joint session. We will observe in the first round of questioning the 5-minute rule, after which the meeting will be open for general discussion.

We have with us this morning the Secretary of State and the Under Secretary.

STATEMENT OF GEN. GEORGE C. MARSHALL, SECRETARY OF STATE; AND HON. ROBERT A. LOVETT, UNDER SECRETARY OF STATE

Chairman EATON. Mr. Jonkman——

Mr. JONKMAN. I have no questions.

Chairman EATON. Mr. Bloom——

Mr. BLOOM. I have no questions at this time, Mr. Chairman; I reserve my time.

Chairman EATON. Mr. Merrow——

Mr. MERROW. Mr. Chairman. I would like to ask the witness this question. I notice that the figures on aid to France and Italy have changed since the President's address to the country. They have been scaled down. I am wondering if the figures you presented the other day are figures that you think will remain constant, or are they likely to be revised again?

Secretary MARSHALL. Our opinion at the present time is that these will probably remain constant. I might say that certain of the changes, particularly in relation to Italy and Austria, can be explained in detail here by one transaction where immediacy of the availability of the money in order to make certain purchases had to be obtained by changing from one to the other. That can be explained in detail here by one of the staff who is intimately familiar with the situation. But in general we think these figures will be constant.

Mr. MERROW. Mr. Secretary, it is my understanding that the French funds will probably be exhausted around the first of December. Is that true of Italy?

Secretary MARSHALL. France is expected to have exhausted its resources, in the way of funds for purchases outside of the country and payments outside of the country, by December 31.

Mr. MERROW. By December 31?

Secretary MARSHALL. Italy represents an immediate requirement, because they will be at the end of their tether about December 1.

Mr. MERROW. Mr. Secretary, if we are going to grant this aid—and we probably will; personally I have been in favor of it for a long time—should it not be done immediately, so that contracts can be placed and pipe lines can be kept filled?

Secretary MARSHALL. That is our feeling, sir.

Mr. MERROW. Thank you.

Chairman EATON. Mr. Kee—

Mr. KEE. Mr. Secretary, perhaps the question I want to ask might well be deferred until later in the hearing; but on yesterday, in your testimony, you sketched quite a clear picture of the situation in the world and possibly you might be able to give us part of that picture, with one more stroke of the brush. You brought China into the picture. I would like to ask to what extent, if any, aid is to be given to China out of the funds appropriated, if these funds are appropriated in accordance with the terms of this bill?

Secretary MARSHALL. The situation, sir, is one, as you know, of great complexity. I might say, by way of a start, that it has been the unanimous desire of those concerned in the State Department and other Government agencies to find some way to do something helpful so that we could present a program to the Congress with a reasonable basis for expecting an efficiency of result of, we will say, 70 percent. The problem has been how to find such a basis.

Going specifically to that part of your question which related to interim aid, there is a complete difference in the situation in China from that in western Europe. In western Europe we are faced, as has just been referred to in the question previous to yours, with a complete lack of funds to continue the purchase of necessary imports to sustain the life of the people, to keep the machinery now in motion going even at its present slow rate. That is not the situation with regard to China. They are not threatened with any immediate cessation of whatever import activity has been going on. And they have resources which would enable them to continue the present import rate for some months. So it is not the same issue that is involved in this interim-aid program.

Passing from that phase of the question to the general proposition of what would be proposed for China, I would say, first, it would be much simpler for me to discuss it when we come in with the detailed program, which we will do very shortly. But I will say this at the present time. First, we have been trying to find some practical basis which would justify the expenditure of American funds on the basis, as I say, of getting about a 70-percent return in effectiveness of use.

The condition in China is one of extraordinary or extreme inflation. Now, what can we do to tide over, we will say, the Chinese Government in its present dilemma? It is going to have to make certain adjustments in order to have any hope of reducing inflation. It can be given certain help, we think, in relation to what they are now buying with their resources outside of the country. And it is on that

approach that we will come in with details to the Congress in regard to that matter.

But, to go back to what I said in the first place, the interim situation is not at all comparable to that with which we are faced in Europe. In Europe we are faced with a cessation of purchases on which the life of the particular country depends. That is not the case at the present time in China.

Chaotic conditions in China? Yes; far beyond that of the situation in Europe. But the situation regarding food, imports, exports, and so forth, is on quite a different basis from that that has existed in Europe and the crisis that is impending in Europe.

I hope I have made the matter clear to you, sir.

Mr. KEE. Thank you; that is all.

Chairman EATON. Mrs. Bolton—

Mrs. BOLTON. Mr. Secretary, I am not going to ask any questions on details. Those will be asked by people who are more given to details in the matter of figures, and so on, than I am. But I do want to have in the record something on the subject of the basic, fundamental necessity for this interim aid, which is what we are concerned with at the moment.

It is your belief that the situation in both France and Italy is exceedingly grave; is that correct?

Secretary MARSHALL. That is my conviction.

Mrs. BOLTON. I am just back myself. And the sum total of what I was able to discover there—and I had some opportunity to observe outside of our own governmental group—is that the moment is of very critical importance. In France particularly the Kremlin is putting in every single bit of its heavy artillery. They are saying through handbills and through every other means shocking things about us in an effort to disgrace us completely with the French people. Despite that fact, the municipal elections were away from the Communist trend. And that was true in industrial districts and among labor classes, who were going away from that trend.

Is it not therefore particularly imperative that at this moment when that trend is away from communism, when it is up, so to speak, we give France a sense of our understanding that she is trying to keep her balance even against those pressures?

Secretary MARSHALL. I agree with you entirely. I think the important aspect of the matter governing to quite an extent our procedure is that a certain momentum has developed toward what we struggle for, which is free choice, free governments, freedom as we understand it. Now, it would be tragic if we did not assist in the further development of that same momentum, because there is never much chance of that just remaining poised. It either goes forward or it goes back.

And in this particular situation, in this grave crisis, our action I think would have quite a determining effect. What we are trying to do, of course, is to maintain the status quo until March 31, both in foods and in keeping the wheels of production going as they have been going the past few months, which has not been too good. But at the same time that means immediate assistance. It not only gives us a chance to consider what might be done in a larger way for recovery, rather than aid, but I think it would contribute directly to what you are talk-

ing about. It would add to the momentum which has gathered in the past few months, along the line that we so much desire.

Mrs. BOLTON. As the Kremlin seems certain that France is a most necessary factor in its control of Europe, surely we should recognize the same seriousness of the import of the position of France in the whole western European structure, should we not?

Secretary MARSHALL. I think that is correct.

Mrs. BOLTON. May I ask you if you feel that there is any sense taking place in France and in the other countries of Europe that they will get together in some way, so that they may present a united front against the onslaughts of the Kremlin?

Secretary MARSHALL. I think that is one great encouraging factor at the present time. The report of the 16 nations for the economic rehabilitation of Europe was not just a report. That was a historic get-together among nations, I think. I believe it is of such great import that we do not appreciate at the present time what a tremendous step that is toward a cooperative set-up in Europe among these closely associated nations along lines which are clean and decent and are for the general good of all concerned.

Mrs. BOLTON. It would seem as though that were the only solution for western Europe?

Secretary MARSHALL. That would appear the only desirable solution. Otherwise you are confronted with dissolution rather than solution.

Mrs. BOLTON. I quite agree. In the Italian situation we have very much the feeling that the Italians were pulling themselves together, that there was an entirely different feeling there from what we had 2 years ago; is that your sense at all of the situation?

Secretary MARSHALL. That is our sense.

Mrs. BOLTON. And that would have a good deal to do, of course, with our attitude and the attitude of some of those who were not so thoroughly in sympathy toward doing something for those who help themselves?

Secretary MARSHALL. I think so.

Mrs. BOLTON. Thank you.

Chairman EATON. Mr. Richards—

Mr. RICHARDS. Mr. Secretary, I believe it is your idea that this aid program be administered by existing governmental agencies; is that correct?

Secretary MARSHALL. Yes, sir.

Mr. RICHARDS. You do not think it would be enough to increase the powers of the Export-Import Bank and the Commodity Credit Corporation to meet this situation?

Secretary MARSHALL. When you use the expression "to meet the situation," I assume you do not mean that they alone could handle the whole affair. I would not attempt to discuss with you gentlemen the pros and the cons of the Export-Import Bank. That is a monetary matter beyond my calculations and immediate understandings. We have in the Department men who are intimately familiar with what it means in its various aspects, notably the Under Secretary of State, Mr. Lovett, from his past experience as well as his present.

We have in mind in this program—and that was included in my first reply to you—that while we do business through governments at the same time we hope to develop private arrangements in connection with

loans and business activities, parallel to the general procedure. But the possibilities of that, the practicabilities, can be explained in some detail by the men who have made a very thorough study of it, and whom I have with me here this morning.

Mr. RICHARDS. You do not anticipate that existing governmental agencies could handle the long-range relief program?

Secretary MARSHALL. No, sir. I think that will require a very special administration. Those agencies are all going to be involved, but it is going to require a very highly concentrated authority in order that they may be able to act in relation to the development of the situation; because no one can tell you now, in November, just what is going to be the situation 6 or 10 months from now, because of the sun and the rain, and all sorts of other factors which are involved. There are a great many imponderables in this. So I not only feel there must be an administrative agency, but it should be under very concentrated control, so there will be no diffusion of authority except insofar as the State Department has a direct responsibility as to foreign policy.

At the same time this agency in order to function with the utmost efficiency must have a very liberal charter, so that the head of it can operate in accordance with the situation at the time. It would play quite a part in relation to the other agencies that you have mentioned. You are getting me into pretty deep water on the fund proposition; but my attention has been called to the fact that that subject is treated in a paragraph on page 62 of this blue book which we have submitted to the committee and which I can read, if you wish me to, at this time.

Mr. RICHARDS. If you would like it to appear in the record, Mr. Secretary.

Secretary MARSHALL. I think it is already in the record.

Mr. RICHARDS. I am just wondering whether it would not be wise, if we are going to use existing relief agencies of the Government—

Secretary MARSHALL. I have misled you. When you said relief agencies of the Government, I thought you were talking about long-range activities. I have got to correct most of what I have just said, because we feel very strongly that the existing agencies that were set up under the Relief Assistance Act should be utilized for this purpose. They require very small amplification of individuals here and there. So I was entirely off center when I was talking to you before.

Mr. RICHARDS. I think that was my fault in asking the question as I did, Mr. Secretary. I am wondering whether, in this interim aid program, it would not be best to amend the Relief Act of 1946, instead of passing an entirely new act.

Secretary MARSHALL. I would suggest that you can get a better answer to that from some of the men who have intimately studied the procedure. We have here a draft of a bill for interim aid. Whether or not that particular paragraph is in there, I cannot recall at the moment. I can refer you to Mr. Lovett on that.

Mr. RICHARDS. I think that question might more properly be asked of Mr. Lovett later.

Secretary MARSHALL. I will repeat again, we think it is very important to utilize the existing Government agencies that were put into effect by the act of Congress last summer.

Mr. RICHARDS. Thank you very much. That is all.

Chairman EATON. Mr. Vorys.

Mr. VORYS. Mr. Secretary, I happen to agree with what you said and our chairman, Dr. Eaton, said and Senator Vandenberg said last summer, that we were through with stopgap piecemeal aid. I consider that what we are telling about now is simply an installment on a long-range program; if that is not true, we ought not to do anything. Having that in mind, it seems to me that we ought to get going fast, as fast as we can, on a plan for a long-range program that this country can swing. I understand that you would prefer to have the details discussed with the Under Secretary, but I want to ask you one question.

You stated the other day that the conditions covering what we would do would be incorporated in bilateral agreements. You stated this morning what we all believe, that the 16-nation meeting in Paris was of historic importance. Is it not possible to arrange it that our aid, either interim or long-time, be handled through the 16 nations, through a multilateral agreement, rather than by a series of bilateral agreements?

Secretary MARSHALL. I think both are involved, multilateral and, in detail, bilateral.

Mr. VORYS. What I am concerned about is that after these nations have taken the first step in working together, we go back again for the third time this year into piecemeal, stopgap aid, in which case we would get these countries lobbying against each other and having each one of them see how badly off it can show itself to be. That is not a good way to proceed. Is it not possible promptly here to get up an arrangement so that the European end of this problem is handled on a multilateral and I should hope a 16-nation basis?

Secretary MARSHALL. There is not much question about what you said being right on the long-range program. There are a good many complications involved in this interim aid, so I do not feel sufficiently advised at the moment to give you a definitive answer.

The general impression I have received in going through all the factors that have been presented to me is that the differences are so great in relation to these countries that you have to have some special understanding with the respective countries.

On the interim aid we have three countries involved—Italy, France, and Austria—and Austria is in a very special status quite different from Italy and France.

Now, so far as general provisions go, certainly it is an advantage to have it multilateral, but when it comes to the details I think there are some factors that would be very difficult to put into a multilateral basis.

This involves only three countries and one of those on a rather odd status.

I think possibly some of the gentlemen who have worked out the exact details of the "why" of the necessity can give you a better answer than I am giving you now.

Mr. VORYS. You mentioned existing organizations, and on page 62 of the memorandum furnished to us, you mention that the operations could then be integrated into the existing organization responsible for carrying out the relief assistance program. That is under Public 84.

We also have an aid program under the Greek-Turkish bill. After reading over the draft of the act that has been presented, it seems to me everything could be accomplished by raising the amount in Public, 84, by adding \$500,000,000 or whatever it is decided to add; add the word "France," because Italy and Austria are already specifically named in the legislation, and we would simply be amending a law that has been labored over in Congress very carefully this year, for providing relief.

Would you prefer to have that discussed later?

Secretary MARSHALL. You are getting into a legislative complication that I would not like to answer you offhand on, because I might just fog the issue. Certainly your presentation sounds very simple, except it would not only be the question of adding France to the list, but whether or not this money would apply to countries other than Austria, Italy, and France.

Mr. VORYS. I just dislike having Congress pass a third bill, a third stopgap bill, in 1 year, and I thought it might look better, if this is to be a stopgap proposition, to have only two a year.

Secretary MARSHALL. It is a question of how serious the amendments would be that would be required, and whether or not it is desirable to amend that seriously, or to have a new bill.

I certainly am strongly for whatever is the simplest approach to the problem. You are getting into a very decided legislative tangle there that I do not want to talk about offhand.

Mr. VORYS. We are confronted on the legislative committee with the legislative problem.

Secretary MARSHALL. Now that your question has been asked, it can be answered very carefully and a reply given you.

Mr. VORYS. One other question along that line: Is there any reason, from the standpoint of the State Department, why we should not proceed to set up the machinery for a long-term aid agency at present?

Secretary MARSHALL. From the viewpoint of the State Department in this matter, we do not want anything to delay the enactment of the interim aid bill. Now, that being assured, then the earlier the long-range program is put into form the better.

Mr. VORYS. So that the question of whether delay is involved is a matter for Capitol Hill, and whether the machinery of Congress can grind fast enough to set up a long-term organization. As far as the State Department is concerned, you are ready to recommend, or pass on recommendations, with reference to long-term aid machinery now; is that not true?

Secretary MARSHALL. That is true with limitations; first, the administration—the President, in other words—has to declare himself before we are completely free agents in the matter.

Mr. VORYS. Of course.

Secretary MARSHALL. And I will repeat that from our point of view we do not want anything done that would delay the enactment of the interim-aid program. After that, the earlier the long-range program is undertaken the better.

Mr. VORYS. If there is not to be a long-range program, there is not much excuse for a short one; is that not true? If all of you—

Secretary MARSHALL. I understand your question. I was just thinking of how to qualify my reply.

Mr. VORYS. I do not want to put an answer in your mouth.

Secretary MARSHALL. The only way that you could reply to that is to say the assumption must be that we debate the long-range program first and turn around to see whether or not we decide on that, and then we would go to the interim aid program. Well, it would seem highly improbable that a decision on the long-range program could be taken in time to permit action on the interim aid program.

Now, our feeling is that if the interim aid is not enacted there is not much hope for the long-range plan because the situation will so deteriorate that its prospects for success would be too poor.

Mr. VORYS. Now, just one more thought on that. The State Department and everyone else has recommended that as to any long-range program that we authorize amounts, not all at once, not more than certainly a year or so at a time so that we will always be considering interim parts of a long-range program. What we are now doing, whether we label it interim aid or not, is considering parts of a long-range proposition all the time; is that not true?

Secretary MARSHALL. That is the perspective of this matter. But what we are really doing in this interim aid—to put it bluntly, as I endeavored to express it to some of the leaders of Congress in a meeting with the President the other day—we are buying an option on time in which to consider whether or not a long-range program is going to be acceptable to the Congress and, of course, to the people. Now, without that action, in order to maintain the status quo, it is our conviction—and I think that we have ample justification for that, too—that the situation will so deteriorate there is little hope for success of another program of the nature we have in mind as being essential.

Mr. VORYS. This is the third option that has been proposed this year. There comes a time when emergencies become a habit and it strikes me—regarding the long-range program, we are either going to handle it intelligently and not kid ourselves, or we are going to continue the practice we have had this year—each time calling our installments emergency options on buying time. I hope we get soon to a long-range view on this.

Secretary MARSHALL. I hope so, too, Mr. Vorys. I might add this—that in June many of the events of this fall could not be foreseen. We share your concern and your regret that we have a crisis. It is a problem of meeting the situation.

Now, then, I think this: In regard to your conviction that you hope this time we will deal with the matter in a way that will not be just piecemeal, we will not be just meeting one crisis after another, there has been an effort made which is proven by the production of the data, of the surveys that have been made, and I think a very successful effort has been made to give the Congress all the pertinent facts in the case on which to make a rather final judgment.

Mr. VORYS. One other question. I find in the memoranda a basis of 520,000,000 bushels of wheat for export for the coming year. Can you tell us where you get that estimate? I understood there was not going to be that much.

Secretary MARSHALL. The Department of Agriculture, sir.

Mr. VORYS. Going back to this \$350,000,000 last spring, that was represented as being 57 percent of the need for this year, and we have put up not quite our 57 percent. Is not one aspect of this thing that

the other countries that might have put up the 43 percent have not come through and therefore we are simply finishing out this year the estimated relief needs that were reported to the Congress last spring?

Secretary MARSHALL. I think that is approximately correct, sir.

Mr. VORYS. That is one reason why it might be well—

Secretary MARSHALL. Australia did come through with assistance equivalent to 12.8 millions of dollars; Canada with \$20,000,000; Denmark with \$4,000,000; Norway with \$3,000,000, and the United Kingdom with \$40,000,000.

Mr. VORYS. Forty million dollars, while it is not so labeled in the report, was a loan. I am talking about the British \$40,000,000.

Secretary MARSHALL. Six million dollars was a loan out of the \$40,000,000 on the basis of commercial credit.

Mr. VORYS. It was reported in Austria to us by American officials that it was a loan. It is not of great importance but there is no point in bringing that in as if it were some sort of a contribution.

Secretary MARSHALL. You mean that it was not a grant-in-aid?

Mr. VORYS. No; it was a loan.

Secretary MARSHALL. They tell me that thus far the only part that was a loan on which repayment was specified was \$6,000,000 for wool.

Mr. VORYS. That does not correspond with the information we received in Austria. I will get the information and take it up with your officials. That is all.

Chairman EATON. Mr. Jarman.

Mr. JARMAN. You have thoroughly indicated your opinion that time is the essence of this matter, with which I heartily agree.

You referred to the desirability of keeping up the momentum and the fact that unless we act quickly the long-range program might be useless.

In addition to that, is it not a probability that if we delay our action on this matter too long we will not accomplish, with the amount of money indicated, what we might accomplish; or, stated another way, it will cost more than the amount now estimated?

Secretary MARSHALL. That is probably correct, sir.

Mr. JARMAN. Furthermore, if multilateral action to which reference has been made occurs, is it not probable that bringing into the picture 16 nations instead of 4 would inevitably cause delay regardless of the action of this Congress?

Secretary MARSHALL. My understanding of that was not to involve all 16 but the 4 primarily concerned in that. Was not that your idea, Mr. Vorys?

Mr. VORYS. Well, my hope was that we could carry out what you suggested in the Harvard speech and what has been started, and that is some sort of group of nations working together. I had hoped for more than merely the four that are in immediate need.

Secretary MARSHALL. Three.

Mr. VORYS. I understood yesterday it was stated there might be others that would be in serious trouble, although it was not immediately foreseen. I am just hoping that we can continue with the united plan over there rather than a piecemeal plan, so Mr. Jarman, I think, did state my thought properly.

Mr. JARMAN. My reference to four nations included our own. As the Secretary stated, the group of 16 nations has already accomplished

a very desirable purpose in getting together and submitting to us the long-range program, whereas this is a matter pertaining primarily to these countries. I do not see the necessity for bringing the 16 into this consideration of a purely stopgap matter, despite the great desirability of having them function as they are going to function on the long-range plan.

Secretary MARSHALL. I am inclined to agree with you, sir.

Dr. JUDD. Mr. Secretary, I notice that this is a bill "to promote the general welfare, national interest, and foreign policy of the United States." I assume, therefore, that it is your opinion that if part or all of western Europe were to come under the control of the Communist Parties there in some such way as eastern Europe has been taken over by the Communist Parties in those countries, that would be against the "general welfare, the national interest, and the foreign policy of the United States"; is that correct?

Secretary MARSHALL. That is a pretty large question, the way that you have expressed it. If Europe had been taken over, as you indicated, by the Communist Party, we would not have very much basis for negotiation or discussion.

Dr. JUDD. My question was not if it had been, but if it were to be taken over, in whole or in part. Is it true or not true that this bill is designed to prevent that happening in western Europe, because if it were to happen in western Europe it would be considered against the interests, foreign policy, and general welfare of the United States?

Secretary MARSHALL. Our interest is to maintain peaceful stability and freedom of action by peoples, and we feel that unless we do something like that, freedom of action and stability will vanish and therefore it is highly important we take the action that has been recommended.

Now, going more directly to the phase of your question which has to do with ideologies, our foreign policy is based on certainly the approval of a world in which there is a free choice in Government rather than a dictatorial autocratic or police power of government. We feel in this present situation we should do everything we can to help those nations that favor freedom of action of government and have been the proponents of that in the history of the world, even before our time. Does that answer the question?

Dr. JUDD. Yes; and I agree with the answer.

I would like to ask you this question: Is it your opinion that if China or even if north China and Manchuria were to come under the control of the Chinese Communist Party, it would be contrary to the general welfare, national interest, and foreign policy of the United States?

Secretary MARSHALL. That is my thought.

Dr. JUDD. Well then, do you think the program that I understand from the papers you proposed to the Senate committee yesterday, is adequate to prevent north China and Manchuria from being taken over by the Communist Party?

Secretary MARSHALL. Were you in the room when I answered a similar question?

Dr. JUDD. No; that is why I wanted it for the record here.

Secretary MARSHALL. I will try to repeat myself.

Dr. JUDD. All I had was the newspaper reports.

Secretary MARSHALL. I made a lengthy statement before the committee this morning. I will endeavor to repeat it.

The situation in China is quite a different one from that in the western portions of Europe. We are in western Europe confronted by governments that have been going along without extreme inflation, and under the necessity of importing a great deal in the way of food by the very conditions of their industrial and other set-ups.

Now, they are faced with a situation where they will be unable to pay for imports necessary to maintain the ordinary standards of living. Up until the end of this period, March 31, 1948, that means a termination of, or a great deterioration in, the existing situation.

On the other hand, when you turn to the Chinese phase of the matter you have quite evident to all of us, and particularly to those who have seen it, a chaotic situation and one of extraordinary inflation. Also, a very unhappy people. But they are not threatened with a change at the present time in their import procedure. They have resources to continue that for quite some months, so it is not one of emergency of action before March 31, 1948.

On the other hand, it is very decidedly one where we have found the greatest difficulty in trying to calculate a course where money could be appropriated with, as I put it, a 70 percent probability of effective use in the situation.

Now, that is what we have been trying to develop. We could not—and I add this to what I said earlier this morning—find through the ordinary agencies, the Export-Import Bank, any basis for getting ahead with certain enterprises in China which we thought would be helpful, so it is going to be necessary to turn to Congress for action on its part. What we have in mind, very briefly, is in relation to their import program from overseas outside of China, to see what can be done toward a stay of execution in the deterioration of their monetary situation so as to give them a chance, with reasonable action on their part, and very energetic action on their part, to take some measures toward restoring the financial situation.

Now, other moves come in after such action has been taken.

To repeat what I said in the first place, the character of the emergency we are dealing with is quite different as between the European situation and the Chinese situation. One is an immediate, almost cessation of the power to purchase what they have to have for the living of their people; on the other hand, China, under its present importing procedure and its present resources is able to go along to that extent in the way it has been going.

Dr. JUDD. I again agree thoroughly with the Secretary's statement, that the problem in China is not primarily economic. I think the Secretary will agree the problem in China is primarily military.

Does the Secretary think such a proposal as he outlined to the Senate yesterday is adequate to resolve the situation in China, or even to stay further deterioration, as long as the military situation continues to deteriorate? Are there any economic and financial measures we can take which give any hope of remedying that situation until the enormous military drains are reduced?

Secretary MARSHALL. Certainly it is extraordinarily difficult to find anything that will benefit the situation until this extra drain of 70 to 80 percent of the budget for the military effort is reduced. That, of

course, is the destructive factor in the situation, and the problem is how to deal with that.

Dr. JUDD. Yes.

Secretary MARSHALL. What the eventualities will be in connection with that is a very special thing.

Dr. JUDD. What I would like to know is whether the Secretary's proposal, which he said in his statement to the joint committee that he was preparing for early submission, will contain any suggestions as to remedying that which certainly is the root of the problem in China.

Secretary MARSHALL. It probably will not. That will have to be something else.

Dr. JUDD. Are we justified in appropriating the taxpayers' money as a palliative if we are not prepared to attack the real causes.

Secretary MARSHALL. You have stated very well the reason why we could not have proposals in last May and June. We have been searching, as I stated in my previous statement this morning, with almost complete unanimity for some way to help, but that is a very difficult thing to determine, and most of the solutions that I have seen are quite impractical.

Dr. JUDD. Last spring the President at the time he brought in the message on the Greek-Turkish aid bill, said—

I believe it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures—

Some of us asked Mr. Acheson when he was before us whether he thought that applied to the Chinese situation, and he said—

The Chinese Government is not in the position at the present time that the Greek Government is in. It is not approaching collapse; it is not threatened with defeat by the Communists. The war with the Communist is going on much as it has for the last 20 years.

Is it your opinion that his description of the situation, as given to us last spring, is still accurate?

Secretary MARSHALL. No; I do not think it is. There has been a great deterioration.

Dr. JUDD. If we gave military assistance to the Greeks when they were threatened with subjugation, and the situation in China now approaches that which Greece then had, is there under consideration any proposal for giving military assistance to the Chinese Government similar to that we gave to the Greek Government?

Secretary MARSHALL. We sent 40 officers to Greece with a few men to assist them—

Dr. JUDD. We also sent a great deal of ammunition and war material.

Secretary MARSHALL. Will you let me finish my statement, sir? We sent 40 officers to Greece with a few men to help with the ordinary administrative procedure. We also sent certain material to Greece. I do not know the total value of that.

We have in China now some hundreds of officers with the Chinese Army, to assist the Chinese Government in their military organization and in their procedure. I do not know what the total of that military group is, but it approaches 1,000.

Dr. JUDD. Yes.

Secretary MARSHALL. And they have been working very hard, and we have recently authorized them to go ahead with a provisional training center in Formosa. Also, there has been a great deal in the way of material turned over to China. The present issues that we are talking about, ammunition, which was mentioned by you, is another matter that is being handled, and that has been under careful consideration by the State Department and the Army.

Dr. JUDD, the difficulties there go far beyond military equipment. I think you are aware of that.

Dr. JUDD. Yes; I am. But those difficulties to which you refer, I think, cannot be resolved without also some military equipment. That is one of the parts of the solution.

May I ask, will the detailed proposal that the Secretary says is under preparation for early submission be submitted in all probability before the Secretary leaves for the Council of Foreign Ministers' meeting?

Secretary MARSHALL. I could not answer that right now, sir. I do not think it will be, sir, but it will be submitted by the time the Congress reconvenes, or earlier.

Dr. JUDD. Reconvenes in January?

Secretary MARSHALL. In the regular session; yes.

Dr. JUDD. Do I understand that with respect to the situation in China there are also two sorts of proposals, an interim proposal to meet the immediate emergencies, financial and otherwise, and also a China-recovery program comparable to the European recovery program?

Secretary MARSHALL. I would not like to discuss that until I have an approved program by the administration to come in here with. All I would be doing would be to tie my hands one way or the other without complete consideration of the factors involved. I can assure you we want to, and I can assure you it is a very difficult thing to do.

Dr. JUDD. I left China a week ago this morning, and while I was there a good many thoughtful and eminent Chinese asked me questions which I had difficulty in answering. They are going through a process of reevaluation of their position just as we are, a reexamination of who are their friends and otherwise.

The question usually came up in such form as this: If the United States takes such a position with respect to European nations which are threatened by Communist minorities and does not take such a position with respect to China when it is threatened by a Communist minority, why—and these are the five questions:

First, is it because the Chinese are of a different color than the Europeans?

That is the first time that I have heard that raised in China, and it is alarming. Is it a race matter?

Second, is it because the Americans still believe that the Communists in China are not Communists, but just agrarian reformers and patriotic peasants and are not connected in any way with Russia as are the European Communists?

Third, is it because the people of the United States, or its Government, think what happens in China is not as important to it in the long run as what happens in Europe?

Fourth, is it because the people of the United States and its Government do not think the present situation in China is as critical as the situation in western Europe?

Lastly, is it because the Government of China has failed in any way, shape, or form to carry out any commitments it has made to the United States Government, either during or since the war?

I think it is very important that we make clear what our reasons are, or at least which of those it is not. I tried to do that as an individual, but I would like some reinforcement from our Government. For example, flat reassurance that it is not the racial reason.

Secretary MARSHALL. I do not think we would have to try to do that; that would be a rather unusual development. That is one of the propaganda items, and I might mention, Dr. Judd, that if we took up the propaganda matters we would just be turning out that business and abandon all other things.

Dr. JUDD. That is right.

Secretary MARSHALL. There has been no diminution of the thought that stability in China is of great importance to the United States as well as to the world, because it is a very disturbing factor in the world today to have any country in the present condition that exists in China. There is no question about that whatsoever. The opinion is very vigorous on the subject; it all goes back to how and what you can do unless the Chinese Government itself does a great many things.

Now, the people of China have been very critical of their own government. I have been very frank about it. That imposed some very serious difficulties in our approach to the situation. It is one of the most complicated that I have ever seen. And on the occasion of my going to China a great many persons promised me failure before I ever got out there and I did my best to keep pessimism out; I do not know how successful I was, but a great deal has to be done to make it possible for us to do much here; I will grant that.

Dr. JUDD. We have repeatedly told the Chinese Government that unless they do so and so we will not help them. Have we told them that *if* they do so and so we *will* help them, with their cooperation?

Secretary MARSHALL. I think in effect, yes; certainly I have said that directly.

Dr. JUDD. It is very difficult for the responsible political leaders in that country to throw away the support they have unless they are sure they will get our support in its place. It is very important that we make it clear that if they do meet certain conditions we will certainly come in and help.

I know the difficulties under our form of government in making firm commitments, but how can we expect assurances from the Chinese Government as to what it will do until we give assurances of what we will do.

Secretary MARSHALL. Dr. Judd, I do not wish to get into a discussion of the Chinese Government here in this hearing.

Dr. JUDD. No, and I do not want you to either, but I feel that the situation with respect not only to China but with respect to Korea—

Mr. BLOOM (interposing). Mr. Chairman, I object to questions with respect to China as not having any bearing on the legislation before us. The Secretary has indicated he does not want to get into a con-

troversy with reference to China, and I object to questions with reference to China in this hearing.

Dr. JUDD. The Secretary referred to China in his own original statement.

Mr. BLOOM. Then I would like to have a ruling on my objection, Mr. Chairman.

Chairman EATON. The Chair would like to say that we have the Secretary of State here mainly to discuss policies, and we did not enforce the 5-minute rule under those circumstances, so as to give everyone an opportunity to discuss with the Secretary the issues as he sees them. Now, after the Secretary gets through we will follow the 5-minute rule so everybody will have a chance, and in order that everybody may have a chance now with the Secretary we will have to cut down.

Brother Judd has gone very deeply into the Chinese question and he is thoroughly qualified to do so, but I think just now we have exhausted that subject and as far as I can see we had better continue on the question that is before us—the interim bill for relief in Europe.

Dr. JUDD. May I just add one other thing?

Chairman EATON. Yes.

Dr. JUDD. I think this is a question that is wholly material in considering European aid. There is grave doubt that the proposed assistance to Europe can really do what we want, or all we want, unless there is a check in the deterioration of conditions in the Far East, and the beginning of recovery.

For example, how can European countries like France, Britain, and the Netherlands recover until something like their prewar pattern of trade with the Far East can be restored. China is the key to the Far East. The Secretary, of course, knows the importance to them, the importance to the success of this European program, of their being able to return to their prewar trade in Asia.

Chairman EATON. Mrs. Douglas.

Mrs. DOUGLAS. Mr. Secretary, I am going to confine my questions to the interim bill which we have before us.

The war did not always progress the way you thought it would; did it?

Secretary MARSHALL. I think that is quite correct.

Mrs. DOUGLAS. Did we not undertake program after program thinking that they were fully adequate only to find them inadequate? Did we not often have to revamp our plans? Did we not continuously undertake wholly new programs?

Secretary MARSHALL. I would have to qualify my answer to that question a little bit, with the thought that we had to figure out what we thought we needed with the idea in mind of getting the authorization from Congress, and certainly I spoke about \$4,000,000,000 when I was thinking about six or seven billion dollars; it was a question of time, a question of public opinion. But I think you are quite correct in saying that we have had to add, subtract, some things sometime, but add more things as we went along to meet the war needs: more planes, more shipping, more materials of certain kinds; and along with that, of course, the funds, with an overaccumulation of some things as it proved out were not so urgently needed.

Mrs. DOUGLAS. But if you found you urgently needed \$4,000,000,000 worth of some things, and you were only able to get \$2,000,000,000 from the Congress, you came back and asked for the extra \$2,000,000,000 to get on with the war, didn't you?

Secretary MARSHALL. Yes; that is correct.

Mrs. DOUGLAS. Now another thing: When you found you had to come in and ask for another \$2,000,000,000, did you ever for a moment fold your hands and say the war is not worth winning?

Secretary MARSHALL. I do not recall that.

Mrs. DOUGLAS. Do you not think that winning the peace is quite as important as was the winning of the war? I mean winning a permanent and durable peace?

Secretary MARSHALL. I think it is more important. It is just a question of how we do it.

Mrs. DOUGLAS. That is right. Mr. Secretary, would you not say that our enemies today are not men but hunger, cold, and disease?

Secretary MARSHALL. I would say that is very much the case, particularly at the present time.

Mrs. DOUGLAS. And just as in the war, if when you needed planes or you needed arms at a particular time and place and you were 2 weeks late, maybe, in getting them, lateness became very costly, didn't it? Not to have the proper equipment at the proper time and place might mean that you had to exert 10 times as much force to achieve the same objective; is that true?

Secretary MARSHALL. I think that is often the case.

Mrs. DOUGLAS. That is what we are trying to do here—get what is needed where it is needed in time.

Secretary MARSHALL. Approximately; yes.

Mrs. DOUGLAS. Mr. Secretary, we were very tardy in the passage of the post-UNRRA relief bill. We almost talked it to death. Did failure to pass the bill until long after the deadline that had been set by the State Department contribute to the present food crisis in Europe? That relief bill provided for seeds, fertilizer, pesticides, and certain kinds of farm machinery in order that the devastated countries in Europe could plant their spring crops. We talked dangerously far into the spring. How much did the crops in western Europe suffer, Mr. Secretary, because of endless talk on Capitol Hill?

I won't press that question. I won't embarrass you, Mr. Secretary.

What in the opinion of the State Department is the deadline for the passage of this bill? What is the deadline in order that France, Italy, and Austria may receive the full benefit of the interim program? We have been told that the present situation in Europe is critical. We have been called back into special session to meet this crisis. It is to be hoped that Congress will act with dispatch. What is the deadline for the passage of this bill in order to receive its full benefits?

Secretary MARSHALL. I think especially with regard to Italy the deadline of the appropriation of the interim and would be before December 1.

Mrs. DOUGLAS. Before December 1.

Secretary MARSHALL. Yes.

Mrs. DOUGLAS. We would have to vote on the emergency program in November?

Secretary MARSHALL. That would be my thought.

Mrs. DOUGLAS. Then if we are talking about staying around here until December 17, that does not mean that we can debate the interim bill until December 17. We must dispose of the interim bill in November and give over December to the consideration of other programs.

Secretary MARSHALL. I am just confining myself to the factual data.

Mrs. DOUGLAS. Yes.

Secretary MARSHALL. And the question of France and Austria, in time to have the money available before December 31.

The long-range program, which I assume you have in your question, ought to be completely decided by early March.

Mrs. DOUGLAS. Thank you, Mr. Secretary.

Chairman EATON. Mr. Fulton.

Mr. FULTON. Mr. Secretary, in your statement you have money, dollars, and materials but you did not mention one of the most important things to my mind—that is, manpower to implement this program. Why was manpower not mentioned?

Secretary MARSHALL. The manpower is to be provided by these people themselves. In other words, we cannot export them.

Mr. FULTON. Some of us have just come back from Europe and have been considering the displaced persons problem. There are between 1,000,000 and 1,300,000 people who were displaced by the war and a good portion of these are being kept in camps in Europe. As you know, there is quite a deficit of manpower in the various countries—France and England, particularly. Why was not some mention of these displaced persons made, of using them in the program for the reconstruction of Europe? That is a very tragic omission not to make use of these persons.

Secretary MARSHALL. The Stratton bill, which the Department supported, and which I came up to testify on, had to do with that manpower being made available in other countries.

When it comes to the availability of that manpower in Europe, of course, there are a great many complications of which you are aware in spreading them about in order to get the benefit of their industry.

Mr. FULTON. Of course, the Stratton bill was for the purpose of immigration into the United States.

Secretary MARSHALL. Yes.

Mr. FULTON. The impression I gain from your statement is that there was no attempt to utilize existing manpower to supply the deficit in certain countries like France and England where they are holding back in their program because they do not have sufficient manpower to operate the program, in addition to dollars. Could not you give us a program of integrating the displaced persons into this Marshall plan for the aid and recovery of Europe?

Secretary MARSHALL. I am told that there is a negotiation going on at the present moment in Geneva just to the end you are discussing now.

Mr. FULTON. Would you think it would be a good thing to integrate a portion of the displaced persons, as a part of the solution of that problem, on a permanent basis, into the Marshall plan, as a portion of a manpower program in addition to dollars and commodities that we have been talking about?

Secretary MARSHALL. Well, when you use the expression "integrate into the plan," this is a question that involves a very difficult negotiation, and we are in the process at the present time, as I say, at Geneva, of trying to find the solution to that. Whether or not we could consider that a part of the long-range program on this side I am not prepared to say now, when we are discussing a problem before us. I agree with you thoroughly that there is a manpower shortage, and I agree with you also that the failure to utilize these people is a great misfortune in many cases: Psychological, humanitarian purposes as well as economic purposes. And I am heartily in favor of anything we can do to bring about first, the breaking up of these camps, and in next place to help them get a decent place to live, and third, a place for them to give the benefits of their labor in this program.

Mr. FULTON. May I give you a short statement and ask your comment: We found that France had imported 100,000 Italian laborers from Italy in order to try to supply their manpower needs. We also found that she was keeping approximately 450,000 German prisoners of war. When she was keeping the 450,000 prisoners of war she is causing a further drain on the German economic system, which we American taxpayers are paying for. In addition our taxpayers are also paying, at this time, \$73,500,000 a year for the support of these displaced persons in Germany, Austria, and Italy.

Now, why would it not be good policy to say to France to return your prisoners earlier than the 12 months contemplated, so as to help the American taxpayers to overcome this deficit in Germany, and you then utilize the displaced persons who are anxious to go to France to help in the mines and mills?

Why do we not say the same thing to Britain, where there is shortage in manpower in getting the coal out? If the American taxpayers are going to have to supply the deficiency out of our economy, before we go further, why do we not ask them to take more displaced persons? Or, why do we not have an international conference and sit down and work out some of these problems right along with the other plans?

Secretary MARSHALL. Well, as I have said, we are engaged in that now. But I am sure you are familiar with another program of the Committee on European Cooperation, a program of some 16 nations, where this is stated:

One of the problems is that particularly the participating countries are experiencing labor shortage. This will continue during the period of expansion provided that the necessary supplies can be made available from overseas in order to enable the recovery program to be carried out. The important exception is Italy whose normal increase in population is too great to be absorbed by any practicable expansion of agricultural and industrial production. It is possible that at a later date western Germany might also be a source of labor recruitment. The present surplus Italian labor force of 2,000,000 would, if suitably trained, be enough to cover the needs of all the other countries. Considerable efforts have been made to transfer labor from Italy and some success has been achieved in this as well as in the absorption of displaced persons now in Germany and Austria. Food and particularly housing shortages, however, present difficulties and it has not always been possible to devise adequate means of enabling Italians in foreign countries to send remittances back to their families at home. The committee has recommended means of aiding the recruitment of immigrant labor, but the solution of the problem really turns upon better food and housing and improvement in intra-European payments arrangements. This problem, like the rest of the problems which confront the participating countries, can be solved only by the carrying through of the European recovery program as a whole.

I would like to say in regard to this last statement that we were involved all of the time I was in Moscow in planning and negotiating with the French as to how to manage the transportation of the funds earned by the German prisoners to their families in Germany. The difficulty there, of course, was one of currency and its value.

Mr. FULTON. My inference there has been from what I have found as to the use of German prisoners of war. I have found France importing Italian labor when the American taxpayers are now putting up almost 80 percent of the support of displaced persons. Why not help return productive German P. W. labor from Germany by integrating these displaced people into the program and help ourselves by cutting our taxpayers' burden?

Secretary MARSHALL. Here is a further statement in regard to the matter you are just mentioning, and found on one of the programs on page 450 from the Committee on European Economic Cooperation, volume 2:

That the International Refugee Organization should make known as soon as possible the extent to which it will be able to contribute to the settlement of displaced persons.

As we get along in these matters they become involved and the difficulty is more complicated. Our thought in the State Department was, particularly my own personal view, that the leadership in this matter should have come from the United States in relation to bringing some 400,000 people into this country, and I thought we failed in a great role when we did not take the initial step, because I am convinced that the instant we act in that role that we are pushed into by reason of our position in the world, other adjustments will quickly come about by reason of the acceptance of these people in other countries and the complete elimination of these prison camps, the discontinuance of the camps in Germany.

Mr. FULTON. I have one other question, which will be very short; it is along the line developed by Dr. Judd, and, as you possibly may recall, he and I last year asked a great many questions, on Chinese matters, both having been in China and both being very friendly to the Chinese people.

Because we have had somebody go to China from this Government and make a check to see what the situation was and come back and report to this country, I would like to know when that report of General Wedemeyer will be released.

Secretary MARSHALL. I do not know that it will be released. I do not think that it is to the best interest of the Chinese Government or to our own Government to release it.

Mr. FULTON. Would you mind making a statement of why the State Department is of that view?

Secretary MARSHALL. Just exactly for the reasons I gave, that I do not think it is to the best interests of the Chinese Government or to our Government to release it.

General Wedemeyer was sent to China at my instigation to provide me as much information as he could, and of course to the President; he went out and did that.

Mr. FULTON. Is there any portion of it that could be released?

Secretary MARSHALL. Probably some portions, yes; but we have so many uses with which it has to do that I do not think we should publish it.

Mr. FULTON. Do you intend that this committee know——

Secretary MARSHALL (interposing). And I must also say this, that in international affairs of this kind you cannot put everything on the table that is a matter of negotiation; that is almost impossible.

Mr. FULTON. Do you intend a report on China be made to the American Congress without it having access to the facts in the Wedemeyer report?

Secretary MARSHALL. I think so.

Mr. FULTON. Do you think you ought to ask the Congress to act without having the full facts?

Secretary MARSHALL. I think so, from the viewpoint of the tremendous interest being established in the matter, because of the many, many factors and facts that we have been furnished, that have been given in extreme confidence and that cannot be published because they were obtained, in large measure, in confidence. But that is not our work in this particular case.

Mr. FULTON. But as one member of the American public, in order to satisfy my own mind, I therefore take it that is because you regard it as not to the best interest of the Chinese Government that it be made public at this time rather than the fact that you disagree with that portion that General Wedemeyer has written?

Secretary MARSHALL. I will put it this way: I am quite certain that to make public all the facts of that report would be to the definite disadvantage of the Chinese Government and also to the American Government; and also I would not agree with everything that General Wedemeyer stated.

Mr. FULTON. That is all.

Chairman EATON. Mr. Javits.

Mr. JAVITS. Mr. Secretary, I would like to identify myself to you as having been a member of the subcommittee of which Mr. Fulton was the chairman.

Now a good many travelers went to Europe this summer and some of them have come back with this statement: That the need of interim aid in Europe was not so acute, in view of the fact they saw no one starving on the streets in Europe. Now, do you believe, Mr. Secretary, that is a fair criterion, and if not why not, in determining whether or not we should give interim aid?

Secretary MARSHALL. I would say that our approach to that matter has been in part based on the food content that the average person in Europe is obtaining, and what is the basis of their heating, we will say, in their dwellings, and that sort of thing, because that has a direct relationship to food requirements as well as assisting us in determining what is needed.

All of the evidence points to the fact that these people that we are concerned with have been living on a much lower basis of calories, to put it in a more technical way, than had been formerly the case and that there exists now an acute disparity, if you can express it that way, which results first in inertia and in continued low morale, which I think is now significant.

Let us take specifically the case of the French: The bread ration I think was formerly 300 grams, and I believe during most of the German

occupation it was almost 300 grams. Now, they reduced that to 250 grams, and then when the summer season came along, thinking that the vegetables and other products indigenous to their own farms would help out, they went down to 200 grams. That is a very low content even for people who are accustomed to that, and quite inadequate when it comes to winter use, which should be a minimum of at least 250. As for other portions of the population, I believe in Italy they went down to 1,500 calories.

They tell me that they cannot continue indefinitely on such a base as that without suffering debilitation, run-down health, and probably sickness, and in many cases probably death.

Now, whether a person is literally and actually starving on the streets, we will say, or whether he is in the process of physical, gradual debilitation are rather two things, and I think all of the evidence points to the fact that in Germany, and particularly in France and Italy, as I have just recounted, and also in Austria, they are suffering from lack of sufficient food, and it becomes more serious with every day there is a prolongation of that lack.

Mr. JAVITS. I might say to you, Mr. Secretary, that my colleague and I found many people in Europe who were obviously so affected.

Now may I ask you, Mr. Secretary, whether you believe that the people in Europe will wait until actual starvation sets in before becoming impressed with some extreme philosophy, whether it is communism or fascism?

Secretary MARSHALL. I think it is recognized by everyone that when a husband finds his family in a condition such as you have developed he will turn to anything that gives promise, however fantastic it might be, for their benefit, and that goes parallel with any depression.

Mr. JAVITS. I notice, Mr. Secretary, in presenting the proposal that you have submitted to the committee for the contemplated use of funds under the program, purchases would be made anywhere in the world, and this differs very materially from the previous relief bill of \$350,000,000, which said that 94 percent of the money should be spent with the United States.

Do you, Mr. Secretary, believe that the provision containing the present proposal to the committee would have any material effect on restraining inflationary forces operating on the food supply in the United States?

Secretary MARSHALL. Very definitely we think that; because wherever there are shortages in this country and we can procure wheat, for example, in other countries, that lessens the probability of continually rising prices which, of course, means inflation.

Mr. JAVITS. And would you attribute at least certain of the inflation in food prices that we have had to the restrictions contained in the \$350,000,000 relief bill to the effect that 94 percent of the money must be spent in the United States?

Secretary MARSHALL. I would not wish to make a definite statement regarding that. I think I can understand its purposes, but I think in the long run, from what I have learned from the Department of Agriculture and the Secretary of Agriculture himself, that our situation would be improved, always when supplies are in short supply, if there was some way of turning from this country to procure them elsewhere to meet a definite need we felt we were committed to.

I have here a statement carefully prepared in relation to this matter which, with your permission, I will read into the record:

It will be clearly contrary to our own interest to limit procurement in this way to certain of the commodities required in the interim aid program that are in short supply. If we were forced by the restrictions in the legislation to concentrate the buying of such commodities in the United States, it would merely aggravate the shortage and stimulate price inflation.

It should also be kept in mind that the purchases of needed goods at fair prices in other countries, which are in short supply in the United States, would tend to ease the stringent dollar shortage problem in those countries, which is acting as a serious drag on trade in the world.

Mr. JAVITS. May I say, Mr. Secretary, that I, too, do not question the intention. The intention was undoubtedly good and patriotic, but it just has not worked out that way.

I would like to ask two other questions. First, does the United States Government contemplate endeavoring to restore confidence by Europeans in their own governments and in their own currencies by assuring the European governments we desire to help that we will stay in Europe with our forces, our prestige, our forces of men, military forces, until our international responsibilities are discharged?

Secretary MARSHALL. Would you mind repeating the first part of that question?

Mr. JAVITS. I asked if it is the intention of the United States Government to undertake to restore confidence by the western Europeans in their governments and currencies by giving them assurance we will stay with our forces and prestige until the job is done?

Secretary MARSHALL. We have that issue coming up in a meeting in London in the Conference of Foreign Ministers, and it is our intention to make another effort to secure a four-power pact, which is for the very purpose of giving to those people a feeling of assurance that they will not be left in the lurch of great danger by the withdrawal of all interests of the United States.

Whether you can be successful with that I do not know. It is very important, I feel, that the people of France, for example, should have such assurance, especially because of their fear of a rehabilitated Germany. And that fear, of course, becomes a highly complicated issue when we feel it is essential absolutely to restore Germany to a condition of self-dependence and also to a condition where it can provide from its own economy the important contributions that are necessary, we think, for the general economy of Europe.

Mr. JAVITS. I have one last question. Does the United States Government intend to make a condition of interim relief for any government, that government's undertaking or not undertaking the socialization of any part of its economy? In other words, it is a condition of not aiding socialistic governments as distinguished from Communist governments?

Secretary MARSHALL. That is not in the recommendation. We feel that would be a very unfortunate procedure in dealing with sovereign nations and particularly this special group of nations. We feel that we would defeat ourselves at the start.

Mr. JAVITS. Thank you very much.

Mr. LODGE. Mr. Secretary, do you feel that Greece can be rehabilitated economically while the guerrilla war continues?

Secretary MARSHALL. My own estimate from the reports I receive is that the guerrilla war can prevent relief, and, unless that is considerably abated, the prospects of improvement in the implementation of the relief program are very seriously diminished.

Mr. LODGE. Do you then feel that interim aid and also long-term rehabilitation will in themselves be sufficient? In other words, granted the need for this aid, can this aid rehabilitate Europe, particularly aid under the so-called Marshall plan, until the destructive forces which are working in opposition to rehabilitation have somehow been disposed of?

Secretary MARSHALL. I do not know exactly what you mean by "somehow disposed of." Are you talking of just in Greece?

Mr. LODGE. No, sir. I was referring more specifically to this: Do you feel, with respect to France and Italy, that this aid can prevent a seizure by internal forces, internal Communist forces, of the Governments of France and Italy?

Secretary MARSHALL. Specifically, we feel that by this aid we will enable the people of France and the people of Italy to proceed with the election of their choices in a free-handed manner; whereas, if they have been reduced to a degree of despair, they are subject to any influence that promises them anything better, which is the ordinary procedure of the subversive forces we are thinking about.

Mr. LODGE. In other words, Mr. Secretary, the economic aid is directed to combating the growth of the popularity of communism?

Secretary MARSHALL. It is directed, as I construe it, to preventing a desperate situation regarding human life to develop to a point where people will turn to desperate remedies which are no remedies at all.

Mr. LODGE. What I have in mind is this, that in Poland, Hungary, Rumania, Bulgaria, and Czechoslovakia there are probably not more than 5 percent Communists in the population; yet those Governments are now well behind the iron curtain. I personally believe that the Communists in France and Italy have abandoned the attempt of taking over those countries by constitutional means. I feel that they have decided to resort to internal force, although not to war.

The purpose of this line of questioning, therefore, is to inquire of you whether you feel under those circumstances that this type of aid is sufficient to protect the legality of those two Governments from extra-legal, internal forces?

Secretary MARSHALL. I have no comment to make on that beyond what I have already said.

Mr. LODGE. Do you feel that the negotiation of an Austrian treaty will affect the interim aid to Austria in any way?

Secretary MARSHALL. By "negotiation," you mean a successful negotiation of the Austrian treaty?

Mr. LODGE. Yes, sir.

Secretary MARSHALL. I do not see how it would affect the interim aid except possibly to make it more helpful.

Mr. LODGE. In other words, you feel that the withdrawal of all the armies of the four powers from Austria would make this aid more successful?

Secretary MARSHALL. I think so, in that the people there are in despair from long-continued occupation.

Mr. LODGE. Do you believe, if the Russians agree to withdrawal, that they will, in fact, withdraw?

Secretary MARSHALL. I believe they would, in fact, withdraw the troops. The influence is another matter.

Mr. LODGE. That is the point I had in mind, Mr. Secretary. I wondered whether you felt they would not do as they have done in other countries, that is, to put their troops into civilian clothes and retain their hold.

Secretary MARSHALL. I have nothing to say beyond my previous comments.

Mr. LODGE. Do you feel that the publicity clause in the post-UNRRA relief bill, Public Law 84, is being satisfactorily administered at this time in the countries included in that legislation?

Secretary MARSHALL. I think it could have been done better, and I think it is very important that this present interim aid proposal be carried out in such a way that there will be a decided improvement in relation to that particular phase of the matter.

Mr. LODGE. Do you feel that the best way of administering this aid is through the governments concerned, or do you think that we might consider administering it through private agencies in those countries by means of our diplomatic representatives?

Secretary MARSHALL. Oh, I think we will have to deal with the governments, sir.

Mr. LODGE. I would like to call your attention to the fact that in Italy there seems to be some equivocation with respect to that particular aspect of the matter, because of the way in which some Italian Government agencies are being undermined. I presume you are aware of that.

Secretary MARSHALL. Yes.

Mr. LODGE. For example, ARAR is not a wholly reliable organization. Organizations of this kind have made it increasingly difficult for us to see to it that our assistance reaches those whom we wish it to reach. Furthermore, aid handled on a government level is not widely recognized by the people as coming from America. I thought perhaps you might be considering a change along those lines in connection with this legislation.

Secretary MARSHALL. Mr. Dort will be on the stand later, and he has gone into that particular aspect.

Mr. LODGE. Do you feel it would be desirable to eliminate the date in the Greco-Turkish aid in order that (a) the Communists would not be able to use that date as propaganda against us; in other words, to say our aid would cease on a certain date; and (b) in order that our mission there should not be compelled to spend this entire sum in that period?

Secretary MARSHALL. I have not read the papers in the last 24 hours, but the President, I believe, sent a report to Congress on that yesterday.

Mr. LODGE. I was not aware of that. The reason for asking was that I wondered what you felt about putting a date on this bill; in other words, whether you feel it is desirable to have a final date in legislation of this kind.

Secretary MARSHALL. That particular aspect, again, is one that can be answered here by the particular individual who has worked on that phase of it, and I would rather have him make reply.

Mr. LODGE. Thank you, Mr. Secretary.

Mr. JACKSON. Mr. Secretary, relative to the remarks made by the gentlewoman from California on congressional oratory, I am sure you in common with the great majority of American citizens favor a searching inquiry into the provisions of this measure, and I am certain that the distinguished gentlewoman from California likewise realizes there are some billions of dollars at stake. While some of the Members of Congress may have a tendency to be overlong in their remarks, it is nonetheless true that where this much money is concerned we certainly should delve into every phase of the proposal.

I should like to point out some instances where the world did not have searching inquiry into proposed legislation. We have three classic examples: Germany, under the domination of a character named Hitler; Fascist Italy, under one Benito Mussolini; and the other is the very famous totalitarian state.

Relative to one economic phase of the proposal, I should like to have a comment, if possible, on the feasibility of agreements between the United States and the beneficiary nations in the matter of strategic materials. In many instances, we are a "have-not" nation with relation to such things as tungsten, platinum, mercury, asbestos, manganese, chromite, nickel, tin, industrial diamonds, quartz crystals, and flake graphite. And it is also interesting, in passing, to note that many of the countries with which we propose to enter into these aid programs have such deposits, either currently developed, or undeveloped at the present time. For instance: Sweden, white arsenic; Canada, long-fiber asbestos; France, bauxite; English colonies, chromite; France, graphite; Belgium, industrial diamonds; Italy, mercury; France, nickel; Norway, titanium; Portugal, tungsten; Germany, France, England, and Belgium, zinc; and the African colonial holdings are relatively undeveloped.

Is it expected that we may make any such arrangements with the nations involved which would permit, under their sovereign rights, further exploration and development for the purpose of stock piling here at home, in return for these billions of American dollars, some things which we must now buy in the open markets of the world?

Secretary MARSHALL. The question of that particular matter of stock piling, to use a general description, has been very carefully gone into. With your permission, I am going to have Mr. Lovett read a statement regarding that question specifically in answer to your question.

Mr. LOVETT. Do you wish me to read this now, or later?

Mr. JACKSON. Later will be all right.

Just one more question. It so happens that I have just returned from Greece, and I am sorry I did not get your entire answer to Mr. Lodge's question. Is it considered possible, under existing conditions of military turmoil in a country such as Greece, to achieve any measure of economic stability unless you first achieve a measure of military tranquility?

Secretary MARSHALL. Your use of the expression "measure of military tranquillity," I think, is a correct one as a basis for answer. There

is no doubt in my mind, judging from all the reports I receive, that economic rehabilitation is almost impossible unless there is a decided improvement in the guerrilla situation. Therefore, something must be done about that. It must be considerably improved before we can hope to achieve a reasonable economic improvement as a result of our efforts.

We have been considering specific measures which might be taken and have about reached a conclusion. Mr. Lovett reminds me that a statement of the President which came to the Congress yesterday covers the most of those factors, so I will leave it to that.

Mr. JACKSON. Thank you, sir.

Mr. MALONEY. Mr. Secretary, my questions relate solely to Austria. Is it proposed that the Russian-occupied zone of Austria should be eliminated from the interim aid to Austria?

Secretary MARSHALL. It depends entirely on the action of the controlling Russian regime there. At the present time, the relief program of last summer, of the Congress, is not being utilized in that area because of the Russian action. Whether we will encounter a similar reaction this time, I do not know. My own thought is, if we do not, we should certainly help them to the extent it can be prorated into that area.

Mr. MALONEY. Could not the \$40,000,000 due Austria from the gold pot be used for their interim aid?

Secretary MARSHALL. I would prefer if that was discussed by more of an expert on the thing, but my own information on the subject is they are on such a narrow margin of resources that to disburse the money in that way would leave them without any background of support for whatever currency they have issued. So it would be more to the general advantage of Austria to hold that as a security behind their agreement; otherwise, they would just have an empty exchequer.

Mr. MALONEY. I understand France is using that money in the gold pot, and why could not that be done in Austria?

Secretary MARSHALL. I am going to ask you to talk to one of these monetary experts on that. I am decidedly not a monetary expert; I have had very little experience except in talking about money.

Mr. MALONEY. Thank you.

Mr. BLOOM. Mr. Secretary, you referred in your statement today to private aid. Do you think it is possible for private aid to be rendered at this time without repealing the Johnson Act?

Secretary MARSHALL. I would not attempt to give a technical answer on that, Mr. Bloom. I think this, that private aid in this interim program is very much restricted as compared to what I think it will be in the long-range program. As to the technical effect of the Johnson Act, I will not attempt personally to answer that; I will leave that to one of my better-informed assistants.

Chairman EATON. Thank you, Mr. Secretary. We have greatly appreciated your being here.

Now we have the honor of having with us today one of our old-time colleagues, the present distinguished Ambassador to Great Britain, and we will be delighted to have Mr. Douglas speak to us now, if he wishes, or to come back in the afternoon, when the Under Secretary is here.

Mr. Secretary [Secretary Marshall], if you wish to retire, we thank you for your helpful discussion this morning, and we wish you well when you go on further to fight the beasts of Ephesus.

STATEMENT OF HON. LEWIS W. DOUGLAS, AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY TO GREAT BRITAIN

Ambassador DOUGLAS. Mr. Chairman, I was wondering whether it would not, perhaps, better suit the convenience of the committee were the committee to hear the perhaps more detailed testimony of the Department before the committee is subjected to anything which I might say.

Chairman EATON. Would you prefer to come later?

Ambassador DOUGLAS. I am at your disposal; whatever would better suit the pleasure of the committee.

Chairman EATON. I think we had better proceed while we can. We cannot guarantee anything, so that we had better hear you while we have you.

Ambassador DOUGLAS. Mr. Chairman, I have no prepared statement to make. I am not clear in my own mind as to precisely what phase of the problem the committee is particularly interested in from me.

Chairman EATON. You made a statement, as I understand, before the Senate committee yesterday which was very helpful, and, if you could follow out the same lines here, we would like to have it.

Ambassador DOUGLAS. Mr. Chairman and members of the committee, in the first place, I am glad to meet again with so many of my old friends and colleagues. I am glad to see again in Washington here so many of my friends whom I met in various parts of Europe. I rather hesitate to subject them to too much of the same thing which perhaps they have heard from me before, but I presume there is perhaps some merit in repetition and redundancy.

The Secretary, in the statement which he made before the joint meeting of this committee and the corresponding committee of another body, stated very clearly, I thought, the requirements and the needs for American support for European recovery. He stated that the enterprise was a risky one, that the risks were real, but that we had reasonable assurance it would prove to be successful, and that the objectives at which it was aimed would be reached.

It is a risky enterprise. No one can give complete assurance that it will prove to be successful. But one has to measure the risks of the enterprise against the risks of doing nothing. In my opinion, as a result of having observed the conditions in certain parts of Europe, the risks of doing nothing are incalculably greater than the risks of lending every reasonable effort of this country to the recovery and stability of Europe.

It is reasonable to state as a conviction that if the United States fails to accept the responsibility that is inevitably associated with its authority, with its power, its might, and its glory, within 12 to 18 months, if not, indeed, in a shorter period of time, such chaos, confusion, political, moral, and economic, and such privation will be visited upon western Europe that men's minds will take hold of queer

and quaint and even, perhaps one might almost say, poisonous ideas contrary or hostile to their own traditions and inimical to ours.

The results to the United States would be profound. It might have the effect of costing us many, many billions of dollars more than the program which is under formulation and which will be submitted in due course to the Congress. It would probably have the effect of impairing certain of the traditional political institutions of this country, of damaging the free institutions which have so characterized our entire history. Indeed, the whole social, economic, and political life of the United States might, under pressure of foreign events, be profoundly altered.

Certainly we would, under those circumstances, lose what we have enjoyed throughout the history of the Republic—the freedom of choice both with respect to our internal operations, our internal institutions, and our relations with the external world.

That, briefly, Mr. Chairman, is my own calculation of the risks. Our vital national interests, therefore, are concerned with the restoration of a stable Europe. They are concerned incalculably. And, as between the risks, therefore, of undertaking every reasonable step that the United States can take for the restoration of a stable Europe, on the one hand, and the risks of doing nothing, or doing something inadequately on the other, it is infinitely preferable, in our own national interests, in terms of our national security, to embark upon this enterprise conscious that our fate is tied up with the fate of western Europe, and convinced that our national interests are deeply and vitally concerned.

I presume, Mr. Chairman, that leads to the second observation, that the European recovery program is one in which the Congress and the people of the United States will express their views in due course. It is large. But before the Congress may and can discuss the program, before it can reach some of the conclusions or the conclusions in regard to some of the issues on which men may legitimately differ, the sands of time are running out in western Europe. If we delay in providing interim aid, in my judgment it will be too late or maybe too late to take such steps as we should take for the recovery of stability in Europe.

In the case of France, for example, as the Secretary has observed, the per capita consumption of wheat or bread has fallen from some 600 grams to 200 grams. The French resources are enough and no more to carry her forward for another 30 to 45 days. Beyond that period of time further external purchases of wheat for the mere subsistence of the French people will become impossible. Further purchases of coal, so necessary to keep the industrial plant of France operating and to prevent widespread unemployment and privation, will have to cease; and, equally important, the pipe lines of raw materials will have become empty and there will necessarily follow an ensuing period of chaos, privation, suffering, in which almost any conceivable development might occur.

Accordingly, in respect of France, if the United States is even considering, as it should consider and should conclude to undertake, a long-term recovery program for western Europe, it cannot and should not further increase the risks of that program by failing to maintain stability during the interim period.

And if what I have said is true of France, it is even more true of Italy, for the Italian resources are much more meager and much more

slender than the meager and slender resources of the Republic of France.

As to Austria, I cannot speak. Briefly, Mr. Chairman, those are my views. Perhaps some of the members of the committee would like to ask me some questions.

Chairman EATON. First of all, the chairman, on behalf of the committee, would like to thank our distinguished Ambassador for the penetrating and central statement he has given us, which is worthy of the position that he took as a speaker when he was a Member of the House.

Are there any questions you wish to ask the Ambassador now?

If not, perhaps the Ambassador would return, if we should like to ask him questions after we have heard the Under Secretary.

Ambassador DOUGLAS. I should be delighted to.

Chairman EATON. Thank you, Mr. Ambassador. The committee will stand in recess until 2 o'clock in this room.

(Whereupon the committee recessed until 2 p. m.)

AFTERNOON SESSION

The committee resumed at 2 p. m., Hon. Charles A. Eaton (chairman) presiding.

Chairman EATON. The committee will please be in order. We have the honor of having with us the distinguished Under Secretary of State, Mr. Lovett, and we should be pleased to listen to his testimony at this time.

STATEMENTS OF HON. ROBERT A. LOVETT, UNDER SECRETARY OF STATE; AND DALLAS W. DORT, SPECIAL ASSISTANT TO THE ASSISTANT SECRETARY, ADVISER ON RELIEF AND REHABILITATION

Mr. LOVETT. Mr. Chairman, I would like to speak first on the matter of the situations which gave rise to this problem; and I think you will find that that is covered briefly on page 6 of the blue book which has been supplied.

Generally speaking, this interim aid is, of course, a preface to a longer-range program. The three countries which appear in it were not in fact selected by us, but by a combination of circumstances which brought about their own inclusion in this program. I think you all recall, and particularly those of you who have had the opportunity of visiting Europe and the Middle East this summer, that last winter was one of unusual severity and freezes which had an extremely serious effect on the cereal and other crop production. That was followed in the spring and summer by severe droughts which not only further reduced cereal grain production but also had a very unfortunate effect on those crops which had been planted in part to recoup some of the food losses, particularly potatoes.

In the early spring it was not contemplated of course, that those disasters would occur. In the summer and shortly after the Congress adjourned an added problem was injected into the situation by the compulsion under which Britain suspended the convertibility of sterling. That had a serious effect on two of these three countries. In the case of France there were about the equivalent of \$200,000,000

accumulated in the British banks arising out of French exports to England and from other sources. In the case of Italy the figure was somewhere around \$85,000,000. Both economies had counted on those funds to procure goods, and food and fuel in particular, from this country. Consequently the combination of these three coincidences brought about the emergent situation which faces us today.

Generally speaking, the proposals which we are making today relate to relief. That relief, of course, as was pointed out this morning, is in substance very much like the relief which is covered under the relief assistance bill, Public Law 84. There are, however, certain differences. Those differences center for the most part in the commodities as well as in the shortness of time. We are talking in effect of about 4½ months. The 4½-month period places several limitations on the form of action which we recommend.

The first of those is the urgency of the problem. That has a direct bearing on the form of organization which we have recommended; that is, the utilization of existing procedures, in general established in the Relief Assistance Act.

The second complication arises out of the fact that the materials, the commodities, included in this are not altogether similar to those in the Relief Act, although I think it is fair to say that they closely approximate them in certain respects.

But there is a third and, in my opinion, a rather over-riding aspect which relates to the limitation of 6 percent prescribed in Public Law 84 on what we call offshore purchases—a word you will hear a great deal about later. By it we mean purchases outside of the United States.

In general, it has been our hope to get as much flexibility as possible in this respect, for two reasons. The first is, of course, that many of these items are in extreme short supply and the ability to buy outside of this country commodities not readily available here, would, to a certain extent, we hope, lessen the impact of these transactions on the domestic economy.

The second aspect of it is, of course, that by such purchases we assist in some measure in maintaining the status quo by making those dollars available to other members of the European or Western Hemisphere economies. Most of those countries, of course, are in urgent need of dollars at the present time.

It is my belief that a large part of the problem which we face today arises out of the general world shortage of production. It is very difficult to attribute one of these major calamities to a single thing. But by the mere fact that the production, notably in western Europe, is inadequate, their problem, of course, of restoring monetary stability and fiscal and economic stability is greatly enlarged.

One of the matters of cardinal importance which will be dealt with at some length in the European recovery program is, of course, the removal of the artificial barriers between shipments from the farm communities to the city, and vice versa. The farmer, naturally, is under the temptation, when he cannot get what he needs through the use of the proceeds of his sales, to feed his grain to animals or to reduce his crop plantings. We are accustomed to seeing that occur even in this country.

The interim aid program, so-called, as suggested this morning is in effect a preface to the long-range program. And the question was

quite properly asked as to why we should undertake it unless and until we had made up our mind that we were going to undertake an over-all recovery program. Of course, the reverse of that question is equally pertinent; that in effect you cannot even consider a recovery program unless you have some basis on which recovery can be built. Ambassador Douglas, I believe, covered that point at some length, and I shall not expand it further.

Another suggestion was made with respect to the organization. As I indicated, I believe that 4½ months represents so short a period that we would be well advised to use those facilities presently in hand. The Relief Assistance Act was set up and as a result of it Mr. Richard Allen who has had long experience in the matter of overseas relief, was put in charge of that aspect of the work by Presidential appointment and approval of the Senate. I think it is fair to say that the work, by and large, has been well done. Certainly it has been a vast improvement over anything we have seen heretofore.

The present organization would require some expansion in that France was not included—was not a recipient under the Relief Assistance Act. But the organization abroad and the Commodity Credit Corporation, the Bureau of Federal Supply and the Treasury Department and various other governmental agencies involved in this are at hand, and ready to proceed.

In considering the form in which we would request congressional consideration of this notably with respect to organization, we had discussions within the various interdepartmental committees on the subject of whether or not this should more appropriately take the form of an amendment to Public Law 84 as was suggested in a line of questions from Mr. Vorys this morning.

While I cannot say that a very clear case can be made for the use of a completely new act, the three points that I mentioned earlier in respect to our decision do represent our basic feeling; that is, we have a somewhat different problem here because we are dealing with relief in the sense of meeting a series of conditions in anticipation of the continuation of a program which would expand that relief into recovery, whereas under Public Law 84, we were dealing with the human necessities without considering the operation as a prelude to a further recovery program.

The matter of offshore purchases was in large part, Mr. Chairman, an item which loomed largest in our minds. By that we mean the ability to buy some of the short items outside of this country.

I think in the case of these three countries in particular our problem is really to hold the line insofar as possible so that during the winter months, as Mr. Douglas pointed out, their economies do not disintegrate or at least suffer retrogression to the point where we lose the ability of the western European community to operate as an economic unit. It is highly integrated, industrial complex. If these three countries should drop out of it, it would multiply the problem and considerably increase the cost of a recovery program. It might even make it impossible of accomplishment, although I cannot say that that would necessarily be the result. There are strong reasons to believe that it would.

Therefore the project with which we approach you today is designed for a purpose, in general, along the lines of that which you considered before, but as a prelude in effect to a course of action

with which we will come before you shortly to expand in great detail and which we earnestly hope will make it at least unnecessary for us to deal with these emergency situations in a recurring fashion.

We do not like the idea of having to deal with crises any more than you gentlemen do. In fact, the hope of the economic recovery program is that by some orderly over-all approach we can get out of the relief business, help these people get back on their feet, make them self-supporting, restore them as a contributor to world peace and at least reduce the possibility of crises.

I am sure I cannot—I doubt whether anyone can—give any positive guarantees that even the most perfect recovery program could reduce or eliminate completely the possibility of some wholly unforeseen crisis occurring. Nevertheless, it is our honest belief that if this important section of the world can get back on its feet, the likelihood of recurring crises would quite obviously be reduced.

I think that covers two of the aspects, Mr. Chairman, which were not fully dealt with this morning by the Department in answer to certain questions.

Chairman EATON. Have you completed your statement and are you ready to answer questions at this point?

Mr. LOVETT. I am completely at your disposition, sir. I have finished what I had to say.

Chairman EATON. The Chair would like to ask one question. I find on all sides this question raised: What has happened to the \$350,000,000 that were appropriated under Public Law 84? How far has that been expended, and where and how?

Mr. LOVETT. Mr. Chairman, we brought the figures up here and Mr. Dort who has been in charge of that particular aspect of the program can give you the complete details.

Chairman EATON. We should be glad to hear Mr. Dort.

Mr. DORT. I think, Mr. Chairman, I can best answer this question by handing to the members of the committee a complete statement on the status of the program and I then could discuss it briefly, if that is satisfactory.

Chairman EATON. Can you answer the question in a condensed form? It is very difficult for us to ask questions on details contained in a long document here. We will put this in the record at this time.

(The statement referred to is as follows:)

UNITED STATES FOREIGN RELIEF PROGRAM AS OF OCT. 31, 1947

Budget status of appropriation

Approved country programs:

Austria.....	\$88, 639, 146
China.....	27, 700, 000
Greece.....	38, 731, 747
Italy.....	121, 296, 678
Trieste.....	9, 765, 943
Total.....	286, 133, 514
International children's emergency fund.....	15, 000, 000
Voluntary relief agency transportation fund.....	5, 000, 000
Administrative expenses (State Department).....	600, 000
Citizens' Food Committee.....	500, 000
Not yet programed.....	24, 766, 486
Total appropriation.....	332, 000, 000

Procurement status (free-alongside-ship values)

AUSTRIA

Commodity	Approved program	Procurement initiated	Shipments made
Cereals.....	\$35,112,532	\$30,558,413	\$25,219,489
Meats and fish.....	3,209,504	3,153,464	1,400,902
Fats and oils.....	10,727,302	7,683,959	4,389,203
Pulses.....	4,008,862	4,008,973	559,290
Dairy products.....	420,047	434,167	434,167
Dried fruits.....	654,000	630,853	250,000
Fuel.....	13,170,320	13,152,320	844,159
Seeds.....	1,142,810	392,810	250,910
Pesticides.....	790,000	280,000	-----
Fertilizer.....	2,200,000	2,200,000	-----
Medical supplies.....	2,611,268	539,514	138,122
Total free-alongside-ship cost.....	74,046,645	63,034,473	33,486,242
Estimated shipping costs.....	14,592,501	12,232,881	7,767,158
Total cost and freight cost.....	88,639,146	75,267,354	41,253,400

CHINA

Cereals.....	\$20,132,000	\$12,265,961	-----
Medical supplies.....	3,650,000	-----	-----
Total free-alongside-ship cost.....	23,782,000	12,265,961	-----
Estimated shipping cost.....	3,918,000	2,010,000	-----
Total cost and freight cost.....	27,700,000	14,275,961	-----

GREECE

Cereals.....	\$25,403,202	\$19,768,079	\$18,230,530
Meats and fish.....	803,500	729,500	77,560
Pulses.....	1,626,488	769,217	90,674
Dairy products.....	5,907,243	4,679,431	4,504,776
Pesticides.....	150,000	106,733	106,733
Medical supplies.....	242,600	113,768	75,132
Total free-alongside-ship cost.....	34,133,033	26,156,728	23,085,405
Estimated shipping cost.....	4,598,714	3,540,732	3,105,715
Total cost and freight cost.....	38,731,747	29,697,460	26,191,120

ITALY

Cereals.....	\$65,181,701	\$49,748,298	\$37,169,091
Meats and fish.....	449,500	449,500	-----
Fats and oils.....	3,658,316	3,301,697	3,301,697
Pulses.....	4,469,608	4,212,589	12,217
Dairy products.....	560,064	560,063	439,089
Fuel.....	23,184,000	16,548,414	9,522,532
Seeds.....	441,280	441,280	201,060
Pesticides.....	50,000	50,000	-----
Medical supplies.....	659,059	321,696	207,159
Total free-alongside-ship cost.....	98,653,528	75,633,537	50,852,845
Estimated shipping cost.....	22,643,150	14,461,399	6,152,641
Total cost and freight cost.....	121,296,678	90,094,936	57,005,486

TRIESTE

Cereals.....	\$6,027,050	\$4,837,323	\$2,841,080
Meats and fish.....	157,286	155,396	22,050
Fats and oils.....	563,082	428,286	-----
Pulses.....	136,666	136,709	24,390
Dairy products.....	257,555	256,436	105,971
Fuel.....	668,112	660,360	261,906
Medical supplies.....	104,316	53,490	-----
Total free-along-ship cost.....	7,914,067	6,527,940	3,255,397
Estimated shipping cost.....	1,851,876	1,529,617	756,658
Total cost and freight cost.....	9,765,943	8,057,557	4,012,055

Approved country programs, by commodity classification, as of Oct. 31, 1947

[Free-alongside-ship values]

Commodity	Austria	China	Greece	Italy	Trieste	Total
Cereals	\$35,112,532	\$20,132,000	\$25,403,202	\$65,181,701	\$6,027,050	\$151,856,485
Meats and fish	3,209,504		803,500	449,500	157,286	4,619,790
Fats and oils	10,727,302			3,658,316	563,082	14,948,700
Pulses	4,008,862		1,626,488	4,469,608	136,666	10,241,624
Dairy products	420,047		5,907,243	560,064	257,555	7,144,909
Dried fruits	654,000					654,000
Fuel	13,170,320			23,184,000	668,112	37,022,432
Seeds	1,142,810			441,280		1,584,090
Pesticides	790,000		150,000	50,000		990,000
Fertilizer	2,200,000					2,200,000
Medical supplies	2,611,268	3,650,000	242,600	659,059	104,316	7,267,243
Total free-alongside-ship cost	74,046,645	23,782,000	34,133,033	98,653,528	7,914,067	238,529,273
Transportation	14,592,501	3,918,000	4,598,714	22,643,150	1,851,876	47,604,241
Total cost and freight cost	88,639,146	27,700,000	38,731,747	121,296,678	9,765,943	286,133,514

Procurement initiated against approved country programs, by commodity classification, as of Oct. 31, 1947

[Free-alongside-ship values]

Commodity	Austria	China	Greece	Italy	Trieste	Country not yet designated	Total
Cereals	\$30,558,413	\$12,265,961	\$19,758,079	\$49,748,298	\$4,837,323		\$117,168,074
Meats and fish	3,153,464		729,500	449,500	155,396		4,487,860
Fats and oils	7,683,959			3,301,697	428,286		11,413,942
Pulses	4,008,973		769,217	4,212,589	136,709		9,127,488
Dairy products	434,167		4,679,431	560,063	256,436	\$859,092	6,789,189
Dried fruits	630,853						630,853
Fuel	13,152,320			16,548,414	660,300		30,361,034
Seeds	392,810			441,280			834,090
Pesticides	280,000		106,733	50,000			436,733
Fertilizer	2,200,000						2,200,000
Medical supplies	539,514		113,768	321,696	53,490		1,028,468
Total free-alongside-ship cost	63,034,473	12,265,961	26,156,728	75,633,537	6,527,940	859,092	184,477,731
Estimated shipping cost	12,232,881	2,010,000	3,540,732	14,461,399	1,529,617	100,000	33,874,629
Total cost and freight cost	75,267,354	14,275,961	29,697,460	90,094,936	8,057,557	959,092	218,352,360

Shipments made against approved country programs, by commodity classification, as of Oct. 31, 1947

[Free-alongside-ship values]

Commodity	Austria	Greece	Italy	Trieste	Total
Cereals	\$25,219,489	\$18,230,530	\$37,169,091	\$2,841,080	\$83,460,190
Meats and fish	1,400,902	77,560		22,050	1,500,512
Fats and oils	4,389,203		3,301,697		7,690,900
Pulses	559,290	90,674	12,217	24,390	686,571
Dairy products	434,167	4,504,776	439,089	105,971	5,484,003
Dried fruits	250,000				250,000
Fuel	844,159		9,522,532	261,906	10,628,597
Seeds	250,910		201,060		451,970
Pesticides		106,733			106,733
Fertilizer					
Medical supplies	138,122	75,132	207,159		420,413
Total free-alongside-ship cost	33,486,242	23,085,405	50,852,845	3,255,397	110,679,889
Estimated shipping cost	7,767,158	3,105,715	6,152,641	756,658	17,782,172
Total cost and freight cost	41,253,400	26,191,120	57,005,486	4,012,055	128,462,061

Mr. DORT. As of October 31—I will give you first the figures of the programs which have been approved; that is, the funds which have been earmarked for expenditure. I can then give you the actual items under procurement and the quantities shipped to the various destinations.

The approved program for Austria involves \$88,639,000; China, \$27,700,000; Greece, \$38,731,000; Italy, \$121,296,000; Trieste, \$9,765,000.

The total of those country programs amounts to \$286,133,000.

In addition, there is an allocation of \$15,000,000 which has been made to the International Children's Emergency Fund; an item of \$5,000,000 has been tentatively reserved for the shipment of private relief contributions under one of the provisions of this Public Law 84 and \$600,000 has been allocated for administrative expenses. Five hundred thousand dollars have been allocated for administrative expenses of the Food Conservation Committee which helps to make food available for this program; \$24,766,000 has not been programed.

The total of those amounts is the full amount of \$332,000,000 which was appropriated by Congress. I have a break-down of the actual items which are under procurement and the actual shipments made as of October 31. If you would like those figures I can give you further details.

Mr. BLOOM. You say the total amount is \$332,000,000; is that right?

Mr. DORT. There is an item of \$24,766,000 which is unallocated.

Mr. BLOOM. Do you include that in the \$332,000,000?

Mr. DORT. Yes, sir.

Mr. BLOOM. Is that item of \$24,000,000 that you speak of, or \$25,000,000, the item that was held in reserve for the children's fund?

Mr. DORT. It is \$24,766,000 which has not been allocated.

Mr. BLOOM. Then the \$25,000,000 and the \$15,000,000 is included in your figures of \$340,000,000 or \$350,000,000 that you speak of?

Mr. DORT. \$332,000,000.

Mr. BLOOM. That difference is all accounted for in the money for the children's fund?

Mr. DORT. That is correct.

Mr. JONKMAN. So that there will be no misunderstanding, do I understand that this "not yet programed" item is nevertheless allocated to the children's fund under the provisions of the act?

Mr. DORT. It was indicated that the United States would make an initial contribution of \$15,000,000 to the children's fund. It further provided for additional amounts to be contributed to the fund on a matching basis of 57 percent of United States funds against 43 percent of funds contributed by other governments.

Mr. BLOOM. That is right.

Mr. DORT. As yet the other governments have not contributed a sufficient amount to call for further contributions in addition to the original \$15,000,000 which we have already made available to the fund. In connection with our estimates for interim aid the calculations for Austria in the next quarter included an item of \$16,000,000 which would be available from this reserve if additional contributions to the children's fund are not made. To the extent, therefore, that that \$16,000,000 is not available for Austria we would fall short of meeting our estimates for the interim aid period—that is the first quarter of next year—for Austria.

Mr. BLOOM. Then you have used up all of the \$340,000,000 except the \$24,000,000 that you are holding for the 57 percent that we are contributing against the other nations of the world's 43 percent?

Mr. DORT. That is all that remains.

Mr. BLOOM. Everything has been used up, allocated, or earmarked?

Mr. DORT. That is correct.

Mr. BLOOM. There is some doubt as to whether that \$24,000,000 can be expended or not.

Mr. DORT. That is correct.

Mr. BLOOM. According to the act itself, that \$24,000,000 of the children's fund should be held in reserve until we find out what the other nations are supposed to do. There is no time limit placed on it?

Mr. DORT. We do not know whether we are required to hold that. It was not clear in our view as to whether the law said we had to hold it in reserve until the end of the expiration of the appropriation, or whether it could be used, if necessary, to meet relief needs.

I might quote the provision of the law and the wording of the conference report on that point.

The provision of the law is as follows:

There is hereby authorized to be appropriated to the President not to exceed \$350,000,000—

and as I say, the appropriation actually was \$332,000,000—

for the provision of relief assistance to the people of countries devastated by war, such relief assistance to be limited to the following—

and then it lists the items:

Provided, That from the funds authorized under this section the President shall make contributions to the international children's emergency fund of the United Nations for the special care and feeding of children, and such contributions shall not be subject to the limitations and requirements provided in this joint resolution, but after \$15,000,000 has been so contributed no further contribution shall be made which would cause the aggregate amount so contributed by the United States (1) to constitute more than 57 per centum of the aggregate amount contributed to said fund by all governments not receiving assistance from said fund, including the United States, or (2) to exceed \$40,000,000 whichever is the lesser.

In the conference report it was stated in regard to that provision:

For the purpose of making mandatory the contribution of \$15,000,000, the permissive phrase, "may make contribution," which was in the House bill, has been changed to "shall make contribution." It is not intended that there be set aside indefinitely amounts sufficient to cover the maximum possible United States contribution to the fund determined on the basis of contributions made by other countries. It is understood if the President determines at a reasonable time prior to the termination of the relief assistance program that there is no reasonable expectation that other governments will make contributions which will result in an increase in the aggregate amount to be contributed by the United States, he may utilize for the relief assistance program the amounts which have not been contributed to the children's emergency fund.

Mr. BLOOM. Yes; but the act itself provides that the United States Government should contribute up to 57 percent of what the other nations contribute. Suppose the other nations should contribute their 43 percent? We would not be obligated to pay our 57 percent, and if you spend that money now for other purposes, then we would have to come back to the Congress and ask for an appropriation to meet the 57 percent that we are obligated for in the act, not in the report. The act is very specific on that.

Mr. DORT. Our interim aid request assumes that we would be using \$16,000,000 which is a part of the amount not yet allocated for Austria in the first quarter of 1948. If we did not have that fund available for Austria and were required to make the fund available to the children's fund, or to hold it in reserve, then we would fall short in our Austrian estimates by \$16,000,000 under the interim-aid request that we have made.

Mr. BLOOM. Answering the question of Mr. Jonkman, all the money has been allocated to spend of the \$332,000,000?

Mr. DORT. Except this \$24,700,000.

Mr. BLOOM. That has been earmarked, so all of it is earmarked?

Mr. DORT. Yes, if you included that item.

Mr. JAVITS. May I make this suggestion that might be very much more frank in view of the importance we all attach to the children's fund: If the bill actually had a revocation then we would face the issue squarely as to whether we wanted any part of this \$24,000,000 used for some other purpose, or whether, as Mr. Bloom said, to which I thoroughly agree, we still have some 7 months to go before this program is over, and this \$24,000,000 is highly important money to a lot of children who need it badly, which I saw visually, as did everybody else who went to Europe.

Dr. JUDD. May I as the author of this amendment make a comment as to its intended meaning? First, were you reading from the Senate report?

Mr. DORT. I was reading from the conference report.

Dr. JUDD. As the time the original House amendment was offered by me and adopted by the committee, and later modified in a few words by the Senate and in conference, it was the understanding of myself, at least, and those in the drafting service who helped me, that it meant this money was to be held up until the expiration of the authorization in this bill, which is June 30.

I think the only fair interpretation of the intention of our committee was that up until approximately the end of the authorization, June 30, 1948, that money should be held for the children's fund to be constituted if other countries provided their 43 percent. If they did not before the end of this authorization, then it could be available for other purposes.

Mr. DORT. If that is the case, then our estimates for interim aid are shy by \$16,000,000. In other words, we assumed that \$16,000,000 could be used out of this fund to assist in the Austrian requirements in the first quarter of 1948.

Dr. JUDD. There is one further comment to be made on possible interpretation. The law authorized \$350,000,000. Actually only \$332,000,000 was appropriated, so that if other countries came along and made contributions requiring further contributions from us in addition to the \$15,000,000 already contributed, you could come back to the Congress, or the Appropriations Committee, and ask for up to \$18,000,000 more. If the President has no reasonable expectation that the full \$25,000,000 will be called for on the basis of contributions from other countries, it seems to me, inasmuch as there is a \$18,000,000 leeway between authorization and appropriation, he might be entitled to use up to that amount for other purposes and then come back for \$18,000,000 more in case the other countries came through with their contributions.

Mr. DORT. We have been in doubt as to the interpretation of this provision and had intended to get the Comptroller General to rule on what our situation was, and what we should do under the act. Of course, we are laying the whole facts before you here. If you want to save this money, then we are \$16,000,000 short in our estimates under the interim aid bill.

Dr. JUDD. There is, as you doubtless know, reasonable expectation that there will be some further contributions, and one of the strongest talking points for getting contributions from other countries is the fact that if they put in \$1,000,000 we will put in about 11 $\frac{1}{3}$ millions more under this authorization. That is a strong talking point, and I would not want that door closed. At the same time I do not think there is a reasonable expectation that enough is going to come in from other countries to permit us to contribute from this fund the full \$25,000,000; therefore, I think we could make allocations as long as we keep ourselves within the \$18,000,000 leeway, or the difference between the authorization and the actual appropriation.

Mr. JAVITS. May I ask a question on this very point? I think Dr. Judd wants the same thing I do, and I believe the same thing that Mr. Bloom does.

Is it not a fact that in your presentation to the Appropriations Committee you asked for the full amount for the children's fund and that the Appropriations Committee, when they gave you \$332,000,000, thought that they were giving you the full amount for the children's bill, so you probably could not come back for another \$18,000,000 if you used up this money?

Mr. BLOOM. I agree with Mr. Javits on this question because at the time of the conference a suggestion was made to put a time limit on it of December 1, and the conferees rejected that. There is no question in my mind—and I have been through this from the beginning—that the \$25,000,000 was allocated specifically to the children's fund, and we should go up to 57 percent of what was contributed by other governments. If they contribute their 43 percent of the \$25,000,000 that we are obligated for, I think that this Government is in duty bound by the law itself—not by the conference report or anything else—to pay that \$25,000,000. I do not believe that anyone has a right to use any part of that \$25,000,000. It was specifically allocated for that purpose. I agree with Dr. Judd and Mr. Javits.

Mr. JAVITS. May we have an answer to the question that I asked the witness on the specific issue of whether they did or did not present to the Appropriations Committee that full request for the children's fund and on the basis of which they got a \$332,000,000 appropriation? I think that will nail down the point that Mr. Bloom just made.

Mr. DORT. The provision was put in by the Congress. The administration did not present a request for the children's fund. We made no request for it.

Mr. JAVITS. But the conferees passed upon every item in the bill, in the authorization, and gave you \$332,000,000 for everything, including the children's fund; is that correct?

Mr. DORT. That is correct; yes.

Chairman EATON. Now that we have finished the discussion on this point, suppose that we start in on the 5-minute rule for general questioning of the witness.

I will begin with our distinguished friend, Mr. Chipperfield.

Mr. CHIPPERFIELD. Mr. Lovett, on page 39 of the statement on European interim aid appears the following:

The estimates of Italy's needs for relief financing in 1947, presented last spring in support of legislation and appropriations for the United States foreign relief program indicated that Italy in 1947 would be faced with an uncovered balance on foreign account of \$193,000,000.

Is that correct?

Mr. LOVETT. Yes.

Mr. CHIPPERFIELD. When Colonel Wood was before us last spring he presented this document which I hold here and which states that the deficit of Italy at that time was \$158,000,000, a discrepancy of around \$35,000,000. How was that accounted for?

Colonel Wood. I do not recall the details of that document. If you will give me a little time to look it up, I am sure that I can clear up the matter.

Mr. CHIPPERFIELD. On the first page. [Hands document to Colonel Wood.] That is a secret document.

Colonel Wood. Would it suit the committee and you if I have the question looked up and make an answer later? I would not want to give you an offhand answer because this was some time ago and I do not recall the details of the computation.

Mr. CHIPPERFIELD. In this same statement, Mr. Lovett, you say the 1947 wheat crop was 4,700,000 tons. Yesterday in the Senate you said that if you multiplied that by the figure 37, we could get the bushels. I have done that and it amounts to 173,900,000 bushels of wheat for Italy.

Now, I have inquired through the Library of Congress's Reference Bureau and they tell me the 1947 wheat crop amounts to 210,000,000 bushels, a discrepancy there of 36,100,000 bushels.

Now you are going to send to Italy something like 44,000,000 bushels of wheat. If there are 36,000,000 more bushels of wheat in Italy than you estimate we will not have to send that amount?

Mr. LOVETT. I think that there has been some confusion between France and Italy. The comments I made yesterday compared the prewar production of cereal grains in France, about an 8 million metric-ton figure, with the 1946 cereal grain production in France of about 6.7 million metric tons as compared with this year's figure which was around 3.8 million metric tons, and I rounded it out to 4 million. I was talking about France and someone asked the question how many bushels that was, and I said that could be obtained by multiplying it by 37.

Mr. CHIPPERFIELD. I obtained my figures from your statement. These figures are very interesting. I had some figures prepared by Mr. Crawford and I believe you were the one who furnished them. I have a memorandum here of October 30, and you furnished him this figure, Mr. Dort, which shows that at time of break-down only \$113,000,000 had been allocated to Italy. The figures that you gave a few minutes ago were around \$121,000,000, and the statement here shows \$122,000,000. At that time you had a tentative estimate that we were going to spend \$285,000,000 in Italy. Now it is down to \$227,000,000 2 weeks later. Do you suppose that if we wait two more weeks it will go down another \$58,000,000?

Mr. LOVETT. May I answer the latter part of that, Mr. Chipperfield?

Mr. CHIPPERFIELD. Yes.

Mr. LOVETT. The figures which we submit with respect to Italian requirements, appearing in the bluebook, are given after the elimination of items which were covered recently by the use of funds under the Relief Emergency Aid Act in order to enable the procurement of the coal shipments which must go forward the early part of December. That accounts for a part of it. The other items that were reduced were reduced because we felt that they involved payments which might come under adjustment through moratoria agreements between France, Belgium, and Italy. I can give you a list of the total reductions.

We have tried to screen this with the greatest of care and with the help of other governmental agencies, and that screening has resulted in the figures which are contained in the bluebook. That is the figure on which the presentation is based today.

Mr. CHIPPERFIELD. I have a statement here, and I know that there will be prejudice in some people's minds because it is from the Chicago Tribune, in which it says:

There was a bumper olive crop and oil production which will exceed by four times the 750,000 quintals which producers must surrender to the Government for rationing.

Has there been a bumper crop of olive oil in Italy?

Mr. DORT. Yes. There has been an unusually large crop.

Mr. CHIPPERFIELD. It goes on to say:

Only the wheat crop was poor this year, but American post-UNRRA grain deliveries, plus a good rice crop and abundant fresh vegetables and fruits, should easily compensate for this.

Then it goes on to say:

In less than a month since the downward trend of prices started official figures show that olive oil was down 17 percent; lard, 23 percent; butter, 15 percent—

and so on. It goes on to say that livestock herds are reported to be back to prewar levels, and there is the belief that there is enough meat for the public's requirements. What do you say about that?

Mr. DORT. By far the largest item of the diet of the Italians is bread. During the summer they have been having substantial quantities of other kinds of food which have been added to that. That is illustrated by the fact that under the relief program we have not recently shipped fats and oils to Italy. We have, however, tried to keep the basic bread ration so that that part of their diet would be filled. In the winter months they will be relying more on bread and we know that they will have fewer vegetables and fruits. There have been no shipments of fats and oils under the relief programs in recent months.

Mr. CHIPPERFIELD. They say here, "Coal for home heating is being rationed for the first time. Previously coal was banned for heating homes and none was distributed." Do you know whether that is occurring or not?

Mr. LODGE. I spent 3 weeks in Italy and went into these matters. As far as meat is concerned, Italy is not a meat-eating nation. Italians eat pasta made of flour. They have never been a meat-eating nation and they are less so now because they can only satisfy three-quarters

of their needs as far as wheat is concerned. Therefore, they certainly cannot afford to feed any wheat to animals.

As far as coal is concerned, it is very critical, especially with respect to private homes. The Italians look forward to being largely unheated during the winter. The situation of Italy following the withdrawal of our troops this summer is that they face a winter with practically no heat in their homes and with a very inadequate diet. That is the most reliable information that I could obtain.

Mr. CHIPERFIELD. In the appendix to your statement there is an item—

Mr. JONKMAN. I would like to have that confirmed. The witness has not answered the question. I would like to see if they can give an official answer to the question.

Mr. DORT. They are, Mr. Chairman, very short on coal. They have been having a consumption of about 800,000 to 900,000 tons a month. The allocations for shipment in November and December are 600,000 tons, which represents a reduction in the amount they have been consuming in the last several months. The estimate in this interim program, I believe, is for 600,000 tons in December, and 650,000 tons a month from January on. In prewar years they consumed well over 1,000,000 tons a month.

Mr. CHIPERFIELD. On page 54 in appendix A there is item 5, "OFLC, surplus property credits, \$178,000,000; amount distributed, \$178,000,000; balance on hand, nothing."

Will you tell the committee about that transaction, Mr. Lovett?

Mr. LOVETT. This figure of \$178,000,000 on page 54, item 5, I am informed consists of the two sales made of bulk surplus property. The surpluses were sold under two credits and they owe us \$178,000,000 on that account.

Mr. CHIPERFIELD. We have spent \$1,500,000, have we not? That is the figure in your statement?

Mr. LOVETT. I think that one and a half billion is approximately the figure.

Mr. CHIPERFIELD. Thank you; that is all.

Mr. VORYS. To come back, Mr. Lovett, to the form of the legislation, you were not here when this Public, 84, relief bill came up this spring. Although there was tremendous secrecy about the figures involved, it was a balance-of-payments proposition just as is the present bill. We talked a lot about relief, but what we were doing was to furnish dollars to help the balance of payments of those countries so that in that respect this proposal is quite the same.

Now, as to the matter of the 6 percent, there are about three or four pages of Public, 84, each paragraph of which was the subject of long debate in both bodies. There were long hours of conference and each paragraph of it represents the congressional ideas that are going to be debated before we have any interim bill whatsoever, if we bring in a new bill.

My suggestion was that if the administration under Dick Allen functioned satisfactorily under that law, from the standpoint of getting it through Congress and also the administration in the field, it would be better to proceed under that law than to get up another one.

Now, you brought up the 6 percent proposition. The reason that was put in was that it was the hope of the Congress that some other

nations would come in with it. It was represented that the amount was only 57 percent, and 43 percent would come in from some place else, and if we put in the law a provision that the United States could finance with dollars the supplies from other countries, it was felt that would be an invitation to them to say, "Why, we will sell stuff to the United States rather than contribute to this great need."

Now, that same subject matter will again be under consideration in the Congress, and while we all recognize the cogency of the suggestions you have made, that if some of this can be procured elsewhere it will lessen the impact on our economy; yet we wonder whether there is not some hope of having the Argentine, Canada, and some of the other Western Hemisphere nations put in some relief, or aid, on the same basis we are. Then, if they want to borrow some dollars, they are a good risk and we can take that up as a separate matter.

However—and I realize this is sort of a long question—if it is determined that the 6 percent figure is wrong, all you have to do is to change that figure, change the \$350,000,000, change the figure under the RFC advances, change a half dozen words in the bill, and you have got a structure that Congress is used to and the State Department and our Government and other nations understand. That was the reason why I keep emphasizing this.

Mr. LOVERT. Well, Mr. Vorys, I was not in on the discussions which gave rise to this relief assistance bill, and of course the Congress will have to determine the form it shall take. In my earlier comments I was merely trying to point out that we did not propose the method of amendments to Public Law 84 because we thought that it might be simpler in a new bill to work in a degree of flexibility we feel is absolutely essential to the satisfactory operation of this 4-month period. As you suggest, it is simple legislation, and if your suggestion would enable more prompt action, that is a matter that the gentlemen in the Congress will have to decide.

The fundamental interest in this and the thing we have tried to express with complete frankness throughout the hearing is the fact that we will need, in order to do this job, a considerable degree of flexibility. In particular, that 6 percent figure would very materially limit us. As you say, it could be altered; that itself would be a satisfactory answer on that point.

Mr. VORYS. In going through the blue book I find not one item in the list of relief, of aid items which were not within the classification of food, medical supplies, processed and unprocessed materials, foods, seeds, fertilizers and pesticides—that is the list of stuff in Public, 84, so they are the same items that you are talking about?

Mr. LOVERT. In the broad classification, that is true, always on the assumption, Mr. Vorys, that we are dealing with this at the earliest possible moment. In other words, if the availability of funds under this bill should be delayed, some of the items which we now anticipate would be procured with the funds requested would have to be procured by these countries with their own resources. Under these circumstances, the requirements we would meet might fall in some other classification.

We are trying to maintain the countries literally as going concerns, because they are lost if they are completely bankrupt. If they become completely bankrupt, that magnifies the whole problem. If they are

going concerns they have needs as a going business that vary from day to day.

I cannot fully estimate what will happen, for example, if a ship load of coal were lost, or something of that kind, during the winter months. It would have a very serious effect because of the thin margins on which these countries are operating. That is the reason why we have suggested in several instances here that we have a high degree of flexibility.

That also explains some of the language in the earlier clauses which I am sure you gentlemen will wish to discuss later.

I cannot say that that same protection could be given in amendments, and I would not want what I am saying now to be misunderstood in any way. I am merely trying to give the background which led to the conclusions which we reached.

Mr. VORYS. Now, throughout the statement of needs of the three countries there is food in the program to be provided by the legislation. Then there is other food which they are to procure through other sources, so that you have made a break-down of the food items. Could you tell us on what basis that was made?

Mr. LOVETT. You mean the break-down in the distribution of the food items, in the classification?

Mr. VORYS. Yes.

Mr. LOVETT. Wheat, fats—

Mr. VORYS. For instance, glancing on page 10, here on table 1, of commodities to be supplied under the interim aid program, which includes food, \$20,000,000; table 2 includes food, \$16,000,000.

Now I wonder if there was any significance, as between the two.

I think this is a similar item for each of the countries of food under this program, of food they are to get for themselves?

Mr. LOVETT. That is right, Mr. Vorys.

Mr. VORYS. And then over on page 10—

Mr. LOVETT. On page 10, that is the case of adding up requirements in table 2. What we have done is to take the total assets which are available and apply them to the needs which they have proven to us. That \$16,000,000 shown for food in table 2 is the counterpart of the relief which Mr. Dort discussed earlier.

There is an item that is somewhat greater in France where the relief allowance does not enter into it.

But in general I think the point of your question is that we have taken the available assets of these countries and measured those assets against the items which they must have in order to eat and to work. They fall within certain well-established patterns, for the most part. For instance, the daily bread ration in France is 200 grams a day, and that multiplied by the number of people to be fed gives us the amount of cereals required.

There are also the imports of coal for transportation, industrial, and other purposes which can be broken down and measured.

We have felt that we should be assured that they use their own funds in the procurement of those materials as far as they possibly can, and that after that assurance has been given the needs which remained uncovered should be met with our funds, as shown in table I.

Mr. VORYS. Yes. There is no difference in the classification of

foods, let us say, on table 1 and table 2—\$20,000,000 above and \$16,000,000?

Mr. LOVETT. No, sir. After they have used their own funds, then we take up the remaining deficit in food or in the other items which they cannot cover as shown in table I.

Mr. VORYS. One more question: On page 21, apparently, provision is made in the pipe line for the furnishing of wheat to France to take care of them for 5 months, not a 4-month period, that is, through April 30, 1948.

That is the only place where I notice the procurement plan is on a 5-month basis. I appreciate that you must plan to buy what you need for March 30 to last through April; you have gone into that before, but is this program a 5-month program, that is, for wheat for France, or is it just that one item of food?

Mr. LOVETT. No; and I might point out, Mr. Vorys, that to some extent Italy and Austria are covered by relief.

Mr. VORYS. By what?

Mr. LOVETT. By available relief funds, for that extra period.

Now what happens is, in order to get the coal to them in January, we have to pay for it in December.

Mr. VORYS. Do you mean that—maybe I do not understand your answer or maybe you do not understand my question, but wheat for France is proposed on a 5-months basis in your recommendation.

Mr. LOVETT. Oh, yes; that is true.

Mr. VORYS. Now is there a 5-months program for wheat for Italy?

Mr. LOVETT. The dollars have to be spent in order to have the pipe lines maintained in a constant flow. In the case of France, this requires procurement of wheat for 5 months in the program. In the case of Italy, only 4 months' requirements need to be covered in the interim aid program because the relief program has taken care of December shipments.

Mr. VORYS. Well, as you just look over the thing, if this is in fact a 5-months program rather than a 4-months program that would explain why it is so big, and that is why I am anxious to find out whether in general there is a program that represents having the pipe lines full on March 31.

Mr. LOVETT. That is right.

Mr. VORYS. Thank you very much.

Chairman EATON. Mr. Kee.

Mr. KEE. Mr. Secretary, with reference to whether or not all the money appropriated by the Congress for relief, in the last appropriation bill, which I believe was Public, No. 84, has that been expended or allocated? I would like to know, if it is consistent with the policy of the State Department to answer the inquiry, whether or not the State Department considers that by the expenditure of that money in various countries for which it was provided and in which it was expended enabled us to accomplish what we were told were the objectives of the appropriation? In other words, to what extent have we relieved those countries and to what extent has that halted the spread of certain objectionable political ideologies, and to what extent have we protected them from the dangers which they were facing at the time we made the appropriation.

Mr. LOVETT. Mr. Kee, I think the State Department can quite properly answer that. We believe, and I think the evidence would support that belief, that the effectiveness of the relief assistance act has been very considerable. Without it, in line with what all of you gentlemen know from your practical experience abroad, the outlook of western Europe today I think would be quite different.

As Ambassador Douglas pointed out this morning, there are certain ideas which fall on fallow ground when a person is hungry, out of work and walking the streets. The press has reported a degree of stability in those countries in which I think it is fair to say the program which you gentlemen passed last summer has had a very important part; the countries themselves, of course, deserve the major credit, but I do feel that the people, that the Congress, and this country ought to take some comfort in the thought that there are numerous communities in western Europe that today are alive, operating and are going concerns that would not have been alive today were it not for the \$332,000,000 of relief.

Mr. KEE. You think that they are recovering today in Greece and in some of the other countries, from some of the ills from which they were suffering at the time we passed the appropriation?

Mr. LOVETT. I think Greece is a special situation, Mr. Kee, and I am most anxious not to mislead you in my answer, therefore if you will permit I will set Greece aside first and talk about the other recipients of aid.

I believe in answer to your question that these countries have been materially helped, and their continuity in the exercise of free speech and free choice has been assured to a considerable extent by the use of the relief funds.

In the case of Greece, as was discussed in some greater detail this morning: The recovery program is complicated by the guerrilla warfare which makes it extremely difficult to get into certain areas which have been important agricultural contributors to Greece. I think we can take some satisfaction from the thought that there has been progress; it has not been up to our expectations or hopes. On the other hand, the country is alive and free, and in these days of great distress and turbulence in the world it seems just to be alive and free is a pretty important thing.

Mr. KEE. Thank you very much. That is all.

Chairman EATON. Mr. Jonkman.

Mr. JONKMAN. Mr. Secretary, last spring when we had before the Congress the \$350,000,000 aid bill which I think was described as a relief bill, and the \$400,000,000 bill for Greece and Turkey, which was denominated the defense bill—am I not right?

Mr. LOVETT. I am not sure as to the latter title.

Mr. JONKMAN. Well, on the Greek-Turkey bill referred to in the definition of the bill: It was separate from the general relief program that we are talking about today.

Mr. LOVETT. Yes; although Greece also participated in assistance under the general relief act.

Mr. JONKMAN. And therefore there was a distinction, was there not: The \$400,000,000 was the defense bill?

Mr. LOVETT. As I say, I am not in position to say about the word "defense," Mr. Jonkman, but I believe "assistance" was in the title,

and it is my impression that the mission to Greece carries the thought, the American mission that it is to aid Greece; I do not know about the word "defense," I am not competent to speak on that as I was not here at the time.

Mr. JONKMAN. Probably it is not so material, but the reason I asked the question is I wanted to know whether it was a defense or relief bill. Is this interim bill an aid bill or a relief bill?

Mr. LOVETT. The interim aid bill is primarily a relief bill.

Mr. JONKMAN. Exclusively?

Mr. LOVETT. It is a relief bill as a preface to a recovery program. We do include in it the provision of military supplies. The Greece aid program and the Turkey aid program had a certain amount of military supplies in them.

Mr. JONKMAN. Then if it is the purpose—if it has for its purpose, to a substantial degree, the fighting of communism in France and Italy?

Mr. LOVETT. The purpose of the interim-aid bill is stated in the preamble here, but to paraphrase it, we feel that security and economic stability are important considerations in our search for peace. We are trying to help make it possible for western Europe to maintain a form of civilization to which they have been accustomed through the years.

And this community involves something over 250,000,000 people. They are hard working; they have the same concepts of freedom, of justice, and of the rights of the individuals, and they are a tremendous source of economic power.

They have had about two-thirds of the world's shipping, about half of the world's trade, and they have been producing large amounts of steel and chemicals and coal; our purpose is to obtain a degree of recovery in the world which will not be possible without the restoration of the economic strength of this important area.

So we have not only a natural humanitarian interest in this but a feeling that we cannot have a peaceful world without this recovery; that it depends to a great degree on this recovery.

Mr. JONKMAN. Would you say that your main objective is the provision of food, which leads to that end?

Mr. LOVETT. That is correct.

Mr. JONKMAN. Does France have any gold or dollar balance in the United States?

Mr. LOVETT. Yes; that is shown in the table in the book.

Mr. JONKMAN. On page 21?

Mr. LOVETT. No, sir; but is in the explanatory data. That covers those items which have not as yet been liquidated and which are known.

I think it is fair to say at this point that unquestionably there are certain securities in this country belonging to French citizens, the ownership of which has not been identifiable at this time.

There are two general classes of those securities: We feel that every other asset that France has in liquidatable form at this present time has been identified. You find in the table an indication of the French securities that are currently being liquidated here. The French Government is pursuing that.

Mr. JONKMAN. On what page is that found?

Mr. LOVETT. That is on page 29.

Mr. JONKMAN. Will you give me the amount so we will have it in the record?

Mr. LOVETT. On the French securities here, on page 38, there is a list of all the known French assets that are available, and under that heading you will find an item covering the sales of French dollar securities, the figure being \$45,000,000 for the period October 1 to November 30, which has been covered on page 34. The explanation on page 29 can be read into the record if you wish.

Mr. JONKMAN. If you please, yes.

Mr. LOVETT. (reading):

In the early part of 1947, the French Government requisitioned the declared-dollar bank accounts of French nationals residing in France and those having since been spent for necessary imports. Dollar securities owned by French nationals totaling \$80,000,000 were subsequently requisitioned and also in course of liquidation. Of this total, it is estimated that the French Government will receive \$45,000,000 in October-November, leaving a resource of \$35,000,000 for the December 1, 1947-March 31, 1948 period.

Mr. JONKMAN. So that France really has no gold reserve and dollar reserve in this country outside of those figures?

Mr. LOVETT. Again let me say, to be completely responsive to your question, that there are no doubt certain French citizens who own securities, who have not responded to the French law to disclose their American holdings.

There is a footnote on that on page 34, which I think should be read into the record to give a more complete answer to your question:

The French had \$50,000,000 available for current use in the Stabilization Fund as of October 1, 1947. In addition the gold and foreign exchange reserve of the Bank of France was \$440,000,000. In view of the present situation in France, it would be dangerous, both economically and politically to spend any significant part of these funds.

Mr. JONKMAN. How much of the \$121,000,000 allocated to Italy has been spent of the \$350,000,000?

Mr. DORT. Of the \$121,000,000 allocated \$90,000,000 worth, including the estimated shipping costs, is under procurement or has actually been shipped; of that \$90,000,000, \$57,000,000 has actually been shipped as of October 31; the balance of the funds will cover Italy's shipments of coal and wheat through December.

Mr. JONKMAN. That was \$121,000,000 out of the \$332,800,000?

Mr. DORT. Yes; that is correct.

Mr. JONKMAN. Will that take care of Italy through the 1st of January next year?

Mr. DORT. It will take care of her shipments in December. The money has to be put up and spent, on the average, a month before shipment, so that she needs the money early in December in order to place procurement contracts for the January shipments.

Mr. JONKMAN. What is the shortage of Italy's grain crop as compared with what we expected last May?

Mr. DORT. Six hundred thousand tons less than we estimated last May.

Mr. JONKMAN. Could you give me a break-down of that?

Mr. DORT. It is mostly in wheat.

Mr. JONKMAN. Mostly wheat?

Mr. DORT. Yes. The wheat crop is 1.2 million less than last year.

Mr. JONKMAN. For Italy?

Mr. DORT. Yes.

Mr. JONKMAN. What would that be worth in dollars?

Mr. DORT. Wheat is worth, roughly, \$140 laid down in Italy, and I believe it worth about \$120 a ton here. It would represent a total of about \$168,000,000 laid down in Italy.

Mr. JONKMAN. It has been said here that the existing agencies should be used. Do you mean the existing agencies in the United States or the existing agencies in the countries that are to be the beneficiaries?

Mr. LOVETT. That means, Mr. Jonkman, all of the existing United States agencies that have a part in carrying out the Relief Assistance Act, both in this country and overseas.

That language is used because the Commodity Credit Corporation and the Department of Agriculture do the purchasing of the grains and other foodstuff as well as fertilizer. The Bureau of Federal Supplies and the Department of the Army, in the case of Austria and Trieste, purchase other items. Distribution abroad is supervised by Mr. Allen and our relief missions in accordance with the Relief Assistance Act procedure.

Mr. RICHARDS. Mr. Secretary, how long do you figure it will take to clear up the pipe lines of goods for foreign relief bought out of existing relief funds—bought out of the \$350,000,000 already provided?

Mr. DORT. In the case of Italy, present funds will provide for shipments until the end of December. That is, the pipe line would be completely dry at the end of December.

In the case of Austria, the same thing is true, if you assume that this \$16,000,000 which was tentatively set up here but which might be contributed to the children's fund is not available.

Those, of course, are the only two countries that are in this bill that would get relief under our present request.

Mr. RICHARDS. Then you would have to begin making arrangements shortly after Christmas to provide any supplies for the purpose mentioned here by March 31?

Mr. DORT. We have to make our commitments of funds a month ahead of shipment; so, in order to keep the pipe line going, that is, to make shipments in January, we would need funds early in December. Otherwise there would be a gap in those two countries.

Mr. RICHARDS. You mentioned Italy, I remember, in your testimony just now in reply to the questions asked by Mr. Chipperfield. You said there were no shipments of fats and oils to Italy, while you have in your figures here "Italy, \$3,301,000 total shipments of fats and oils."

Mr. DORT. I believe I indicated or intended to indicate there had been no shipments in recent months. We originally intended to ship fats and oils in the third quarter of this calendar year to Italy, but we eliminated that from the program.

Mr. RICHARDS. When you received information about the bumper olive crop of Italy, you suspended shipments of fats and oils?

Mr. DORT. Yes, sir; we didn't think, in the light of the limited funds available, that fats and oils had to be shipped at this time.

Mr. RICHARDS. In the study of the Italian assets by the House Committee on Foreign Economic Aid, a balance in the amount of \$42,000,000 in available credit, they told us, was a working fund. Will

this amount all be necessary for a working fund in Italy, or can a part of it be made available as an asset to show in table 2 on page 43?

Mr. DORT. That is a minimum working balance. I understand these funds are in thousands of different working accounts, and that is considered to be the absolute minimum that is possible to continue functioning.

Mr. RICHARDS. You mean a \$40,000,000 working account is necessary under the economy of Italy? Would not \$20,000,000 be sufficient?

Mr. LOVETT. While they are trying to figure the exact amount as to whether this \$42,000,000 figure can be reconciled with our figures, I might say that I think what you have in mind is whether or not all of that needs to be held as a working capital for Italy as a going concern.

Mr. RICHARDS. That is right. I feel Italy could well throw \$20,000,000 of that into the pot as an expendable asset.

Mr. LOVETT. We did have a number of discussions on that, and they have an extremely complicated system which works through an institution called CAMBITAL. That requires the importers into Italy to hold their dollars and make them available to this central fund, which then parcels them out. The exporters from Italy create the funds and the CAMBITAL checks the funds from the exporters which arise out of sales, we will say, to this country, and parcels them out to the importers who must buy things abroad.

In consequence, this particular fund fluctuates in amount within substantial limits, not only seasonally, but also with the rate of industry activity.

I cannot answer your question accurately at this time, Mr. Richards; so, if it is agreeable to you, I will try to give you a more complete answer. It is my impression, however, thinking back into the long discussions we have had on this, it was demonstrated fairly clearly that the distribution of these funds is to so many hundreds of importers, and the collections are from so many hundreds of exporters, that you practically cannot squeeze it out; otherwise, you would affect the working capital position of each of the separate businesses.

Mr. RICHARDS. I suggest that you put some facts in the record in support of those figures.

Mr. LOVETT. Yes, sir.

Mr. RICHARDS. As to the necessity for those figures.

Mr. LOVETT. We will insert a memorandum if the committee approves.

(The information requested is as follows:)

ITALIAN DOLLAR HOLDINGS

1. The Italian foreign-exchange position has steadily deteriorated during the last several months. Dollar holdings amounted to 57.7 million dollars at the end of June 1947, 42.3 million dollars on September 15, and 37.1 million dollars on October 6, 1947, which is the last date for which detailed information is available in Washington.

The break-down of the last figure follows:

	<i>Millions of dollars</i>
(a) Exporters' accounts.....	24
(b) Cambital, the Italian exchange office:	
Net balances with their correspondents abroad.....	4
Funds "in transit" through their correspondents in Italy.....	9
Total.....	37

These funds cannot be considered as resources available to finance interim needs during the period December 1, 1947, to March 31, 1948, because of their character of working balances.

2. *Exporters' accounts*.—At the beginning of October 1947, 24.6 million dollars were in the so-called *conti valutari* (exchange accounts) or exporters' accounts, belonging to private firms, which had earned them through exports or bought them from other exporters, in order to pay for essential imports.

The Italian exchange-control regulations allow exporters to retain a part (normally 50 to 75 percent) of their receipts from exports, while the balance must be sold at the official rate of exchange (350 lire per dollar, as compared with a free rate of about 610) to the Italian exchange office (*Cambital*). The purpose of this regulation is to liberalize as far as possible exchange transactions originating from foreign trade. At the same time existing regulations require that the entire proceeds of exports be used for essential imports. In effect:

(a) Fifty to seventy-five percent must be sold to *Cambital*.

(b) The balance must be used for essential imports within 4 months.

The exporters' accounts are subdivided among many thousands of exporting firms, many of the accounts being very small. The firms use them as a basis for all their programs concerning import of foreign goods and count upon their gradual replenishment through new exports or through purchases of dollars from other exporters.

These accounts represent, therefore, the working balances of a key sector of the Italian economy—the sector which participates in foreign trade and is expected to earn 14 or 15 million dollars per month, to be used for the purchase of products other than food, fuel, and fertilizer.

3. *Italian Institute of Foreign Exchange (Cambital)*.—The amount of \$13,000,000, belonging to *Cambital*, is in turn the difference between a gross total of about \$21,000,000 and commitments in the course of being paid for over \$7,000,000.

It must be explained in this connection that—

(a) A considerable part of Italy's purchases abroad (such as cereals and coal outside the United States, petroleum supplies, and some other basic raw materials, etc.) are made directly, for technical reasons, by the Italian Government, using *Cambital* funds.

(b) A part of the *Cambital* funds (about 9 to 10 million dollars) is constantly represented by funds in transit between the importers who are selling the 50 to 75 percent they must turn over and banks which act as agents of *Cambital*. This part of *Cambital*'s funds is, of course, of less immediate availability than the rest.

4. In order to understand fully the significance of these figures, it may be recalled that for the first half of 1947 Italian dollar payments for imports and invisible items have been estimated at over \$400,000,000.

Mr. RICHARDS. I want to ask about the convertibility of sterling as it affects the Italian economy. I understand that Italy has about \$80,000,000 worth of sterling that they cannot convert on account of the policy of Great Britain, and she is probably receiving about \$6,000,000 of sterling per month through ordinary channels. Is anything being done, or is there anything that can be done now to remedy that situation?

Mr. LOVETT. The information you have as to the total is correct, as an approximate figure.

The Italians have been shipping goods to England and using sterling as the international liquidating currency through which to obtain their dollars. They could not buy what they wanted to in England, because England either did not have it or could not make it available in time. Therefore, when the convertible sections 7 and 8 of the Anglo-American loan were suspended, Italy's dollar balance equivalents in sterling were frozen. They were therefore not available to her in this country.

In those circumstances, we are informed by the Italian Government

that they endeavored to work out with England at least a pro rata arrangement under which they would receive some of those dollars on a monthly basis. It could not be cleared up immediately.

The ordinary accumulation of sterling is at the rate or equivalent of \$6,000,000 a month, but Italy has not yet gotten an agreement from the British Government to release it on a pro rata weekly or monthly schedule.

Mr. RICHARDS. Well, as a matter of fact, the thing that worries me about this thing is that the whole European economy is tied up on account of the inconvertibility of the pound, and evidently England had to take the action she did, stopping convertibility, in order to save her currency and her own economic stability. But when she did that she strangled a good many other nations of Europe that had sterling and could not use it anywhere but in England, where they could not buy what they needed.

Now, if there is not some attack made on that by the nations over there and some effort made to solve the situation created by that situation, it is just going to cost the taxpayers of the United States that much more.

Mr. LOVETT. That is one of the fundamental purposes, of course, in the whole economic recovery program, that trade should be reestablished so that it will not be dependent on procurement in this country alone.

Let me repeat again something I tried to emphasize earlier. This so-called interim aid is, of course, a preface to the recovery program. It is a method of obtaining some sort of option on the time necessary to work out the details and have the Congress consider them, and one of the great essentials in getting these countries through the winter months is to maintain at least the present level so that from this level recovery can start. And until recovery starts I do not know how you can work out either financial stability or international convertibility of currencies in those countries. What I am trying to say is that in my experience in the foreign business, which we talk a great deal about food and fuel and the necessary raw materials because, manifestly, people must work and eat and have shelter and heat, nevertheless, a matter of absolutely cardinal importance is the restoration of the normal financial stability and the introduction of honest currency again. Until that happens we are going to have artificial barriers between town and country and between country and country. And I know of no way in which the effects of suspension of British convertibility can be successfully cured until the production level and the financial stability level of western Europe is increased substantially above what it is at present.

Mr. RICHARDS. I am sure you agree that in any long-range plan for relief in Europe this problem should be attacked.

Mr. LOVETT. I agree most completely, Mr. Richards. Not only that, but I think it is very significant that the Paris report itself has this language in it on page 28, paragraph 65:

The success of the programs of the participating countries depends on the internal economic financial and monetary stability being restored and maintained.

The production brackets cannot be achieved nor can European cooperation be accomplished unless the economies of all of the participating countries are sound and stable.

Mr. RICHARDS. Let me ask a question on France.

The original estimate of steel requirements for 6 months for France, as given to the House Select Committee on Foreign Aid on October 21, was \$35,000,000, and on October 31 it was \$27,000,000. Now, the figure on a 4 months' basis as submitted by the Secretary of State on November 10 showed only \$10,000,000 of steel. That is very commendable, in view of the short supply of steel in this country and in the world; but right now the monthly steel exports to France have been running around \$4,000,000. So I was wondering how you were able to cut down your figure so low.

Mr. LOVETT. What page and what item is that?

Mr. RICHARDS. That is on page 26. The figure you give there, as I understand, is \$10,000,000. Now, the French had estimated their needs at \$35,000,000 and then they cut it down to \$27,000,000, and now we have the \$10,000,000 figure, when, as a matter of fact, France is importing \$4,000,000 worth of steel per month.

Mr. LOVETT. We have it both in tons and dollars. We are trying to identify it.

Mr. RICHARDS. It is on page 26 of your document.

Mr. LOVETT. In the early part of September, the French stopped purchasing. We were in short supply on the items allocated, and they began to run out of dollars, and they instructed their missions in this country to purchase only those items which were absolutely vital to life until they could get some assistance. I will check my dates on that to make sure I am right.

The confusion occurs from the fact there were substantial contracts placed in the early spring and summer, and the shipments which are continuing subsequent to September 1 are in fulfillment of the contracts issued earlier this year.

Mr. RICHARDS. And that cuts down the necessity for over \$10,000,000 worth of steel in this period to March 31 of this year?

Mr. LOVETT. This particular period here is the period after the termination of the continuing purchases by the French mission.

Mr. RICHARDS. You mean they were stocked up on what steel they needed through orders already given and already placed, or shipments already made?

Mr. LOVETT. No, sir. Their minimum needs are \$10,000,000, approximately. The \$4,000,000 which is continuing is the residue of shipments under contracts which were made earlier in the year.

Mr. RICHARDS. One more question. The House Committee on Foreign Aid made this recommendation, and I want to know what you have to say about it.

"Emergency aid presents the same problem as does any general European-aid program, and the Congress should bear this in mind in setting up any emergency-aid program. Should Congress, through its responsible legislative committees, find as a practical matter it will not be able to set in motion other machinery for foreign aid by the end of the special session, the committee recommends that action should be taken prior to that time to authorize funds for the purchase of supplies through the Export-Import Bank and the Commodity Credit

Corporation for any aid for France and Italy found necessary to assist the countries through March 31."

Mr. LOVETT. I am informed that the Export-Import Bank machinery is not geared to purchase the multiple-commodity types that are involved in this 4 or 5 months' period. I will check and make sure that has been discussed with them.

[After a pause:] The Export-Import Bank is not a purchasing agency. Their normal transactions are loans to foreign governments or foreign groups that then handle the programs elsewhere.

Mr. RICHARDS. In Public Law 84, the Reconstruction Finance Corporation was given power to perform certain relief functions. I was wondering whether you could not amend this act, Public Law 84, to empower the Export-Import Bank and the Commodity Credit Corporation to perform certain additional functions, and probably that would be the simplest way to meet this situation.

Mr. LOVETT. First, I think there is some misunderstanding about the Reconstruction Finance Corporation's part in Public Law 84. That did not do anything but provide an authorization to advance funds to the President after the passage of the enabling act and prior to action by the Appropriation Committees.

Mr. RICHARDS. Then you do not think the Export-Import Bank and the Commodity Credit Corporation could meet the needs of this situation?

Mr. LOVETT. As to the Commodity Credit Corporation part of your question, we do now use the Commodity Credit Corporation for procurement. As to the Export-Import Bank, this is, in essence, a grant program, and the Export-Import Bank is a loan agency. Therefore, the two things are incompatible.

Mr. RICHARDS. But if Congress amended the law creating those agencies, giving them further powers to handle this program, do you think they could operate expeditiously and effectively to handle this interim relief program?

Mr. LOVETT. No, sir. I do not think they could, effectively and within this period of time; because even if they were supplied with a new charter and broad powers, it would require a degree of coordination not only in purchasing, transportation, and shipping, which are extremely involved, but also requirements in supervision of the bilateral-agreements program for distribution abroad. So that you would have that unfortunate confusion of two agencies in the same general field in this country and the necessity in any event of operating through Mr. Allen's agency abroad.

Mr. RICHARDS. You think the same agency that handled the \$350,000,000 authorization and appropriation under Public Law 84 should handle it?

Mr. LOVETT. That is our recommendation, sir.

Mr. RICHARDS. That is all.

Mr. JARMAN. Mr. Secretary, I want to revert to the questions which were propounded to you a while ago about whether this was a relief bill or a military defense bill. The question was directed primarily to the Greek-Turkish, and German relief bill this spring, and then the question was propounded to you whether this was a relief bill or a defense bill.

Now, while I thoroughly agree with what I believe was your reply that it was primarily a relief bill, in view of the correctness of your statement that we cannot count on a peaceful world when such a large part is in distress, and in view of our knowledge that this distress will certainly increase with the consequent danger to world peace and our peace, from a long-range viewpoint, is this, in fact, not a defense bill, indirectly, as well as a relief bill?

Mr. LOVETT. Mr. Jarman, as I recall the question, Mr. Jonkman used the word "defense" in connection with the Greek and Turkish aid, and in those two instances military supplies constituted a very substantial part of the program. In the case of Turkey, it was completely military, and, in the case of Greece, it represented a high proportion.

I was endeavoring to point out that the word "defense" in those connections connotated a delivery of military supplies. That is not in contemplation in the interim aid bill.

If I understand your question correctly, anything which we do in the furtherance of peace and stability is, of course, a defense measure.

Mr. JARMAN. That is what I meant. And in your reply, in thinking of the Greco-Turkish bill as a defense bill, you had in mind primarily the defense of Greece and Turkey?

Mr. LOVETT. As I understood, the defense related to the means of defense—the military aspects of aid.

Mr. JARMAN. To those countries?

Mr. LOVETT. Yes, sir.

Mr. JARMAN. And my reaction was, as I say, I do not believe it is possible, since we have tried it twice and succeeded very well for 2 or 3 years and then failed, I do not believe it is possible for us to remain aloof from any future substantial war in the world, and anything we do like this to prevent it, whereby it creates stability, is at least indirectly a defense measure for this country, if not for those countries concerned. Is that not true?

Mr. LOVETT. You could say, I think, Mr. Jarman, that anything we are able to do to promote the return to normal production, normal trade, normal governmental processes in western Europe and which through that contribution makes us have a better chance to attain the goal of peace, which we have not yet attained as a result of our victory in the war, is definitely in the national interest, and therefore I assume it could reasonably be called a matter of national defense.

Mr. JARMAN. Thank you. That is what I had in mind.

Mr. MERROW. Mr. Secretary, I have a feeling that all proposals for assistance to any foreign country could be considered in terms of our own national interest and in terms of the security of the United States. Can it not be correctly said that France and Italy constitute the western front against the spread of communism and Russian aggression?

Mr. LOVETT. I think it can be said that the countries of western Europe represent an area of free states as compared with the police state group; but I am not sure, sir, that I could make the direct assertion which your question would imply.

Mr. MERROW. It seems to me that they constitute the western front, and I have had the feeling that our aid should accomplish three things—the rehabilitation of the countries in question, prevent them from going communistic, and prevent the iron curtain from reaching the Atlantic Ocean and the Mediterranean Sea.

Now, do you think the extension of interim aid to France and Italy will tend toward the accomplishment of those objectives?

Mr. LOVETT. I think to the accomplishment of a majority of those objectives.

Mr. MERROW. It would seem to me if France falls and Italy should fall, the Kremlin would then be in a position to have bases on the Mediterranean and the Atlantic, thus definitely imperiling the security of the United States.

I presume you do not want to comment on that?

Mr. LOVETT. I would prefer not to make any specification as to what might be in the mind of the Kremlin.

Mr. MERROW. Well, I do not know that anyone can tell what is in the minds of those who inhabit the Kremlin; but I think "by their fruits ye shall know them," and the reason I want to make the point in reference to France and Italy at this time is that I feel the American people would like to have—to use the expression again—the bluff of the Soviet Union called. We started to call it in Greece and Turkey, and if it had not been for our assistance in Greece probably she would be in the hands of the Soviet Union at the present time.

Now, this interim aid which we are considering, has a very important bearing upon our security and should be thought of in terms of the security of our country. In view of the tremendous drive the Communists are making in France and Italy at the present time to defeat the Marshall plan and to stop the granting of interim aid, it seems to me we ought to face the situation frankly and admit, to ourselves at least, that France and Italy actually constitute the western front, and if we do not extend the aid immediately, we will not be doing our duty in terms of the security of the United States.

That is all, Mr. Chairman.

Chairman EATON. The Chair would hardly like to comment on the questions just asked by the gentleman, but I greatly feel that if he continued that line of questioning, he would be subject to disapproval by Mr. Vishinsky as a warmonger.

Mrs. Douglas.

Mrs. DOUGLAS. Mr. Secretary, the bill before us has been referred to by you as a grant program and by one of the other members of the committee or by yourself as a relief program.

Mr. BLOOM. Aid program.

Mrs. DOUGLAS. Well, relief; I think the word "relief" was used. On page 3, under section (b), provision is made for the receiving countries under the proposed program to deposit their currencies in banks, after an agreement has been made between ourselves and the country; that this currency is to be held and, I understand, then the currency is to be used by us to stock pile raw materials, where we feel there is a shortage of them in the United States.

Would you comment on that?

Mr. LOVETT. Mrs. Douglas, as to the first part of your question, I referred to grants in connection with an explanation of the difficulties which would be involved in a loan organization, the Export-Import Bank, dealing with matters which require the repayment of funds. The bank is required, when it makes loans, to obtain "reasonable assurance of repayment." That phrase I am accustomed to as an ex-banker.

The situation with respect to the local currencies and the require-

ment for deposit is identical in its original concept with that embraced in the Relief Assistance Act which was passed last July.

Perhaps I can make it clear——

Mrs. DOUGLAS. That is not necessary. I know that provision very well. But in that case the currency was banked so that we could enlarge the relief program.

Mr. LOVETT. Local currency funds were deposited under agreements which included not only self-denying ordinances but affirmative undertakings, under which the recipients undertook to do certain things.

It was contemplated that those funds would be expended for work relief in the furtherance of purposes of the Relief Act itself.

In this present aid bill, the same general formula is in contemplation. The latter part of your question relating to strategic materials, I think, arose out of an answer that I undertook to make, I believe, to Mr. Jackson this morning. He asked the Secretary of State about the use of these or similar deposits of local currency funds in the long-term emergency relief program in contradistinction to the interim-aid program.

Mrs. DOUGLAS. This is wholly a relief program then?

Mr. LOVETT. It is primarily for relief.

Mr. VORYS. Will the gentlewoman yield?

Mrs. DOUGLAS. Yes.

Mr. VORYS. It seems to me that the gentlewoman was bringing out a point that I do not believe the Secretary caught; that is, you talk about this as "relief" and "grant" and use such terms; but when you require a country to impound money, that is not quite the same as plain give-away or relief. I thought that was what the gentlewoman was attempting to bring out, and I thought it was a very good point.

This is somewhat more businesslike, when you require money to be deposited in local currencies subject to the control of the American Government, than merely to give away. I thought that is what you were bringing out.

Mrs. DOUGLAS. We had such a provision under UNRRA, if you remember. We sold goods where people could pay for them. The funds derived from these sales were impounded and used to extend the relief program. The relief program we passed last spring also used this formula. I was under the impression that moneys impounded under this bill would be used for the sole purpose of buying raw materials for the United States to be sent home and stock piled. I think perhaps I got that impression from the Herter committee.

Mr. LOVETT. I think there was a confusion there, Mrs. Douglas, between the discussions which involved the long-range recovery program in contradistinction to this interim aid program which follows the pattern of the Relief Assistance Act with respect to local currency deposits.

Mrs. DOUGLAS. Thank you.

Chairman EATON. Dr. Judd.

Dr. JUDD. Mr. Secretary, have you read the statement recently attributed to Mr. Zhdanoff—something like that—in one of the Balkan capitals, in which he announced that it was Russia's intention to defeat the objectives of the Marshall plan if possible?

Mr. LOVETT. I have, sir.

Dr. JUDD. Do you agree with the statement of our Ambassador to England here this morning—that it was his judgment that if this interim aid were not carried out promptly and vigorously and effectively it might be too late by next April to prevent the peoples of some of the western European countries from accepting certain strange and alien, and I think he said even “poisonous” doctrines, that would be a great menace to ourselves?

Mr. LOVETT. I am in full accord, Dr. Judd.

Dr. JUDD. I too agree fully. It is also my considered judgment that if vigorous and adequate aid is not given to China before next April, it may be too late to save her from those same strange and alien and even poisonous doctrines; and that if we lose China, it may well be impossible to save Asia. Certainly it would make it impossible for us to carry out our objectives and fulfill our commitments in Japan and Korea, unless we are willing to put in endless millions of American dollars every year and keep tens of thousands of American soldiers over there to defend them.

It is my judgment, further, that if the Communists were to get China, or even north China and Manchuria, it would give Russia a satellite at her rear and therefore security on her Asiatic front, which would greatly reduce her risks in the event of trouble in Europe because she would have to watch only one front instead of two; and in the event of war have to fight on only one front instead of two. That would enable her, in pursuance of Mr. Zhdanoff's declaration, to become far more vigorous and aggressive in Europe in her attempts to defeat our efforts under this plan. I believe consideration of the problem of wise assistance to China is of great importance to the success of the measures contemplated in this bill and is, therefore, relevant to the discussion of this bill.

Would you agree with that?

Mr. LOVETT. Dr. Judd, the world is such an awfully big place that we have to allocate certain areas for specialization. I do not feel qualified to speak on China. The Secretary of State and certain of the officials have been dealing with that as their special problem. I have not, sir.

Dr. JUDD. I was not primarily asking your opinion on the actual situation of China. I was trying to make this point—that, if a member of this committee genuinely believes that unless action is taken promptly in China it will endanger the program in Europe, just the same as Ambassador Douglas believes that if we do not take prompt action in Europe the long-term program there will be endangered, then that is a proper subject for discussion before this committee. You will agree with that, will you not?

Mr. LOVETT. I would accept that.

Dr. JUDD. Then I want to ask you this question—but if it is not in your field, do not hesitate to pass it by.

Is the \$60,000,000 program of relief to China this fiscal year, which I understand the Secretary suggested yesterday before the Senate committee—to begin immediately as soon as enacted, comparable to this interim aid plan, or is it contemplated that that will begin next April 1?

Mr. LOVETT. Dr. Judd, I am not informed on that.

Dr. JUDD. I think that is of the greatest importance. I tried to get an answer this morning, but was prevented. I wonder if it would be possible for us sometime or other to get that answer. Perhaps you could submit it tomorrow?

Mr. LOVETT. I think I can give you some information which is apropos as it comes into our relief program. There is \$30,000,000 set up for China in relief which, it is my impression, becomes available this month.

Dr. JUDD. That is the \$27,000,000 that has already been started, but I am talking about the \$60,000,000 additional that the Secretary, I understand, proposed yesterday.

Mr. LOVETT. I am not informed on that aspect of it.

Dr. JUDD. I should like to have some information on that, because I think it is very important.

Mr. LOVETT. Very well.

(The information is as follows:)

No definite proposal regarding possible assistance to China has, as yet, been formulated. A very tentative estimate would indicate that about \$20,000,000 a month might be requested for the last quarter of this fiscal year.

Dr. JUDD. Now, I would like to ask two or three questions with reference to the bill, if you have this committee print before you.

Mr. LOVETT. There is one available here. And, incidentally, Dr. Judd, this is something that I noticed just before I went out to lunch: There are some omissions in the language of the bill; that is, as compared to the language in our original draft. On page 2, line 18, where it says "Transport", there should be added "and store", so that it would read, "Transport and store, or provide funds for transportation and storage of such commodities:".

Dr. JUDD. These are the questions I would like to ask, because I know that they will come up in the committee or on the floor of the House, in view of our discussions when we had the other relief bill before us:

On page 2 of the committee print, let me read section 3:

The President, acting through such departments, agencies, or independent establishments of the Government as he shall direct, may, by allocation of funds to any such departments, agencies, or independent establishments, or by making funds available to the government of a recipient country—

Language like that last clause was in the original bill which came down to us and we changed it to read:

by making credits available to such country subject to the control of the President—

because we did not think it was wise to turn over American funds to spend without any check as to how they were being spent. So we got an amendment adopted and the present act reads:

under the direction of the President such relief assistance shall be provided in the form of transfers of supplies or in the establishment in this country of credits subject to the control of the President—

and so forth.

Has that language proved unworkable so that you have now come back to the original language, to provide American funds to these countries to expend as they wish?

Mr. LOVETT. No, sir; not as far as I know.

Dr. JUDD. Would it not be just as well to amend this new bill as we amended the former bill so that instead of saying that the President will make funds available to the particular government of the recipient country, we provide for establishing in this country credits to the recipient country, subject to the control of the President? Do you think that would hamper the operation of the program?

Mr. LOVETT. I do not think it would, Mr. Judd; if you would let me express some reservation in giving you an offhand opinion, without consulting the legal adviser, I do not see why it should. My understanding is that the word "credits" was eliminated in part in order to avoid any confusion with loans.

Dr. JUDD. I think if it does not hamper a businesslike administration, there is a real advantage in not turning over American funds to recipient countries but rather of establishing credits to them subject to the control of the President, so that if he approves, they may draw on those credits to buy here or in the Argentine or other places. It would not require them to spend all of the money in the United States. But is it not a better procedure in a bill of this sort for us to keep the funds and credits under the control of the President?

Mr. LOVETT. I am inclined to think it is; yes, sir.

Dr. JUDD. Is there likely to be any way under this bill whereby we can stop this sort of practice that has been going on in Austria—

Mr. LOVETT. I am sorry, I could not hear the beginning of that question, Mr. Judd.

Dr. JUDD. When we were in Austria, we discovered that one of the practices that was going on in the Russian-occupied zone, where practically all of the oil is produced, was for the Russians to force the sale of that oil to Switzerland, for example, in exchange for hard currency for the Russians, and then the Austrian Government had to buy Austrian oil back from Switzerland with dollars which we loaned them and, of course, at exaggerated prices.

Is there any way whereby that sort of use of our money can be prevented?

Mr. LOVETT. In two of the countries, in France and Italy, under the bilateral agreements we would, of course, not be faced with the type of problem in which an occupying power is in a position to force them to do something. In the case which you give, I honestly do not know whether we could stop it or not. We could do our best. Austria is only getting \$42,000,000 out of this total grant. We would expect the full cooperation of the countries in preventing that type of transaction.

Dr. JUDD. I grant you that it may not be possible to stop it and if we cannot stop it I think we still have to provide funds to enable Austria to buy her own oil back in order that they may have an adequate quantity of oil. But I think such practices as that ought to be spread on the record so that the people of America and of Europe, and the people of Austria may know exactly what is being done and by whom. The Soviets blast us every day for things that we do not do. I see no reason why we should hesitate in a perfectly matter-of-fact and straightforward way to make it clear to the world the things that they actually are doing.

May I ask another question? On page 2, line 15, is the word "fibers"; is anything contemplated there besides cotton?

Mr. LOVETT. Let me check a moment, sir; cotton linters, and binder twine, possibly some wool.

Dr. JUDD. Those are the things contemplated?

Mr. LOVETT. Yes.

Dr. JUDD. Those should be mentioned in the hearings, of course, and in the report, so that it is clear what it is that we are authorizing.

Mr. LOVETT. In the case of Austria there is clothing.

Dr. JUDD. Processed clothing comes under fibers?

Mr. LOVETT. No; some part of it would at some stage.

Dr. JUDD. Where it says "other fuel" in addition to coal, petroleum, and petroleum products, what does that mean? What kind of fuel are you buying in addition to those named?

Mr. LOVETT. I think the technicians have been debating whether lignite is coal or not.

Dr. JUDD. That means lignite?

Mr. LOVETT. Yes.

Dr. JUDD. Anything besides lignite?

Mr. LOVETT. Not as far as I know.

Dr. JUDD. In line 15:

and such other commodities as are necessary.

I think it is probably all right that you should have a provision like that which would allow the administration sufficient latitude for good operation, but there ought to be in the record somewhere a statement as to just what is contemplated to come under the item of "other commodities." Would somebody care to enlighten us on that, or put such a list in the record?

Mr. LOVETT. One of the problems that we have facing us always is the subject of spare parts. And there are certain minor items, Dr. Judd, such as pesticides and certain types in minor amounts of chemicals and medical supplies. I think a fairly clear intent could be stated along the lines you mentioned, but that broad language is in there because of the multiplicity of small items which may come up.

We have learned a great deal from the enterprises which have progressed since you gentlemen started the relief act on its way. With the best will in the world we find it difficult and generally impossible to guess every known requirement in such a large proportion of the world. It is just beyond human competence to do so. That is one of the reasons we have emphasized so frequently in here the word "flexibility" and some margin of tolerance for human error.

Dr. JUDD. I think it ought to be in there in order to allow a margin of tolerance for human error. But I think it ought to be understood that it is not intended to take in whole wide categories other than those now contemplated and generally outlined. Something along the line that you have just stated would satisfy me.

Mr. LOVETT. That is a perfectly correct statement, Dr. Judd. I think I ought to point out to you also that we perhaps are not as precise as might theoretically have been possible because the statement earlier of the purposes of the act was rather carefully drawn, and—

Dr. JUDD. You are referring to line 6, page 1?

Mr. LOVETT. Yes, sir; and more particularly lines 8, 9, and 10 on page 1, plus the shortness of the time element. We felt that that constituted some reasonable indication of purpose.

Dr. JUDD. In line 18 of this section 3, paragraph (b), you have—
transport and store, or provide funds for transportation of such commodities.

Mr. LOVETT. Transportation and storage of such commodities.

Dr. JUDD. Yes. When we had the original relief bill before us, there was considerable discussion of the possibility of taking some of our surplus Liberty ships and allowing German or French or unemployed Italian seamen to man those ships, to take care of some of the burden and expense of the transportation. A great many of the American dollars are being used to provide transportation, and we were told or given to understand that the Italians were willing to use their unemployed seamen in order to provide the crews for these ships. Can you give the committee any information on the success of that proposal; and if it has not worked out, why not?

Mr. LOVETT. I can give you an answer only in broad terms, Dr. Judd. We will endeavor to supplement it, if you find the answer inadequate or unsatisfactory.

Generally speaking, the funds we provide do, in fact, include a freight carriage. We have saved about \$11,000,000 in this estimate by planning to use Italian ships. There seems to be some controversy as to the number of additional ships under the control of the Maritime Commission which might be available for these purposes. I am not fully informed, but the sales made have been substantial in number and I believe there is some reluctance to go further in numbers than the Maritime Commission has already allocated.

Dr. JUDD. I have heard rumors and I suppose you have—I do not know how accurate they are—that the reason that it is not possible to carry that plan out was opposition on the part of the maritime unions. They opposed the shipment of these goods in American Liberty ships temporarily manned by Italian seamen. Is there any truth to that rumor?

Mr. LOVETT. I do not know. I am not informed. I had not in fact heard it.

Dr. JUDD. But an effort has been made to get as much as possible of the transportation taken care of through the use of other people's crews than our own; is that not true?

Mr. LOVETT. That is right. The bulk of the coal will be carried by Italian-crewed ships.

Dr. JUDD. On page 3, line 21, it says:

and to take insofar as possible the economic measures necessary to increase its ability to achieve a self-sustaining economy.

I am asking for information. Does the word "economic" include fiscal and financial measures? Because one of the measures that they ought to take would be a reform of their tax system. For instance, in France, as in China and in Greece, the condition with respect to the collection of taxes is very unsatisfactory. When we say that we expect them "to take insofar as possible economic measures necessary to achieve a self-sustaining economy," do we mean we also expect them to take necessary fiscal or financial measures, or should these words be added?

Mr. LOVETT. No, sir. We used the broad word "economic" because in 4 months, while their economy is on such a low level, it is virtually

impossible to do more than take the first grouping steps toward the restoration of financial recovery and stability.

Dr. JUDD. But in the long-term program we will expect them to take these other measures insofar as possible?

Mr. LOVETT. Yes, sir. In fact, they engage to do so. That is in paragraph 63, page 26, of the report.

Dr. JUDD. One more question. In section 6, certain conditions are laid down that have to be included in the agreement entered into between the United States and the recipient country.

Mr. LOVETT. Where is that?

Dr. JUDD. Section 6, page 6, subparagraphs (a), (b), (c), and (d) are conditions which the legislation specifies must be included in the agreement entered into between the recipient country and the United States?

Mr. LOVETT. Yes, sir; I have identified it, Dr. Judd.

Dr. JUDD. In the bill that we passed previously, after much discussion, we included all of those and some additional ones. I am curious to know why some of those are omitted from this bill.

For example, in the other bill we required that the agreement should specify that the supplies transferred or otherwise made available, and so forth, would be distributed among the people of such country without discrimination as to race, creed, or political belief. Was that omitted because it was believed that there would be no question in the case of France, Italy, and Austria—that they would be distributed without discrimination as to race, creed, or political belief? Is that the reason why it was omitted?

Mr. LOVETT. That was our understanding. Mr. Tyler Wood will answer that in more detail, if you like, Dr. Judd, as he is more familiar with that.

Dr. JUDD. If it is not clear, somebody will raise the question and put in an amendment on the floor of the House.

Mr. LOVETT. Yes.

Mr. WOOD. Dr. Judd, I think the answer to that is that the three countries that are included in this particular interim aid bill are countries which have now reasonably good rationing systems, and it is not anticipated that there would be any discrimination. The thought was that it might be just as well to have this bill as brief as possible and not include conditions that did not seem to be necessary. Obviously, there would not be any objection if the Congress saw fit and wanted to put that in, but there does not seem to us to be any necessity.

Dr. JUDD. I believe it probably is not necessary, but we might sometime later be giving relief to countries where it is necessary, and it is far more palatable to have a standard formula in all cases, a sort of master agreement, than to omit it in certain countries and put it in in certain other countries and thereby more or less stigmatize the latter as not likely to carry it out otherwise.

Mr. WOOD. Yes.

Dr. JUDD. If we put it into others, why should we not put it in here, and we will not stigmatize them or anyone else?

Mr. WOOD. It seems to me the very act of omitting it in this case might clearly indicate that there is no intention whatever to stigmatize. That was the result of our thinking about it. We may be wrong, and the Congress obviously will decide that.

Dr. JUDD. It says:

Representatives of the Government of the United States will be permitted to supervise the distribution by the people of such countries of the supplies made available.

I will grant you the word "supervision" may be too strong, but would there be objection to an amendment which would require that the representatives of the United States be permitted to observe the distribution?

Mr. LOVETT. None whatever, Mr. Judd. On the other hand, there would not be any question about it. I feel perfectly confident about that; without writing it into the legislation, you would have plenty of opportunity to observe, and it is just a question of whether you want to write in something that seems perfectly clear.

Dr. JUDD. Thank you very much.

Mr. FULTON. Mr. Secretary, I was not here at the time the children's fund came up, when the discussion was brought up by Mr. Bloom, of the children's international emergency fund.

Just to get that straight, because I was one of the ones last night who were a little perturbed because that fund might be used for other purposes. As I understand it, that \$15,000,000 has already been contributed as provided by the act, and that the amount not yet programed is \$24,766,486.

Now, as I see it, under the act, it is necessary to have a \$40,000,000 fund there right up until the date June 30, 1948, the end of the fiscal year, because there is no time limit otherwise. Can we have assurance that the remainder of that \$24,766,486, shown as not yet being programed, will be retained by the Department until the date June 30, 1948? Could I say, in that connection, the act itself makes a specific proviso lifting out this particular fund from the limitation and requirements of the remainder of the relief, so there is no limit on the children's fund contribution except the time limit of June 30, 1948. When the fiscal year expires, any moneys not yet spent will go back into the Treasury.

Will you hold that children's fund without touching it for other purposes until June 30, 1948?

Mr. DORT. We are attempting to get a ruling from the Comptroller General as to whether the interpretation you stated there is correct, or whether, in the light of the language in the conference report, the funds can be used in an emergency situation for other purposes. Our lawyers have felt there was some question about it. We want obviously to follow the statute, whatever is the proper interpretation, and we are therefore proposing to request an official ruling from the Comptroller General on that point.

Mr. FULTON. Will you put in with your request for the ruling that if we increase the total amount of this bill of \$597,000,000 to \$613,000,000, then you will have relieved the emergency situation because then you will have that extra \$16,000,000 for Austria.

Mr. LOVETT. I think what you have said is quite appropriate; we ought to make clear that if it is found that the law does not require reserving the funds for the children's fund we might use the \$16,000,000 for Austria and further funds might have to be requested for the children's fund. If that is not so and you are correct, in your interpretation that the funds must be held without being used, then we would need \$16,000,000 more for Austria.

Mr. FULTON. Is the State Department's position that they are making a recommendation that they be allowed to use the remaining unprogramed funds for outside purposes other than the children's fund; that is, when you approach the Comptroller?

Mr. LOVETT. If you will give us the precise language which you have in mind, we will undertake to lay that before him with the question.

Mr. FULTON. Are you taking a position on it, for or against the children's fund?

Mr. LOVETT. We are not taking a position. We are asking the question.

Mr. FULTON. I wanted to make that clear.

Mr. LOVETT. We are asking the question. We are in honest doubt about it, Mr. Fulton.

Mr. FULTON. Then, going further into the bill itself, why do you make the proposed language so general, as Mr. Judd has brought out, by using the words "other commodities" on line 6 on page 1? Did you mean something like replacement parts or repair parts, or did you mean machinery and things of that type? If you did, why don't you state the general category? I think you have made the bill too wide, and there is no restriction on it whatever. For example, I could sell electric-light globes and Christmas trees and send them over under this definition.

Mr. LOVETT. Well, sir, we felt that the limitations on page 1 in lines 8, 9, and 10, together with the short period of time, indicated both the purposes and the short procurement period available; but I think it is fair to say the point you raise is a reasonable one. We are trying to put in something in the nature of a catch-all to take care of the spare parts, pesticides, medical supplies, and the unforeseeable items which we simply could not fully anticipate. The purpose was not to run wild.

Mr. FULTON. I am afraid that whenever we are trying to carry the burden of this bill before Congress, this committee will run into some very great difficulties without some delineation of some of these words.

Mr. VORYS. I think that I can assure the Secretary that those words will not be in this legislation when it becomes law, based on former experience.

Mr. FULTON. Thank you, I agree.

Then, going further, you are going to have to make an explanation to us regarding another term on page 2, line 21. You say "incur and defray expenses, including accessorial and administrative expenses." What do you mean by "accessorial"?

Mr. DORT. Accessorial expenses are expenses incident to the procurement of supplies. They are a part of the charges of the procurement agencies.

Mr. FULTON. What various categories and kinds are they? I just bring up the point that I do not believe, as Mr. Vorys has said, that these general words will get through the Congress.

Mr. DORT. I think that the same language is in the Relief Act that you passed last spring.

Mr. FULTON. I could be shown definitely, but I do not believe it.

Mr. LOVETT. I do not think that it is.

Mr. FULTON. Passing that for the moment, whether it is or not—

Mr. DORT. It involves the cost of insurance, inland transportation, and so forth.

Mr. FULTON. Could you give us a little closer definition of it, so that the committee can have it at a later time?

Mr. DORT. Yes.

(The information requested is as follows:)

Current usage by Government procurement agencies of the phrase "accessorial expenses" includes expenses incident to the acquiring or the procurement of property. They are supplemental to the actual cost of the property itself. They include such items as insurance, inland transportation, demurrage, and inland handling charges. Webster's New International Dictionary defines "accessorial" as follows: "Of or pertaining to, or of the nature of, accession or an accessory; supplementary; as, accessorial agency, guilt, or services."

Mr. FULTON. On page 5, lines 4 and 5. We are looking at the outside limits of this bill to see what the requirements and the limitations should be, and if you will read that with me you will see that the bill is not an authorization for the President, but anyone in the Government even to a United States marshal, to handle this program. Section 9 says:

The President may, from time to time, promulgate such rules and regulations as he may find necessary and proper to carry out any of the provisions of the act; and he may delegate to the Secretary of State or an other official or officials of the Government any of the powers or authority conferred on him under this act.

Mr. LOVETT. I should think, in view of the advice that you gentlemen give, that we could define the provision more sharply, as in the Relief Act, giving the powers to the Secretary of State, and stopping there.

Mr. FULTON. Do you not think that language is a little broad to pass in an authorizing statute, and could you not have your counsel give us some form which would restrict it somewhat to certain individuals of a responsible nature at the policy-making level?

Mr. LOVETT. Yes; I know what was intended there, Mr. Fulton. I am inclined to believe that you are right; that because we purchase in part through other governmental agencies, we wanted the clear right to delegate the purchase of certain items to the Bureau of Federal Supplies, or to the Commodity Credit Corporation.

Mr. FULTON. May I point out to you that under section 3 your authorization for departments, agencies, or independent establishments is clearly set out, but you do not need it down here with a delegation of power by the President.

Mr. LOVETT. I think that is probably correct.

Mr. FULTON. Will you look on page 4, lines 6 through 9, section (c). It says—

to give full and continuous publicity within such country as to the purpose, source, and character and amounts of the commodities made available by the United States under this act.

Now, when you read that you would think that it meant a lot. It does not. "Full and continuous" is the expansive end of the clause, but the thing that you tell about is rather limited; it is just the commodity itself.

May I make an explanation and ask you if a program of this type could not be included under this act.

When Dr. Pfeifer and I were in Italy this fall on our subcommittee, we were over in Venice. At the time we were there, on an island in Venice they had a 3-day Communist exhibit. It was more or less like our fairs. They had placards up of what was happening. They had demonstrations of people doing things. They had pieces of machinery, and they had things that people could look at and handle. They had a practical sample demonstration set up, and the local people went for 3 nights to it under sponsorship of a Communist Party called Unita. It was a bit more than just publicity in the newspapers. I understand they have taken it around to the various northern cities of Italy, giving not only what the Communists intended to do, but actually what they were doing with their youth, their workers, and their factories.

Now would it be possible when we are setting this program up to do a selling job ourselves somewhat like the Freedom Train that has been going about the United States? Perhaps we could take over some of our materials and display them and let the people go through and see them physically on a sample basis.

Mr. LOVETT. Well, Mr. Fulton, I think if an Italian party sponsored that enterprise so that we would not be in the position of laying ourselves open to the charge of interfering in the domestic affairs of the country, we could probably work something out. I would like to consider the question you asked with some of my associates, because I think it has a certain appeal. Whether it is possible to do it or not without bringing on a train of greater difficulties, I cannot say offhand.

Mr. FULTON. Well, may I make this suggestion. We are going to enter into an agreement with Italy to do certain things, so a provision of that agreement could very well be set up that such-and-such should be done. We are paying the freight and the cost. We would be dealing as independent contracting parties.

May I go further and say that actually it is just a small element of the information program we had last year, and it is parcelling it out along with the aid. My suggestion is that maybe instead of trying for an over-all program immediately at this special session, we could put in here a provision that would get into these three countries a little start on such a program along with the things that we are sending in. I am sure that either you or the Secretary of State would not think that our information proposed under the Mundt bill is in any way an interference with the foreign countries in their own domestic policies.

Mr. LOVETT. No. I think that is an interesting suggestion, Mr. Fulton. I would like to consider it with my associates in the Department, if it is agreeable to you, and try to give you a more definite answer.

Mr. FULTON. Finally, this could be done on a Government level because the agreement is with the Government, and it does not have to be on a party level because we are not dealing with any party.

Mr. LOVETT. There is, as you know, an aspect of it that we would have to give consideration to—whether or not we are furnishing any ammunition to those who make charges of imperialism, and so forth. I mention that not with the thought of giving you the impression that I think the value of the idea advanced is doubtful, but merely to indicate certain aspects of it that I think we would have to take a look at. It has rather an appeal to me as an individual.

Mr. FULTON. May I finish with this comment: I hope the State Department soon gets over its feeling of being sensitive to criticism

on the grounds of being called imperialistic by someone. We make our policies dependent on what we think is right, and if those policies are right they will stand up on their own feet. This talk of listening to propaganda and then making our policies to conform to propaganda claims is not the way I want to do business.

I like Russia, I might say. I like the Russian people, but I do not like police governments and I do not think that such claims of any police government, or governments that we do not feel are the type we want, should be given the weight to make us change our policies when we believe the claims are not correct.

Mr. LOVETT. I would not want to leave in your mind any idea that the State Department was adopting policies based upon propaganda charges. I think our record for some months has clearly shown that we have accepted those charges as an ordinary risk of doing business. What I was trying to point out was the influence of our actions may have in their impact on the local government; not on us, sir.

Mr. FULTON. You surely would not decide the work of this information program, or inserting a provision in this particular statute, on the basis that we might lay ourselves open to a charge of imperialism from other sources?

Mr. LOVETT. I was not relating that to this country, but the local government might be laid open to a charge that it was becoming the tool of this country. I am considering the possible impact on the local government itself.

Mr. JAVITS. I have just a few questions.

Mr. Secretary, is there any objection on the part of the Department of State to the inclusion in this relief bill of subsections (a) and (h) of section 3 of Public Law 84, the purport of both of those subsections being to make available supplies regardless of race, creed, or political belief, and to have a control system to see that everybody in the benefited country gets his fair share?

I might explain that I ask that question because I join with Dr. Judd, and I think a good many of my other colleagues here, in the firm conviction that we should have no such discrimination, and from my own observations in Austria, for example, where there are bound to be Jewish minorities and other minorities left in the country, and in other countries like France and Italy where there are bound to be political minorities, either left or right, we must have a clear pronouncement on that score.

Mr. LOVETT. That subject, Mr. Javits, was touched on momentarily earlier. I do not see any objection to the inclusion of those provisions, but it is our feeling that, in view of the countries involved in the interim aid proposal, such provisions are not necessary.

Mr. JAVITS. Thank you, sir.

Now, one other question.

There has been some question about the nature of this bill in its essence, and therefore I think we ought to be very clear as to what it means in its purpose, because it will restrict considerably the line of our inquiry.

Public Law 84, as we understand it, was a balance of payments relief bill. You gave us very complete figures and the figures that you felt were complete on the balance of payments, and we erected a structure

of relief upon a balance of payments plus relief contributions from others.

As I understand it, this particular bill does not carry either implication. It is a straight relief bill. You are going to spend so much money to take care of hunger for a specific period of time. It is divorced from all balance of payments, or any expectation that anybody else is going to contribute; is that correct?

Mr. LOVETT. It is divorced from any expectation that anyone else will contribute.

Mr. JAVITS. What about balance of payments?

Mr. LOVETT. It is divorced from balance of payments in the sense that it is based on the establishment of needs in order to maintain the status quo, but the needs in part, of course, arise out of the shortage of dollars. They are related, if I understand your question, to the stream of requirements of these countries during this period of months, and not merely designed to satisfy a financial problem. Does that answer your question?

Mr. JAVITS. I think that I would like to make my question more clear. The money is to be used directly to pay for necessities of a specified character. The money is not intended to supplement a deficit in foreign exchange of a country so that country can benefit?

Mr. LOVETT. The money is intended to be spent in the direct procurement of supplies in amounts and general categories indicated in the bill.

Mr. JAVITS. Am I right in stating that it is the basic assumption of this particular bill that these countries need this money regardless, and we will take up whatever slack there is in respect to their own balance-of-payments position when we come to consider their needs under the European recovery program after March 31, 1948?

Mr. LOVETT. I think I understand the difference, sir. This is really a stopgap measure to give us time to hold these countries as going concerns until such time as the recovery program deals with the problem you mentioned. Thus it is not just a relief bill in the old sense but a necessary prelude to a recovery program.

Mr. JAVITS. In the recovery program, you deal with all questions—what assets they have here, what they can get elsewhere, what they can do about their foreign-trade position, and such other questions.

Mr. LOVETT. That is correct.

Mr. JAVITS. So this particular bill can be divorced from all of that debate. Do you agree with that?

Mr. LOVETT. With one modification, sir, because we have tried to isolate, pick up and liquidate the known assets in this country that are subject to quick encashment.

Mr. JAVITS. But you are confident that you will pick up everything when you come to determining their position after March 31, 1948, and you cannot go very far wrong, as you stand now, because this is only stopgap; is that right?

Mr. LOVETT. That is right.

Mr. JAVITS. That is all.

Mr. LODGE. Mr. Secretary, I understand that certain members of the American mission in Greece thought when they first arrived in Greece, if they could create satisfactory economic conditions in Greece, the guerrillas would come down out of the hills. They found then to

their sorrow that that was not the case. That being the case, it is so to a lesser extent, it seems to me, in France and Italy, where the fighting has not yet broken out as it has in Greece, and, therefore, I would like to ask you, sir, do you feel that it is possible to rehabilitate France and Italy until the Communist menace has somehow been met by other means?

Mr. LOVETT. If I understand your question, Mr. Lodge, my answer is "Yes." I think that France at the present time has retained the characteristics of a free society. I think the recent elections indicate a substantial swing from the extreme left, and I believe that the long-term recovery program will induce a series of recovery measures which will have the effect of stabilizing the political situation in the form of a free state.

Mr. LODGE. I agree with that statement, Mr. Secretary. I am afraid that I do not make my meaning entirely clear. The thought that I intended to convey, sir, was this: That because our aid has been effective up to a point; because it has contributed to a swing in France and Italy, that is the very reason why, in my considered judgment, the Russians are abandoning the idea of taking over these governments by constitutional means and have decided that they will resort to force from the interior. I happened to be in Paris when Mr. Duclos made his recent attack on the United States, which I think was more violent than anything Goebbels ever said about the United States, and it was in the opinion of most responsible people in France that because of the declaration they had abandoned the attempt to seize the government by peaceful means and were going to resort to street riots and civil war.

Do you believe that the French Government is in a position to resist such an attempt?

Mr. LOVETT. Well, Mr. Lodge, I must ask you to excuse me from expressing an opinion as to what the French Government's position may be in the hypothetical case that you gave. I think that it would be difficult for me to express an opinion.

Mr. LODGE. I quite understand your reluctance to express an opinion, although, Mr. Secretary, you will permit me to say that the case I bring up is not hypothetical. It is a very real and actual thing. I am sure that your information will bear that out, and I would be interested in having you tell us whether you feel that this aid, or the aid under the so-called Marshall plan, will be of sufficient amount to enable the French Government to protect its legal existence from extralegal force?

Mr. LOVETT. I cannot answer your question with any precision, of course. I do believe that the provision of this aid, or rather the assistance contemplated in the European recovery program will manifestly increase the ability of the French Government to maintain a rate of industrial production and recovery which will, in the last analysis, improve its position with respect to maintenance of law and order.

Mr. LODGE. I think it will improve its position. I wonder whether it is enough. That is the question that I raise.

Mr. LOVETT. That is a very difficult question for me to answer. In making our estimates, we have endeavored to act in a capacity somewhat in the nature of a fiduciary of the Government. This has re-

quired us to apply a realistic and rather stern rule in screening the requests. We cannot carry the peoples of the world beyond a certain point. I do believe that the figures with respect to the second quarter of 1948 and the 12 succeeding months ending July 1, 1949, are adequate, when measured against the available materials in the world and considering some of the short items.

Mr. LODGE. Mr. Secretary, I am afraid I did not make myself clear. I did not have in mind enough in terms of aid in billions of dollars; that did not occur to me. I was thinking that you might spend billions of dollars more and still not protect the legality of the French Government against certain forces. There are, in my opinion, three factors involved in this: First, the constitutional means; second, the force inside; and third, war. I do not believe, in the interim, there will be a war. I believe that Russia will abandon before that, and I think she will resort to the second, and judging by the small percentage of Communists in that country, I interpret that to mean whether there is enough simply to stop them by economic aid. In other words, when I said "enough" I did not mean enough economic aid; I mean aid, whatever form it should take, to the government to protect them from such force.

Mr. LOVETT. I do not think that I can answer that question as you have phrased it, Mr. Lodge.

Mr. LODGE. Would it be possible to review the surplus-property agreements which we have made with these various countries with the idea of having them give us a wider latitude in the disposition of the proceeds from the sales of surplus property?

Mr. LOVETT. I think it would be possible to review them; I am not sure that the end result would accomplish the purpose which I understand to be implied by your question.

Mr. LODGE. For any purpose which we could use the proceeds of the sales of surplus property, and which we are not allowed to use. There will be, as I understand it, some \$2,000,000,000 a year for some 15 years available; and there are many uses to which the surplus-property proceeds could be put by the United States because of presently known demands with respect to the disposition of the money—and which represents from 10, 15, or 20 percent return on the dollar; and we cannot export it from those countries. And we would have funds that could be used within those countries.

Mr. LOVETT. We could certainly negotiate for the local currency use. As I say, I cannot give you the end result of such negotiations, but we could certainly negotiate in an effort to make the use more effective.

Mr. LODGE. It would seem to me that would be a very desirable thing to do if that money could be used for the purchase of food items for the United States Army in Germany; if it could be used for numerous administrative expenses in connection with native personnel employed by the State Department who would not have to be paid in dollars; and for all kinds of administrative expenses; so it seems to me that there are many things for which it could be used.

Mr. LOVETT. Of course, it can be used for some of those purposes now.

Mr. LODGE. I understood it was being used only for the purchase of buildings and for the construction of buildings—

Mr. LOVETT. Just a minute, and I will try to get the correct answer to your question. It was my impression that there were certain other

kinds of expenses which are permitted in these agreements, but I will check on that with your permission.

Mr. LODGE. Certainly.

Mr. LOVETT. Yes; my impression was correct. The Fulbright bill gives us the right to use it on scholarships and certain other types of items set out in the bill.

Mr. LODGE. That is only for scholarships, I believe.

Mr. LOVETT. And certain educational purposes.

Mr. LODGE. And that would apply for that purpose. But it would not allow the use of the money for the purchase of 50,000 tons of potatoes from Poland for the United States Army in Berlin.

Mr. LOVETT. It would not; that is correct.

Mr. LODGE. When I was in Berlin it occurred to me, and I spoke to General Clay about why we could not take the proceeds from the sale of surplus property instead of sending over American dollars.

Mr. LOVETT. We would have to negotiate for that.

Mr. LODGE. I think that would be a good thing to look into.

Mr. LOVETT. I think it might be a good thing, but I would like to consider the question longer than the few moments at my disposal now would permit.

Mr. LODGE. It would seem to me, although I have not given as much thought to such matters as some of those in the State Department, but it would seem to me that there are a number of things for which the money could be used, and which would relieve the American taxpayers of considerable cost, and would turn many items of doubtful value into an economic use, and I would recommend that you give the question some thought.

Mr. LOVETT. We will be glad to do it, Mr. Lodge.

Mr. LODGE. I would like to ask you another question, which I asked the Secretary, that is whether you feel that the negotiation of the Austrian treaty, with the consequent withdrawal of the four armies of occupation will have a beneficial effect on Austrian economy, and therefore will reduce the problem of relief and rehabilitation in that country?

Mr. LOVETT. I can only answer that question by giving you the substance of the views of the Austrian Government. It feels that there is a very severe burden placed upon it by the contributions required for the maintenance of certain armies, and that serious obstructions are placed in the way of the government which impede its efforts to master its own problems.

Mr. LODGE. It was the considered opinion of most of the responsible people with whom I talked that Austria would not be in position to govern herself. Do you feel in spite of that that Austria can be governed by herself, despite what the Russians have done there?

Mr. LOVETT. I can only answer again, Mr. Lodge, by reporting the opinion of the Austrian Government to the effect that it could manage successfully. The answer is that there are no facts at this time which would give us any sound basis on which to doubt the correctness of the Austrian Government's judgment.

Mr. LODGE. In other words, you do not have any misgivings about the future safety of Austria if the troops are withdrawn from that country?

Mr. LOVETT. I have endeavored to point out that I was not expressing my opinion, Mr. Lodge.

Mr. LODGE. May I just state, Mr. Secretary, while I am grateful to you for supplying the opinion of the Austrian Government that I already had that opinion from conversations I have had with representatives over there, but I was really more interested in your giving me your own opinion. However, if you do not feel at liberty to answer the question I can understand that.

Mr. LOVETT. I believe, Mr. Lodge that comes in the category of questions which would not be proper for me to answer.

Mr. LODGE. Very well.

Mr. LOVETT. And I would appreciate it if you would excuse me.

Mr. LODGE. Oh, absolutely. I am simply asking the questions, and I can understand perfectly well that you may not feel you should answer certain questions.

I would like to say just this, Mr. Secretary, with respect to the subject matter which was brought up by Mr. Fulton, about giving ammunition to the Communists. I think we can understand how that would be qualified as to a legal government, but I am sure that you must at least have the answer in your mind with reference to that matter. How do you feel about it?

Mr. LOVETT. I am inclined to agree with you. Our experience to date has shown that the manufacture of these charges is one of the most productive items in Europe, and I think production in this case is higher than it was in the prewar period.

In the instant case I was endeavoring to illustrate merely the fact that there are certain types of problems on which we should not unilaterally make decisions without considering the governments whose citizens, and in fact whose life may be jeopardized by the action we take.

Mr. LODGE. I quite agree with you. Just this last question. On page 4 of the bill, paragraph (c) which has reference to publicity, and in section 8, with respect to labeling: Do you feel that those two provisions have been properly implemented under Public Law 84?

Mr. LOVETT. I think, like all general statements, Mr. Lodge, I will have to qualify that somewhat. I do not think such a bad job has been done. In certain of the countries extraordinary steps have been taken to given evidence of their good faith under the Relief Assistance Act.

In Austria I think the ration cards carry the information that part of the food issued is supplied by our relief program. Announcement of the arrival of ships is carried on the radio in the various countries, and the information is printed widely in the newspapers. They have also carried labels like this [indicating] on our supplies in Italy.

I think that possibly action somewhat along the line suggested by Mr. Fulton, might bring some improvement. There is always room for improvement, but by and large, under the Relief Assistance Act, I think there has been a pretty good performance in this respect.

Mr. LODGE. I do not mean to suggest that I am criticizing the way the act has been implemented, and I do not know what you would think of this particular approach to the problem, but I would like to have you inform us, Mr. Secretary, of what you think of this: I know there is a feeling on the part of a good many in Government themselves that they would welcome more help from us. A good many of our people feel that there has been a deal made between the American

and Italian Governments, and they do not think of it as just being a gift from America. Some of them think that it would do more good if the American Government would send over more workers to help carry out the program because it has been rather impersonal, in order to bring it down to the personal equation. Whether that is the remedy or not I am not saying; I am simply laying the suggestion before you for your consideration of some sort of a remedy for that because at the present time it seems to me that portion of the program is inadequate.

Mr. LOVETT. We will, of course, consider it, Mr. Lodge in accordance with your request.

As I point out, under this particular Interim Aid Act the vast majority of the supplies we contemplate shipping, if the program is approved by the Congress, will be shipped in bulk. Wheat, for example, will have to be distributed to millers. You could not make use of the device you mention, I think, in that case.

Neither could you do it with coal, nor could you do it with oil. On the other hand, there may very well be items of a character which would respond readily to that kind of treatment and to a more extensive use of such a device as you mention. We will, of course, look into it.

Mr. LODGE. As to wheat, I can see that it is entirely desirable that it be distributed as wheat rather than as flour, but it would seem to me, Mr. Secretary, that a way could be found, perhaps by making use of private agencies whose activities could be coordinated with the Government in some way in order to personalize a little more the program even though it may call for our sending over more personnel, and as indicated some of the high Italian officials said to me that they would welcome our spending a great deal of this money on proper publicity as to where it came from and what it was for; and I am sure they need our moral aid as much, if not more, than our economic aid.

Chairman EATON. Mr. Maloney.

Mr. MALONEY. Mr. Secretary, I would like to refer you to page 15, the last paragraph in the little bluebook. In this paragraph you will find that Austria is receiving \$40,000,000.

It is rather difficult to see just what she is using this money for. Will you give us any thought as to that?

Mr. LOVETT. Yes; the \$40,000,000 represents the Austrians' portion of the so-called gold pot, which is divided up by the Tripartite Commission, located in Brussels, and arises out of the recapture of gold from the Germans, which they had in turn seized and which we took at the termination of the war.

This Commission received the claims of the various claimant nations and, in the effort to accelerate the disposition allowed certain percentages to be restored to the claimants once the title had been partially established. If a country was entitled to \$100 of it, and there was some complication in its claim—we will say that \$20 of it was involved, the commission might distribute \$60 and hold \$20 over and above and beyond its claim, but that permitted a portion of it to go forward.

Now in the case of Austria: That prospective resource is not counted among those available for meeting Austria's requirements, indicated in this statement, because of the necessity of constituting a gold reserve

against Austria's note circulation. In other words, it is not included as a spendable fund.

That prospect has been known in Austria by the commercial and banking communities ever since this Tripartite Commission was set up. There is widespread knowledge of the existence of this fund, and that it might be paid over to Austria.

What has recently happened is that Austria has received the gold which it has for sometime been counting on. Without it they would have only four or five million dollars behind their entire currency system.

Mr. MALONEY. Thank you.

Chairman EATON. Mr. Secretary, I want to thank you for this very long and trying experience to which you have been subjected, but we have needed the information and we thank you for being here, and if we need you further we will have to call upon you.

Mr. LOVETT. Thank you very much. I am indebted to a number of the members whose suggestions have been very helpful.

Chairman EATON. The committee will meet tomorrow morning at 10 o'clock at which time we will hear Mr. Harriman, Secretary of Commerce, and in the afternoon, Mr. Herter.

(At 5:20 p. m., the hearing was adjourned to meet at 10 a. m. of the following day, Thursday, November 13, 1947.)

EMERGENCY FOREIGN AID

THURSDAY, NOVEMBER 13, 1947

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

The committee met in the caucus room, Old House Office Building, at 10 a. m., the Honorable Charles A. Eaton (chairman) presiding.

Chairman EATON. The committee will be in order. We have with us this morning our very distinguished Secretary of Commerce, Mr. Harriman.

Mr. Harriman, how do you wish to proceed?

STATEMENT OF WILLIAM AVERELL HARRIMAN, SECRETARY OF COMMERCE, ACCOMPANIED BY WILLIAM C. FOSTER, UNDER SECRETARY; DAVID BRUCE, ASSISTANT SECRETARY, DEPARTMENT OF COMMERCE; AND RICHARD M. BISSELL, JR., EXECUTIVE SECRETARY, PRESIDENT'S COMMITTEE ON FOREIGN AID

Secretary HARRIMAN. Mr. Chairman, you suggested that I might give a statement of the effect of the impact on our domestic economy of the interim aid program. I have a brief statement prepared which I would be glad to read.

Chairman EATON. And then you will be open for questions?

Secretary HARRIMAN. Yes.

After that, I thought that with your permission I would present formally to you a report by the President's Committee on Foreign Aid, of which I was the chairman.

I appreciate the opportunity to appear before this committee today to state my views on one of the most important questions now faced by our country—the problem of whether and to what extent we shall assist in the economic recovery of western Europe. Secretary Marshall and Under Secretary Lovett have already dealt with the broader aspects of the subject: Why the European countries need our help, and why it is in the national interest for us to assist them. Although the interim aid program now under consideration of this committee cannot be divorced from the larger problems of a comprehensive recovery plan, it is appropriate to examine the economic impact of interim aid itself, first in terms of its prospective effect on our domestic economy as a whole, and then in terms of our ability to furnish the particular commodities and services which we would be called upon to provide.

The program of interim aid which is before this committee involves an authorization of an appropriation of \$597,000,000 for interim aid to Austria, France, and Italy. Of this \$301,000,000 is estimated to be

spent for food, \$184,000,000 for coal, \$35,000,000 for petroleum, \$38,000,000 for cotton, \$35,000,000 for fertilizer, pesticide, and seed, and \$4,000,000 for medical supplies.

The question of whether we can safely and wisely furnish these goods and what the impact of furnishing them would be upon our domestic economy can first be examined in light of its effect upon our net export balance. Stated simply, this balance is the over-all measure in dollars of the net drain of our goods and services into foreign trade. If the proposed interim aid program is made effective, it is estimated that the net export surplus in the fourth quarter would be at about the level of the third quarter, and that it would probably be somewhat less in the first quarter of 1948. In other words, it would check the downward trend that has been in evidence since last spring.

During the second quarter of 1947, our exports of goods and services exceeded imports by an annual rate of \$13,000,000,000. This figure dropped to a rate below \$11,000,000,000 in the third quarter, largely as a result of reduced spending by foreign countries out of their own gold and dollar resources. The additional Government expenditures of \$597,000,000 proposed in the interim aid program, together with the anticipated request for a deficiency appropriation of approximately \$500,000,000 by the Army for the remainder of the fiscal year, will serve to keep total Government aid at about a half billion per quarter less than in the third quarter of 1947. Although the decline may be offset in part by an increased utilization of gold and dollar balances, the net export balance would probably remain well below the peak reached in the second quarter of this year. In short, foreign trade seems unlikely to present larger pressures on our economy.

As the above figures on the interim aid program indicate, the requests are largely confined to the food and fuel needed to carry these countries through the first quarter of 1948. Food is by all means the most important requirement in the program and makes up slightly over half of the total. I do not wish to take the time of the committee by dwelling at length on the urgency of these requirements. Let me merely say that my own experience fully confirms the picture that has already been put before you. The need is greater than the maximum supplies that can be made available. Rations that were already too low last year have been cut severely by unfortunate circumstances of weather beyond human control.

The critical food shortage faced by these countries this winter must be met primarily by increased supplies of grain, particularly wheat. The importance of other foods—some of which are available in limited quantities—is not to be overlooked. In fact, our agricultural experts estimate that shipments of these foods can be increased by more than a half million tons over the volume shipped last year. Yet grain is by and large the only suitable food that can be made available in large enough quantities to make a major contribution to the needs of these countries.

The grain proposed for shipment under the interim aid program is included in the over-all goals for export shipment that have already been set. A month ago our studies indicated that in the absence of special measures to increase availability, our grain shipments would fall approximately a hundred million bushels below the total we

shipped last fiscal year. It was in view of this situation that the President undertook the campaign for Nation-wide conservation and created the Citizens Food Committee. It is only through the success of conservation that it will be possible to carry out the export program and also to avoid increased pressure on prices here at home.

Some measure of success has already been achieved by this program. Agreements reached with processors and farm groups have indicated that the necessary savings can be achieved. Preliminary reports from farm and feed lots indicate that much less wheat is going into animal feed than had earlier been anticipated. Progress in procurement also seems to indicate that the supplies forthcoming will be sufficient for an export program corresponding in total amount to the shipments provided in the present request for interim aid.

There is, of course, uncertainty about the total volume of grain we shall be able to make available during the current crop year. Several months must pass before data on the disappearance of grain into consuming channels and on the prospects for next year's winter wheat crop will be sufficiently accurate so that we may estimate with confidence the total supplies we can afford to export.

In the meantime we are protected against any undue drain, because we have in operation an allocation mechanism that determines the actual quotas against which export licenses to each country are issued. Each month the data on needs and availabilities are analyzed, country by country; and monthly allocations are made in the light of all the facts concerning our own situation as well as that of recipient countries. Only as the uncertainties concerning the future of our supplies are resolved can the total export program be definitely determined. The funds requested for the interim aid program, therefore, are not intended to increase food shipments above the goal already set, but rather make possible the purchase by these countries of their share of the supply made available.

The interim aid program, in other words, has no new impact upon our domestic grain markets. To say that it has no new impact is, of course, in no way to deny that export purchases have already had a substantial impact on our domestic prices. Our record wheat crop could hardly command a price of \$3 per bushel in the absence of heavy foreign demand. But the price of \$3 a bushel has been reached by the market in the light of full knowledge and open public discussion of our export goal.

To meet the target set for this year requires real conservation on the part of the American people. We are called upon to forego some measure of consumption of certain types of food to help relieve the hunger which will result from this year's tragic crop failures in Europe.

Imports of fuel are necessary to the maintenance of economic activity as well as minimum standards of health in the recipient nations. Nearly 37 percent of the funds requested are earmarked for the purchase of coal. The part to be obtained from the United States is at approximately the level of allocations to the three nations for the months of November and December, and represents a continuation of the existing program for facilitating the shipment and equitable distribution of coal to Europe.

The aggregate monthly requirement of the three countries from the United States of 2,065,000 tons is substantially less than our exports of coal to these destinations in past months, and equals about 3.5 percent of our current production. Current coal exports to all overseas destinations are at the rate of 3.5 million tons monthly, of which 3 million tons are to Europe. Both of the figures reflect a reduction in our exports from those permitted in recent months. Total exports of coal during 1947 are estimated at 66.8 million tons, including 23.7 million to Canada.

Stocks of bituminous coal in the United States as of October 1 were 53.8 million net tons, an increase of 4 percent over the previous month. Meanwhile coal production, which has been hampered by shortage of coal cars, has risen to a higher level than had been previously anticipated. Output of bituminous coal during the 4-week period ended November 1 averaged 12.7 million tons weekly, compared with a weekly average of 11.9 million tons during the 12 weeks preceding. There is a tight supply situation in high-quality and special-purpose coals, and temporary spot shortages of other coals may develop due to a shortage of coal cars. The domestic situation is being carefully watched in connection with the establishment of export quotas.

A total of \$35,000,000 is requested for the purchase of petroleum and petroleum products by the recipient nations, a large proportion of which will be procured from sources outside the United States. At the present time the United States supplies only about 20 percent of the European petroleum requirement, the balance coming from domestic production and from the Middle East and the Caribbean.

The United States import and export of petroleum is approximately in balance, and shipments to Europe are a normal phase of the highly integrated and complex system of international supply. To a large extent they consist of specialized products, such as lubricating oils, not elsewhere available. Since the world demand for oil exceeds the supply, it is reasonable to assume that any drastic reductions in the flow of oil from the United States would be accompanied by a decrease in receipts from abroad, a necessary adjustment on the part of the international oil companies in order to accomplish equitable distribution of the limited world supply.

However, the Department of Commerce has taken steps to prevent the excessive export of much-needed petroleum products. Export quotas have been established for the fourth quarter of this year which are 40 percent below actual shipments in the previous quarter.

The program for interim aid includes nitrogen fertilizer in the amount of \$14,000,000. Such requirements represents less than 5 percent of the United States supply, but coming in the months when domestic demand is at a peak, such shipments would create a special problem. However, requirements can be met in part by shipments from other producing countries. Here I would like to emphasize the desirability of obtaining the maximum flexibility in arranging for procurement outside the United States so as to lessen the strain on the United States economy in areas of short supply.

The justification for prompt dispatch of these requirements lies not only in the acute need for larger food production in the recipient countries, but also in the pressure on our own food supplies. Stoppage of fertilizer supplies during the war years resulted in serious

depletion of the fertility of the soils of Europe. Each ton of fertilizer available to these countries during the spring months is estimated to make a twelvefold return in farm output. To the extent that interim requirements can be met, we could expect a decreased demand for food next season.

The 38,000,000 requirement for cotton can be met. This commodity is not under export control. I am not aware that any supply problem would be created by the requirement for \$4,000,000 of medical supplies.

Although, as I have indicated, there are supply problems in some of the items, based on past experience and, on the analyses which have been made, I feel confident that the requirements can be substantially met. In my judgment, the alternatives to meeting them are such as vastly to outweigh the supply difficulties which they may present.

Action on the interim-aid program which has been presented will preserve for the Congress the opportunity for mature deliberation on the permanent program for European recovery. I earnestly recommend the interim-aid program to the consideration of this committee and the Congress.

Up to this point I have been talking about the short-run emergency problem of staving off an economic collapse in western Europe during the next few months.

The more fundamental problem of European reconstruction was considered by a nonpartisan Committee of distinguished citizens appointed by the President last June 22 to advise him on the limits within which the United States might safely and wisely plan to extend economic assistance to foreign countries. I was chairman of this Committee and participated in its discussions. The Committee had the benefit of materials prepared by both Government and private sources. The function of the Committee was to exercise a completely independent judgment after taking into consideration all relevant material and all points of view, and its conclusions were reached on that basis. It has recently completed its work and I have sent a copy of the report to the members of this committee and I would like now to offer it for the consideration of the committee.

Chairman EATON. Mr. Secretary, we thank you for your very comforting discussion. You do not expect us to read this report in this session?

Secretary HARRIMAN. I commend certain parts of it to you, sir, for your perusal. It would be rather a task to read it all through, but when you consider certain aspects of this problem, I think that you will find even in the long document material worth glancing at.

Chairman EATON. Mr. Secretary, I think we will start in this morning by adopting the 5-minute rule for the first round. Each of us will have 5 minutes, and then after we have gone around once then we will take down all barriers and each member may consume all the time he wishes.

I have only one matter that I will ask enlightenment on: I have received a great many letters from intelligent and otherwise people all over the country who claim that there are hundreds of millions of dozens of eggs stored up by our Government in this country; that there are immense quantities of poultry in frozen form stored up, and other items of nourishment in great quantities now simply lying idle.

Can you throw any light on that situation?

Secretary HARRIMAN. Mr. Chairman, I would prefer to have that question answered by Secretary Anderson. He can give you much more detailed information. But with regard to dealing in eggs, I understand that has been the normal procedure of the Department of Agriculture, that is, to purchase eggs at the season when the production is in surplus and when the price is low and carry them through the period of time, during the period when production is low and during the winter months, and I understand that that is what is going to be done and that they will find their way into the market at the customary time. There is no unusual procedure about that situation that has been developed this year.

Chairman EATON. Do I understand that the administration is in the egg and butter business?

Secretary HARRIMAN. I am not fully familiar with the processes of the support program, but this does have the effect of equalizing consumption throughout the year, and from what I know I would have thought that it was an extremely useful activity.

Chairman EATON. The time of the chairman has expired. Mr. Bloom.

Mr. BLOOM. No questions.

Chairman EATON. Mr. Bloom's time has expired.

Mr. Jonkman.

Mr. JONKMAN. Mr. Secretary, with regard to this \$597,000,000 proposed for the interim aid for the countries of Austria, France, and Italy, for what length of time is it expected to cover and beginning when and ending when?

Secretary HARRIMAN. The period ends March 31. It begins, I understand, differently for each country. Italy requires help almost immediately. And France next and Austria not until the first of the year as I understand it.

Mr. JONKMAN. I am not sure that I am inquiring from the right source. This is not within your jurisdiction.

Secretary HARRIMAN. No.

Mr. JONKMAN. Let me ask you this: Do you know when this interim aid is to begin in Italy?

Secretary HARRIMAN. I cannot answer that; I am sorry, but I do not have the information as to the dates, but I think it is as soon as possible.

Mr. JONKMAN. The reason I am asking—and again I realize this is probably out of your jurisdiction and I think the question should have been asked before, but it was not crystallized at that time, at least in my mind.

Secretary HARRIMAN. I can get the information for you if you wish me to do so.

Mr. JONKMAN. I think the committee will want it before we get through.

In the \$350,000,000 aid bill it seems that \$121,000,000 was earmarked for Italy. Now, according to the figures that have been furnished us here yesterday, of that amount, shipments have been made to the extent of \$50,852,000; that is considerably less than half of the amount, in a period of 5 months. The aid bill became law on March 31, I think, 1947. In other words, in 5 months, they have shipped only

\$50,852,000 which, together with the shipping costs, comes to \$57,000,000. Now, they have some \$64,000,000 of funds, which is half of what is expected—it is more than half, in two-fifths time.

Secretary HARRIMAN. This matter is not under my direct responsibility, Mr. Jonkman, but I understand all of it is committed for, and of course, you have to have the pipe-line procurements, and my understanding is that the balance of those funds will run out very shortly and there will be no more funds available.

Mr. JONKMAN. That is merely a conclusion, Mr. Secretary, which does not seem to be justified by the facts.

Secretary HARRIMAN. I am not sure there is a representative of the State Department here who can give us that information, but I will be glad to get it for you, of course.

There were other facts that are involved in the situation—I do not know whether Mr. Lovett discussed this yesterday or not, but I assume that he did—crop failures, higher prices than were estimated, and then Italy had expected to be able to convert into dollars the hundred million dollars' worth of pound sterling she had. This she was prevented from doing by the British Government's decree. I will have to get the information for you, but my understanding is that the detail is available and can be given to you by the men in the State Department who have fully analyzed the uses to which the post-UNRRA relief will be used. I will see that you are supplied that information.

Mr. JONKMAN. Very well. I would also like to have some explanation of the fact that while \$332,000,000 was authorized and appropriated up to October 31, which is 5 months, out of the remaining 7 months of 1947 they have shipped some \$128,000,000, which is a little better than one-third.

Secretary HARRIMAN. Up to what date?

Mr. JONKMAN. October 31—from May 31 to October 31, or a period of 5 months, they have only used one-third of it.

Secretary HARRIMAN. I think the answer is what I have given, but I will get the details of it, that it is all committed for in the pipe lines. The stuff has to be bought and assembled and shipped to the ports.

Mr. JONKMAN. In other words, what I am getting at, Mr. Secretary, is: If they do not ship with any greater rapidity in the months ahead than they have in the past 5 months, they will have left funds out of the \$332,000,000 appropriated last May at the very time that they are going to spend the \$597,000,000.

Secretary HARRIMAN. I am satisfied that I can supply you the figures that will show you why the funds are needed and why exactly when each country runs out of dollars it must continue to buy. Of course, you have got to recognize that they are being used in addition to the post-UNRRA relief, their own funds in making these procurements, as a part of the total purchases of these commodities, and therefore they are in excess of what has been shipped under the post-UNRRA relief program.

Chairman EATON. The time of the gentleman has expired. Mr. Kee.

Mr. KEE. I have no questions.

Chairman EATON. Mrs. Bolton.

Mrs. BOLTON. Am I right in my understanding that your assumption in this whole matter has been to ascertain whether we can, as a country, use our resources efficiently to give interim aid, immediate interim aid to these countries abroad?

Secretary HARRIMAN. That has been the presentation that I have attempted to make. The Committee of which I was chairman dealt with the broad reconstruction program and its aspects.

Mrs. BOLTON. That is, the long-range, industrial matters?

Secretary HARRIMAN. Yes.

Mrs. BOLTON. I find it intensely interesting and worth while. I think we have never had presented to us from the Executive anything which has been so carefully developed from so many viewpoints, and for myself I am deeply grateful for the work your Committee has done in giving assurance that we are not going beyond our own capacity.

I have assumed that it would do the people in this country good to have to pull in their belts a little bit and to make a few so-called sacrifices for the rest of the world. Those of us who have been over there have seen the situation and perhaps have a little more vivid sense of it than those who have been unable to go. But I would like to have it stated simply in the record that it is your feeling—if it is—that the plan as outlined is not beyond the capacity of the United States with adequate supplies for our own needs.

Secretary HARRIMAN. I am in full agreement with the Committee's conclusions, that it is within the capabilities to do what the report makes plain exactly as you have said, that it cannot be done without a certain degree of inconvenience and a certain degree of sacrifice, although I always dislike to use the word "sacrifice," because this is a relative term.

Mrs. BOLTON. Yes.

Secretary HARRIMAN. In comparison to what people are suffering over there. But it cannot be done without cost to the people of the United States at all, I think.

Mrs. BOLTON. I assume that you agree with me that the people of this country once they understand the situation will rise to the occasion.

Secretary HARRIMAN. I am satisfied that those who have had the opportunity to get the facts all have the same view, from my experience; and the other conclusion, of course, of the Committee was that we had a very deep interest, a vital interest in the recovery of Europe which more than justifies the cost, the inconvenience, and the sacrifice which the people in this country will be called upon to make.

Mrs. BOLTON. Your suggestion there is that our own security is definitely involved; am I right?

Secretary HARRIMAN. The Committee states three things: The humanitarian interests, the economic interests, and the stability and welfare of those countries, which in the long run, of course, are political interests and security interests.

Mrs. BOLTON. Thank you, Mr. Secretary.

Chairman EATON. Mr. Pfeifer.

Mr. PFEIFER. No questions.

Chairman EATON. Mr. Merrow.

Mr. MERROW. No questions.

Chairman EATON. Mr. Jarman.

Mr. JARMAN. I have just one or two questions, Mr. Secretary.

You indicate that one of the reasons for the fact that most of the post-UNRRA funds have not been committed or expended was the fact that these countries use their own funds for similar purposes. Now, those funds, which they have been using are practically exhausted now, are they not?

Secretary HARRIMAN. They are practically entirely exhausted in the case of Italy and the reserves in France have gone down below what we consider the safe point of reserves.

Mr. JARMAN. And therefore our funds will naturally be more necessary and they will require a greater amount in the immediate future than has been necessary in the past.

Secretary HARRIMAN. Yes. May I refer to the paper which was presented to you by the State Department, or Mr. Lovett.

The table does not, it appears, substantiate the figures given in the previous question. The United States foreign relief program indicates that there was \$124,000,000 authorized; and \$90,000,000 used, and \$34,000,000 balance as of October 31—that is, for Italy. I will get similar figures for France. So that according to this, three-fourths of it has been disbursed or committed. No doubt the figures that you gave were the actual shipments.

Mr. JARMAN. Shipments; yes.

Secretary HARRIMAN. But it is disbursed or committed.

Mr. BLOOM. Will the gentleman yield to me for a question?

Mr. JARMAN. Yes, indeed.

Mr. BLOOM. Is it not a fact that it was stated here that of the \$332,000,000 of the appropriation for relief, that they overallocated the amount, I think, of some \$12,000,000; that was overallocated because they found they could use \$25,000,000 that was earmarked for the children's fund; they have gone over the amount that the appropriation permitted them to use.

Secretary HARRIMAN. I have no first-hand information on that, of course.

Mr. BLOOM. There is no question about that.

Secretary HARRIMAN. But I do not have the figures before me, and I do not like to speak from memory.

Mr. JARMAN. That is what I understood, although I think the amount was \$16,000,000.

Mr. BLOOM. I am not sure whether it was \$12,000,000 or \$16,000,000, but the fact is that they have overallocated; they may not have shipped it, but they have bought the goods and spent the money.

Secretary HARRIMAN. France was not included in the post-UNRRA program, and there are no figures on France.

Mr. JARMAN. That is all.

Mr. JONKMAN. Of course, Mr. Secretary, they can allocate \$10,000,000,000 and still it is not going to help until they get the goods over there.

Secretary HARRIMAN. That is correct, but this was disbursed or committed in terms of purchases, I understand.

Mr. JONKMAN. I know. That is the reason why I was trying to find out when the \$597,000,000 would begin to function, or whether there is going to be overlapping. In other words, are you going to have the \$332,000,000 committed before you begin your work with the \$597,000,000; otherwise you will have overlapping.

Secretary HARRIMAN. That is correct. I believe that is an important point, and I am sure the answer must be in this paper that has been presented to you, but I will not take the time of the committee to check back, but I think that is quite an appropriate question, of course.

Mr. JONKMAN. Thank you.

Chairman EATON. Dr. Judd.

Dr. JUDD. Mr. Secretary, when you said that the grain exports contemplated under this program will very probably not be as great as the peak reached—

Secretary HARRIMAN (interposing). That is not all grain; that is the total net balance between our exports and imports.

Dr. JUDD. That includes all other commodities?

Secretary HARRIMAN. That includes our whole range of foreign trade to all countries of the world.

Dr. JUDD. Well, on that basis, were you referring just to the program in this present bill?

Secretary HARRIMAN. No.

Dr. JUDD. Without covering the long-term program—

Secretary HARRIMAN (interposing). If you will study my statement, Dr. Judd, I think you will find that I referred in beginning to the over-all effect on the grain, of the unbalanced exports as against imports in dealing with world trade as a whole.

And the latter part of the paper referred to the specific effects on individual commodities. So, the early part of the paper related to the over-all exports and the over-all imports, what they had been and what we estimate they would be. You see, we have been in an unbalanced situation on exports, which have been very much in excess of our imports, and when we were at the peak we were exporting at the rate of \$13,000,000,000 more than we were getting in return in the way of goods and services, in the second quarter.

Dr. JUDD. But when you speak of the rate which will be less than that in the second quarter of this year, you are referring to this present interim-aid bill and not the long-term program?

Secretary HARRIMAN. I was referring only to the interim aid. I was addressing myself only to the first quarter situation, which is the period which is covered by the interim aid.

Dr. JUDD. Assuming that the European recovery program will be passed essentially as recommended by the Secretary of State, would that result in a higher rate of exports than this present interim-aid bill, or a lower, or at about the same rate?

Secretary HARRIMAN. You mean as to the first quarter?

Dr. JUDD. As to the first quarter.

Secretary HARRIMAN. I am going to ask Mr. Bissell, the executive secretary of the Committee that I spoke of, what the calculations were, whether the Committee calculated that particular matter.

Mr. BISSELL. The Committee did make an estimate for the first 12 months period of the long-range program, but the Committee itself recommended below that now—in the Paris report on that calculation. The total exports from the United States was in excess of exports over imports, and would be for the first year about \$2,000,000,000 below for the average of 1947 and about \$4,000,000,000 below the very high second quarter of 1947.

I do not think I can answer the question so accurately as how that compares with the rate that would be achieved during the first quarter of the 1948 calendar year under the proposed interim-aid bill. My impression is that the interim-aid bill would not, at least, for any great length of time, sustain a higher rate of export as that that would be sustained by the long-range program, but the latter would currently be below the average for this past year.

Dr. JUDD. That is reassuring, Mr. Secretary, to learn that the biggest hump probably will be in the next 4 months. After that it is likely to be at a somewhat lower rate, according to your estimate.

Mr. BISSELL. At least after the first year I would think it would be at a lower rate, sir. I think that you might possibly have this development, that we would have a kind of trough for exports in the first quarter of the next year, and that later in the year, after there is a substantially long-range program, the rate would be somewhat higher than the first quarter, but then certainly not as high as this year. And after the first 12 months, as I have indicated, it would then taper off gradually.

Dr. JUDD. Would your statement apply also to grain exports as well to the total over-all export picture?

Mr. BISSELL. I think that is a question that is hard to answer, because it depends so largely on what grains we have available for export from this country. I think it is the view of the Committee that grain exports will have to be about as large as our capabilities can support throughout the life of any long-range program.

It is also the view of the Committee that this country will not be able to support grain exports over the next fiscal year at the extreme high rate achieved in the past current year.

Dr. JUDD. Does the program contemplate a continuance at the extremely high rate achieved in the last year, assuming that the crops continue at approximately the same high average level of the last few years?

Mr. BISSELL. Well, the allowance made in calculating the cost of the program, which was for a substantially reduced grain export, except after the first year; but I think it is fair to say that in making such allowance for reduced exports the Committee does so because of the conviction that we could not safely and wisely sustain such a high rate, and also that we must keep in mind the requirements of the United States in any such program.

Dr. JUDD. It should be of some reassurance to the people of this country to feel that the Government, regardless of requirements of which we cannot overlook, does not contemplate increasing the exports of grain over the present high rate of exports.

Mr. BISSELL. I think that statement could be made.

Dr. JUDD. And also to the grain markets—and I am interested in preventing further increases in price of wheat—the assurance, or a tentative assurance of that policy, it should be helpful in the grain market, and I think it should be helpful on the farm, because it may prevent some farmers from holding their grain off the market in anticipation of getting still higher prices.

Chairman EATON. The time of the gentleman has expired.

Dr. JUDD. Could the Secretary complete his answer, Mr. Chairman?

Secretary HARRIMAN. May I just say one or two things in response to that question.

Chairman EATON. Yes.

Secretary HARRIMAN. I think we should recognize that as a result of this disastrous crop condition in Europe our present efforts to ship the maximum that we are shipping are very definitely to take care of that distressing situation, and it is for that reason that the President asked the people to cooperate in conservation programs during this period of time—it is definitely an emergency situation.

Now it is impossible to go further and look further ahead, because the crop conditions all over the world affect the situation.

Now just one more sentence on that: The Committee found there was a foreseeable situation in the world's food shortages and the policy of the Government should be directed to assisting in world food production, not only in Europe but elsewhere, in order to take care of the needs that happen to exist.

That is a very important conclusion I would think in terms of the interim policy of assuring our farmers that there will be good reasons for their production, that we have no surplus, also to assist other countries, whether they be South America, the Middle East, or the Far East in increasing their food production.

Chairman EATON. Mrs. Douglas.

Mrs. DOUGLAS. Mr. Secretary, in your report of the Commerce Department, and in the report of the Interior Department, and in its report made to the President by the Council of Economic Advisers, we are informed that the total export surplus is likely to be lower in the future than levels already reached. Nevertheless, each report recommends that steps be taken to check price rises in this country. Should we not in this special session as well as passing the interim relief bill, also take such action as is needed to check inflation?

Secretary HARRIMAN. Of course, the only steps that have been so far taken is the program of voluntary conservation. As you well know, one of the reasons for the President calling Congress was to consider ways and means of combating all of the inflationary problems in this country, and he will present to the Congress his views on that Monday, as I understand it, and until that time comes I would like to defer answering the question, until the President has presented the program.

Mrs. DOUGLAS. We must keep the pipe lines open or people will starve in France, Italy, and Austria. That is why we have before us an interim program. We are buying an option on the Marshall plan so that we may have ample time in which to discuss it. We must never lose sight of the impact of such a program upon our own economy even though the exports contemplated in the interim program should not in themselves further effect price rises. Nevertheless anticipation of the larger Marshall plan will in itself affect prices. Should we not therefore take steps at this time to prevent further economic pressures?

Secretary HARRIMAN. Could I put it this way: That the interim program and the long-range program both are estimated to indicate a drain on our economy that will be less than what we have experienced in 1947. But during the year 1947 it has contributed—that has not been the only reason, of course—but it has contributed to inflationary pressures in this country, so that I think, although the drain abroad will be less than we have experienced, the situation is such that con-

sideration of the sort you have indicated should be given by the Congress in dealing with inflationary pressures which exist in this country, from the unbalance of production and demand.

Mrs. DOUGLAS. Thank you, Mr. Secretary.

Chairman EATON. Mr. Fulton.

Mr. FULTON. Mr. Secretary, because a life in public service is often given without much expression of appreciation, I would like to say to you, and I think that I am correct in saying that I feel the Committee of which you have been a chairman has rendered a distinguished service both to the Congress and to the American people, and I want you to know that as a citizen I appreciate it.

Secretary HARRIMAN. Mr. Congressman, I appreciate that statement. I was chairman of and participated in the discussions, but as the letter to the President indicates, which you will see in this report, there were 19 men who served and they are the ones to whom your appreciation should be presented to, but I do appreciate it.

Mr. FULTON. They did a fine job. You had some very prominent businessmen of the country, both businessmen as well as economists, and did not feel that there should be a full program presented, and that it should not be on a niggardly basis; otherwise it would result in failure.

Secretary HARRIMAN. They stated that, on the one hand, it would be a mistake to appropriate too much; on the other hand, they pointed out recovery could not be achieved unless there was adequate support. The Committee, of course, included not only businessmen but representatives of labor and those who had spent their lives in agricultural problems, as well as economists and financial people.

Mr. FULTON. In view of some of the reported statements by Mr. Taft, I wanted to see especially what your prominent businessmen on the Committee thought.

Secretary HARRIMAN. Yes. This report, of course, was a unanimous report. And, of course, with 19 men of different backgrounds and points of view, there were very earnest and lengthy discussions. But rather than attempting to come to conclusions on the basis of the lowest common denominator, they stuck to it and compromised their individual opinions and came to a unanimous report, and this is an expression of the unanimous views of the Committee including the businessmen and the other groups.

Mr. FULTON. Let me ask you something about the report. There has been some criticism generally of the fact you did not limit the aid simply to countries which had what we might call straight free-enterprise governments; that aid might also go to governments that had socialistic principles, although they had free enterprise generally. Will you give your comments in answer to that outside criticism?

Secretary HARRIMAN. There is in the report a statement that we should follow the programs in those countries very carefully to satisfy ourselves that the proposals of action in the way of self-help and mutual help, which are included in the Paris report, are accomplished. That is, they felt, a very important aspect of administration. They pointed out, however, it was not our affair as to how these different countries which had free elective systems should carry out their production programs. The net effect of that is that we should not interfere in the free decisions of the people of the different countries in western Europe.

I will be glad to read what they said, but that is the substance of it. You will find it on page O5.

Mr. FULTON. You were then basing your report on the basis they had the freedoms and electoral privileges, rather than the kind of economic system they had?

Secretary HARRIMAN. That is correct.

Mr. FULTON. And you were distinguishing, then, as between not socialism and communism, but as between free governments and police governments?

Secretary HARRIMAN. That is correct. Unfortunately, the word "communism" has been taken away from its idealistic aspects and has come into the category of the police state.

Mr. JAVITS. Mr. Secretary, I would like to join my colleague, Mr. Fulton, in commending you and the committee which you head for the perfectly magnificent report, which will be extremely helpful to us and I know extremely helpful to the country and foreign nations that need that kind of elucidation so badly.

You spoke about food conservation. We understand or were given to understand that present food reserves were relatively low, and that we are probably faced with a long-term food shortage. Does that mean we must establish this voluntary food-conservation effort as a permanent thing, and the sooner we get at that the sooner we will be realistically grappling with the problems we are facing?

Secretary HARRIMAN. There has been some confusion in the public mind, I think, perhaps due to the fact the Food Committee jumped into a program which, under normal circumstances, should have been planned for 3 months, but there was not time to do that. The Emergency Food Citizens Committee is a short-term proposition, but it has been stated a number of times by Mr. Anderson and others that if we are to help Europe in their distress this winter and spring until the crops come in, we must carry through conservation into next summer.

Mr. JAVITS. Do you not think it is only fair, at a time when you come in here to support a \$600,000,000 interim-aid program and are very much alert to the dangers of inflationary pressures on our food prices, that we should couple that right now with a plan for permanent conservation and avowedly for that purpose?

Secretary HARRIMAN. May I beg the privilege of waiting until the President has presented his program to discuss that with you?

Mr. JAVITS. Do you believe the President will deal with that specific point in his message?

Secretary HARRIMAN. I must again beg permission to defer that until the President has spoken. I regret my position, because I would like very much to discuss these questions and interchange views with you; but I would like to ask that be deferred until after the President has presented his program to you.

Mr. JAVITS. One other point: You mentioned, in response to Mr. Fulton's question, the desirability of not interfering with the political determinations of the countries definitely getting American aid. Does that mean it is contemplated by your Committee that we should or should not require these very same governments, regardless of their composition, to meet the production targets which they and we establish under the European recovery program, and the cooperation targets as between themselves?

Secretary HARRIMAN. The Committee has expressed itself that it feels we should follow the administration of the program; that we should watch the performance and see that real, earnest, and sincere efforts are made to reach those targets—both self-help and mutual help, production, financial help, and so forth—all of which are essential to recovery, and it is our intention to follow them closely. But the manner in which they carry it out is the sovereign responsibility of the people.

Mr. JAVITS. Is it fair to say, therefore, although we won't endeavor to impose our views as to what kind of political government the country ought to have, we will insist it meet the economic targets?

Secretary HARRIMAN. Yes. The committee makes a distinction between meeting the targets and making sincere efforts to do it; because, with the best of intentions, sometimes for reasons beyond their control their production targets are not met. Sometimes they go over them. But, in principle, that is their view.

Mr. JAVITS. I make a distinction between what we have a right to demand and what we have not, but you join me in the principle?

Secretary HARRIMAN. That is exactly right. You have expressed the principle as we understand it.

Mr. LODGE. Mr. Secretary, I would like to associate myself with the compliments accorded to you by my colleagues, and I would like to ask you if you feel that a system of partial price control can succeed or whether, on the other hand, if we approach the problem of price control, we should make it all-inclusive?

Secretary HARRIMAN. I am very anxious to discuss questions like that with you and other members of the committee, but I must really ask that I be given permission to wait until the President presents his point of view on these very pertinent questions which you and your colleagues have asked.

Mr. LODGE. Then may I ask you whether, in connection with the European end of this problem, you feel that once western Europe has achieved a degree of rehabilitation that the agricultural products from eastern Europe will come to match the capital goods from western Europe, and that therefore they will help each other despite the differences in their forms of government?

Secretary HARRIMAN. The Committee deals with that, and I am in agreement with the Committee that there will be trade between eastern and western Europe, in all probability; but it is questionable whether eastern Europe will throw off the amount of commerce so important to western Europe which she used to throw off in the prewar days. So that it is the view of the Committee that the estimates the Paris Conference made on getting quantities of goods from eastern Europe will not be as great, in all probability, as was estimated.

Mr. LODGE. Yet in spite of that fact, there will be a certain amount of barter trade?

Secretary HARRIMAN. There is the belief, which I share, that there will be surpluses which exist or develop which will be offered for trade on a reciprocal barter basis between eastern and western Europe.

Mr. LODGE. May I ask, Are you satisfied with the provisions for petroleum, with respect to the export of petroleum products, that they will not in any way handicap the United States Navy?

Secretary HARRIMAN. Well, there is a shortage of petroleum that exists today, which has been aggravated by the shortage of tankers,

and the Maritime Commission and the Navy have broken out from time to time more tankers.

There is necessity to plan for the future. Our requirements are away in excess of what anyone has estimated. I have some figures which I will give you at any time you wish them, showing that situation; but our consumption of petroleum products is so great that we have an interest in the world's supply.

If I remember correctly, the areas of western Europe, involving 16 countries and Germany, take only about 15 percent of the amount of petroleum that we consume in this country, and the population is nearly double. Therefore you can see the overpowering position of the United States in the case of the petroleum products.

Mr. LODGE. What I was interested in particularly was the question of our own situation.

Secretary HARRIMAN. The immediate situation?

Mr. LODGE. Our own supplies in America, as they relate to the world supplies. It would be my desire to see to it that insofar as possible foreign supplies of petroleum rather than United States supplies were used.

Secretary HARRIMAN. I could not agree with you more, and that does require the exploring and expansion of the production in that area.

We have American companies in Saudi Arabia, and I think the increased production there will be very helpful in preventing the drain on the supplies from the United States, and also in the Caribbean areas which are close at hand, and also requiring by European countries more tankers to transport that oil. Even today there is oil in the Abadan area which is not being shipped because of the shortage of tankers. It is a longer haul from Abadan to Europe along the Mediterranean, and they are limiting their business today to the Caribbean rather than Abadan, because of the tanker shortage, and we would be in a position to get that oil from the Abadan area if there were enough tankers now.

Mr. LODGE. I understand from your report that we import a certain part of our petroleum products and export a certain part.

Secretary HARRIMAN. That is about in balance.

Mr. LODGE. In connection with the shortage of tankers, and instead of importing to America and exporting from America, which involves a double haul, is there any plan afoot to refine that oil on the spot in order to save shipping costs?

Secretary HARRIMAN. Of course, we have to deal with the existing facilities. I do not know exactly what development plans are under way for the expansion of production and refinery capacities in other countries.

Of course, we cannot look at petroleum as one commodity, because it is divided up into different refined products. We mentioned lubricating oil. We have in this country a surplus of lubricating oil; so we must deal with the specific commodity. If we did not import and refine in this country and export some products that were in excess of our demand, we would not have sometimes the refined products which we need here. It is a highly integrated international business, and we have an interest in the international situation as well as the domestic situation.

I agree fully with what you say. You have expressed my idea exactly.

Mr. JACKSON. Mr. Secretary, what is the relationship between your Department and the problem of strategic stock-piling?

Secretary HARRIMAN. We are in consultation; we have not any direct responsibility for it. We do limit, through export controls, strategic materials; but in the stock-piling process we are only consultatively involved.

Incidentally, I may say one of the recommendations the public committee of which I was chairman made, is that we should use the aid-to-Europe program to get them to develop their resources in their own countries or in their colonial or dependent possessions to increase their production so that they could help to fulfill our great need for a stock pile and, in that way, perhaps we can get some recovery from the advances we will be making.

I am reminded by Mr. Foster that we, of course, do control, under authority of Congress, rubber, tin, and antimony, and help to advise the Munitions Board as to when it is feasible in connection with our own economic needs to purchase for stock piling.

Mr. JACKSON. Is it possible and feasible, in your opinion to enter into a buyer-seller relationship with some of the nations involved in this program, either on an interim basis or long-range basis, for the delivery of such strategic materials as are currently in short supply, in return for some materials in this aid program, on a future-delivery basis as distinguished from a current-production basis?

Secretary HARRIMAN. I think it would be too early to consider it in connection with the interim aid because of the element of time; but I believe you have to consider it in the long-range program exactly as you have described—not for immediate delivery, because the strategic materials do not exist, but in order that they may develop their resources to create surpluses over what the world needs, and not currently, and to throw off enough so that we may be able to build up those stock piles which are so essential not only to furnish our strategic needs, but also to protect our own economy and be sure we have enough. We should, of course, take those strategic materials, sterilize them, and save them for emergency purposes and not use them when there is a plentiful supply.

Mr. JACKSON. Your idea is that there should be a long-range development program for the greater utilization of the resources in the countries concerned or their possessions?

Secretary HARRIMAN. Yes. Bear in mind you could not put that pressure on them when they are trying to recover their own balance; but I do believe some arrangements should be made so that they can make this expansion at the proper time and for future delivery.

Mr. JACKSON. Would you agree that long-range contracts for delivery in the future, as made possible by such possible developments, would handicap their economic recovery today?

Secretary HARRIMAN. I think if we asked them to take their resources of steel and machinery, which are needed to increase their current production at home, then you would interfere with their recovery program. But it seems to me you could make agreements that, as they are able to do so, they should use their resources to undertake these developments and delivery at a future time. Whether it can be determined exactly in the form of a contract or agreement in principle is a question I cannot answer today, and it does require more study than I think either we or the countries involved are able to make in the immediate future, because much of this requires exploration. There are certain areas, I understand, where it is known there

are deposits; but, before they could make definite commitments, they would have to do some exploration.

Mr. JACKSON. One final question, touching on the questions asked by Mr. Javits relative to the interference by the United States with the free political decisions of the people of western Europe. Mr. Javits' questions touched largely on the socialistic state.

What would be the position of the United States in the program of economic aid should any one or more of the recipient nations come within the political or military orbit of the Soviet Union?

Secretary HARRIMAN. I would then lose interest in it as to that particular country and deal with them as we are dealing with the other countries. We must recognize, however, that certain of those countries would have liked to have come in and worked with us, but that permission was refused by the Kremlin. And I think we ought always to be ready to work with the countries of eastern Europe when they get themselves freed from the domination of the Kremlin and must always hold out a friendly hand, because that is the way we feel about it. We have a great feeling of friendship for the peoples of Poland, Hungary, and Rumania, who are very friendly to us and who have been forced into the iron vise against their will.

Mr. JACKSON. Would it be your thought that such economic aid as we might render should be continued under such circumstances?

Secretary HARRIMAN. I have expressed my personal opinion on that. I would lose interest in it.

Mr. MALONEY. Mr. Secretary, could you tell us generally what materials, if any, are being exported from the United States to Russia today?

Secretary HARRIMAN. I have some figures on that, if you want to go into detail. There is a control on the shipments to Russia of those commodities that are in our export licensing lists. There is no control over the shipments to Russia of those that are not.

Now, I want to state we have attempted to keep under control the most vital of the commodities and supplies and equipment that are in short supply in this country. Unfortunately—and I am not stating this as a complaint, but simply as a fact—we have not enough money to cover any further items and do a reasonable job. All Government controls are an inconvenience to business activity, and we have felt we must do a good job on those areas where we do control; otherwise, the delays will make business so difficult that it interferes with expansion opportunities. So at the present time wherever the Soviet Government, in those areas where we are not controlling it, can find supplies in this country and where they can afford to pay for them, those supplies are going forward.

Mr. MALONEY. Could we get a list of those articles, Mr. Secretary?

Secretary HARRIMAN. We can give you a list. It would take me more than 5 minutes to describe them, but I have the summaries here with me and would be glad to give them to you.

Mr. MALONEY. I think they should be handed up instead of giving them to me verbally.

Chairman EATON. Shall we put those in the record for the use of all?

Mr. MALONEY. Yes.

Secretary HARRIMAN. Perhaps I will assemble them and give them to your staff in a form that will be of interest to you.

Mr. MALONEY. Thank you.

Secretary HARRIMAN. You wish them for the Soviet Union?

Mr. MALONEY. I would like them in the record at this point.
(The information referred to is as follows:)

United States trade with U. S. S. R., by commodity groups and principal commodities, 1938 9-month average and January to September 1947

[Value in millions and tenths of millions of dollars]

Group and commodity	Quarterly, 1947			1938, 9-month average	1947, January to September
	January to March	April to June	July to September		
Exports, including reexports, total ¹	47.7	43.5	22.8	52.2	113.7
Lend-lease shipments	9.3	5.5	1.2		16.1
UNRRA shipments	15.7	15.5	.7		32.0
Private relief	1.0	.5	.2		1.9
Cash-purchase	21.7	22.0	20.7	52.2	63.7
Foodstuffs	2.8	.9	X	X	3.7
Canned meats ²	2.7	.5	X		3.1
Tobacco, unmanufactured	.4		.7		1.2
Textiles and textile manufactures	.5	.9	.5	X	1.9
Cordage, except of cotton or jute	X	.6	.5		1.1
Nonmetallic minerals	.7	1.3	1.9	4.4	3.8
Petroleum and products	.2	.9	1.7	2.3	2.8
Carbon or graphite products	.2	.1	.1	³ 1.4	.3
Metals and manufactures	6.9	6.0	2.1	9.2	15.0
Iron and steel-mill products	6.1	3.2	2.0	5.0	13.4
Iron and steel advanced manufactures	.3	.5	.1	.8	.9
Copper insulated wire and cable	.4	.1		(X)	.4
Machinery and vehicles	32.1	32.1	16.3	37.1	80.5
Electrical machinery and apparatus	5.9	5.1	3.3	2.6	14.3
Generators, accessories, and parts	1.3	1.1	.1	(X)	2.5
Transforming or converting apparatus	.6	.5	1.0	(X)	2.1
Transmission and distribution apparatus	.7	.7	.9	.2	2.4
Motors, starters, and controllers	1.7	1.2	.4	.4	3.3
Industrial machinery	23.6	24.7	11.0	30.1	59.3
Power-generating, and parts ⁴	1.8	2.9	.1	.7	4.8
Construction and conveying	2.0	2.1	2.1	.1	6.2
Mining, well, and pumping	5.5	3.7	1.6	.6	10.7
Metal-working	7.3	6.3	4.8	26.4	18.4
Tractors and parts	.9	1.2	.1	X	2.2
Motor trucks, busses, and chassis, new	.5	.5	.1	.1	1.1
Merchant vessels	.7		.6	.1	1.2
Freight cars, over 10-ton capacity		.2	1.1		1.2
Laundry soap	1.2				1.2
All other exports, including total reexports ⁵	3.1	2.3	1.3	1.5	6.4
General imports, total ⁶	11.3	21.2	26.6	17.6	59.0
Foodstuffs	X	.7	.2	1.0	.9
Sausage casings		.2	.2	.3	.4
Sturgeon roe	X	.5	X	.1	.5
Crab meat, sauce, and paste				.4	
Furs, undressed	4.8	⁷ 11.8	17.3	9.1	33.9
Persian lamb and caracul ⁸	3.2	.3	10.6	5.0	14.1
Furs, dressed and manufactured	X	.3	.3	.7	.7
Licorice root	X	X	X	.2	.2
Tobacco, cigarette leaf, unstemmed	2.0	1.1	1.2	.2	4.2
Textile fibers and manufactures	1.0	.7	1.2	1.2	2.9
Cotton linters	.2	.3	.8	.1	1.3
Cotton waste	.1	.1	.3	X	.5
Woven fabrics of flax, hemp, and ramie	X	X	X	.6	X
Wool, unmanufactured	.5	.2			.6
Sulfite wood pulp, unbleached		.3	X		.3
Coal, anthracite				.8	
Diamonds, cut but not set		.1	.4	X	.5
Metals and manufactures	3.3	5.9	5.5	2.7	14.6
Manganese ore	1.9	2.3	1.4	2.0	5.5
Chrome ore or chromite	.9	1.4	4.0		6.2
Platinum and platinum combinations	.5	2.1	.1	.7	2.9
All other imports	.2	.3	.4	1.7	.8

¹ This total and commodity detail includes lend-lease, relief and commercial shipments.

² Mainly, tushonka, sausage, and port.

³ Mainly electrodes for furnace or electrolytic work.

⁴ Mainly steam and Diesel locomotives.

⁵ Includes "private relief" shipments shown above.

⁶ Imports for consumption in 1938.

⁷ Mainly squirrel, marmot, and hare.

⁸ Includes some goat and kidskin furs in 1938.

X = Less than \$50,000.

Source: Special Programs Division, Areas Branch, Office of International Trade, Department of Commerce, November 1947.

TABLE I.—*Monthly shipments of lend-lease and relief supplies from the United States to U. S. S. R. in 1947*

[Millions and tenths of millions of dollars]

Month	Lend-lease ¹	Relief shipments		
		UNRRA ²	Private	Total
1947—January.....	4.7	5.9	.7	6.6
February.....	3.2	6.2	.2	6.4
March.....	1.4	3.6	.1	3.7
April.....	1.8	4.1	X	4.1
May.....	3.6	10.1	.4	10.5
June.....	.1	1.3	.1	1.4
July.....	1.2	.7	.1	.8
August.....		X	.1	.1
September.....	X	X	X	X
Total.....	16.1	32.0	1.9	33.8

¹ Title to these exports was transferred before Jan. 10, 1947, under loan agreement; shipments were delayed awaiting Russian transportation arrangements.

² Shipments after Mar. 31, 1947, the cut-off date for United States contributions, include supplies delivered to UNRRA previous to that date but awaiting shipment, and subsequent purchases made with funds available to UNRRA not subject to United States control.

X=Less than \$50,000.

TABLE II.—*United States exports to and imports from U. S. S. R., annual 1936–38, average and 1941–46 and January to September 1947*

[Millions of dollars]

Period	Exports, including reexports		General imports total
	Total	Cash-purchase ¹	
1936–38 (average).....	49	49	25
1941.....	108	107	30
1942.....	1,425	64	25
1943.....	2,995	10	30
1944.....	3,473	4	50
1945.....	1,838	5	54
1946—total.....	358	53	101
January to September.....	317	36	76
1947—January to September.....	114	64	59
January to March.....	48	22	11
April to June.....	44	22	21
July to September.....	23	21	26

¹ Represents total exports, excluding lend-lease and relief shipments.

Source: Special Programs Division, Areas Branch, Office of International Trade, Department of Commerce, November 1947.

Value of United States exports to U. S. S. R. in 1938 and 1947, and value in 1947 adjusted to 1936–38 dollars

Period	Value in millions of dollars	Unit ¹ value index, 1936–38=100	Value adjusted to 1936–38 dollars (millions)
1938, annual.....	70	101	69
1947—January to September.....	114	182	63
January to March.....	48	174	28
April to June.....	44	183	24
July to September.....	23	191	12

¹ Index of unit value of total United States exports of finished manufactures.

Source: Special Programs Division, Areas Branch, Office of International Trade, Department of Commerce, November 1947.

Mr. VORYS. Mr. Secretary, I find in this blue book report justifying this interim-aid program that the State Department estimates are based on the availability of 520,000,000 bushels of wheat from the United States. Your report mentions 500,000,000.

Secretary HARRIMAN. I think the public committee's report mentions 570,000,000 on that.

Mr. VORYS. Of wheat?

Secretary HARRIMAN. Of wheat.

Mr. VORYS. Just wheat?

Secretary HARRIMAN. Yes; that is wheat; that is right—just wheat.

Mr. VORYS. I thought you mentioned 500,000,000.

Secretary HARRIMAN. That is right; and the 70,000,000 is other coarse grains. You are quite right.

Mr. VORYS. As I understand, possibly both of those estimates are pretty optimistic estimates. What about that?

Secretary HARRIMAN. As I said, in October, the Cabinet committee indicated, unless special measures were taken, there would be only about 470,000,000 bushels. May I use both wheat and coarse grains together? That 470,000,000 bushels of wheat and coarse grains together would be available, and to get up to last year's shipments, which were 100,000,000 more, would require conservation in the United States.

I am not quite sure what the State Department used combining wheat and coarse grains, but we are working on the export figures that have been used, about halfway between the two. We must, in protection of our own situation here, ship currently what is safe to ship and reserve some for increase or decrease, depending on what the developments are in the spring. You see, the need for this grain goes right up into July, and the allocations are handled on a month-to-month basis, depending on developments. It is agreed by all who have studied it that even if we can ship 570,000,000 bushels of wheat and coarse grains, it still will not come up to the very minimum reasonable needs of Europe and other areas of the world that import grains.

Mr. VORYS. You mention wheat and coarse grains. The State Department justification is in wheat.

Secretary HARRIMAN. Yes.

Mr. VORYS. For instance, on page 44 of the blue book, it says the allocations of wheat from the United States during the last quarter of 1947 have been about 115,000 tons per month, whereas about 228,000 tons per month are needed in the period under consideration to avoid reduction in rations. They say later that if the wheat supply will not permit such an increase, that substitute foodstuffs should be included. But they state the thing in wheat, and I wonder what your estimate would be in wheat. You mentioned 470,000,000 bushels of wheat and coarse grains. How much of that is wheat?

Secretary HARRIMAN. I think that were about 400,000,000 bushels of wheat and 70,000,000 bushels of coarse grains.

Mr. VORYS. Let me get my point across. I am not a farmer or agricultural expert, and I have an awful time when I run into tables that figure tons and then bushels.

Secretary HARRIMAN. Me, too.

Mr. VORYS. And I am still not sure how you divide it, but it strikes me when you are talking about wheat at \$3 a bushel and then you

talk about coarse grains, it is somewhat confusing. What does that mean?

Secretary HARRIMAN. It is oats, barley, corn, and rye.

Mr. VORYS. To me—to throw them together is like saying we can afford to export 600,000,000 tons of wheat and apples. Both of them are foods; both of them have caloric value, but they are entirely different in quality and prices. Do you see my point?

Secretary HARRIMAN. Yes; in terms of prices and, at the same time, from the standpoint of the food committee they are, to some extent, interchangeable, because when there comes a shortage of wheat, as perhaps you saw when you got to France, they mix in the coarse grains and get a type of bread which has nutritive value but is not very palatable. So, from the standpoint of supplying the food needs, a substitution can be made of coarse grains when the more desirable wheat is not available.

May I make this statement in connection with the figures? We deal with the over-all shipments from the United States in connection with the availables. When it comes to shipments from specific countries, it is a fact we have shipped currently very substantial tonnages of grain, but in those particular countries—Italy and France, particularly in France—the needs were not as great just after the crop season as they would be later on in the year, and we have been shipping to areas where they build up stocks, like in Germany and Japan. Britain, also, is very careful in its control of its grain. Some of the other countries are not as careful; therefore, we try to build up stocks where we are sure they will be preserved until the need comes in the winter and spring months, and we must have variations between different countries even on a monthly basis, even though we may ship pretty much on a monthly basis from the United States.

Have I made myself plain?

Mr. VORYS. No; that is probably not your fault, it is my fault.

Secretary HARRIMAN. It is not your fault; it is a very complicated subject.

Mr. VORYS. We are thinking here about three countries and a plan is being discussed involving five hundred and ninety-odd million dollars. In the case of Italy it is proposed to jump the allocation, according to the text before me, from 115,000 tons a month to about 228,000 tons a month. I cannot see where we are going to get it. And if we cannot get it, then we do not need as much money.

I am deeply concerned about this matter of talking in large sums of money and talking about availabilities that are not available. We may be kidding ourselves or kidding the people over there, that they are going to get something which they are not going to get.

Now, one other thing. I understand that those who have been in Italy, and others, have received information that the Italian wheat crop is a whole lot better than their official figures show, possibly because of the fact that they cannot get the wheat out of the farmers, or for various reasons. If the Italian wheat crop looks better and ours look worse, then our interim aid program ought to face those realities. That is what I have in mind. It looks to me, knowing very little about it, as if that is the situation at present.

Secretary HARRIMAN. There are two questions. One is, how can we increase shipments to Italy? I attempted—and not very clearly—

to explain that although we were shipping out of this country on a monthly basis, which may be more or less level, and although we were able to get out somewhat more than the average in the summer months, the receipts by individual countries vary.

As I tried to explain, there are certain areas where we can build up stocks and where the practices of the country are such that we can make sure that they will not be dissipated and used too soon. We overship during those months, then, in order to make it possible to ship to the other countries in greater quantities later on in the season.

In the early months of a crop, naturally, where there is the indigenous supply, we want to have the maximum pressure used for the collection of that supply, and have it run just as long as it can. And it is for that reason that you get discrepancies in monthly average shipments.

When it comes to your second question about collections, I can only generalize on that subject. I believe that collections from the countries under consideration are not as great as, perhaps, they should be. There are all sorts of reasons for that, with which, I am sure, you are familiar. And all we can do is to use our pressures on the governments to use all legitimate means of forcing those collections. But you will not get full collections from farms until you have more incentive, more confidence in their currencies, and something which they can buy in exchange.

We will have to recognize that is possible only in the police state that can shoot the farmers who do not carry out the orders of the government. And we do know that the collections are not as perfect as we would like to have them and as they should be. But we are dealing with human beings and trying to preserve democracies, and we will have to do the best we can in terms of pressures on these governments and in terms of their using democratic methods to get the maximum collections that are feasible.

No doubt the farmers are living much better than the people in the cities. How you are going to equate that fairly, until you get a stable situation, is pretty hard to say. I think we have got to recognize, though, that we cannot expect the impossible when we are dealing with human beings under democratic processes.

Mr. VORYS. Yes; that is a very good point, that we cannot expect the impossible over there. But I am concerned that we are encouraging them to expect the impossible from us.

Secretary HARRIMAN. I think they do expect the impossible from us. I am sure that you found, as I have—and it may be very flattering, but it is not very realistic—that these people in Europe consider, because we did such an amazing job during the war, that we are a well that has no bottom to it, and all they have to do is to ask and we can wave our left hand and produce it.

I think there should be more education of the people of Europe on that. Of course, what they ask for and what we give are entirely different matters and previously I tried to explain the current mechanism which screens month by month and determines what the different countries need, what their relative needs are or what the relative needs of the areas are and what our capabilities are in this country.

That was one reason I explained why it was impossible to set today a definite program. But I did express the belief that within this sum

of money we could take care of these very minimum requirements. If we should have a better wheat crop than now seems to be indicated, it may well be that we can ship more in the second quarter than now appears to be possible. On the other hand, if the wheat crop is worse than is now estimated, it may well be impossible for us to do so and it may be wiser for us to keep a larger carry-over than is now calculated. That will come more in the second quarter than perhaps in the period under consideration here.

The State Department also mentions what I mentioned, the question of substitute foods. Those substitute foods are very valuable, in addition to their calory value, in terms of proteins or salts or chemicals, or what not. But they are more expensive in their caloric value, and therefore the drain on wheat becomes so great, because you can get more calories for your dollars from wheat than elsewhere. But we can perhaps supplement our wheat shipments with these other types of food which are more readily available.

Mr. VORYS. You mentioned the screening process. You have had vast experience in the administration of such programs. Have you given any thought to the way in which this interim-aid program should be administered?

Secretary HARRIMAN. May I ask that you eliminate the word "vast"? I have had experience, but I agree with the State Department, with Secretary Marshall's recommendation, and Mr. Lovett's, that the post-UNRRA relief organization be the agency to carry this out, and that the Congress consider more deliberately the permanent organization of the recovery program. From my information, which is only second-hand, because they had not gotten the organization started when I was in Europe in June, they are developing a good organization and it is being competently handled. That exists. And as this is an emergency measure it would seem better to use that organization than try to build a new one.

Mr. VORYS. I think that is all. I wanted to get your views some time on the permanent organization, but possibly you will be back with us when we come to consider that?

Secretary HARRIMAN. Yes. I want to say that the committee made a recommendation on administration and although I agree with part of it, I am not in full agreement with all of it. So I would be very glad to discuss with you my own views as well as theirs. I think that they have made a definite contribution, however, in certain principles that they have established.

Mr. VORYS. You have had the personal experience of being Lend-Lease Administrator and working in countries where somebody else was ambassador; and also of being an ambassador where others were running some such organization. At the proper time, your personal experience, if told to us, whether good or bad, would be very valuable; to me at least.

Secretary HARRIMAN. May I say two things in that respect? I am absolutely convinced that we should have only one representative of the United States in any one country, and that the relationships with the government should be under the control and direction of the ambassador. Otherwise there will be confusion and chaos of the first water.

On the other hand, in the operating questions, our experience during the war was, for instance, we had a small staff in England and we were

able to penetrate all of the major problems of the British economy; their food situation, agricultural situation, coal production, munitions production, and so forth. That is done as between specialists and the supply ministries of the Government. I know that I would be much confused about things that you do and know about, but I can assure you that it is not a difficult thing, if you get competent people, particularly if you have an organization that is established with dignity, with the proper kind of people attached to it, to bring in specialists for special studies, who can work for 3 or 4 months and you get their results as a basis.

I shall be very happy to discuss that in further detail with you. Those two principles, though, I think should be recognized. One, that the ambassador must over all be responsible for the relations with these individual countries. On the other hand, you need specialists away beyond the people whom we permanently keep abroad, in order to get the type of information that we must get to judge the requirements of the countries and to satisfy ourselves that our supplies are being properly used; to make, in a friendly way, suggestions to the ministries of other governments as to how they can better use their facilities in their programs. And they can operate on such a basis with those people so that our technical skills which are very great, both in industry and agriculture, can be made available to help those people. That can be done very quickly when you are dealing with supply problems on a cooperative basis. Mr. Bissell has had some experience with that and I am sure that he agrees.

Mr. VORYS. That is all.

Mr. JONKMAN. Mr. Secretary, on page 5 of your substantive statement, you say:

The interim aid program, in other words, has no new impact upon our domestic grain markets. To say that it has no new impact is, of course, in no way to deny that export purchases have already had a substantial impact on our domestic prices.

Did the administration agree with you on that statement?

Secretary HARRIMAN. Certainly the members of the Food Committee with which I am associated, Mr. Anderson and Secretary Marshall, and Mr. Lovett, who sits when Secretary Marshall is not there.

Mr. JONKMAN. I want to compliment you for being decidedly refreshing, because this is the first definite statement that I have read from the administration as to one of the causes of the high cost of living.

Secretary HARRIMAN. I do want to add, though, that there are other causes for the increased cost of living which have no relationship to our exports.

Mr. JONKMAN. There is no question about that, Mr. Secretary, but so far all I have heard from the administration is that our exports have had no effect on the high cost of living, or that they have had no serious effect. So I want to compliment you on a statement that it seems to me cannot be refuted.

Secretary HARRIMAN. I think, sir, it comes to an interpretation of exactly what is said and one has to make a complete analysis of where it has had an effect and where it has not had an effect. Certainly the exports have been a contributing factor to the over-all inflationary pressures.

Mr. JONKMAN. Yes, and not only that—

Secretary HARRIMAN. But we would have had them anyway, I think, in many areas, including the food situation.

Mr. JONKMAN. As you say, they have had a substantial impact on our domestic prices.

Secretary HARRIMAN. You see, there just is not enough. We are exporting practically no meat, but there is a greater demand, with 60,000,000 people employed, receiving greater wages, with more people able or with the capacity to buy the more desirable foods. We are getting to a point in the country where we are on a better diet. I am not saying that it is not desirable at all, but we have not developed, with the world shortages which exist, a production which can satisfy the natural desires of people when they get better incomes to feed themselves and their children better than they ever had in the past.

We are living on a higher standard of food today than we did before the war or at any time in our history; which is splendid. But production has not kept pace with demand. It is a new situation in agriculture. We should recognize that although we are the country in which there is a better diet for more people than any place in the world, away above any place in the world, we still have not attained the objective which should be that all of our people have the benefits of the best types of food.

I do not think we can get to it quickly. We have got to show restraint. And I think it is fair to ask that there be a fair distribution, as is now being done through voluntary restraint on those who are able to buy the choicer foods. I think that is something the American people will understand when they come to have it fully explained.

So that all of these pressures are added together to produce the situation.

Mr. JONKMAN. Nevertheless, Mr. Secretary, it would be very misleading to say that our exports have had no serious impact on our domestic prices?

Secretary HARRIMAN. That would not be a correct statement.

Mr. JONKMAN. Let us take the next subject that you discuss on that page—coal. I think we exported last year about 54,000,000 tons of coal, did we not?

Secretary HARRIMAN. Our total exports for 1947 are estimated to be 66.8 million tons, of which 23.7 go to Canada. Canada is interdependent with us. It is not under export controls. Shipments exclusive of Canada would be about 43,000,000 tons.

This public committee finding is—in which I agree—that we have ample coal reserves; I think they said for 2,000 years. And we have ample production. Our mining facilities can produce all that is needed at home and for abroad, but unfortunately at the present time there is the bottleneck of rail transportation, which is principally open-top cars. We are in a tight situation as to that. To get the coal distributed in an orderly way to all the people who need it in the country, and to maintain a reduced export program, which I have indicated, we must have a better distribution of cars and measures are being constantly taken by the ODT toward that end. I think some progress has been made. So that it is not the coal production; it is the transportation. And we should encourage the increase and the more rapid construction of open-top cars.

Mr. JONKMAN. As I understand, our consumption is about 520,000,000 tons of coal a year.

Secretary HARRIMAN. It is something in that neighborhood. I have not got the figures at the present time before me.

Mr. JONKMAN. Assuming that we are shipping abroad in the neighborhood of 50,000,000 tons, that would be approximately 10 percent of our consumption?

Secretary HARRIMAN. That is approximately correct.

Mr. JONKMAN. It is generally estimated that to ship that coal to ports takes about four times the number of freight cars that it would take to ship the coal inland for our consumption—is not that right?

Secretary HARRIMAN. I cannot answer that question. In some areas it is less and in other areas you can get a quicker turn-around.

Mr. JONKMAN. Do you think that would be a fair average?

Secretary HARRIMAN. I have not got the figures before me. I can get those, if you wish.

Mr. JONKMAN. I have read those figures, which are from fairly authoritative sources. In other words, it would come to about one-third of the number of cars that we need for that purpose, would you say?

Secretary HARRIMAN. I would be surprised if it were as much as that, but I will get those figures for you, sir.

Mr. JONKMAN. I should be glad to have them. That is all.

Secretary HARRIMAN. May I say with reference to coal that it is the immediate situation. We have to go through this winter. In the long run we will not have any trouble taking care of the coal requirements for the recovery program.

And let me just say this: Our main effort should be to get the European countries to increase their coal production and not be dependent on us for coal, which would be extremely uneconomic, freight rates abroad being so high.

Mr. CHIPERFIELD. Mr. Secretary, I come from Illinois, where we have coal production, and I find that dealers right in that area are short of coal. What are you doing about this car shortage?

Secretary HARRIMAN. You understand that the ODT is a separate agency. That is the Office of Defense Transportation. They are working on a better distribution of the car supply, analyzing the stocks that some of the public utilities and industry have and diverting them to domestic use.

Dr. JUDD. Mr. Secretary, you said that the world demand for petroleum and petroleum products is greater than the world supply. Are efforts being made in other parts of the world to increase the supply comparable to the efforts that we are making in this country? Or are we still carrying the bulk of the burden?

Secretary HARRIMAN. The American companies that have concessions in Saudi Arabia are going ahead and developing their programs for expansion of production there and the pipe line to get it to the Mediterranean.

We have approved, after consultation with the other departments of the Government, the export of the shipment of steel that is needed. That will be an important contribution.

In the European recovery plan there is provided as one of the means of recovery the expansion of the petroleum production in the areas

under the control of the European countries. There are some projects that are going forward. Both the French and the British have under construction, even with their shortages of steel now, pipe lines coming from Iraq to the Mediterranean. So that there are developments going on. But it will be speeded up if the recovery program is approved.

Dr. JUDD. Have the East Indian fields been brought back into anything approaching normal production?

Secretary HARRIMAN. My knowledge there is limited, but I have been told that some of the areas are now producing again. But the political situation there is very unstable and it has resulted in less shipments from that area than would have been the case if there were greater political stability.

Dr. JUDD. Do you happen to know offhand approximately how much of the world supply is being produced right here in the United States, out of our own resources?

Secretary HARRIMAN. As I understand the figures, giving them very roughly, of the known reserves in the world we have about one-third. We are draining our reserves in this country. I think we are supplying about two-thirds of the production of petroleum that is being produced.

Incidentally, I suppose we know more about our reserves here, but we do not know all about them, of course; and we will continue to find more. But we probably know more about them than the world as a whole. We are draining our resources very fast and it is of great interest to us to encourage the American companies abroad, who have gone abroad to increase production abroad and to encourage the foreigners who have similar fields which they can develop. That opinion is shared by our Navy, through Mr. Forrestal and the State Department.

Dr. JUDD. I should think it would be, because we cannot continue indefinitely the present course that you have just outlined. That certainly is a dead-end street.

Secretary HARRIMAN. It would be reckless if we do not follow the policy indicated.

Dr. JUDD. When we were in Sweden and talked to members of the Swedish Cabinet, they outlined a plan, similar to our Marshall plan, that they had carried out shortly after the end of the war. They had anticipated greater political stability than developed and they launched into a program of helping various European nations, which involved a larger percentage of their actual resources and wealth I believe than is contemplated under our European recovery plan. They told us frankly that they had gotten themselves in too deep.

Are you familiar with that program and would you like to make any comment on it? Because I think we ought to learn as much as we can from their experiment with a prototype of what we are here considering.

Secretary HARRIMAN. I am afraid that you are so much better informed than I am, since you have been there, and that I could not contribute to your knowledge of it. I am generally informed of the fact that they went ahead a bit too fast in terms of giving credits without getting a return for it immediately. Of course, Swedish resources are limited.

I do not think I can contribute to your knowledge of that. You probably know more about it than I do.

Dr. JUDD. I just wondered if your committee had considered that in estimating our capacities to meet the possible demands?

Secretary HARRIMAN. No; they did not consider the Swedish situation. On the other hand, they studied it in perhaps the way Sweden should have studied it more in detail so as to limit the aid.

Dr. JUDD. Is not Sweden, in a sense, being compelled to come to us to help bail her out of the plan of her own, in which she got too deeply involved?

Secretary HARRIMAN. I think there is a basic principle which was back of Secretary Marshall's proposal at Harvard and was the basis of the Paris report, that many countries are in a position to help if they can meet some of the requirements that they need, in order to balance off the program. And if the Swedish situation had been tied into a whole recovery program, they might not have gotten into the difficulties which they did get into.

Dr. JUDD. I do not mean to be critical of Sweden asking for help. I think they are to be commended for their energy and the good motives which prompted them to make their effort. I just do not want us to make the mistake they made and thereby endanger not only ourselves but the success of those whom we are trying to assist.

Secretary HARRIMAN. This must be done on a multilateral basis or else it will not work. Canada has made very generous contributions to the British situation and has found that it is more of a drain than she can stand. So I agree with you fully that we must keep this within our capabilities because, above all else, we must maintain a strong situation at home.

Dr. JUDD. That is right; thank you.

Mrs. DOUGLAS. I should not want silence on my part to indicate that I do not want to add my praises on the splendid report that you have made available to us.

I just want to add—and I am not going to press you at this time, because I do not think it is proper until the President makes his report—but I just want to add to the thought that has been thrown out here that truly the export of large supplies of grain has added to the increase in prices in this country. Nevertheless that is not the fundamental reason for price rises. It is true, is it not, that we have exported an infinitesimal amount of meat and dairy products?

Secretary HARRIMAN. That is correct.

Mrs. DOUGLAS. And if there had not been the tremendous demand for meat and dairy products in this country, which has exceeded any demand in the past, you then would not have had the grain fed to the cattle that caused the wheat to go up?

Secretary HARRIMAN. That is correct; and the short corn crops had a pressure on the wheat situation.

Mr. DOUGLAS. That added to it.

Secretary HARRIMAN. That added to it.

Mrs. DOUGLAS. But that pressure was there before the short corn crop.

Secretary HARRIMAN. We must recognize, as I am sure you do, it is estimated that it takes 7 to 10 times as much grain to produce the calories that are processed through animals as when the human being

eats the wheat directly. Therefore it is a very expensive use of grain to feed it to animals, even though there are very desirable proteins in animal products not contained in grain. When you tremendously increase the use of animal products that throws a great burden on the grain supply.

Mrs. DOUGLAS. And as one of the reports says, Government financed aid has been and is likely to be not in excess of 2 or 3 percent of the total demand.

Secretary HARRIMAN. From what table are you reading?

Mrs. DOUGLAS. I am not reading from yours. I am reading from the report made to the President by the Council of Economic Advisers. The argument is made by some—and I think that is what one of the members of the committee was getting at—that Government-financed aid to foreign countries in relief program has forced prices up. Well, Government-financed aid has at no time been more than 2 or 3 percent of the total demand.

Secretary HARRIMAN. Something in that neighborhood. I just wanted to be absolutely frank and clear with this committee, that basically our rising prices is a domestic problem, but of course anything you add in the way of a demand, when you have an inflationary pressure, adds to the difficulty.

I think the people of this country should understand and recognize that in assisting the recovery of Europe there will be considerable inconvenience and that they will have to give up something in order to accomplish this tremendously important result.

Mrs. DOUGLAS. Exactly. I quote from the report to the President by the Council of Economic Advisers:

This study has indicated that inflationary pressures to date have been caused by domestic demand factors.

We do not want to leave the impression that if we cut out all aid to Europe all of our problems will be solved because they will not be solved.

Secretary HARRIMAN. They would not be solved, and I would hate to think what would happen to us in a few years from now. We would have problems much greater than today, problems that would not even be comparable.

Mr. FULTON. The point was brought out that it is intended that we will increase the grain shipments. For example, this particular interim-aid program will shoot at a target of doubling Italy's grain shipments, so if their shipments are about 150,000 bushels a month now it is expected that that will be increased to 228,000 a month. That will be done in view of what the Agriculture Department says about our winter wheat crop; that it is going to be 50 percent of what we expected. Then this morning they said the corn crop is down. What measures would you use to increase the grain allotment to Italy and to these other countries?

Secretary HARRIMAN. I tried to explain. It is a very complicated thing, and I am not sure that I am doing it very well.

The whole program of exports from this country and other grain-producing areas is considered as a whole. The need of each country is considered individually.

In a country like Italy, during the early months of the crop year, they have available indigenous production which they can use. There-

fore, the shipments to Italy have been kept down and overshipments have been made to other areas.

This increase that is referred to in the blue book is within the present calculations of our export program, but as I explained, there would have to be adjustments from month to month depending on the developments, in order to be sure we could protect our own situation.

The amount of disappearance in the use of animals and in domestic use will affect, of course, the availability of grain. In addition, as we know more and more about the winter wheat crop on which we are so dependent, we will be in a better position to judge how much of a carry-over we must have.

I just want to say that these shipments to these three countries involved here are already taken into the calculations of what we expect to be able to do, even considering the factors that you have mentioned.

Mr. FULTON. And that is, the voluntary saving program and in spite of the fact these shipments are going to have to go regularly every month, even before the wheat crop comes in?

Secretary HARRIMAN. You see, we already have substantial purchases. That is mentioned in this report. There is something already on that program acquired from the Commodity Credit Corporation or the foreign buyers who were given licenses to export, something in the nature of 360,000 or 370,000 bushels of grain. The grain is already in hand for several months ahead.

Mr. FULTON. Another question with regard to governmental departments: It was brought out here that there have been shipments to Russia since January of various items. Now, it was made to appear in the New York Times of yesterday or today that there was some disagreement on policy between the State Department and the Commerce Department on the shipments to Russia. The inference was the State Department had thought the shipments to Russia were being stopped, but as a matter of fact, evidently on lend-lease, they were being filled by the Commerce Department.

Actually, was not the policy set at a higher level in your Department on that, so that you were not making the policy, but merely following a policy out?

Secretary HARRIMAN. May I clarify one aspect of it? The Department of Commerce has nothing to do with the liquidation of lend-lease and the carrying out of commitments that were made, so whatever decisions were made in connection with the continuation of lend-lease, were made by the State Department; not by the Department of Commerce. The Department of Commerce's responsibility is in connection with the export controls, and I think I answered that previously, that we were only controlling a limited number of commodities and in other areas the Russians, like any other foreign buyers, are free to come here and make their arrangements with the American producers. I am going to supply your committee with the figures of what has gone forward.

Mr. FULTON. So, the thing that I am clearing up there for the public is that actually the policy was not set in your Department regarding the shipments to Russia; that you were simply carrying out directives and policy, and on lend-lease it was actually the State Department that set the policy.

Secretary HARRIMAN. Lend-lease is entirely State Department Congress has given the Department of Commerce all responsibility for export control. We do not exercise that responsibility, however, without full consultation with all departments of Government that are involved in each category, and the decisions are reached after full consultation. It is entirely incorrect to indicate there are differences of opinion between the members of the Cabinet.

I do not know what this article in the New York Times spoke of, but on all of these questions there is interdepartmental consideration and each department man at the staff level might have a different point of view.

Mr. FULTON. If a correction of policy is to be made, that would not be done at the department level or the Cabinet level. Congress would pass a bill.

Secretary HARRIMAN. Yes.

Mr. FULTON. Then there is another question on this limitation of 94 percent of the purchases having to be made in this country under Public Law 84, the old relief bill. At the time that was put in I was violently opposed to it but got little consideration when it came up. I felt that it was inflationary. Do you oppose any such restrictions so that the purchases would have to be made in this country in the new interim-aid bill?

Secretary HARRIMAN. I would urge that you give the maximum flexibility, or complete flexibility, to the administration, because our best interests are served wherever purchases can be made abroad of items that are in tight supply, and as the situation changes from time to time I believe the interests of the country are best protected if you give the administration the maximum flexibility and then hold them accountable for it. Wherever we can buy abroad we protect our own situation.

Mr. FULTON. Then you would recommend against specific similar provisions of limitations in this legislation?

Secretary HARRIMAN. I would strongly recommend there be no limitation at all and that you have confidence that the best interests of the country will be served by the administration.

Mr. FULTON. You spoke of the cooperation of other governments than the particular 16 governments concerned in the European-aid program. Did your committee go at all into an investigation of what countries might aid in addition to Canada and Sweden? Did you check the Argentine or Spain to find out if they would cooperate?

Secretary HARRIMAN. The committee was not in a position to do so. They had to work very fast and in a very few weeks and were not in a position to finally determine what each country should do. They laid down the principle that we should make every effort to get the fullest cooperation possible from all of the countries that could be of assistance to the extent that they are able to do something, but that we should not hesitate to buy from abroad in order to supply these programs.

Canada has been very generous. The Argentine has been exploiting the world situation by selling wheat at these enormous prices. We do not feel Argentina has stimulated her domestic production of grain sufficiently because she is only paying her farmers a fraction of the price she is selling it for in export. It is believed that the

Argentine should make a greater contribution. She is being urged to join in the Emergency Council, and has been continually.

There are other countries that can make some contribution but are not in a position to go beyond that. You spoke of Sweden. Sweden overreached herself. It does not do any good to do beyond what they are capable of doing. Many of the countries that are producing cannot make advances or grants because they need the foreign exchange to buy the necessities of life to keep their economies going.

That committee indicated there was a balance between the two and we should face the fact that we will have to finance a substantial part of the shipments that would be required from other countries.

Mr. FULTON. So your committee does recommend a multilateral approach instead of a unilateral approach to this problem?

Secretary HARRIMAN. Very much so.

Mr. FULTON. And that we cooperate with the other countries of the world, those willing to go along on the program?

Secretary HARRIMAN. Yes; and we go further than that. We ask for the cooperation of all the other countries.

Mr. FULTON. Thank you very much.

Mr. JAVITS. Mr. Secretary, will the buying power which is created by this bill, the interim-aid bill, be utilized in purchasing in the markets of the world so as to knock down prices like the Argentine \$4 to \$5 wheat price?

Secretary HARRIMAN. Well, I hope the program will stimulate the production of short items so we can possibly bring that about. The Argentine is a special situation. She has been uncooperative and requires special attention and consideration. The Argentine, as you know, is being more cooperative now than ever before on a general basis, and it is to be hoped she will adopt our cooperative attitude in the future. I cannot see how it will be used to knock the prices down. I think the answer is to get the cooperation of the Argentine and make her realize this is a period when in her best interest she had better cooperate, and in the long run she will get the benefits of that cooperation and that she should not profiteer in the present circumstances.

Mr. JAVITS. It is a fact, is it not, that countries like the Argentine have profited from the competition among the European nations themselves for a limited supply of wheat?

Secretary HARRIMAN. That is true.

Mr. JAVITS. Therefore, if we purchase with our money anywhere in the markets of the world so that there is only one buyer, we can have much more control over the price than if there are a number of nations competing among themselves?

Secretary HARRIMAN. I think that we can use our purchasing power to go to work in the direction that you have indicated, but I think that it requires more than purchasing power—it requires diplomatic discussions to get the cooperation of the nations involved.

Mr. JAVITS. On that issue of cooperation, it is true, is it not that under Public Law 84, the \$350,000,000 bill, we failed to develop any set technique by which we could tie in the nations of the world capable of aiding. It depended pretty much on their bounty or previous political connections as in the case of various countries in the British Commonwealth.

Is your committee prepared to suggest any technique; whether by calling an international conference, or by setting up some new organization, by which the other nations of the world will be practically tied into the effort?

Secretary HARRIMAN. Mr. Congressman, there has been in existence during the war, and operating since the war, this international emergency food organization. All of the producing countries of the world, I believe, except the Argentine, are involved in that organization, and they have been cooperating along the lines you indicate in terms of studying the world food supply, the world food requirements, and allocating the available supplies to the different countries.

The Argentine, I believe, is the only important producing country which has not been working with that organization for the past number of years; therefore, the problem is to get the Argentine to come into that organization on the same basis that other nations are working.

Mr. JAVITS. That relates only to food. Is it not a fact that one of the major elements in the European countries would be the import of such things as cotton, a raw material, and there should be some form of coordination?

Secretary HARRIMAN. It has dealt with all forms of food, fats, sugar, and so forth. I do not believe that cotton has been involved in that. I believe that a general European recovery program would lead to more cooperation in areas that are not now covered.

Mr. JAVITS. It is fair to say, therefore, that the European recovery program is incomplete insofar as it deals with the coordination of the activities of potential supplying nations like the United States, the Argentine, Canada, Australia, New Zealand, and so on?

Secretary HARRIMAN. Well, I am not sure one can deal with these commodities within the limited area of consumption of these 16 countries of Europe. I think that you have to deal with them on a world basis, and the success of this international emergency food organization would clearly indicate that wherever there is a short supply similar international organizations should be set up.

As a matter of fact, I believe I am correct in saying that when the ITL set-up operates, that does provide for machinery to deal with cooperative questions along the lines that you indicate. That organization, of course, is not functioning yet, but when it does it would be the proper agency to consider the world production problems.

Mr. JAVITS. Then I take it you will agree with me that no part of the European recovery program deals with the problem of coordinating the activities of the potential supplying nations so far?

Secretary HARRIMAN. Only insofar as it is accomplished by the cooperation of the 16 nations and the United States. It does not provide, as it now stands, for the problem that you speak of. I heartily agree with you there should be greater cooperation in terms of analysis of production and analysis of needs, and that the more we can expand that on an international basis the more we protect our own prosperity and assist in the world recovery.

Mr. JAVITS. Now, it is a fact, is it not, that to these very nations which are potential supplying nations like Argentina and Sweden, you control export licenses from the United States?

Secretary HARRIMAN. That is true.

Mr. JAVITS. Sweden, for example, is furnished machinery in connection with exports from the United States which she may in turn use, either for supplying materials to the 16 nations, or supplying materials to the Soviet Union and other countries; is that not true?

Secretary HARRIMAN. I am not familiar with what Sweden gets from us, but, generally speaking, whatever we ship to other countries makes it possible for them to increase their exports presumably to other countries.

Mr. JAVITS. Would you say, therefore, that at least a potential exists in those export licenses by which we can endeavor to bring about some greater coordination between the potentials from buying nations than now exists?

Secretary HARRIMAN. Export licenses could be used to invoke economic sanctions. It is far better to attempt to get cooperation by friendly discussion than to hold a pistol at the heads of people, but one could use export control to invoke economic sanctions.

Mr. JAVITS. May I say, Mr. Secretary, I thoroughly agree with you, we certainly should not hold pistols at people's heads; that it does not produce results.

Secretary HARRIMAN. I did not infer from your question that you did. I was sure that you agreed with that.

Mr. JAVITS. But it is important in a hearing like this to explore our arsenal to see what we have and what we can do, and we can certainly agree, can we not, that an effort and a considerable amount of thought are needed for tying in the effort of the other potential supplying nations so that the maximum supply effort is expended, not alone by us but by everybody else?

Secretary HARRIMAN. I could not agree with you more.

Mr. JAVITS. Thank you very much.

Mr. LODGE. Mr. Secretary, along the line of the questions that Mr. Javits asked, do you think the time has come to use the economic pistol, so to speak, in connection with Russia and her satellites with regard to export control licenses?

Secretary HARRIMAN. I hope that the Congress will extend the authority for export controls beyond February 28. I do not believe that you can work out any kind of a program for world recovery and protect our own domestic economy unless that is done.

I would be delighted if you would put it in some other agency, because it is filled with headaches, but so long as it is in the Department of Commerce we will do the best we can with it. We do need more money to cover a wider area, and when we are able to cover a wider area we can do more of the things that have been in your mind.

I do feel that there are other commodities, equipment and otherwise that are going out of the country that should be put under export control so that we can correctly direct them to the countries that we believe require them for world recovery. I hope that that answers your question.

Mr. LODGE. It does to some extent. What I was really anxious to know was, Do you believe the time has now arrived for us to make use of economic sanctions against Soviet Russia and her satellites?

Secretary HARRIMAN. I do not want to use that word. I do believe that we should, in order to conserve our abilities to carry out the recovery program, send equipment to those countries that we believe need

this equipment, because otherwise we will not be able to carry out the recovery program.

Mr. LODGE. In other words, you do not believe that we should use economic sanctions. Russia through her representatives and satellites has made violent attacks upon us; has made attacks upon everything that we stand for, but you do not believe that the time has come for us to retaliate?

Secretary HARRIMAN. One only deals with economic sanctions in extreme situations. I believe that we should conserve our resources and our available equipment to go into those countries which we believe need the equipment, and when our cooperation will result in recovery. I do not believe that we should develop it on the basis of sanctions because I am still hopeful that we can develop healthy trade between these countries that you speak of which will be useful to the world recovery and useful to the peoples of these countries. It is quite difficult. It is quite different to trade than it is to make loans or grants. I am speaking only about trade. If they have a surplus of food and want to use that to buy something from western Europe, or if they have some raw materials that we need, I do not think it is proper to attempt to shut off trade.

Mr. LODGE. In other words, Mr. Secretary, you are satisfied that the use which Russia and her satellites will make of machinery, equipment, and other items purchased from the United States will be in the best interests of the United States?

Secretary HARRIMAN. I believe that we should not ship our materials which are a direct contribution to military strength.

Mr. LODGE. But surely, in the totalitarian state almost anything contributes to the power of that state. It does not necessarily have to be guns and bullets, does it?

Secretary HARRIMAN. Well, when you get into a war everything contributes, it is true. The stronger economically a country is the stronger they are to wage war. I do not believe there is any intention to make war at the present time. I am still hopeful that if we can get recovery on the free countries of the world; if we can get the grass to grow a little greener in those countries, where they have free governments and where the dignity of the individual is the basic concept, that success will roll back behind the iron curtain and will be invisible to us. Therefore, I am hopeful that if we embark on this program of recovery we will succeed and there will be pressures which will force a change in policy. Therefore, trade is an important thing in connection with that. I would not shut it off entirely. I would simply say that we need to help in the recovery of the free countries of the world and I would shut off, of course, those things that are directly connected with military establishments.

Mr. LODGE. In other words, Mr. Secretary, that would not seem to you to be in any way inconsistent or constituting help to the countries which have declared war on the Marshall plan?

Secretary HARRIMAN. There is mutual help in trade, Congressman Lodge, of which we have been talking about, and it would be very desirable to get the maximum shipments of food from these areas of eastern Europe which have always been the breadbasket of Europe.

Mr. LODGE. Are we getting some food from them now?

Secretary HARRIMAN. There are some shipments of food being made. I understand that the Soviet Union has something in the neighbor-

hood of 2,000,000 tons of surplus grain, the sale of which they have been, at one time or another, attempting to negotiate with the French and the British. So far there have been very limited shipments. But it would be of value in the recovery program to have those shipments from Russia being made, and the effect would be to get in return the goods that they need in their economy. And I believe that is helpful for the recovery of the world and will add to the pressures I have indicated, even though they will be getting some of these food shipments.

Mr. LODGE. In other words, you would believe, Mr. Secretary, that we might get a satisfactory quid pro quo from Russia and her satellites in connection with the materials which we are sending?

Secretary HARRIMAN. No, I am not sure of that; and I think, as I said, in connection with the recovery program of Europe, we should direct any further expansion and control to see that it goes direct to the countries which we want to help in the emergency that is now being faced.

But I would not go so far as to shut off trade; we would not want to build an iron curtain and have the effects of an iron curtain, as the result of the natural pressures from these countries, in order to penalize as between the success of the program and the life that comes out of a free country.

Mr. LODGE. You say that the pressure would be just only to the extent that we receive something in return.

Secretary HARRIMAN. That is correct, in that, of course, we are receiving something in return.

The Soviet mission that buys in this country was paying for the supplies and machinery they are buying in this country; they are being paid for, and there are no loans being made to the Soviet Union to buy credits—

Mr. LODGE. There are no loans being made now?

Secretary HARRIMAN. No; except in connection with the tail end of the lend-lease pipe line, I think that they are all complete—they are just about completed.

Mr. LODGE. May I ask, Mr. Secretary, a question in connection with the list which you said you were going to furnish, covering articles which we are shipping to Russia, if you can also provide us with a list of those articles which are going via other satellite countries?

Secretary HARRIMAN. We have no information as to what is going through other countries. We do have information as to the shipments to what you term "satellite countries," countries of eastern Europe, and we will give you that information as well as the other.

Mr. LODGE. It just occurred to me that Russia might be getting a great deal more indirectly than directly.

Secretary HARRIMAN. I would be surprised, although I cannot be sure, but I would be surprised if much went directly through these other countries, because of the limitation on what they can buy here and pay for; it would be much simpler for them to direct it to the Soviet Union rather than via some other country.

Mr. LODGE. I happen to know of one particular proposed shipment of some 400 jeeps to Bulgaria, and I thought that you might have that information.

United States exports to eastern Europe

[Thousands of dollars]

Country	Total	UNRRA	Lend-lease	Private relief	Cash purchase
1946:					
Czechoslovakia	106,697	85,923		4,641	16,133
Hungary	6,382	2,281		2,758	1,343
Finland	31,216	431		3,616	27,169
Estonia	2				2
Latvia	1			(1)	1
Lithuania	3			2	1
Poland and Danzig	183,126	166,254	100	15,657	1,115
Yugoslavia	126,614	121,691		4,028	895
Albania	4,324	4,246		57	21
Rumania	2,028	8		1,697	323
Bulgaria	1,981			226	1,755
U. S. S. R.	357,921	141,744	152,124	10,674	53,379
Total exports to all countries	9,739,484	1,013,908	652,901	108,307	7,964,366
January-August 1947:					
Czechoslovakia	41,374	14,407		1,744	25,223
Hungary	9,405	256		5,156	3,993
Finland	39,505	157		1,055	38,293
Estonia	7				7
Latvia					
Lithuania	(1)				(1)
Poland and Danzig	77,874	42,853		5,704	29,317
Yugoslavia	29,047	23,841		1,234	3,972
Albania	4,322	4,110		8	204
Rumania	13,365			2,985	10,380
Bulgaria	846			234	612
U. S. S. R.	111,014	31,960	16,036	1,843	61,175
Total exports to all countries	9,850,065	383,397	20,941	70,796	9,374,931

¹ Less than \$500.

Source: Special Programs Division, Areas Branch, Office of International Trade, Department of Commerce, November 1947.

United States exports to eastern European countries, by commodity group: July 1945–March 1947

[Value in thousands of dollars]

Commodity group	Eastern Europe, excluding U. S. S. R.										U. S. S. R.
	Czecho- slovakia	Hungary	Finland	Estonia, Latvia, and Lith- uania	Poland and Danzig	Yugoslavia	Albania	Rumania	Bulgaria	Total	
Total United States merchandise:											
July-December 1945	39,497	116	891	18	67,013	78,684	6,911	2	375	193,507	432,771
January-December 1946	104,418	6,364	31,174	6	170,336	124,287	4,084	2,024	1,932	444,625	351,941
January-March 1947	17,296	2,442	12,277	5	24,382	11,157	1,449	1,517	310	70,835	47,391
Total	161,211	8,922	44,342	29	261,731	214,128	12,444	3,543	2,617	708,967	832,103
Agricultural exports: ¹											
July-December 1945	28,116		218	1	36,373	58,265	3,671	1		126,645	73,317
January-December 1946	78,619	2,014	14,391	2	114,355	82,124	1,724	10		293,239	113,374
January-March 1947	8,779	725	7,841		14,481	2,052	536	381	4	34,799	3,303
Total	115,514	2,739	22,450	3	165,209	142,441	5,931	392	4	454,683	189,994
Nonagricultural exports, total:											
July-December 1945	11,381	116	673	17	30,640	20,419	3,240	1	375	66,862	359,454
January-December 1946	25,799	4,350	16,783	4	55,981	42,163	2,360	2,014	1,932	151,386	238,567
January-March 1947	8,517	1,717	4,436	5	9,901	9,105	913	1,136	306	36,036	44,088
Total	45,697	6,183	21,892	26	96,522	71,687	6,513	3,151	2,613	254,284	642,109
Total items shown:											
July-December 1945	10,786	115	670	6	29,292	19,901	3,213	1	375	64,359	286,834
January-December 1946	16,732	3,004	13,158	4	40,625	37,713	2,186	1,886	1,829	117,137	222,070
January-March 1947	6,522	1,646	4,093	5	9,550	8,566	890	1,113	304	32,689	43,204
Total	34,040	4,765	17,921	15	79,467	66,180	6,289	3,000	2,508	214,185	552,108
Other nonagricultural:											
July-December 1945	595	1	3	11	1,348	518	27			2,503	72,620
January-December 1946	9,067	1,346	3,625		15,356	4,450	174	128	103	34,249	16,497
January-March 1947	1,995	71	343		351	539	23	23	2	3,347	884
Total	11,657	1,418	3,971	11	17,055	5,507	224	151	105	40,099	90,001

¹ Detail not shown.

United States exports to eastern European countries, by commodity group: July 1945-March 1947—Continued

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EMERGENCY FOREIGN AID

Commodity group	Eastern Europe, excluding U. S. S. R.										U. S. S. R.
	Czecho- slovakia	Hungary	Finland	Estonia, Latvia, and Lith- uania	Poland and Danzig	Yugoslavia	Albania	Rumania	Bulgaria	Total	
Fish and fish products:											
July-December 1945	1,775				721	1,576	10			4,082	(²)
January-December 1946	1,455	(²)			806	910	(²)			3,171	862
January-March 1947	30						(²)			30	30
Total	3,260	(²)			1,527	2,486	10			7,283	892
Leather:											
July-December 1945	187				139	257	10			593	2,703
January-December 1946	47				1,001	1,124	61			2,233	1,181
January-March 1947	28		1			251				280	
Total	262		1		1,140	1,632	71			3,106	3,884
Leather manufactures:											
July-December 1945	165				1,370	367	454			2,356	3,547
January-December 1946	345	2	90		1,383	3,388	36		669	5,913	5,154
January-March 1947	98	44	(²)		428	58	4	(²)	(²)	632	80
Total	608	46	90		3,181	3,813	494	(²)	669	8,901	8,781
Rubber and manufactures:											
July-December 1945	727		164		1,539	1,467	498			4,395	6,886
January-December 1946	1,909	52	1,185	1	2,803	2,216	176	9	4	8,355	4,671
January-March 1947	1,093	5	267		607	395	82	1		2,450	198
Total	3,729	57	1,616	1	4,949	4,078	756	10	4	15,200	11,755
Cotton manufactures, including semi.:											
July-December 1945	694		(²)		2,462	1,330	575			5,061	7,333
January-December 1946	1,168	15	222		2,999	2,387	196	5	15	7,007	1,860
January-March 1947	110	4	85		249	243	9		2	702	137
Total	1,972	19	307		5,710	3,960	780	5	17	12,770	9,330
Wool manufactures, including semi.:											
July-December 1945	1,491		(²)		11,701	2,904	819			16,915	10,968
January-December 1946	775	9	633	(²)	4,927	4,362	181	(²)	(²)	10,887	2,321
January-March 1947	13	36	14		107	7	17	1	(²)	195	349
Total	2,279	45	647	(²)	16,735	7,273	1,017	1	(²)	27,997	13,638

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Miscellaneous textiles:										
July-December 1945	102				156	115	11		384	38
January-December 1946	71	1,061	87		148	349	6	1	1,723	14
January-March 1947			2		66	199	2	1	270	
Total	173	1,061	89		370	663	19	2	2,377	52
Paper and manufactures:										
July-December 1945	19				21	18	3		61	461
January-December 1946		(²)	7		78	259	11	(²)	355	9
January-March 1947	18	4	1		10	40	21		94	1
Total	37	4	8		109	317	35	(²)	510	471
Coal and related products:										
July-December 1945										
January-December 1946			1,884		(²)	471			2,355	
January-March 1947			135						135	
Total			2,019		(²)	471			2,490	
Petroleum and products:										
July-December 1945	4				3	1	(²)		8	8,320
January-December 1946	2,137	20	1,892		3,868	18	(²)	6	7,941	5,973
January-March 1947	39	27	41	5	45	118	(²)		275	232
Total	2,180	47	1,933	5	3,916	137	(²)	6	8,224	14,525
Other nonmetallic minerals:										
July-December 1945	41				13	38	1		93	739
January-December 1946	423	9	319		688	423	7	7	1,877	2,404
January-March 1947	101	15	45		181	157	10	12	521	359
Total	565	24	364		882	618	18	19	2,491	3,502
Iron and steel mill products:										
July-December 1945	73	(²)		3	128	112	5		321	21,981
January-December 1946	241		876		194	2,018	122		3,451	14,581
January-March 1947	34		223		54	94	8		413	6,148
Total	348	(²)	1,099	3	376	2,224	135		4,185	42,710
Advanced manufactures of iron and steel:										
July-December 1945	100				297	267	12		676	3,986
January-December 1946	278	(²)	254		747	1,224	137	23	2,663	1,605
January-March 1947	29	19	116		152	268	24	1	615	264
Total	407	19	370		1,196	1,759	173	24	3,954	5,855

² Less than \$500.

United States exports to eastern European countries, by commodity group: July 1945-March 1947—Continued

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EMERGENCY FOREIGN AID

Commodity group	Eastern Europe, excluding U. S. S. R.									U. S. S. R.	
	Czecho- slovakia	Hungary	Finland	Estonia, Latvia, and Lith- uania	Poland and Danzig	Yugoslavia	Albania	Rumania	Bulgaria		Total
Copper and brass:											
July-December 1945	35				12	20	1			68	2,002
January-December 1946	198		32		115	100	33		207	685	5,655
January-March 1947	162		34		4	90			70	360	395
Total	395		66		131	210	34		277	1,113	8,052
Electrical apparatus:											
July-December 1945	75		(2)		57	324	4			460	31,642
January-December 1946	456	(2)	159		968	856	248	1	1	2,689	44,056
January-March 1947	399	2	62		797	420	87	(2)	41	1,808	5,857
Total	930	2	221		1,822	1,600	339	1	42	4,957	81,555
Industrial machinery:											
July-December 1945	69		1		63	181	4			318	74,660
January-December 1946	462	9	1,783	1	6,199	6,486	185	11		15,136	115,943
January-March 1947	1,088	7	1,891		2,500	2,559	315	2		8,362	23,616
Total	1,619	16	3,675	1	8,762	9,226	504	13		23,816	214,219
Engines, turbines, etc.:											
July-December 1945	(2)				5	138	2			145	23,746
January-December 1946	6		509		544	1,349	120			2,528	35,977
January-March 1947	1		1,182		181	407	84			1,855	1,840
Total	7		1,691		730	1,894	206			4,528	61,563
Construction and conveying machin- ery:											
July-December 1945	3				4		1			8	5,225
January-December 1946	41		60		101	338	15			555	5,373
January-March 1947	105		124		13	230	119			591	2,033
Total	149		184		118	568	135			1,154	12,631
Mining, well and pumping machin- ery:											
July-December 1945	1				11					12	9,935

January-December 1946	89		5		383	293	3		773	13,856
January-March 1947	267	6	8		809	75	13		1,178	5,496
Total	357	6	13		1,203	368	16		1,963	29,287
Metal-working machinery:										
July-December 1945	(2)				(2)				(2)	23,950
January-December 1946	34		995	1	4,689	3,549	3		9,271	41,307
January-March 1947	391		426		1,238	1,391	5		3,451	7,253
Total	425		1,421	1	5,927	4,940	8		12,722	72,510
Textile, sewing and shoe machinery:										
July-December 1945	25		1		28	25	1		80	25
January-December 1946	59	8	55		39	42		8	211	693
January-March 1947	56	1	45		29	45	1	2	180	578
Total	140	9	101		96	112	2	10	471	1,296
Other industrial machinery:										
July-December 1945	39		(2)		15	17	1		72	11,780
January-December 1946	233	1	159		443	914	44	3	1,797	18,737
January-March 1947	269	(2)	105		229	412	93		1,108	6,416
Total	541	1	264		687	1,343	138	3	2,977	36,933
Agricultural machinery:										
July-December 1945	484				2,253	2,532	39		5,308	5,738
January-December 1946	1,337		178		2,293	2,184	270	74	6,336	1,622
January-March 1947	708		230		888	433	72	16	2,347	1,097
Total	2,529		408		5,434	5,149	381	90	13,991	8,457
Tractors:										
July-December 1945	316				1,599	2,251	26		4,192	4,813
January-December 1946	493		106		1,466	1,003	80		3,148	817
January-March 1947	229		38		737	249			1,253	739
Total	1,038		144		3,802	3,503	106		8,593	6,369
Automobiles, parts, accessories, and service equipment:										
July-December 1945	66		(2)		155	241			462	71,662
January-December 1946	338	1	1,586		982	486	69	42	3,519	3,856
January-March 1947	133	11	189		181	345	6	54	921	744
Total	537	12	1,775		1,318	1,072	75	96	4,902	76,262
Motor trucks:										
July-December 1945	48				107	236			391	52,715
January-December 1946	256		1,333		718	358	57	1	2,723	842
January-March 1947			75		64	22		2	163	502
Total	304		1,408		889	616	57	3	3,277	54,059

² Less than \$500.

United States exports to eastern European countries, by commodity group: July 1945-March 1947—Continued

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EMERGENCY FOREIGN AID

Commodity group	Eastern Europe, excluding U. S. S. R.										U. S. S. R.
	Czecho- slovakia	Hungary	Finland	Estonia, Latvia, and Lith- uania	Poland and Danzig	Yugoslavia	Albania	Rumania	Bulgaria	Total	
Other vehicles:											
July-December 1945.....	371		(²)		738	623				1,732	1,123
January-December 1946.....	675	(²)	2		572	684				1,933	3,22
January-March 1947.....	4		5			936				945	73
Total.....	1,050	(²)	7		1,310	2,243				4,610	5,085
Merchant vessels:											
July-December 1945.....											8,380
January-December 1946.....						194				194	1,939
January-March 1947.....						934				934	652
Total.....						1,128				1,128	10,971
Freight cars, over 10-ton capacity:											
July-December 1945.....	330				609	623				1,562	726
January-December 1946.....	624				547	391				1,562	486
January-March 1947.....											
Total.....	954				1,156	1,014				3,124	1,212
Chemicals and related products:											
July-December 1945.....	2,352	18	20	3	3,151	3,070	174		(²)	8,788	9,681
January-December 1946.....	3,267	108	1,063		3,761	2,836	392	186	715	12,328	1,947
January-March 1947.....	1,189	89	321		613	738	203	139	97	3,389	1,374
Total.....	6,808	215	1,404	3	7,525	6,644	769	325	812	24,505	13,002
Medicinal and phamaceutical prepa- rations:											
July-December 1945.....	527	17	1	3	611	859	91		(²)	2,109	3,692
January-December 1946.....	967	104	252		790	847	141	168	91	3,360	1,116
January-March 1947.....	315	49	96		251	183	74	129	28	1,125	62
Total.....	1,809	170	349	3	1,652	1,889	306	297	119	6,594	4,870

Chemical specialties:											
July-December 1945	21		(2)		141	181	17			360	531
January-December 1946	238	3	149		283	455	126	(3)	561	2,015	63
January-March 1947	120	4	42		82	241	75	5	58	627	22
Total	379	7	191		506	1,077	218	5	619	3,002	616
Industrial chemicals:											
July-December 1945	304	1			370	122	34			831	3,832
January-December 1946	452	(2)	267		300	194	54	13	35	1,315	245
January-March 1947	335	21	99		135	142	3	5	4	744	65
Total	1,091	22	366		805	458	91	18	39	2,890	4,142
Pigments, paints, and varnishes:											
July-December 1945	(2)				36	(2)	(2)			36	152
January-December 1946	259		166		26	43	5		19	518	98
January-March 1947	69		29		43	23	(2)			164	1
Total	328		195		105	66	5		19	718	251
Fertilizer and materials:											
July-December 1945	457				306	99				862	
January-December 1946	233		8		995	190				1,426	
January-March 1947							32			32	
Total	690		8		1,301	289	32			2,320	
Soap and toilet preparation:											
July-December 1945	1,038		19		1,681	1,806	32			4,576	145
January-December 1946	981	(2)	2		1,364	872	62			3,281	296
January-March 1947	7	3	(2)		71	74	(2)		1	156	1,210
Total	2,026	3	21		3,116	2,752	94		1	8,013	1,651
Scientific and professional instruments:											
July-December 1945	520		(2)		525	552	54	1		1,652	1,459
January-December 1946	438	8	67		383	588	40	(2)	(2)	1,524	2,871
January-March 1947	196	36	46		150	131	30	(2)	(2)	589	483
Total	1,154	44	113		1,058	1,271	124	1	(2)	3,765	4,813
Commodities exported for charity:											
July-December 1945	1,436	97	485		3,788	3,906	539	(2)	375	10,626	21,905
January-December 1946	712	1,701	839	2	5,710	4,344	16	1,595	128	15,056	2,308
January-March 1947	1,050	1,347	385		2,518	1,084	(2)	902	70	7,356	1,105
Total	3,198	3,154	1,709	2	12,016	9,334	555	2,497	573	33,038	25,318

² Less than \$500.³ Shipments by Red Cross and other private relief agencies.

Source: Special Programs Division, Areas Branch, Office of International Trade, Department of Commerce, June 1947.

Secretary HARRIMAN. There may be some items.

Mr. LODGE. May I ask you this, Mr. Secretary: I understand that the Italian wheat deficit is around 25 percent and that we are able to provide only 40 percent of that 25-percent deficit. Is there any plan for providing the balance of that deficit to Italy by providing wheat from other parts of the world?

Secretary HARRIMAN. I cannot give you much information on that. The Italian Government did arrange for a loan from the Argentine to Italy. I am not familiar with just when that grain is going forward.

Mr. LODGE. Do you feel, Mr. Secretary, that it is necessary to have a compulsory final date covering the financing provided in this legislation or would you rather leave it open?

Secretary HARRIMAN. You refer to when the money is to be spent?

Mr. LODGE. Yes.

Secretary HARRIMAN. I know of no reason for not carrying out the suggestion of the State Department, which I understand is that the moneys are to be used before the end of March. I think the amount is so small—of course I realize it is an enormous amount of money—but it is so small in comparison with their needs that I am sure it will all be spent here, actually spent or committed for before the end of March—I beg your pardon I believe it is June 30, they tell me—and it will be spent prior to that time. And as I see it as much flexibility as the Congress is prepared to give an administrative agency I believe is more effective.

And unless the over-all European program improves, these countries will be in the same position in the second quarter of this year as they are now, and there will be some other countries who will be in difficulty as well.

Mr. CHIPERFIELD. Will the gentleman let me ask a question there?

Mr. LODGE. Certainly.

Mr. CHIPERFIELD. As I understand, if we do not have an over-all program then there are other countries that are going to be in the same condition, and they will have the same needs 6 months from now?

Secretary HARRIMAN. There will be needs in the second quarter.

Mr. CHIPERFIELD. How about the next year, and the next year, and the next year?

Secretary HARRIMAN. The European recovery program is designed as a program for helping these people get on their feet and it will be of assistance.

Mr. LODGE. Mr. Secretary, may I ask you this question: I think we came to the conclusion that the final date in the Greek-Turkey bill has been a mistake, and I was wondering what you thought about carrying a time limit.

Secretary HARRIMAN. I think the more flexibility the administrative agency, in whom you have confidence, can have the better results you get from the dollars spent.

Mr. LODGE. In other words, you do not believe too strongly about putting in a limitation date?

Secretary HARRIMAN. I think that the greater flexibility that you feel within your responsibility you are able to give to the administrative agency the better. Of course, with the big annual appropriations the money has to be spent or it lapses, I presume.

Mr. LODGE. May I ask you this, Mr. Secretary, with respect to the shipping situation: Is there going to be any difficulty in transporting these items to the various countries?

Secretary HARRIMAN. The Public Committee report on that was clear. There will be increasing difficulties in the tanker situation and they recommend the encouragement of construction of tankers, and I personally think that we ought to go about building some tankers ourselves.

But on cargo vessels we have a large number laid up of the war-built fleet which can be broken out, even a small fraction of those laid up can be broken out to take care of the requirements, and in fact I think those that are in operation today are adequate to take care of the contemplated shipments.

Mr. LODGE. Do you think it would be appropriate to take some of these laid-up Liberty ships and transfer them to Italy in order for them to man these ships and thereby absorb some of their employees and reduce the cost of freight charges in connection with this aid program?

Secretary HARRIMAN. The committee made certain observations about transportation, which I think deserve a lot of consideration, namely, that these countries of Europe have shipbuilding programs today, which they need, and the committee felt, and in fact I think suggested, a reduction of that shipbuilding program and the transfer abroad of some of the Liberty-type ships which we have in such large numbers tied up, and that they then can divert their industries to more urgent needs.

I do believe that under those conditions our interest will be served by the transfer of more of the Liberty-type ships than have been transferred, and that it will not affect the position of our American merchant marine, which I very strongly favor protecting.

If we do not do this the European countries will have to build their own ships, which will be new, of special design for special trades, which will be far more competitive with their own shipping lines, and I do believe that we should have an aggressive program of maintaining our own merchant marine both for trade promotion and for defense, and that would involve the continued construction of new ships, a relatively small number of ships to be constructed, which will keep our shipyards going. I think we should have a Government policy to encourage the orderly current production of ships to the end that they get into the hands of ship operators, ships that are new, well adapted to the trade, because the ship operators are going to have newer and better designed ships and those are the ships we will have to compete with and they will have a competitive advantage.

Mr. LODGE. I am very happy to have that expression of your views.

Secretary HARRIMAN. And I do believe that the recommendations of this committee should be given consideration by the Congress as well as consideration to the thought of making some of these Liberty ships available.

Mr. LODGE. I want to agree with you that I too believe that we should protect our merchant marine. I think you are entirely right, that insofar as we have surplus ships it would be far better to let them make use of them, because over here they are not worth more than

\$10,000 to \$50,000 as scrap, and such a transfer would enable them to make use of them in this particular program.

Secretary HARRIMAN. There is no great advantage in promoting the shipping business of carrying, for a few years, coal to Europe, a trade that we are not going to continue, and it does have in it the idea of increasing the cost, but at the same time may I again, because I want to be careful, say that I am strongly in favor of the maintenance of our liner service, of having a fair share of the world's trade.

Mr. LODGE. I agree with you.

Secretary HARRIMAN. And I have made that recommendation before, and I made the statement among the group there, and I was only quoted as being in favor of selling ships abroad without being quoted as favoring having American liners, and I want to be careful that I am not misunderstood.

Mr. LODGE. At the present time we are very short in liners, are we not?

Secretary HARRIMAN. I think in the liner trade we are in good shape; the tramp service is where we are getting the reduction. I think we have got our liner trade in pretty good shape. I do not have the figures before me, but in order to maintain the liner trade we have got to build new ships, currently, and year by year.

Mr. LODGE. I was under the impression that we were very short in liners.

Secretary HARRIMAN. I am not talking about passenger ships; in the passenger ships we are very weak.

Mr. LODGE. That is what I was thinking of.

Secretary HARRIMAN. We are very weak, but having been in the shipping business, I use the word "liner" as cargo liners as against tramp vessels. But we are very weak on passenger ships and passenger ships are essential to carry troops in time of war, and I do believe that we should, at the earliest practical moment, develop and build passenger ships; the sooner the better.

Mr. LODGE. If we do not, our merchant marine is going to be a weak link in our defense in the event of a national emergency.

Secretary HARRIMAN. We have ample laid ships, but we do not have ample high quality vessels; but we have got some good ships of the C type, which are being effectively used in the cargo-line trade. They are becoming outmoded as time goes on.

Mr. LODGE. I wish to ask you one more question: Is it your information that Italy has been receiving, under Public Law 84, the type of flour which she can best use both for bread and for pasta purposes?

Secretary HARRIMAN. I do not know that that is true.

Mr. LODGE. I have heard it stated, and I want to verify it, that the type of wheat which we have been sending has not been the type of wheat they can use; apparently the type of wheat best adapted for that purpose is the South Dakota durum wheat, and they have been receiving Kansas wheat which is not suited for that purpose. I wonder if you have any comment to make on that.

Secretary HARRIMAN. I do not have the information available to give, whether most of the wheat that we are exporting is not of the type that is particularly good for macaroni, which the Italians use.

Mr. LODGE. They want a certain type—

Secretary HARRIMAN. That does not come under my particular jurisdiction, but if you want me to I will be glad to get that information.

Mr. LODGE. I would appreciate it.

Secretary HARRIMAN. It is not in my Department, but I think we can get it for you.

Mr. LODGE. If we do not have it of course we cannot send it, but if we do, it would seem to me that we ought to send what they need.

Secretary HARRIMAN. Mr. Bissell says we have our own needs for the type of wheat wanted, but that is not the complete answer. I will try to get the information for you.

Mr. LODGE. Thank you.

Mr. LODGE (chairman pro tempore) Mrs. Douglas.

Mrs. DOUGLAS. Mr. Secretary, in reference to the question just asked about the kind of wheat being sent to Italy, we also sent corn to France and we sent wheat to Germany and a number of complaints came back to us about it.

Secretary HARRIMAN. What happened last spring was that the requirements were in excess of the support program and we had already shipped a great deal of corn to Germany and more than they had been able to consume in bread, and last spring there was a surplus of corn and under an agreement with the French Government we sent them corn to mix with the wheat which they had, and in order to balance the corn they had in Germany we sent them a little extra wheat.

In no sense is France discriminated against; there was a technical question of using to the best advantage the supplies that each area had. I know the French did not like the corn, and I do not think you did either when there, but at the same time it was nutritive and it was all we had to send, and we had an enormous crop available, and it was only late in the summer we realized we had a short corn crop.

Mr. CHIPERFIELD. Mr. Secretary, we wish to thank you for your testimony. It may be possible that after we hear Mr. Herter the committee would like to have you return; one or two members may have some questions.

Secretary HARRIMAN. Of course, I am always available.

May I, before you close, give you some figures in answer to a question about petroleum, of the production last year: According to the Public Committee's report which analyzed the program of recovery and it has carried that out in the following report:

In connection with the world requirements, and comparing 1946 with 1951, the United States today is supplying 63 percent of the world requirements, that is, we are receiving our own requirements in that we are exporting about the same amount we are importing.

Nineteen percent from other Western Hemisphere countries, largely from the Caribbean area.

Nine percent from the Middle East.

Six percent is estimated for Russia and 3 percent from other countries.

Now, when it comes to 1951, according to this analysis, the United States will drop from 63 to 54 percent; the Caribbean from 19 percent to 17 percent, which is desirable, and the Middle East from 9 to 20 percent, and Russia is left the same, because we have no information about any increased production.

So this would contemplate more than doubling the quantity in terms of percentage of world supply in the Middle East. That refers to your question, Dr. Judd.

Dr. JUDD. Even so, that does not refer to the East Indies part?

Secretary HARRIMAN. This is in other countries area.

Dr. JUDD. I see.

Secretary HARRIMAN. No estimate was made of that. Because of political uncertainties we could not make any estimate, but it would be hoped that there would be an increase.

Dr. JUDD. Thank you.

Mr. CHIPPERFIELD. Thank you, Mr. Secretary.

The committee will take a recess until 2 p. m.

(At 12:52 a recess was taken until 2 p. m. of the same day.)

AFTER RECESS

(The committee reconvened pursuant to the taking of the recess, Hon. Charles A. Eaton (chairman) presiding.)

Chairman EATON. On behalf of the committee, I wish to ask all Members of Congress who are present to come up and sit with us on the platform, giving us the benefit of their presence up here.

The committee is delighted to welcome our distinguished colleague, Mr. Herter, who, with the select committee of which he has been so able, competent, and remarkable a leader, has already done a great job. They have laid the foundations upon which to build an intelligent policy as the days go by.

We welcome with great pleasure our colleague to testify before us here today.

STATEMENT OF HON. CHRISTIAN A. HERTER, A MEMBER OF CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. HERTER. Mr. Chairman and members of the committee, I have not any prepared statement for this hearing, but I would like to begin, if I might, by referring to the fact we have just had available for distribution for the members of the committee seven documents.

Chairman EATON. Is that all?

Mr. HERTER. Yes.

Chairman EATON. I think the committee falls down at that point. You should have more.

Mr. HERTER. Well, sir, those seven documents were prepared for whatever utility they might be to this committee in considering the matter that is now before you. They had to be revised at the last moment, because the figures contained in some of them were not adjusted to the figures that were presented to you by Mr. Marshall on Monday and, therefore, our staff and the members of the committee have been working overtime to try to reconcile those figures with the figures that had previously been given to us as representing the requirements of the countries in particular that you are now studying.

The first of those reports deals with the French crisis and interim aid; the second with the Italian crisis and interim aid; and the other five deal with the principal commodities which are now in short supply in this country, analyzing from a statistical point of view the avail-

abilities of those commodities for any programs that might be undertaken.

Perhaps, if I might, I would like to point out some of the difficulties in dealing with figures in this over-all picture. I should like to read to you the introduction to the French report which I think will give you a very definite idea of how hard it is to get exact figures dealing with the requirements of a country and likewise making those figures correlate with the availabilities that might be found either here or elsewhere in order to meet the requirements. So, if I may, I would like to read this introduction to you. I might say parenthetically that this report was prepared by Congressman Wolverton, of New Jersey, the chairman of the subcommittee; Congressman Macy, of New York; Congressman Keogh, of New York, and Congressman Monroney, of Oklahoma, and was approved by the full committee. This is the introduction:

This report is an attempt to summarize the major factors in the present crisis in France's balance of payments and to set forth the dollar requirements for the so-called interim aid period. The interim aid period was defined by the executive branch as that period of time during which the aid was required but during which a new agency or new method of handling it could not become fully operative. Originally the interim aid period was of 6 months' duration, from October 1, 1947, to March 31, 1948, but the report of the Secretary of State submitted to Congress on November 10 covers only the 4 months' period from December 1, 1947, to March 31, 1948.

There have been a long series of estimates of the amounts of interim aid required emanating from the executive branch, but only the estimate of November 10 is an official request to Congress for an appropriation of funds. The difference between the figures in the November 10 estimate and those prepared by the Departments of State and Treasury on October 31 will be discussed in the body of the report. The only important difference is that the November 10 estimate includes the sum for payments to be made prior to March 31, 1948, for the shipments of commodities for 1 month after that date in order to maintain the flow of goods in transit. This inclusion is not made clear for commodities other than wheat in the text of the November 10 report of the Secretary of State, but is the only way in which the November 10 figures can be reconciled with the estimates of October 31.

Then we go on and say that the difference in the figures that are now before you for the Italian aid and for the French aid is due to the fact the figures are not prepared on the same basis. In other words, they are prepared for different periods of time and on a separate basis. I think that is very clearly laid out in these reports, and I would like very much to come back to those reports in a moment in order to clarify what I am now saying.

I can, perhaps, again illustrate the difficulties with regard to the problem that is now before you by turning to the interim European aid report that was submitted to us by the Secretary of State on the 10th, in which there appeared a draft of legislation together with a number of explanatory tables. On pages 20 and 21 of that report and likewise on pages 42 and 43 of that report, you will find in tabular form the commodities and the dollar figures of the supplies to be given under a form of grant-in-aid to these various countries and likewise the commodities which these countries are expected to pay for out of their own resources or out of borrowings from the Export-Import Bank or from the International Bank. These are very confusing tables to us. They are confusing in this sense: You find in table 1, for instance, under the French requirements, that there is an item of \$111,-

000,000 for wheat and an item of \$20,000,000 for fats and oils; an item of \$116,000,000 for coal and \$22,000,000 for petroleum products. Those are all apparently to come out of interim aid grants furnished by the United States as grants-in-aid.

Then in the table just below that you will find others that we expect them to pay for—food to the extent of \$30,000,000; fats and oils to the extent of \$12,000,000; and petroleum products to the extent of \$23,000,000. And I have tried awfully hard to find, either in the testimony you have already had or in this report itself, at just what point there is a line of demarcation as to when a country pays for something in its own gold or dollars or out of a loan it has made and at what point it is given as a grant-in-aid.

I cite that again only to emphasize the point I want to make, that I think the committee of which I was a member and vice chairman under you, sir, felt very strongly about, namely this, that in undertaking any program as extensive as this one, even as an interim program, or any program that the Congress might approve under what is developed from the Marshall proposals, we have felt very strongly it was imperative that a proper organization be set up to screen the figures and money estimates and to set those properly against what is available in the world. If I might, I would like to develop that last point; that is, the question of availabilities.

If you will turn to the Italian report that we have distributed, you will see on the last page of that report a table indicating the different figures we have had before us on which to work and our own estimates as to what is available and what that which is available would cost. That is page 14. In that, you will find a very large discrepancy in the very first item; namely, the item of cereals from the United States. The discrepancy there is a discrepancy that arose out of the fact that after being given the preliminary estimates as to what was going to be asked of the Congress we did our very best to ascertain from the responsible agencies and others as to what there might be available in the way of cereals in the United States. And there we ran into a problem that I think it is of the greatest importance to develop and to develop fully, because I think it is very vital to the whole program.

I feel it is vital to the whole program from two points of view: First, I think it is vital from the point of view of a ship-shape and capable job being done by the Congress itself. In the second place, I think it is vital because I think the worst thing—and I repeat this—the worst thing we could do would be to make dollars available for commodities that are not available, and in that way lead people to believe they can get something which, in fact, they cannot get. I think it would be infinitely better to make understatements of what we can promise to do rather than overstatements.

If I may, I would like to cite a concrete example of that in the case of Germany. General Clay begged—literally begged—that he be advised on what calorie ration he could put the people under the American flag and under his command in the military occupation zone. He had been promised earlier in the year he would receive 3,600,000 tons of grain. That was sufficient in his estimates, with the local harvest, to put the German people on a 1,550-calorie basis. He thought he would have that grain available to him. It developed later that grain is not available to him. I think he has been very fortunate, probably,

in being able to replace the calorie value of that grain from a large purchase of sugar in Cuba. The one thing he asked us to do is that when promises are made to him, he said, "Please tell me the worst now. If we know the worst and things get a little better, it is going to be infinitely healthier for the morale of everybody concerned than if you promise me I can fulfill a certain ration basis and then I cannot reach it." He said, "Twice before that has happened, and I have not been able to meet what was promised from the availability of the United States, but which never came through."

So we have identically that same problem arising here, and I am going to spend a little time on it, because I think it is one you ought to have very much in mind.

You will notice, again going to page 14, the first item there, that our committee's estimate of the quantity of wheat that would be available for allocation to Italy is very much smaller than the amount for which you are asked to supply dollars, and it was with great hesitation that any member of our committee felt that smaller item was the correct item; because, naturally, no one likes to go down lower in a food item when people are in pretty difficult shape. On the other hand, I think if you would be good enough to look at one other document here—that is, the grain requirements and availabilities, which is a separate document, No. 3—and turn to page 5, to the table with regard to the United States exports, if I may, I should like to read to you that table. It has been very carefully prepared and very carefully gone over. It says:

Total quantities shipped or programmed July through December 1947 (including amounts carried over from June allocation) are 305,500,000 bushels.

The quantity of grain exported during any prior period is not to be taken as a criterion of the amount which may be shipped in the January to July 1948 period. For instance, in 1946-47 we exported at a low rate in the early part of the year, expecting in November that we would be called on for only 267,000,000 bushels of wheat. Then, beginning in late January to meet increased demands, exports were greatly increased. For 1947-48, we have put the pressure on the early part of the crop year, and the present danger is we may over-export, in view of the deteriorated prospect for the 1948 winter wheat crop and the partial corn-crop failure. In other words, exports up to last year's 563,000,000 bushels of all grains might be feasible, even from the much smaller total grain crop of 1947, but if 1948 prospects are promising—not a true prospect at present. Crop availabilities and prospects, rather than past (first half, 1947) export rates would appear to set the future supply ceiling.

There are other tables in here that I think it would be well to refer to in that connection, and I won't continue reading the rest of that report. But if you will examine those with the schedule here, you will see that nearly three-fifths of what we consider the maximum of grain exports have already gone to Europe or will have by the 1st of December, and that leaves only perhaps two-fifths of the maximum for the total year that can be exported in the next 7 months.

Obviously, that is a pretty small quantity, and the requirements that have been set down in these documents against which dollar figures are shown in the State Department document, I do not think realistically take account of that fact, and it is that which we have tried to bring out particularly in the Italian report in setting our own figures.

I might add one other thing in connection with this whole question of trying to collect figures. When we returned from Europe on the ship, we had a tentative balance sheet of the Italian requirements.

When we reached the United States, we had hoped that by the 10th of this month to have a very exact break-down for you of the Italian requirements, based on the first balance sheet we had received. But I think it is fair to the members of the staff who are sitting here to say we must have received six different sets of figures from that time up to the final figures that were given to us on the 10th of November. In fact, the figures given to us by the President, Mr. Chairman, as you may recall, do not correspond in any way with the figures now before you, and that was only some 2 weeks ago. That means that the requirements and figures are changing constantly.

I am pointing that out and making a special point of it and a special plea to the committee, because to my mind it is the most clear-cut demonstration that the sooner we can get a new set-up in this whole situation, which can deal with the screening of figures and which can deal with the figuring of our own allocations, the sooner can an intelligent aid program of any kind be developed.

There is another thing in connection with those figures that are before you. To me, as I said before, it is confusing as to what categories of goods we are being asked to give away and what we should still continue lending money on or require dollar payments.

If you analyze these figures before you, there was no rhyme nor reason why certain commodities were picked out and then the statement was made that this shall be a grant-in-aid. What has actually happened is that the full requirement for full dollar balances of these countries have been put together and then an estimate has been made as to what each country can pay for themselves from their remaining resources; the balance is then added up and put under these heads as a balance-of-payments item, which would take care of the entire dollar requirements.

In other words, what is happening here, in the so-called interim-aid program, is not what I think was given in the testimony yesterday—a temporary relief program. What is actually being done is that a longer-range program, a complete longer-range program is being advanced forward for two countries and Austria—two countries in particular and Austria. We are being asked really to make a balance-of-payments contribution to take care of the entire economy and not merely a certain section of the economy.

There is another confusing thing. In the assets that are listed as available to these countries, there is quite a careful break-down, but there are some items that are left out. I do not think they are very serious, but I think it only right to point them out to the committee, because it might be embarrassing when the committee comes to the floor of the House with a bill of any kind, if they are asked about these and no mention has been made of them of any kind whatsoever.

There is a footnote that indicates, for instance, that in France there is \$440,000,000 in gold still left. That is correct. That gold is being held as a reserve against any currency backing and it is probably a wise thing that it should be so held.

On the other hand, when one is told that there is not a dollar left of any kind as of December 1 or as of December 15 with which to make foreign purchases, that item is still there.

There are still some items of reserve in the Export-Import Bank loans and the International Bank loans that can be used for a part of this program.

In addition to that there are, of course, the French holdings in the United States. I gather that yesterday in the testimony of Under Secretary Lovett here there was some discussion of those holdings. I think that that situation ought to be made entirely clear to the committee.

In 1941 the United States Treasury took a census of foreign holdings of currency and investments in the United States. They did that I think in order that they might be able temporarily to block those funds until a proper determination could be made as to what were enemy funds and what were neutral funds. That particular census showed that the French had roughly \$800,000,000 in holdings here in this country. The French Government has tried very hard, first with the Blum Mission that came here in 1946 and again recently, to ascertain from our Government as to who the individuals are that hold those funds because, under French law, those funds should all have been reported to the French Government and have been made available to the French Government in helping it out in its financial crisis.

The total sum that there is now in the United States is probably not as large as \$800,000,000. I think a good estimate of it would be about half a billion dollars. It is in the form of bank deposits and in the form of investments, in the form of shares in investment trusts, and things of that kind.

Because of a promise made by our Treasury to the various banks and brokers and other holders of these securities at the time the inventory census was made, the Treasury feels that it is not free to reveal to the French Government the names of the individuals who, in fact, have been violating French law by not reporting these particular figures to the French Government. That is probably a perfectly proper promise for the Treasury to uphold, but it raises an immediate question that I think the Congress ought to take cognizance of: Whether or not we should become a sanctuary for refugee money which in a sense was illegally left with us, according to the laws of the owners' home country, without requiring that that at least be revealed to the home government.

I am not saying that it would necessarily be a good thing to liquidate those investments or holdings, but I think that they are a perfectly proper collateral to put up against Export-Import Bank or International Bank borrowings.

The British, during the war, put up collateral to the extent of \$450,000,000 as against an RFC loan. Today the RFC loan is down to \$184,000,000. The collateral is worth \$900,000,000, or nearly a billion dollars, and it is earning about \$30,000,000 a year. That was a transaction that was a perfectly proper transaction at the time. Today that collateral, of course, is very excessive for the amount of loan that is outstanding.

I am raising those points only, sir, because I think those are the kinds of things that are likely to come up in any discussion of this program and I think we ought to be perfectly clear about it from the point of view of the facts.

I also think that it would be highly desirable, if it were possible to do so, for this committee to try to clarify the types of commodities on which loans are to be made and any such commodities which are to be given gratis or for payment in local currencies. I am afraid

that if that is not done you may find that you have set a pattern for a longer-range program that may be very difficult for you to handle, because it may have set something up which you would find was not applicable to other countries when you came to the larger program, and it might be of very real embarrassment to you.

Mr. Chairman, may I say just a word in regard to the actual text of the bill that you have in front of you? I have examined that bill only quite hurriedly, but there are a few things in it that I think have already been brought out in the testimony here so that I will not dwell on them very long.

The first part of the bill, the section dealing with procurement and the provision of funds, is tremendously broad. It is very much broader than any relief bill that has yet come before this committee. In fact, I am a little bothered at the very outset as to why it is necessary to devise still another method of relief, when we have had so many different methods of relief in the past.

I should think, sir, it might be well worth while for your committee to examine pretty carefully some of the past bills to see if an extension of those might not be an easier way of handling it than through raising all the questions all over again which are raised in this particular bill.

There is another phase of the bill that bothers me some. If any long-range program is undertaken, I feel very strongly that one of the most important provisions that might be agreed upon would be in the handling of local currencies that are taken in return for grants-in-aid. There is a possibility that they could be used extraordinarily constructively in the rebuilding of these countries.

What bothers me is that this bill, as it stands now, allows the State Department to make any agreement it sees fit with foreign countries without any congressional direction of any kind whatsoever in the use of those foreign currencies and in the handling of that particular item.

I personally feel it would be better to go back to Public Law 84 of last year in which the final disposition of those currencies and the way in which they were handled was left to the Congress rather than to have that matter settled now in connection with the interim aid program and thereby set a pattern that might be very difficult when it came to handling the problem with other nations.

I am hoping very much, Mr. Chairman, that the members of the committee will have a chance to examine these two reports with regard to Italy and to France. They were prepared with as much care as we could prepare them in the time that was available to us. As you will notice from them, the committee felt very definitely that interim aid was required. It felt that the figures should be extremely carefully scrutinized. It gives its reasons in some detail as to why interim aid is required and makes a pretty careful analysis in each case of the economic situation in those two countries.

Those are, I think, the main points that I was anxious to bring out, but I would like, before perhaps going into further details, if the committee wishes me to do that, to reemphasize the fact that I feel that the Congress should, just as soon as possible, begin examining the question of an organization for any relief program or the handling of any relief program.

I notice that, in his testimony to you, General Marshall said that as soon as any such organization was set up, this interim aid program could be turned right over to it. My own feeling is that with the difficulties that are inherent in trying to make a careful calculation, trying to adjust that calculation to our own domestic economy, the sooner that organization can be set up the better. In fact, I would almost wish that we did not have this haste with respect to any question of interim aid, in order that that could be the first matter to which attention would be given.

Apparently the Harriman committee and General Marshall himself are in agreement that there must be a new agency created. The form of that I am assuming the President will speak of on Monday. I gathered from the testimony given to you by General Marshall that he intimated that the President would lay out that on Monday. But I think our whole committee feels very strongly that that is an extremely important item. It is an extremely important item both to give confidence to the American people that if any dollars are appropriated for the purpose of the program, they will be properly spent and that, before the dollars are asked for of the Congress, there can be a very real and exhaustive scrutiny, one that will stand up, made of the requirements that are submitted to us.

Thank you, Mr. Chairman.

Chairman EATON. We are greatly impressed by the fundamental character of your studies and your presentation of them. On behalf of myself and other economic illiterates, I would greatly appreciate it if you would elucidate what you mean by "balance of payments," a phrase that I notice you are rather fond of using. Of course, we all understand perfectly the difficulties of balancing payments for ourselves, but it is in the international sense to which I am referring.

Mr. HERTER. The balance of payments as I understand it is a table showing how much a country pays for what it imports set against what it receives for its exports. When it must pay more than it receives there is a deficit in the balance.

The balance-of-payments problem becomes a very complicated one these days, because the countries of Europe are exporting a considerable amount in the form of goods to each other, but they receive the currency from the other countries, a currency that is no good as far as purchasing things in our markets are concerned or so far as purchasing them in the dollar areas are concerned.

What upsets the balance of payments is that all currencies are not universally good. And today unhappily there are only very few that can purchase the types of scarce commodities which so many areas of the world now require.

Chairman EATON. Does your analysis then forecast the possibility that the American dollar will eventually become the medium of exchange among mankind?

Mr. HERTER. I do not know whether it will be the American dollar—

Chairman EATON. Of the measure of exchange?

Mr. HERTER. It might very easily. The British tried to make the pound convertible not long ago in the hopes that the pound sterling would become the world currency again. That experiment did not last for very long.

Chairman EATON. Is it the opinion of yourself and your committee that a currency of that description is necessary if we are to have a permanent world economy?

Mr. HERTER. The setting up of a currency of that kind depends entirely upon what the internal situation is in a great many countries. There is no use in just having a currency unless you have conditions within the country that can maintain a balance so that the currency remains good. Otherwise it will get completely out of balance all over again.

Chairman EATON. I do not want to detain you too long, except I am interested in your emphasis upon the organization to be effected. I think the members of this committee, including the chairman, are very deeply sympathetic with you on your position. But the question arises, if this is really an emergency, this interim-aid problem, of the sort that has been described, we must consider the time that it would take to create an organization to handle it? In other words, it would be a case of the doctor spending so much time packing his case of medicine that the patient died in the meanwhile. Have you any remarks to make on that point?

Mr. HERTER. Yes, sir. The recommendation of the committee—I am speaking now of the committee as a whole—was that if in this special session it were not possible to set up an organization of the type recommended or some similar type, if it could not be done within the special session, then some interim aid through another form would be required.

I am not quite persuaded of General Marshall's statement that this has got to be done by the 1st of December, because I think if you will look again at these tables in the blue book before you, you will see that there are some availabilities for both of these countries after December 1.

So I do not think the question is quite as immediate as the 1st of December. I think the 1st of January would probably be a dead line from the point of view of Italy.

Chairman EATON. Mr. Bloom—

Mr. BLOOM. Mr. Herter, have you gone over this tentative or proposed bill before the committee now, sir?

Mr. HERTER. Yes, sir; I have, just very rapidly.

Mr. BLOOM. I was very much interested, Mr. Herter, to find that you only found two objections that you could make to the bill. One was a suggestion to amend the present relief legislation which was passed by the Congress and the other was to have the Congress try to regulate the balance of currency of the respective countries. Those were the only two objections you found in this legislation; is that right?

Mr. HERTER. No, sir; I would not say that. I did not want to dwell at length on the bill itself for the reason, sir, that I gathered that a good many points had been raised in the testimony that is already before you questioning certain wordings of the bill that are very broad.

Mr. BLOOM. I am not speaking about the wording of the bill but the bill itself. Let us take the wording of the two parts of the bill to which you found objection, as regards the balance of the currencies and also as regards amending present legislation.

Mr. HERTER. I might refer back to the bill, on which I have some notations, if you like.

Mr. BLOOM. Yes. I know that I personally would like to know if you have any other objections.

Mr. HERTER. Beginning under the heading of (a) on page 2 you have a provision for the procuring or providing of funds for the procurement from any source, by manufacture or otherwise, food, seed, and fertilizer; and then at the end of that section for such other commodities as are necessary for the accomplishment of the purposes of this act.

That is, of course, a very broad provision.

Mr. BLOOM. It is broad in the way of commodities; is that the idea?

Mr. HERTER. It is broad in that sense and it is broad in several senses. In the first place, they can either procure or provide the funds for the procurement, which would mean giving all of this money, the entire amount as it stands now, to foreign governments, in order to procure for themselves. It is just as broad as that, the way it is worded.

Mr. BLOOM. You do not think it means that, do you?

Mr. HERTER. I am merely pointing out to you the language of the law or of the bill as it stands. The reason I have not commented on this is that I think members of the committee have already questioned that language and it has been discussed some in your previous hearings.

Mr. BLOOM. The word "commodities" has been questioned, but if you should be given a list of commodities, that should satisfy the use of that word?

Mr. HERTER. If there is a list of other commodities; yes.

Mr. BLOOM. A list will be given, I am sure of that. But that would satisfy that point, would it not?

Mr. HERTER. In addition to that, the language "from any source" I presume means anywhere in the world. My own feeling is this, that sometimes it might be advantageous to make some procurements outside of the United States, but I think that the telegraphing of the punch—I would put it that way—saying that these dollars are available for purchase anywhere in the world, will mean that you will immediately have every nation in the world insisting that anything that they may have to provide should be purchased in dollars.

Mr. BLOOM. Do you really mean that?

Mr. HERTER. I mean it very definitely. And I will give you a case in point.

The Italian Government recently concluded an agreement with the Argentine on a peso-loan basis for the purchase of Argentine wheat. I am absolutely convinced that if the Argentine had known that dollars might be made available for the purchase of that wheat, that loan would not have been made.

Mr. BLOOM. Of course, there is a reason for that; I do not know whether you know it or not—that is, with reference to the purchase of wheat from the Argentine. You know, the Government of Argentine controls all the wheat. They buy it all, do they not?

Mr. HERTER. The Government of the Argentine?

Mr. BLOOM. The Argentine Government.

Mr. HERTER. Absolutely.

Mr. BLOOM. Controls all the wheat. They buy at about \$1.35 and sell it for \$5 a bushel, is not that right?

Mr. HERTER. Yes.

Mr. BLOOM. That is one point. What other point is there? I would like to get the objections that you have to this bill.

Mr. HERTER. As I say, sir, I have not studied this bill with great care, but if you like, I will go on with it.

Mr. BLOOM. No; I just wanted to know if those were the only two points, because if they were, I think it is a very good bill. I think it is a very good bill anyway.

Mr. HERTER. May I reemphasize this point that I made in the beginning?

Mr. BLOOM. Please do.

Mr. HERTER. I do not think it is a very good policy, having had three different types of bills last year dealing with interim relief of one kind or another, again to change the form into a fourth type of bill for another interim-aid activity. I think it would be very much better, if it were possible for us to take the pattern of one of those you have already set up and work on that rather than to bring in all of the controversial matters that are likely to arise through having an entirely new one.

Mr. BLOOM. I am sorry I am in disagreement with you on that point because I do not think you can amend any act now in existence to fit this situation. I think this has got to stand by itself.

Furthermore, Mr. Herter, as I stated to the committee the other day, I think there is a psychological effect on these countries by having a new bill that deals only with this aid and interim aid to the three countries, and later on the other countries. I think it would have a great psychological effect on the different countries instead of our taking an old bill and amending it. You cannot do the same here with this as we did with regard to UNRRA, because there the only thing we did was to increase the amount of the appropriation from \$1,350,000,000 to \$2,700,000,000. You must cut out certain countries here and add other countries. I do not think it would be advisable to do that.

Now, Mr. Herter, with reference to the funds that you say were blocked or frozen in 1941. Was not most of that money that was brought over here or sent over here by nationals of France and other countries, brought over before 1941 and blocked afterwards? That is, the law was passed after the funds were blocked in this country?

Mr. HERTER. That is correct.

Mr. BLOOM. So that these people had a perfect right to believe that if they sent their money to this country and this country blocked their money, and there was no law in existence in France or any of the other countries with reference to what use should be made of this money—do you not think they had every reason to believe that they were just as safe or that their money was just as safe in this country as their body would be in this country if they came over here? I think the Government has acted wisely and fairly in refusing to give a list that the French Government asked for, because the money was placed over here under certain conditions; the law of France, or of the other countries, was not retroactive and they had every reason to believe that the money was safe over here. Is not that right?

Mr. HERTER. You are probably correct, sir. On the other hand, the law of the country to which these people belonged was changed. They called on their own citizens to assist them in the difficult financial plight in which they found themselves.

If you will notice, on page 21 of the report from the State Department, one of the assets that is listed for France, in the amount of \$35,000,000, is in the liquidation of French dollar securities. Those are items that have recently been reported to the French Government by French citizens. Some French citizens are not reporting their money and it is merely a question whether we should protect them or not. I said it was a question that should definitely be considered by the Congress in connection with the over-all problem.

Mr. BLOOM. Mr. Herter, with reference to the funds of the respective countries the disposition of which you say the Congress should decide, if you had a million francs deposited in the Bank of Italy, how could the Congress determine how that money should be disposed of?

Mr. HERTER. I do not think it could determine the details of it possibly. I think it could well determine the broad lines on which, with agreement of the foreign countries, it could be used. I think it is an important point that it should do so.

Mr. BLOOM. This money that was brought over and deposited, do you not think that part of that money could be used over there for services rendered, thereby saving United States money; and do you not think that the administrative committee handling the long-range plan or the tentative plan would have a better idea of how that money should be disposed of than 435 Members of the House and 96 Senators?

Mr. HERTER. I think so, within certain broad principles laid down by the Congress, I think they most certainly would. What I am objecting to in this bill that it is now done without those broad principles necessarily being laid down and it is being done just for two countries, and would set a pattern at once in the interim aid program that I think ought to be saved until the over-all problem is considered.

Mr. BLOOM. I agree with you, Mr. Herter, that if the plan laid down in the tentative legislation that we have before us were to be adopted, I think the administration of the long-range plan or the tentative plan should say how this money is to be spent, or what is to be done with it. I do not think the Congress knows anything at all about it. I think that if you brought it to the Congress you would worry them, and they have enough to worry about.

I do not think that either one of your points, Mr. Herter, as far as I am concerned, have anything to do in the strengthening or the weakening of this bill.

Mr. CHIPERFIELD. Mr. Herter, getting back to the balance of payments, I want to see if I understand you correctly.

A country makes a statement of requirements like food, or maybe leather goods, or so on. Then they list their assets, is that right, that they will get from exports or other sources?

Mr. HERTER. Or what they may have saved up.

Mr. CHIPERFIELD. Or what they have on hand, all their assets, and they subtract that from their requirements. That will leave a deficit, and that deficit is the balance of payments, is that it?

Mr. HERTER. They do not necessarily list their assets. They list, in a pure balance, what they expect to export as against what they expect to import, and the difference between them is the offset in their balance of payments.

Mr. CHIPERFIELD. I call it a deficit. I do not know whether that is the proper term or not.

And then the amounts that are requested in this interim aid by the State Department to meet the needs of the countries involved are based on those deficits; is that right?

Mr. HERTER. That is right.

Mr. CHIPERFIELD. That is the way that the amount is determined?

Mr. HERTER. Yes.

Mr. CHIPERFIELD. So it does not make much difference if you pay for a certain amount of food because that will allow other assets to be used for steel, cotton, or something else; or, turn the situation around, if you pay for the steel, cotton, or something else, that makes other assets available for food?

Mr. HERTER. That is right, and that is just the way that it is set up in here.

Mr. CHIPERFIELD. Exactly; so when you are talking about feeding peoples, you are doing a lot more than that—you are setting up a formula of requirements, not only of food, but of other things necessary for these countries to keep them from retrogressing.

Mr. HERTER. That is right.

Mr. CHIPERFIELD. And that will keep their economy up; but if we put this out as giving food, fertilizer, and pesticides that does not give the picture at all?

Mr. HERTER. No, sir. This is exactly a balance of payments, but those items have been picked out and set to one side and not all have been picked out. There have been left behind coal, petroleum, and other things to be paid for in dollars, or to be paid for through bank loans that are not put in the grant-in-aid column.

Mr. CHIPERFIELD. Exactly. There is a list of a great many commodities that are needed in these countries. I wonder if you, or Dr. Elliott, or someone, could tell me what figure you found for the wheat crop in 1947 in Italy.

Mr. HERTER. You will find that in this Italian report. You will find it on page 8 of this report under the heading "B," estimated 1947 crop, divided into wheat, rye, barley, rice and corn, making a total, roughly, of 7½ million tons.

Mr. CHIPERFIELD. And if you multiply that by 37 you will get the number of bushels?

Mr. HERTER. That is right.

Mr. CHIPERFIELD. And if that amount was greater, for example, so far as wheat is concerned, by 44,000,000 bushels than the amount the State Department uses for an estimate, they probably would not need as much wheat, would they?

Mr. HERTER. As a matter of fact, the independent estimates that have been made by some of the leading authorities put it anywhere from 500,000 to 1,000,000 tons higher than the figures given here. That is shown within the report itself.

Mr. CHIPERFIELD. Also, the State Department figures are lower than yours by some 44,000,000 bushels, as I recall it.

Mr. HERTER. That is our best estimate. I think the State Department has taken the same figure as that provided by the Italian Government. The State Department, on the other hand, has put theirs on a 6 months' basis rather than a yearly basis of availability.

Mr. CHIPERFIELD. You point out that in their report some of the estimates were much larger than others.

Mr. HERTER. Yes. In addition to that there is a very real question involved in the Italian picture, and that is as to how much grain can be collected from the farmers themselves, and I think the best estimates are one-half million tons more can be collected than the figures given in the official Italian figures.

Mr. CHIPERFIELD. Thank you very much, Mr. Herter.

Mr. KEE. We have about two questions, it seems to me, that are extremely important in this. The first is whether or not interim aid is required by certain countries in Europe and the second is the amount of money Congress should appropriate in order to furnish that aid.

As I understood your statement, your committee while in Europe investigated the requirements of certain of these countries; is that correct?

Mr. HERTER. As well as we could, with the figures then available.

Mr. KEE. On the ground you investigated these requirements. You investigated the requirements of France and of Italy; is that correct?

Mr. HERTER. That is correct.

Mr. KEE. Those two. Your investigation did not apply to Austria?

Mr. HERTER. It did apply to Austria. The chairman of the subcommittee who was in Austria is not here. I think that Mr. John Vorys of this committee was in Austria. It is my recollection that the information he then received there was that there was no need for interim aid; it was never raised, and that it was not anything requiring action in a special session.

Mr. VORYS. That is correct.

Mr. BLOOM. Is that in Austria?

Mr. HERTER. Yes, Austria; not in the other two countries.

Mr. BLOOM. May I ask, what section of Austria?

Mr. HERTER. I think, sir, that question had better be addressed to a member of that committee who was in Austria and went over that problem. I did not go to Austria, so I cannot answer it first-hand.

Mr. KEE. I will be content to address that question to the member of the committee when he comes on the stand.

In checking these requirements as to Italy and France, did you also check your figures and compare them with the estimates of the State Department that were presented by the Secretary of State Marshall of those requirements?

Mr. HERTER. No, sir. We did not at that time, for this reason: In the case of France, for instance, it was not until the last day we left France that we were even able to get an approximation from French officials themselves as to what they required, and those figures do not check in any respect with the last figures that have been submitted here, or the various changes that have been given us since we came back to the United States.

In fact, I could show you—I think Mr. Richards of your committee was on the Italian committee—that we tried to make a balance sheet on Italy coming back from Europe. We tried to make a balance sheet of the resources that were actually available to Italy, those that might be made available, those that probably would be made available in an interim period; and we reached certain conclusions based on that.

I happen to have a copy of that table here. The figures that have been given to us since that time have very little relationship to those. As a matter of fact, a great many things have changed and changed very rapidly. For instance, you will notice in the statement of the State Department that of the \$100,000,000 Export-Import Bank loan to Italy, only \$55,000,000 will be available in this interim period up to March 31. Our own information a week ago was that the Export-Import Bank would make all of that available if the proper contracts were signed with Italy, and there was to be included in that an item of \$46,000,000 worth of coal. That coal has, in large measure, been shifted from the Export-Import loan to the grant-in-aid figure that appears in this table. We were not familiar with the shifts in dollars that had taken place until these figures were actually submitted. We were doing the best we could to get some figures to use for whatever value they might have, and we were using the latest figures the Treasury and the State Department gave to us. Those were revised and revised, and, as I say, on Monday the figures that were presented here were quite different from the figures that we had been working on a few days before.

Mr. KEE. I have no disposition to inquire as to the particular items. I am going to ask you whether or not you had access to the sources of information from which the State Department based its estimate of requirements?

Mr. HERTER. I think so, sir. On the other hand, we were in Europe in the month of September, and if you take crop estimates, they keep varying from time to time. Congressman Andresen, who was sitting in the back of the room, was chairman of our agricultural committee. He was trying to get the very best figures that he possibly could as to the requirements and the actual crop prospects in each of these countries, as to the deficit there might be as between the two. We have checked those just as well as we could when we came back here. With the figures that have been collected by the FAO, the figures collected by the Emergency Food Council and others, our own Department of Agriculture, we have done the very best we could to check all of the figures so that we felt whatever figure we were able to offer you would be as nearly accurate as possible.

Mr. KEE. The point that I am trying to get at is that the State Department, represented by Secretary Marshall came to this Congress and asked for an appropriation of \$597,000,000 for this interim aid. They base that request on certain estimates of the requirements of these three countries. I think it is a very wise thing for your committee to make the investigations which you have made, and I take it that the State Department has also made a very exhaustive investigation. What I would like to know is whether your committee has determined whether or not the State Department is correct, substantially, in its estimate of the requirements for these countries, or whether this requested appropriation should be either increased or diminished.

Mr. HERTER. I think that I can answer that simply by saying that we are convinced that the requirement figures are probably reasonable figures, but there is a vast difference between requirements and what is available, and it is the availability that I am trying to stress. If one makes appropriations for requests for requirements and the actual goods are not there, the individual who expects to receive the goods is

likely to be bitterly disappointed and will somehow feel that we are holding back. I feel that it is only fair to foreign nations to be completely realistic as to what is available.

Mr. KEE. You mean it will go to those nations that require these goods?

Mr. HERTER. That is right.

Mr. KEE. Would you say that we are justified in making the appropriation requested by the State Department under the circumstances?

Mr. HERTER. I think, sir, and I hope you will, yourselves, examine very carefully the differences in estimates that we have made from those that have been submitted as to what is available. Then the question that will be before you will be whether to appropriate money for that which is not available, or not to do so. It is a question of very fine judgment as to what should be done in that case; but what I am afraid of is that if you make dollars available under the heading of commodities as they are broken down here, as, for instance, wheat, and wheat is not available, the mere fact that has been done will lead nations to believe they can get that much wheat, and I think it is only fair to them and everyone concerned to make it clear there is not going to be much wheat.

Mr. KEE. I take it that the premise on which you are basing your argument is correct, sir, but the State Department comes to us with the statement that these commodities are available and they ask for an appropriation. I take it our committee will go fully into the question that your committee went into before we get through with this, but what I was after was to get the results of your committee's investigation and your opinion as to whether or not this appropriation was the proper one to make.

Mr. HERTER. Well, may I point out in the Italian report, in the table at the end, the figures that we have arrived at there, the difference between the figures of the State Department, as submitted in this document, and our figures is roughly \$100,000,000—some \$40,000,000 on the cash resources side and \$60,000,000 on the goods just not being there.

Mr. KEE. And your conclusions in that respect are shown in the document that you have filed with us?

Mr. HERTER. That is correct. That appears in the document that we filed with you.

Mr. KEE. I take it the same question will arise as to the long-term over-all program.

Mr. HERTER. If I may just say a word on that, the very question you raise is the question that is uppermost in my mind on any type of program. All the members of this committee that went abroad, or other Members of the Congress who have been abroad, I think can testify to the fact that a screening of requirements is one of the most difficult operations in the world, and it is very technical.

For instance, I would have no more idea, as an individual, as to whether Italy required 50,000 tons of coal a day or 100,000 tons of coal a day, and I doubt if anybody else could tell you that unless they knew all about Italian industry, what they were consuming, what their rate of development was, how much was required for industrial coal, how much for heating coal, and really were expert in that particular field. I do not think we have today anywhere in the world set up an expert

staff that could do a close enough screening job of other people's requirements to make much more than somewhat of an informed guess.

Mr. KEE. I think we all understand, Mr. Herter, that on this matter we are all working on estimates and that estimates are more or less of a guess, no matter what sort of information you base them on.

I thank you.

Mr. VORYS. Mr. Herter, I want to say first how much I appreciate the organizing job that you have done in the past few months, both in organizing our inspection trips and in organizing and directing us, and the staff in these studies which I feel will be so helpful in the problem that the Congress faces. You have done a fine job.

You mentioned a few minutes ago that the supplies for France for wheat were for 5 months, and 4 months for Italy. I found the 5-months' figure and that the program was to run until April 30 instead of March 31, the interim aid program. I asked Mr. Lovett about that. Here is what he said. I pointed out the fact that the French wheat ran until April 30, as shown in the blue book. Then I asked him, "Now, is there a 5 months' program for wheat in Italy?" He said, "Yes; it is on the same situation throughout. We are dealing with this on the basis of time. At the present time the dollars have to be spent in order to have the pipe lines maintained in a constant flow."

Then I went on and said, "Well, as you just look over the thing, if this is in fact a 5 months' program rather than a 4 months' program, that would explain why it is so big, and that is why I am anxious to find out whether in general there is a program that represents that for having the pipe lines full in March 31."

Mr. Lovett said, "That is right."

I read his testimony because I do not want to trust to my recollection. Apparently what I thought was going to be a 4 months' emergency interim aid proposition, to keep three countries going until March 31 is a program to keep them all going to April 30.

Now, on further analysis of the statement, it looks as if only 4 months are included for Italy.

Mr. HERTER. I think that is explained by the fact that the relief program of last year, voted by the Congress, was covering the December requirements. In other words, there will be deliveries all through the month of December based on purchases currently made, so that in effect you could move the entire Italian wheat program and coal program from January 1 when the pipe line would run out to April 30. I think that is the difference, that there are funds available for earlier purchase which carries through the whole month of December.

Mr. VORYS. May I point out this, that what I thought the President mentioned as a March 31 program is an April 30 program, and as far as I can see, the only emergency involved here is the possible emergency that Congress will not have made up its collective mind about what to do in 5 months instead of 4 months.

Mr. HERTER. No, I do not think that is quite correct. I think that there is a 6 weeks' lag, roughly, between the time money is made available to buy wheat to the time wheat is delivered. In the case of coal, I understand the payments are made at seaboard when the coal reaches seaboard. They have to be made at that time. The lag is a shorter lag. The wheat lag is the longer one, running from 30 days to 60 days, roughly, and if no further money were available by March

31 under the program deliveries would be made during the month of April, but then if money only were made available to the month of April, nothing could be delivered in the month of May and you would have to go a whole month without anything at all.

Mr. VORYS. Apparently this whole program is based upon a full pipe line on March 31; is that correct?

Mr. HERTER. That is correct.

Mr. VORYS. Now, feeling as I do, that we have to have a long-range program to cover not only western Europe but other places in the world, I do not want to get into a situation where Congress takes an interim bite and thinks that everything is settled. I think if we are going to have a long-range program it does not make much difference, quantitatively, whether the short-range would end in March or April, and I am hoping that our machinery gets into effect some time before that.

Mr. HERTER. I fully agree with you on that; otherwise I think we are going to have another emergency in March and be asked for another emergency appropriation.

Mr. VORYS. I am hoping that we can get away from these recurring emergencies of the past year or so.

Now, you mentioned about the French resources over here. I believe that you obtained some information. Is that available to the committee?

Mr. HERTER. Yes. I think that is entirely available to the committee because there was nothing secret about that, and, as a matter of fact, that is given in our French report here—the committee's report.

Mr. VORYS. Just state what that was.

Mr. HERTER. The figure given by Mr. Monnet was a minimum of \$2,000,000,000. The Bank of International Settlements made a separate statement in July, and their estimate is \$3,400,000,000 concealed in France in gold, dollars, and Swiss francs.

Mr. VORYS. So that one of the things that any interim or other program is doing is to create conditions that will coax the French to bring the gold out of hiding; is that true?

Mr. HERTER. I do not think anything will do that except restoring confidence in the currency of the country.

Mr. BLOOM. Did not the Germans do it?

Mr. HERTER. They brought it out very quickly. When there is a sufficient inducement to have it come out, they do it very quickly. In 1926 and 1927 it came out when the franc was revalued. It came out at such a rapid rate that it caused a monetary problem at the moment.

Mr. BLOOM. In 1870 they brought it out in 48 hours.

Mr. VORYS. One more question as to the nature of the interim legislation for interim aid. You will remember that Public Law 84, the relief assistance bill, was debated up and down the corridors of Congress and that a lot of limitations were placed in there and relief assistance is functioning under that bill at the present time. No doubt you saw something of the way that it is being administered.

Mr. Bloom asked you to criticise in detail the new proposal. I would like to ask you the question in reverse. Is there any part of Public, 84, the limitations and restrictions in there, which in your

judgment would not eventually be put into any relief bill that will go before Congress now?

Mr. HERTER. I would think that it would be very likely that the debate over each one of those limitations would be apt to arise all over again.

Mr. VORYS. There is one limitation in Public, 84, that Mr. Lovett brought up yesterday about the restriction on offshore purchases to 6 percent. He thought that was crippling. It seems to me if that figure is a mistake it could be adjusted by simply changing the limitation, and I have heard the figure of 20 percent would be sufficient to take in all foreseeable offshore purchases. Could you give us any thought you may have as to a change in that figure, whether it would be bad, good, and about how much of a change would be needed?

Mr. HERTER. I would think that a figure of 20 percent—and I have not given any thought to it—would be ample.

Mr. VORYS. Now, the select committee made a tentative recommendation that interim aid might be handled through the Export-Import Bank and the Commodity Credit Corporation. We were told in the testimony yesterday that the Commodity Credit Corporation is already being used in the procurement of commodities under Public, 84.

Do you know of any changes in the law which would be necessary for the Export-Import Bank to proceed to take up such part of this program as would not be distinctly relief and come under the relief bill?

Mr. HERTER. No, I feel all the items outside of what you might call the fuel, food, and fertilizer items are already contained in part in the Export-Import Bank loans, and that some future and further ones are contemplated in the balance of the Italian loan which is available today. There would be another way, if you wanted to do it. If the Commodity Credit Corporation were authorized to purchase the food, fuel, and fertilizer essential to meet this balance of payment item, to meet the immediate necessities of these countries, the remaining items could well be taken care of, I imagine, through that type of loan.

There is a requirement in the law that any loans made by the Export-Import Bank must show a reasonable chance of repayment; they do not necessarily have to have security, and they have not always had security, but they have to have a reasonable chance of repayment in the exercise of the judgment of the directors. And I think that most of the loans have been made on that basis, and certainly under the present management.

Mr. VORYS. Under Public Law 84 there is a provision that authorizes the Reconstruction Finance Corporation, despite the provisions of any other law, to advance \$75,000,000, before appropriations are made, to be reimbursed out of appropriations. By two or three word amendments the RFC could be authorized to make advancements to finance the relief part of this program without taxing the appropriation committee's services in order to achieve speed.

Mr. HERTER. I do not know about that. I know the law was changed last year so that the Reconstruction Finance Corporation could not continue loans for foreign purposes. I see Mr. Wolcott sitting directly behind you and I think he could answer that question better than I.

Mr. VORYS. In any case, by merely changing the words Reconstruction Finance Corporation to X-M Bank the present law, Public, 84, could provide for interim financing of the interim aid program.

Mr. HERTER. I think that is probably correct.

Mr. VORYS. Now one other thought: In the statement of requirements on page 20, of the blue book from the State Department, they have set up foods, fats and oils, and petroleum products, in table 2 of items that France must procure from her own resources, and they have got in table 1 some \$120,000,000 of coal to be supplied to France in the interim aid program.

It just happens that I feel that space-heating coal to keep people warm is proper relief and that industrial coal is something that ought to be paid for like any other commodity and that it ought to be financed through the Commodity Credit Corporation or the Export-Import Bank.

Have you been able to find out whether any break-down has been made between the amount of coal needed for relief fuel, to keep people from freezing to death, and the amount of coal needed for industrial purposes?

Mr. HERTER. I cannot say that there is in this document any such break-down.

Mr. VORYS. Would it not be possible for France, through loans to them, to procure some industrial coal from the United States and coal from Germany?

Mr. HERTER. You have petroleum in about equal amounts, in the two categories. In one case it is \$23,000,000 and in the other case it is \$22,000,000, and I do not see any break-down, and I do not know why that distinction has been made.

Mr. VORYS. If we must have an interim aid program largely because Congress just will not have the time to attempt a long-range program, do you think it makes much difference whether we finance this interim aid program out of Export-Import loans or finance it through impounding local currency subject to our controls as is provided in the relief bill?

Mr. HERTER. If it were going to be done by financing it through some new means, I think it could be done by combining the Commodity Credit Corporation and the Export-Import Bank; in other words, you might have one category that you are going to finance by the Commodity Credit Corporation, as grants in aid, and the other category through money to be borrowed through the X-M Bank, and in case that is done as the X-M Bank is an independent establishment, it might take some change in the law which requires them to make loans for certain purposes.

Mr. VORYS. If we impound the local currency, under the provisions of Public, 84, then the United States and the Congress would simply be holding the question for consideration as to what was to be done when it got around to considering a permanent program.

Mr. HERTER. With respect to loans.

Mr. VORYS. Yes.

Mr. HERTER. That is what is done under Public, 84.

Mr. VORYS. Yes; thank you.

Chairman EATON. I have just received a communication from a distinguished member of the committee suggesting that unless we

shorten up the interviews between the members of the committee we will be here until midnight. I raise the question that was suggested to the gentleman who follows.

Mr. RICHARDS. First, Mr. Herter, I would like to say that, having served under you on the committee on European relief, I have found you at all times indefatigable in your labors, a sleuth hound after the truth, and absolutely nonpartisan in your handling of your committee and in your approach to this problem.

Mr. HERTER. Thank you very much.

Mr. RICHARDS. I believe your committee recommended that if an interim aid program is adopted that the Government use the Export-Import Bank and the Commodity Credit Corporation as the agencies to handle it. Now is it your idea that these agencies should be the purchasing agencies and then vest in existing relief agencies the distribution and the handling of the program, or would you say that these agencies should do the purchasing and the distribution too?

Mr. HERTER. Do the financing.

Mr. RICHARDS. And you would utilize the existing relief agency under Public, 84?

Mr. HERTER. I would not create any new agencies for the interim aid unless you are really considering the matter very thoroughly.

Mr. RICHARDS. I understand your position to be that there is a need for a long-range-aid program for Europe?

Mr. HERTER. Well it depends a great deal on what you mean by "long range."

I do not think that any long-range program, of any kind, can succeed unless the nations of Europe do a very great deal for themselves. And I think that the Congress ought to watch that phase of the situation continuously. If we do not get a proper currency situation in these countries I think that any kind of a program that we might adopt is not going to ameliorate the situation, that the money that we would pour into there would be just a wasted effort, and I think that is a matter that we ought to keep watch on from time to time on any long-range program, over a number of years, if it should be adopted, and we ought to feel our way, and if they make progress, like sound banking, try to help the situation along.

Mr. RICHARDS. Do you feel that the nations in Europe are taking effective steps along that line now?

Mr. HERTER. Well I am somewhat embarrassed in speaking publicly on that subject. If you ask that in general words I would say "No." I think the European countries themselves made that very clear in the 16 nations' declaration they adopted in Paris, at which time they made it absolutely clear that unless they did a great many things for themselves that they were really not eligible for aid, and that they had to do a great many things if their economic recovery was to be expected.

Mr. RICHARDS. Do you feel that their inability to help themselves is in a large measure the result of chaotic political conditions with certain economic factors that tie in?

Mr. HERTER. I think that is true, that they have very grave political decisions that will have to be made on the part of the leaders in those countries to make this thing successful.

Mr. RICHARDE. You do feel that there is a need for an aid program in Europe right now?

Mr. HERTER. I do.

Mr. RICHARDS. But you feel that it would be unwise and cruel to use those needs as a basis of creating expectancy which this country may be unable to meet?

Mr. HERTER. That I think would be a very cruel thing, to lead them to believe that we had surplus commodities, only to learn that they were not actually available. I feel that approach would be a very unfair one, to arouse expectations in any government or any people unless we can actually perform.

Mr. RICHARDS. I fully agree with you about that.

There is one angle of your viewpoint that I would like to have you elaborate on. I do not think you meant to give the impression that there is no need for perhaps a 3 or 4 years relief program in Europe, did you?

Mr. HERTER. No. I think if the proper progress is being made so that the continued aid might be given to the point where no further aid was required, that it might well be continued, but I think we have got to watch, and watch very carefully or we might get to the point of a hopeless operation.

Mr. RICHARDS. Do you think it would be unwise for the Congress to consider a long-range program and a short-range program at the same time?

Mr. HERTER. It depends upon what you mean by a long range. I cannot conceive of any program ending abruptly at that time.

Mr. RICHARDS. I was thinking of a long-range program with funds provided on a year to year basis. Funds for the second year might not be forthcoming if the program was unsuccessful the first year.

Mr. HERTER. Even today, in estimating for 15 months, of course, we have no idea what the next year's crop is going to be; it is impossible, it is very difficult if not impossible to consider what may happen.

Mr. RICHARDS. I am going to follow the admonition of my distinguished chairman and close.

Chairman EATON. It is a great loss to the country and to the Congress when the gentleman quits. Mr. Mundt.

Mr. MUNDT. Mr. Herter, first, I would like to say that I think you have made a very fine report. I have scanned through it rather hurriedly and expect to go into it in much more detail.

I think you are looking at it very realistically when you bring to the attention of the committee the facts that you have made available and these factors are something the committee will have to face before it makes a final decision.

If I understand the previous testimony—I have read a part of it and have heard a part of it—and your statement, there is about \$100,000,000 difference between the State Department's recommendation and yourself. There is a conflict in figures both as to availability—

Mr. HERTER. That is correct, but may I make an interpretation of the figures: There is an item of \$40,000,000, representing in effect working capital which is left out in the computation of Italian assets, and you may very well feel is one that ought not to be considered as available. There is a very, very small reserve left in Italy, which is the only working capital they have left, and they may feel that ought to be left out and not be included in the assets to be immediately spent.

Mr. MUNDT. That would reduce the discrepancy to \$60,000,000.

Mr. HERTER. To about \$60,000,000.

Mr. MUNDT. The difficulty in Europe grows out of the fact, one, the shortage of food, in part by industrial lag, and in part by the drought; and second, the shortage of dollar exchange. I was interested in the statement you made in connection with the possibility of countries over there reimbursing the United States, or any other contributing country, not in dollars, which they do not have, but to a certain extent in currency, local currency.

I wonder if in your studies overseas you have gone into the question sufficiently so as to be in position to advise whether the countries in Europe do have an ability to pay with local currency, that is, whether they could make payment in local currency?

Mr. HERTER. I think that would vary a great deal from country to country.

Mr. MUNDT. Of course that would be true.

Mr. HERTER. But I think that local currency can be made and should be made available, and that if their governments are going to get on a sound financial basis they are going to have to look the facts squarely in the face; and unless they are going to be willing to make some contribution to these very large quantities of food and fuel and fertilizer they might as well not expect assistance over any long period of time.

Mr. MUNDT. Would you recommend to our committee that as to the loans made available to them, and as to the materials made available to them, that where and when the country overseas does have the ability to pay out of their local currency that we would expect them to do so, and leave to us the determination of what we will do with the currency?

Mr. HERTER. I would. That is all done in Public Law 84.

Mr. MUNDT. Yes. I expect to touch on that in my testimony tomorrow, because I feel that in this kind of program that where they can make contributions they should make them. I think it would be of material help to them from the moral standpoint and of real financial value to us.

Mr. HERTER. I think it will create more self-respect in their dealings between their government and ours.

Mr. MUNDT. It will result in more self-respect and more efficiency.

Chairman EATON. Mr. Jarman.

Mr. JARMAN. Mr. Chairman, along with other members of the committee, I, too, deeply appreciate the excellent way your work has been done, Mr. Herter. I happened to have had some experience with such trips, and I know that they involve a lot of work, and that one experiences some strenuous times as well as hard work; and I am sure from what I hear from other members of the committee that the duty of every member was excellently performed under your leadership, and I want to thank you for it.

Mr. HERTER. Thank you.

Mr. JARMAN. I know we all agree with you in the effort to get the right answer to the disagreement with the State Department as to the amount of \$100,000,000, now \$60,000,000 after the reduction referred to, and there will be other questions that will have to be considered by our committee. We will consider all of the evidence we receive without regarding any of it as sacred.

You stated in your answer to the question by our colleague and member of the committee from South Carolina that you consider this an emergency situation?

Mr. HERTER. Unless we felt that it was, there would not have been the reason for setting up the special study of the interim aid bill for granting relief.

Mr. JARMAN. Do you think that any new mechanism should be set up, or could be set up, in time to handle this interim aid program?

Mr. HERTER. That is something I would have to leave to the committee, because it is a matter of procedure.

Mr. JARMAN. You said that you were in disagreement with the State Department as to the dead line being December 1 rather than December 31.

Mr. HERTER. Yes. I do not agree with the suggestion that it has to be done by December 1, because I think there is enough to carry them through that month.

Mr. JARMAN. Do you think that a new agency could reasonably be set up and put in operation to handle the program by December 31?

Mr. HERTER. That would depend entirely on the kind of arrangement and the agreement as to what kind of an agency should be set up. I do not think that it could be fully staffed and fully put into complete operation in that period of time.

Mr. JARMAN. I am in agreement with you in that doubt.

Now, you said as to the long-range program, that we find ourselves engaging in a hopeless program, and that I judged you were referring to the future, but you do not consider it hopeless now.

Mr. HERTER. I could not quite hear your question.

Mr. JARMAN. You do not consider the long-range program as hopeless now from what you know of conditions now?

Mr. HERTER. I do not think it is hopeless, and we certainly would not be studying it if we thought it was hopeless.

Mr. JARMAN. Now, whether it is a long-range or a short-range program, that is whether it is an interim aid or a long-range program, the situation in Europe cannot be relieved without some supervision and help.

Mr. HERTER. The purpose of our studies has been to implement our knowledge of the needs and the kind of program that would be most helpful.

Mr. JARMAN. Now, as to the coal that is being furnished from here, and which was referred to in the question asked concerning coal and food items: That coal and some of the food items are just as necessary for the end we are working to as food, is it not?

Mr. HERTER. I think it is very hard to give priority, but I think food would come first, and coal probably as second, and third, raw materials.

Mr. JARMAN. In the long-range program I would imagine that coal could be used to develop power plants to get industrial production, and used in the operation of plants, and might be just as valuable to our purposes as the heating of houses to keep people from freezing.

Now I would like to get information from an expert on the "balance of payments." Let us take this example as an illustration and assume that as between the United States and France that we ship to France in a given period a billion dollars worth of goods, export a billion dollars

worth of goods, and during that same period France exports to us a quarter of a billion dollars worth of goods, we would have a balance as against France of three-quarters of a billion dollars.

Mr. HERTER. Yes.

Mr. JARMAN. In other words that would be considered as a balance of payments in our favor of three-quarters of a billion dollars.

Mr. HERTER. It is considered a favorable balance for us when they owe the money to us. Sometimes it might be considered an unfavorable balance.

Mr. JARMAN. Where there is a question of collecting what is owed.

Now, you also spoke about the use of currency of other countries, in Italy and France, and I would like to ask you if that is not the purpose of one of the international banks which has been established?

Mr. HERTER. That is, through the Monetary Fund.

Mr. JARMAN. At Bretton Woods.

Mr. HERTER. The Monetary Fund was set up under an international organization, and it has resources today, of hard money in the amount of \$4,000,000,000, but even it cannot operate in the present chaotic situation in those countries.

Mr. JARMAN. I can understand that.

When you first spoke of the several billion dollars—someone has said 2 and somebody else 3.4 of American dollars in hiding in France my first thought was that such a condition might have resulted largely from the operation of the tremendous black market, which I am sure you have heard about. But when our former chairman referred to the existence of a similar condition in 1870 I concluded that such is probably not the case. I recall having been offered 225 francs per dollar by a man who accosted me on the streets, which I naturally did not accept.

Now, is that where a lot of the American money is going now that is being so obtained?

Mr. HERTER. Some of it is being hidden away, because the people do not have confidence in the franc, and they feel the best way to conserve their assets is to attempt in some way to get them into hard money.

Mr. JARMAN. Is that the main cause of the black-market operations?

Mr. HERTER. No; the black market is really a reflection of what the franc will buy in the way of commodities.

The exchange rate today is a completely unrealistic exchange rate.

Mr. JARMAN. I have just one or two other questions. Are there Italian investments in the United States which have not been reported to the Italian Government?

Mr. HERTER. I do not know of any. There are a great many Swiss holdings in this country, and no doubt in some cases, perhaps, the Swiss names that are used are not the real names of the owners.

Mr. JARMAN. What about the same situation with regard to Italian investments in other countries?

Mr. HERTER. I think there is very, very little.

Mr. JARMAN. That is all, Mr. Chairman.

Chairman EATON. Mr. Jonkman.

Mr. JONKMAN. Mr. Herter, I was interested in what you said about not making commitments which we could not fulfill in view of the reduction in the size of our corn crop, and perhaps in our winter wheat crop, and that we might find ourselves in a position where we could not continue further to furnish aid.

I wonder if you would care to comment on the question as to what extent the stepped-up program will affect that situation.

I find Public Act 84 provides \$350,000,000 aid program which became effective May 31, 1947, and by November 1 it has been in operation for 5 months, and that we had, up to that time only shipped some \$128,000,000 worth of goods, which leaves about \$204,000,000.

In other words, if we are going to continue under the program providing the \$350,000,000 at the same rate we have been going, by the time this interim-aid bill comes along, by the first of the year, we will have to step up our exports under the existing program, 400 percent; and if the interim-aid bill goes into effect the 1st of January, and we propose to export \$597,000,000, in round figures \$600,000,000 in say 3 months, that will mean we will have to step up our exports by 800 percent as compared with what we have done so far this year.

Do you think we will be able to fulfill those commitments?

Mr. HERTER. I do not think it would be possible to fulfill the commitments at anything like that rate.

We have already exported this year—will have by December—have shipped out of this country, three-fifths of the maximum figure that we contemplated we could possibly export in grains.

I understand that the testimony of Mr. Harriman this morning indicates an even lesser figure than we have used in this grain report.

Mr. JONKMAN. And that is what you mean when you say that Congress will have to be careful in giving over-all consideration before committing ourselves on any such grand scale.

Mr. HERTER. I feel very definitely that way, because I feel that this is entirely outside of our desire to help, that it would not be helpful for us to give people the feeling that we are going to help them and then not be able to fulfill our promise.

Mr. JONKMAN. And when we do not have the commodities to do it with.

I was also interested in what was brought out by the gentleman who continues to apply Act 84; one of the reasons seemed to be that this country was involved. Now is it not true that when Act 84 was passed, that we were not committed to any definite country?

Mr. HERTER. No; in Public Law 84, certain countries were specified and, as I recall, they were Austria, Greece, Hungary, Italy, Poland, Trieste, and China.

Mr. JONKMAN. As a matter of fact, Poland did not receive any of it and Hungary did not receive any of it, did they?

Mr. HERTER. Poland was deleted by the Appropriations Committee when the appropriation was made.

Mr. JONKMAN. But was it not the intent of the State Department or of the administration that if they did not wish to use the total allotment, because we did not want to commit this thing to any one country, that they could use it in another country, and have not they done that?

Mr. HERTER. That is true, but they have stuck pretty closely to the figures. There is today, I understand, some question as to the reserve they held back for the international children's fund and whether or not they are free now to allocate all of the children's fund. It is my own feeling that should be definitely held together, because the international children's fund is, at the moment, raising money from other countries to meet the quota on which our promise was made,

and I feel it would be a very unfortunate thing if that money was used for any other purposes.

Mr. JONKMAN. In other words, do you feel we could meet the situation, inasmuch as it has been definitely testified that the purpose, the ultimate objective, of this bill is aid and not defense—that we could reach the same objective by merely amending Public Act 84?

Mr. HERTER. That is my impression.

Mrs. DOUGLAS. Mr. Herter, may I compliment you, too, on the very fine job you and the members of your committee seem to have done?

Did I understand you correctly to say that from your figures you found the pipe line would run out in Italy by December 31?

Mr. HERTER. Yes; definitely.

Mrs. DOUGLAS. Then that would not conflict with what Secretary Marshall said, would it?

Mr. HERTER. It is merely a matter of a few days.

Mrs. DOUGLAS. What he said was that the appropriation would have to be passed before December 1 so that the pipe line could be kept filled.

Mr. HERTER. Then there is a little misunderstanding. I think the pipe line can be kept filled from Italy's own resources through the month of December. It is a very close thing, but if you look at the figures submitted by the State Department, you will see there are funds available to Italy beginning December 1.

Mrs. DOUGLAS. But if we do not pass this bill by December 1 we cannot place the orders that will get food to Italy by January 1.

Mr. HERTER. No; I think on December 1, as you can see from their statement there, they still have funds available to them as of December 1, which will carry through that month.

Mrs. DOUGLAS. I am talking about January 1.

Mr. HERTER. January 1 they will be all out.

Mrs. DOUGLAS. But we have to put in our order by December 1 in order to have food January 1.

Mr. HERTER. That is right, but they can put the materials in the pipe line in December with their own money. They would still have money with which to fill their orders in the month of December.

Mrs. DOUGLAS. For January delivery?

Mr. HERTER. For January delivery; yes. That is one place I disagree with Gen. Marshall but I think his own figures show, if you look on page 43, the various resources that Italy can expect to count on beginning December 1—export of goods and services, \$77,000,000; Export-Import Bank loan, \$55,000,000; liquidation of blocked assets in the United States, \$10,000,000; treasury surplus, \$22,000,000; POW trust fund account, \$15,000,000. And those are available as of December 1. They go over a period of time, but those items, together with this \$40,000,000 item we are speaking of, could carry them through that month, I think, if necessary.

Mrs. DOUGLAS. My understanding of the testimony given and from a study of these reports was that over and above what Italy is shown to have as resources in this report, they will need further help. The Secretary of State testified that our aid to Italy should be forthcoming by December 1.

Mr. HERTER. It is a matter, really, of the interpretation of the figures for a comparatively short period of time.

Mrs. DOUGLAS. On the matter of availability, the old export figure of grain for this crop year made by the President's Cabinet Food Committee and O. K.'d by the Department of Agriculture was 470,000,000 bushels, was it not?

Mr. HERTER. Yes.

Mrs. DOUGLAS. Mr. Luckman through his food-conservation program seeks to save and therefore make available for export another 100,000,000 bushels. This would bring the export figure of grain for this crop year up to 570,000,000 bushels. The State Department has set their figure at 520,000,000 bushels, thus allowing for a 50-percent failure of Mr. Luckman's food-conservation program.

Mr. HERTER. I think they based it on wheat alone. As a matter of fact, Mr. Luckman's figure on wheat would only be 500,000,000. It was 400,000,000 before, and with all the savings that might be made by Mr. Luckman, it might be raised to 500,000,000.

Mrs. DOUGLAS. That is right, for wheat, and 70,000,000 other grains.

Mr. HERTER. And 70,000,000 other grains. But the State Department wheat allocation is based on 520.

Mrs. DOUGLAS. That was not my understanding. I think the 70,000,000 was other grains.

Mr. HERTER. I think you can get those figures pretty well straightened out in this grain availability report we prepared for you. Dr. Elliott says that Luckman figures he is trying to get 400,000,000 to 500,000,000. His wheat figure was 400,000,000 and he is trying to get 500,000,000. There is confusion between wheat and other grains.

Mrs. DOUGLAS. Let us not just talk about wheat. When we didn't have wheat France was given corn, our theory being that whether the French liked corn or not it would keep them alive.

Mr. HERTER. Corn is tougher than wheat.

Mrs. DOUGLAS. But if the over-all export figure was 470 and if Mr. Luckman is 50 percent successful, then you have the figure that the State Department is working on now.

I do not see the basis for your statement of availability.

Mr. HERTER. I am afraid I am in a rather embarrassing position on those figures, because, while I feel the figures are right, at this moment I cannot quote the source. But I think you will find the source is a most important source when you come to the availabilities.

Mrs. DOUGLAS. I hope we shall be given the opportunity to acquaint ourselves with this source.

Mr. HERTER. I hope you will go into it very carefully yourselves.

Dr. JUDD. Mr. Herter, from personal observation I want to pay you and your committee a compliment for the industry and effectiveness with which the members of your various subcommittees operated in Europe. I saw only one committee which was working even harder, and of course that was the Mundt subcommittee on the information program, of which I was a member.

I understand your main difference is not so much with the State Department as to the requirements and needs as it is with some other committee, whether the Harriman committee, the Agriculture Department, or the Krug committee, as to the supply.

Mr. HERTER. Quite right.

Dr. JUDD. How can we resolve those differences between your committee and the Harriman committee, the Krug committee, or the Department of Agriculture?

Mr. HERTER. If I were you, I think I would talk to the Department of Agriculture. We are not necessarily including their figures, but we have checked with every agency, including the international figures.

Dr. JUDD. But there is a discrepancy, and we have the utmost respect for the integrity and ability of the people on both sides. What is your suggestion as to where we should go to try to get the facts and resolve the discrepancy?

Mr. HERTER. I would be very glad to do that in executive session.

Dr. JUDD. All right; but we should call in the Department of Agriculture, should we not?

Mr. HERTER. I would think so.

Dr. JUDD. May I ask what is the estimate of your committee with respect to the effectiveness of the effort being made, for example, by the French people and the French Government to do for themselves the utmost possible?

Mr. HERTER. There you get into a very long debate, and it is a debate that hinges around a great many factors. Take the monetary factor, which I discussed a little earlier: there is a lack of confidence in the currency, which has led the French farmer to plant 25 percent less wheat this year than prewar because of the fact he could make better use of his land by letting it go to pasture and raising animals on it, particularly cows, to make his wealth in cows and keep it there, rather than by raising wheat and getting an inadequate amount of unsatisfactory currency in return for the wheat. You can easily see, therefore, that the farmer is not doing his share, and I doubt if he will ever do his share until you can offer him something in return for his product and labor. You have the same theme which goes through everything. Where you have strictly rationed commodities, workers can earn during 3 days of the week enough to pay for the rationed goods, and the rest of the week they have found there are no goods to buy. As a result, there is a great temptation not to work and there is a greater temptation, you find, in the Ruhr this year, and in the British coal mines and in many areas, to take that extra time off and go out in the country and see if they cannot make a deal with the farmer for an extra egg or a little cream or butter or something of that kind, and they will not stay on the job and there is a high degree of absenteeism as a result.

Dr. JUDD. When you say the long-term program of aid will have difficulty in succeeding unless there are vigorous and courageous political decisions made by those governments and greater efforts to attack the problem, is it also true to say it is almost impossible for those political leaders to make those courageous decisions unless they are assured of what they are going to get from the United States?

Mr. HERTER. Certainly, at the present time they are put under great difficulty in making those decisions if they have not enough food to eat or coal to keep industry going.

Dr. JUDD. That is right. We need such facts in order to be able to acquaint the House with the reasons they have to have some help, and, in order for us to justify giving help. We have to find ways whereby we can help them improve their internal situation?

Mr. HERTER. Right.

Dr. JUDD. Is it your estimate that in France and Italy, for example, they are getting as high a yield as is possible under the present conditions?

Mr. HERTER. I think you would be interested in the production figures for France in the report we submitted today. In a great many lines, actual production in France is above prewar, above 1938. The same is true in some British industries. Industry in northern Italy has recovered amazingly well in the last year.

Dr. JUDD. I note here that Italy is operating at 70 percent of her prewar efficiency.

Mr. HERTER. That is taking everything into consideration. Some industries are a good deal higher; others are lower.

Dr. JUDD. Of course, the coal industry in France is higher than prewar, partly because there are tens of thousands of German prisoners of war working in the coal industry.

Mr. HERTER. Yes.

Mr. MANSFIELD. Mr. Herter, I would like to express my admiration and respect for the fine job you have done this summer in handling your committee overseas and also for the very able presentation and fine suggestions you have made here today.

Now, am I correct in assuming it is your position that any interim aid should be under the administration of the Export-Import Bank and/or the RFC?

Mr. HERTER. Well, the RFC itself is entirely out of the business of making loans on foreign aid. The question was raised, I think, by Mr. Vorys, as to whether it could loan money for this program to make it immediately available, and I think that is a legal point I would rather not pass on, because I just do not know.

Mr. MANSFIELD. Is it your belief that aid for Austria and Italy should be administered in the form of a loan?

Mr. HERTER. No; it is not. On the other hand, I personally feel and the press release we put out with respect to any long-term program indicated we felt there was a very real line of demarcation between the types of commodities we can probably lend money on and the types of commodities in this period that we should make as grants-in-aid, taking the local currency in payment.

Mr. MANSFIELD. I think you have a point there. What I had in mind is this: Just what in the way of resources or assets do the Austrians and Italians have at the present time which they could put up for collateral if they expected to operate under a loan from the Export-Import Bank, which I understand does operate on a businesslike basis.

Mr. HERTER. That is true; but they received a loan of \$100,000,000 last June, that is, Italy; and if we make available to those countries the life-line commodities of fertilizer, fuel, and food, and do not require dollar repayment on that, then the XM loan becomes that much better a loan. It is not repayable immediately; it is repayable in a number of years, and it makes the entire position, dollarwise, of the country so much sounder if in the interim period they are able to get these other things without having to borrow money for them or without having to make dollar payments for them.

Mr. MANSFIELD. What I had in mind is this: I think in view of your statement concerning the coal resources which the French have and

the assets which Frenchmen have in this country in the name of certain Swiss enterprises, it would be entirely possible for a loan to be negotiated with that country. But if you consider the lack of resources which Austria and Italy have, it would seem to me to be a pretty difficult proposition to advance loans, because we certainly could not be sure that those loans would be repaid.

Mr. HERTER. That is quite correct. On the other hand, if you look at the export figures of Italy to the dollar area today, you will find they are twice as great, for instance, as the French exports to the dollar area. The Italians are exporting pretty well, and I hope in a period of years they will be exporting a great deal more. In the case of some cotton loans the Export-Import Bank makes a loan, as is the case concerning Italy, through the intermediary of a semigovernmental corporation whereby the cotton is furnished and payment made through the sale of goods—when it comes to making repayment for the raw material, that becomes a normal commercial transaction.

Mr. MANSFIELD. That is news to me. And that, of course, fits into what you said as to the increase in the rate of productivity, especially in northern Italy where cotton is used to the greatest degree.

What I had in mind with respect to Italy was the fact they had no colonies to fall back on, as contrasted with France. I notice in your report you state the normal bread ration for Italian food is 250 grams.

Mr. HERTER. That is correct.

Mr. MANSFIELD. From the information I was able to get over there—and I know it was nowhere near as accurate as the information you and your committee were able to accumulate—I was informed that a great many Italians were living on a bread ration of 75 to 125 grams a day.

Mr. HERTER. In some localities the ration is lower. The average ration is 270. When you talk about bread, I assume that includes pasta.

Mr. MANSFIELD. Yes.

Mr. HERTER. That is right.

Mr. MANSFIELD. Is it true that in all of the 16 countries that are being considered now under the interim program there has been an extreme drought this past summer?

Mr. HERTER. I could not speak for Switzerland. I do not think Switzerland was included—or Portugal or Ireland. But certainly as to England and all of northern Europe that is true.

Mr. MANSFIELD. Would you say the line of demarcation between the drought and the nondrought areas was the line between the satellite countries on the east and the countries on the west?

Mr. HERTER. It would come very close to it. I think part of Czechoslovakia suffered drought.

Mr. MANSFIELD. But in other parts of the country they had good crops, and Czechoslovakia will be able to take care of its own wheat this year?

Mr. HERTER. Yes.

Mr. MANSFIELD. Would you favor setting up some sort of corporation or clearinghouse in this country for the distribution of the materials and food to the countries in need overseas?

Mr. HERTER. You mean from the point of view of individuals—individuals to individuals?

Mr. MANSFIELD. Either from the point of view of individuals or from the point of view of what could be done by other means. In other words, a system whereby the right amount of food would go to the right countries, and the right kind of material would be there to aid in the rehabilitation of those countries?

Mr. HERTER. I believe in that very strongly. I believe it is an important thing, if we are going to make any kind of program succeed, that we should get that kind of agency set up and set up as soon as possible.

Mr. MANSFIELD. Would you be in favor, under the long-range program, of setting up a condition somewhat similar to that which existed under lend-lease in its later years, to the effect an accounting should be made by the recipient countries every 3 months, so that reports could be made to Congress to indicate just how successful or unsuccessful this program would be?

Mr. HERTER. I think it would be very desirable. I am not sure whether it ought to be every 3 or 4 months' period, but it should be very frequent periods.

Mr. FULTON. Mr. Herter, I, too, want to compliment you on the good work you and your committee have done, and I might say that several of us on our committee appreciated the chance to sit in with you in the briefing sessions on the way over, and the inspection of the full committee through Germany.

There has been some question on the Italian figures, and that naturally raises the question of what records of books did your subcommittee inspect, or what accounting information did you get? What were your sources? Were they by a direct check of the books of the country and their records, or second-hand information from officials?

Mr. HERTER. In Italy, for example?

Mr. FULTON. Yes.

Mr. HERTER. There we have a report made by the members of the Italian subcommittee, one of whom is sitting on your committee here, that did the exhaustive work. In addition to that, on agricultural figures, there was a special agricultural committee that went to Italy. I cannot answer that question directly, but I think they tried to get information from as many sources as they could.

Mr. FULTON. I think that should be put into the record in order that we may have the basis upon which the figures were compiled. We do not need to go into it now. The question is what specific sources of information on which the Italian report, for example, was based.

Then you make the statement, in answer to one of Dr. Judd's questions as to the necessity for bringing up representatives of the Department of Agriculture, possibly, to go into the agricultural totals, and Mr. Vorys and I both remember we had Dr. Fitzgerald, of the International Emergency Food Committee, before us when we were going over the formula for relief this spring in Public Law 84. Do you think it would be wise to have him up here again?

Mr. HERTER. I think he is one of the wisest men in the world on the subject of food. I do not think you could get a better witness.

Mr. FULTON. Therefore, you would recommend him as a witness?

Mr. HERTER. Yes.

Mr. FULTON. In answer to a question, I believe by Mr. Jonkman, about the children's fund that has concerned some of us very much, the State Department evidently thought they could transfer from what they thought were unprogramed funds, which was really a balance in reserve of the children's fund, \$16,000,000 for the assistance of Austria. Evidently you and quite a group of us here on the committee agree that cannot take place, and that they must still hold the money in reserve until June 30, 1948. If that is the case, the State Department has short-changed themselves in the amount in this bill by \$16,000,000, because they need actually \$16,000,000 for relief in Austria. Is not that correct?

Mr. HERTER. That is my understanding.

Mr. FULTON. So, really, you and I agree that the bill, instead of being \$597,000,000, should actually be \$613,000,000, on their own figures?

Mr. HERTER. I do not believe anybody in the world can figure any sum as accurately as that, in any case. I do not think anybody knows what he would have to be paying for wheat a month from now.

Mr. FULTON. I agree with you. I was calculating the State Department's own figures at their face value. They, nevertheless, have short changed themselves \$16,000,000 in their own estimate of the amount required for relief, so that they should come in here with a bill for \$613,000,000 instead of \$597,000,000?

Mr. HERTER. Right.

Mr. FULTON. Would you have any objection, as a witness on the matter of the legislative procedure, to having a bill set up that is a separate bill from the old Public Law 84, the former relief bill, but take over the protections which Congress put in that bill for the six countries and Trieste, and to move them over into a new bill here? Do you think there is anything wrong with that legislative procedure?

Mr. HERTER. I do not think there is anything wrong with that legislative procedure, but I just think you take a longer step. There is one part of this bill that I would hate to see prejudged in the setting up of any organization to handle an aid program it definitely sets a pattern in the use of local currencies. I think it would be very much better to leave that decision for later determination by Congress.

Mr. FULTON. I take it, if we proceed on that basis, that the reason it might be wise to have a new bill is that the funds have been almost completely expended under the old, and we may have the question of certain countries not wanting to be included with certain others on a general charity ward relief basis. If we are going to make a relief award, they may not want to go along on the particular basis of the set-up in that bill, as this is primarily an interim relief aid program as a preface to a permanent program.

Now, you have \$100,000,000 difference between your figures, over all, and the figures of the State Department, as Mr. Mundt very aptly pointed out. Does that \$100,000,000 difference change your feeling on the over-all amount for which this bill should be set up?

Mr. HERTER. That depends entirely on whether the committee decides that the equivalent money could be used for the purchase of some substitute foodstuffs or in some other way. I think the great danger in this question is that anyone examining your bill will go back to this

document and see that so much money is intended for wheat, and I think whatever you do as to the amounts ought to be awfully clear, so that no hope of a false promise should be held out.

Mr. FULTON. Do not you think it is better to have an authorization of funds available, subject to later appropriation, rather than possibly to have a deficiency in the authorization and then to find you need more?

Mr. HARTER. I think that is probably a perfectly correct position. On the other hand, if you fail in reporting the bill to make it awfully clear that there is an excess amount of money over what you think will be needed for the availables, I think the one thing you want to avoid is giving the impression that somebody is going to get something that is not there.

Mr. FULTON. In Public Law 84, when it was set up, \$350,000,000 was provided when it came before the House for action, and I believe there was a cut by amendment made for those six countries and Trieste from \$350,000,000 to \$200,000,000. I do not know whether I am right or not, and there is no inference I am, but I believe you voted to reduce the bill from the amount of \$350,000,000 to \$200,000,000. Is that correct?

Mr. HERTER. I did.

Mr. FULTON. What is the reason for the difference between your position on that bill, for reducing it, and coming in here for approximately the full amount on this interim aid program?

Mr. HERTER. It is for this reason: I think the program had not been screened at all at that time, and I felt it was up to the people who were asking for that money to give a better justification of what it was going to be used for. I feel that is something that is absolutely imperative in anything we do, that we ought to insist on the closest scrutiny of the justifications given for the amount. I think that is only fair to the Government, to the public, and to the American taxpayers. That is why I am so terribly anxious to see, in whatever machinery is set up, that we can do that and do it thoroughly and do it in such a way that the Congress will really have confidence in the figures they submit to us.

Mr. FULTON. So you believe that the approach being made by Congress and by these various committees should make sure there is an adequate scrutiny, to make sure that the requirements are quite definite, and to make sure that the cost of allocating those commodities is going to be followed as carefully as possible. Is that a correct assumption?

Mr. HERTER. Even more important than that, I believe the making of these commitments is the wherewithal of making the commitments available.

Mr. FULTON. One final question on the agreements that have been spoken of here. The State Department evidently expects to make agreements as they go along with each country. Would you in preparing a statute outline the type of agreements that generally should be followed so that the outline would give the general over-all provisions and certain general policies that would have to be taken into consideration?

Mr. HERTER. In very general terms, I think those who actually execute the agreements and make the agreements ought to have great

leeway, because I think it would be very unfortunate to tie them down too tight.

Mr. FULTON. The general principles of the agreement should be set out by us, which they would then follow?

Mr. HERTER. Quite right.

Mr. FULTON. And then you would permit the agreements to vary among themselves, as among the different countries; would you not?

Mr. HERTER. Yes; because you have different situations in each country.

Mr. FULTON. I am pleased to have your idea on the legislative framing. I think your idea will be of great help to the committee. Thank you very much.

Chairman EATON. Mr. Javits—

Mr. JAVITS. May I join with my colleague, Mr. Fulton, in expressing my appreciation of the fine way in which you handled us as a subcommittee on different subjects, knowing our interest in the subjects with which your committee dealt.

Do I gather this from you, in the consideration of availabilities; do you believe, or have you come to any conclusion, as to whether the European nations would, before their people embraced a totalitarian government, wait until they had completely exhausted every dollar that they had available, regardless of where it was, before they got aid from us? Do you have any opinion on the degree to which they would go?

We are proposing to help the western Europeans because we want these governments to continue to be democratic. Now, do you have any opinion as to the point at which, considering the availability of their resources, they would feel that they had to make shift?

Mr. HERTER. Do you mean a shift of the government?

Mr. JAVITS. Yes; a shift of the type of government; exactly.

Mr. HERTER. That is a difficult thing to say. I think we would probably agree completely that in disorder, in chaos, with starvation and unemployment, the type of totalitarian government that we dislike has got a much better chance of gaining a strong foothold than under more settled conditions.

Mr. JAVITS. Do you agree that western Europe, and its electorates, will not wait for complete chaos and anarchy, but will act and perhaps accept a totalitarian form of government, whether it is of the right or of the left, before there is complete anarchy and chaos, but when they see that it is surely coming?

Mr. HERTER. I think you always have that danger.

Mr. JAVITS. Therefore, the purely banker approach to availability is not an approach that is open to us; that is, there is a point at which these peoples may still have available resources but nevertheless we will have lost the whole battle.

Mr. HERTER. When I speak of resources, I am speaking of commodities; I am not speaking of dollars. I have not been quarreling about the dollars, except as they might indicate resources that do not exist.

Mr. JAVITS. But even in respect of commodities or assets of any kind, could we agree that there is a point where although assets might continue to be available, people would nevertheless feel that they were ready to give up the democratic form?

Mr. HERTER. Yes; I should hate to speculate as to just what is likely to happen.

Mr. JAVITS. So there is an area of decision for this committee beyond the pure question of a banker's decision as to availability of resources to western European nations; you agree with that?

Mr. HERTER. No; that is, if I understand your question clearly. The only thing I am hoping you will not do is to indicate by a dollar appropriation that you are trying to make something available which in reality will not be available, because I think misleading people is the most dangerous thing that you can do.

Mr. JAVITS. I was thinking in terms of the availability of resources to these countries themselves. My point is this. We cannot come to a judgment as to whether we shall or shall not make available certain sums of money solely and exclusively upon a balance-of-payments standard. There is a political decision involved, as far as we are concerned. Would you agree on that?

Mr. HERTER. I think there is certainly a political decision involved all the way through in this, as well as a humane decision.

Mr. JAVITS. That is right; exactly. And there is a point at which although these countries still have resources available, they would nevertheless feel that they have to go totalitarian to conserve whatever modest resources they may still have available.

Mr. HERTER. That is why I said that in the case of the \$440,000,000 in gold in France, I thought it would probably be the better part of wisdom to leave it there as a reserve for monetary reform; and that there was a real question involved in this \$40,000,000 of working capital that perhaps ought to be left in Italy.

Mr. JAVITS. At one point in your testimony you said something to the effect that we want to pursue step by step the points involved, like "a prudent banker." The point of my question now is—I think we do not disagree, but I just want to make clear the area in which we do agree—we do agree that this is not a purely banker's proposition, first?

Mr. HERTER. That is right.

Mr. JAVITS. The next point is this. Do you consider this particular bill to be the first installment of a plan for long-range European aid, with Congress reserving to itself the step-by-step approach as to amount, and everything else concerned; but that essentially we are starting on the road of helping Europe recover in this bill? Or do you consider this bill to be the repair of a deficiency or a mistake in the estimate of the amount required made when Public Law No. 84, the original relief bill, was passed?

Mr. HERTER. No. The original relief bill—we are dealing with a different situation. That was dealing with certain countries but, because of the war and because of their former economies they had no resources of their own at all. It is now developing that other countries are getting rapidly into that same situation and that I think is the reason that this matter is now before you.

But, to answer the first part of your question: It is inconceivable to me that we should even be discussing an amount of money like \$600,000,000 to take care of a situation that will be chopped off before the next harvest season comes, several months before the next harvest season.

That is why I said earlier that I was somewhat at a loss to know why the date March 31 was used. A much more logical one would have been the harvest date, or the end of the fiscal year which would correspond closely to the harvest date.

Mr. JAVITS. But you agree that this is a necessary first step?

Mr. HERTER. Yes. But I am hoping very much that the Congress will busy itself immediately with setting up the machinery for something to administer aid and not put it off until we have got the emergency situation around March 31.

Mr. JAVITS. Is it not a fact that the \$600,000,000, no matter how you scrutinize the figures, is not a large part of what ultimately must be put up to do this job?

Mr. HERTER. I think nobody can give us the figures on this. We have discussed the resources that are today latent in Europe. It is possible, with reforms of currencies and a new psychology in the picture, that you will find that recovery goes infinitely faster than any of us have any idea of. On the other hand, you may find that it drags because of political or other conditions to a point where it is going to be a very different problem from the one that we now visualize.

Mr. JAVITS. But we can certainly agree that no matter what conditions we find upon close investigation, which we are making now, it will certainly take more than \$600,000,000.

Mr. HERTER. I should think that was a fair assumption.

Mr. JAVITS. Therefore, it is possible to take expeditious action on this program soon, without too much concern about those intimate details, because we know at least this anyhow needs to be done?

Mr. HERTER. I think that is entirely true. On the other hand, let me repeat, because I cannot emphasize it too strongly, that I just hope the Congress or the legislative committees that are acting on this will see that we have plenty of time to give consideration to other matters because I think the first thing we ought to be going after is how we are going to set this thing up, because I think that is what we owe to the American people; the right of way doing this thing is something that I think we ought to keep on top of immediately.

Mr. JAVITS. There is one last question I should like to ask you. You mentioned an agency, and many have been recommended. Do you feel that once such an agency is authorized, whatever it may be—do you feel that that will be the only agency that we will need, or will we still need, do you feel, an agency which will screen for Congress as distinguished from the rest of the Government requirements of this character which are bound to come to us year after year, for a period of years; let us say 4 years, which is in contemplation of this program?

Mr. HERTER. I do not know that you need to set up another agency, if you have faith in one. It requires a lot of technical skills to do a screening job and I should hope that we can set up one that we will all have confidence in.

Mr. JAVITS. And that one would be a Government agency, not just an agency for Congress?

Mr. HERTER. That is right, but I think the Congress, of course, should review its findings at regular intervals.

Mr. JAVITS. But not through a special agency for itself?

Mr. HERTER. No.

Mr. JAVITS. In other words; the nubbin of the thing is confidence, rather than an agency. We need an agency because we need confidence, rather than an agency per se, as the lawyers say.

Mr. HERTER. The Reorganization Act that we adopted last year provided for legislative committees to have the responsibility of seeing that it functioned all right.

Mr. JAVITS. Thank you very much, Mr. Herter.

Chairman EATON. Mr. Lodge—

Mr. LODGE. Mr. Herter, I would like to associate myself with the congratulations extended to you and your committee by my colleagues. Your presentation this afternoon has been extremely illuminating and we are very much obliged to you for coming.

In connection with Mr. Javits' last question, I would be interested to know what sort of individuals would you contemplate as being appropriate for a board of directors of a corporation of the kind that you describe? Would you choose leaders of industry, or what sort of personnel did you have in mind in that connection?

Mr. HERTER. The recommendation of our committee, put out a few days ago, contemplated a board of directors of eight who would not be full time; only the chairman would be the administrative head of the agency. The others would be in the nature of men of wisdom, elder statesmen of experience, and so forth.

I think you would want the very best judgment, because they would be sitting on matters of policy and direction, not the details of administration, which would be left to one individual. You have got to have a unit command in administration, just as General Marshall said.

I think that what you want to do is to give the American people and the Congress confidence that the best brains that we have in this country are applying themselves to this subject, both so that the dollars and cents will be wisely spent, and spent in order to secure the most rapid recovery of these nations that are in trouble.

Mr. LODGE. What would you think of making a part of this bill restrictions on exports to Russia and her satellites, restrictions to be specified after further study?

Mr. HERTER. I would be opposed to it. I think one of the most important things that can happen for western Europe is to resume barter trade with eastern Europe. Personally I am hopeful that the ordinary pressures of economics will bring that about in a considerable measure. I think that the countries behind the curtain are essentially agricultural countries; from the Danubian Basin right up to the Baltic and Poland is very rich agricultural territory. I think next year, granted reasonable weather, they will have a very large agricultural surplus, and I think it is of the utmost importance that that agricultural surplus should be available for utilization in western Europe. The only way it can be made available is either through purchase with dollars which, in turn, would be translated into machinery, or something of that sort, bought in this country, or through the direct barter of goods. Today, for instance, Poland is bartering coal for a number of different commodities. She is exporting coal to some 14 nations through barter.

Mr. LODGE. That is a very interesting illustration, because I did not happen to associate in my own mind the question of barter between eastern and western Europe, with the question of export license con-

trols in America. It seemed to me, as a result of my travels that when there is a surplus of capital goods, or when and if there will be a surplus of capital goods, the agricultural surpluses in eastern Europe will come and get them, so to speak. It is interesting, however, in the matter of the exports of certain materials, certain forms of machine tools and equipment to countries which have declared war on the Marshall plan, that we have been making some of those exports for which apparently, according to the Secretary of Commerce, we are not getting an adequate quid pro quo at the present time?

Mr. HERTER. If you are now speaking of the administration of existing export controls, I fully agree with you.

Mr. LODGE. That is what I was talking about. It seemed to me that we ought to make up our mind where we were going, and not go off in all directions at once.

Do you believe that the distribution of the relief under Public Law 84, through the governments of the several countries, has been a satisfactory method, or would you consider some other method of distribution under this legislation?

Mr. HERTER. I think you have got very little time in which to provide for another method of distribution. For instance, when you are dealing with wheat, the normal process is, as I understand it, that while wheat goes to a country in the name of the government, the government then sells the wheat to the millers. The millers mix the wheat with their own indigenous produce, and make up the kind of bread that is required by law. It may be a very gray or a very dark bread. It may have to have so much potato flour in it—this or that. It is almost impossible, once bulk wheat goes to a miller, to segregate and distribute the handling of it from that of the indigenous foodstuffs.

Mr. LODGE. There is only one way that that could be done, it seems to me, and that is for us to send over enough personnel of our own actually to go into a plant in Turin or Milan, where there are several thousand workers, and distribute these articles personally to these workers.

Mr. HERTER. Then you would have to separate your wheat entirely from the indigenous wheat or other products and mill it entirely differently over here.

Mr. LODGE. I think it should be milled in Italy, if we are talking about the Italian question; do you not?

Mr. HERTER. Then you would have to set up a trained organization and have it operate all the way through, with some supervision to make certain that the commodities we may furnish go into the right channels. That is very important.

Mr. LODGE. I do not pretend to have a solution to this problem, but I do want to call your attention to the fact, which I gathered as a result of my 3-weeks' investigation in Italy, that there were very few Italians who were aware of what we were doing. It is done on such a vast, high, government level, that they are not aware that we are providing them with these foodstuffs at all.

Mr. HERTER. With that I fully agree. The individual package with the marked containers, things of that kind, have infinitely more propaganda value than a large governmental operation.

Mr. LODGE. That is right. Mr. Herter, do you believe that an integrated and coordinated system of fiscal controls among the 16 nations will be necessary in order to establish the sort of economic federation which as I understand is contemplated under the Marshall plan?

Mr. HERTER. I think that when you come to an integration of 16 monetary systems, you are tackling something that is pretty difficult. I think it would be a highly desirable thing, but it is one that it would take a considerable length of time to develop. Our committee spent a good deal of time studying the Belgium-Holland-Luxemburg Customs Union. That is going to take at least 4 years' time to be brought into effect, and I think I can cite a particular type of thing that makes it very difficult.

Mr. LODGE. Do you believe that any sort of economic federation and reciprocal help, can be effective without some sort of fiscal stabilization and integration among these various countries?

Mr. HERTER. The fiscal stabilization will have to come country by country. You cannot have one with a completely unbalanced budget and a high degree of printing-press money and inflation, and then have the next country to it willing to accept that currency.

Mr. LODGE. That is exactly my point.

Mr. HERTER. You have got to take it country by country and get them adjusted on a common monetary standard, if that is possible. That is certainly the type of thing to do.

Mr. LODGE. That is right. What I am referring to is this. I had quite a lengthy conference with Jean Monnet when I was in Paris and he gave this example. He said that if France makes an agreement with Italy, that France will produce only Renault cars and Italy will produce only Fiats, and France then decides that she is going to print some more money with resulting inflation the whole bargain will have to be called off, because obviously it would upset the apple cart. And therefore, he seemed to think that it would be extremely difficult to have any sort of—let us say economic federation, unless you are able to establish an equalized fiscal level in these countries.

I realize that it is a very difficult thing to do, but if we do not do that, what chances of success are there for the reciprocal arrangements between the 16 nations? That is my question.

Mr. HERTER. I am afraid that is a very difficult problem and one that is going to take time, without any question. You have got a number of agencies that are working very hard on it. You take the Monetary Fund, for instance. They were waiting there, waiting to make themselves useful, but there has to be a preliminary degree of stability before it can even come into play and there again, how anyone can estimate ahead of time how quickly all those forces can be put together, I do not know.

Mr. LODGE. In other words, it is going to be a long process?

Mr. HERTER. It is going to be a long process. You have still got strong nationalism among 16 countries. Let me give you merely one illustration. As between Holland and Belgium, you have the friendliest governments working together, trying to work out this customs union. Then you have a single thing of this kind that can be very difficult to adjust. In Holland you have an excise tax on the production of beer. In Belgium you do not have the excise tax.

The minute you make your currency interchangeable and open your barriers from the customs point of view, then the beer manufacturer with the excise tax on him is at a tremendous disadvantage as against the other fellow who will be shipping beer into Holland. You have to adjust all of those little details in your economic life before you can set up an approximation of a customs union. It takes a lot of negotiating and it takes a lot of slow moving.

Mr. LODGE. You and I have come to the same conclusion about that.

Now, did I understand you to say that Austria was not to be included or was not in need of interim aid?

Mr. HERTER. No, I did not say that. I just do not know about it. Mr. Vorys, who was on the committee was in Austria, and other members of that subcommittee, told me that no question of interim aid had been raised at the time they were in Vienna.

Mr. LODGE. Then why would Austria be included in this bill?

Mr. HERTER. I am afraid that that question cannot be addressed to me. We have made the calculations on exactly the same basis, on the figures that were given to us by the Department. But at the time that the members of the committee were in Austria, that question was not raised.

You have had a rather similar problem in regard to Germany. I think it was expected that both of those questions would come up at the regular session rather than the special session of Congress.

Mr. VORYS. Will the gentleman yield there?

Mr. LODGE. Certainly.

Mr. VORYS. There is no report from the select committee on the Austrian situation comparable to the one which you have before you on the Italian and French situation. The reason is that the chairman of that subcommittee, Mr. Case, has not yet returned to Washington. It was felt that the full committee should be here to go over the report. The other reason is that the German-Austrian subcommittee, when in Austria, received no information, which made them think that Austria would be considered at the special session, and the President's first speech on the subject did not include Austria. Therefore it was presumed by the subcommittee that no immediate report would be necessary.

Mr. LODGE. In that case, do I understand that in spite of the fact that Austria might be included, and in spite of the reduced estimate made by your committee as to the needs of Italy, nevertheless you recommend the full amount of \$597,000,000?

Mr. HERTER. I am sorry I did not quite hear that; the full amount for what?

Mr. LODGE. The full amount in the proposed bill, the \$597,000,000?

Mr. HERTER. No. I think that is something that is for determination by the committee. I think if you decide to have the authorization for the full amount, you just want to make it awfully clear that you are not kidding anybody into thinking that there may be greater availabilities than there actually are.

Mr. LODGE. Would you say that it would be appropriate insofar as Italy has a wheat deficit which we cannot supply, to appropriate enough money in order to purchase wheat from other countries for Italy?

Mr. HERTER. The purchase of wheat from other countries is not as easy as it sounds. I think the only area in the world today where

you can buy wheat is in the Argentine and the Italians have already concluded an agreement with the Argentine; and in the figures we have used, we have put in roughly one-half of the amount which they have actually contracted for, as it is going to be very difficult for them to get the balance. In other words, we have estimated it as conservatively as that.

Mr. LODGE. One-half of it from the Argentine?

Mr. HERTER. The agreement with Argentina was for 725,000 tons. We have put in 40,000 tons a month. We figure that the Italian ration, with what is estimated, with better collections from the farm people, plus what can be supplied from this country on allocations, plus the Argentine wheat, will allow them to retain their present ration.

Mr. LODGE. That is what I am interested in. I think we are interested in maintaining the political stability of the Italian government. And if the ration falls I am sure you recognize what a precarious position those forces would be in, in Italy.

Mr. HERTER. May I make my position clear on that? I am not objecting to the dollars at all. As a matter of fact, if the committee made it perfectly clear that there were so many dollars and that the balance which could not be filled by wheat could be filled with substitute products, I would have no objection to that. It is not that I am trying to cut down the Italian ration. I just think that we do not want to get ourselves in a position, because of this document which you have before you, which is likely to become an integral part of anybody's understanding of the bill, where it will all be very misleading.

Mr. LODGE. Then it would not necessarily affect the amount of dollars in the bill?

Mr. HERTER. Not necessarily, just as long as it is very clear that the wheat availability appearing to be only so and so, the balance, whatever your dollar appropriation was, or dollar authorization was, could be used for other foodstuffs.

Mr. LODGE. May I ask you this question? I have not had a chance to go over all of this material yet. It has just been handed to me.

Have the French been cut down proportionately in your estimates with respect to United States wheat?

Mr. HERTER. Yes. I think the French were cut down very considerably.

Mr. LODGE. In other words, this has been entirely a proportional matter based on availabilities?

Mr. HERTER. That is right.

Mr. LODGE. I am a little bit confused by the table on page 14.

Mr. HERTER. It requires quite a little explaining, I will admit.

Mr. LODGE. I find the State Department estimate of \$259,000,000 of funds available is at variance with the statement on page 43 where it is put down as \$159,000,000. I was wondering what the reason was for that \$100,000,000 difference in the State Department figures.

Mr. HERTER. There are two items involved. One, the resources available to Italy that are not mentioned in the State Department figure; that is the \$40,000,000 item.

Mr. LODGE. I am talking about the difference between the State Department estimate on page 14 and the State Department estimate on page 43.

Mr. HERTER. That is because they were given at different times, only a few days apart. We had six different estimates given to us.

Mr. LODGE. I was struck by the exact difference of \$100,000,000 there. That is rather baffling.

Mr. HERTER. There is also a difference in that the first estimates given us were for a 6-month period and the second estimates for a 4-month period.

Mr. LODGE. I am a little puzzled by the Export-Import loans on available funds, because it seems to me that since the Export-Import Bank lends money only on the basis of a bankable loan, there must be a question as to whether that money should be spent in connection with consumer purchases, which we do not lend, but which we give as a grant-in-aid. In other words, they could not borrow the money from the Export-Import Bank to make these purchases, and therefore, how could that be a part of it?

Mr. HERTER. That is what I tried to point out in the very beginning of my testimony. The Export-Import Bank loan of \$100,000,000 has already been made. That is now in existence. That came up long before this interim aid did. In fact, that was made last June. The Export-Import Bank and the Italian Government have been dickering as to what it should be used for and they have been signing up agreements. That loan is actually for a good deal more than is indicated in these figures. The State Department has cut out \$45,000,000 of that loan because they say the materials that will be available under it will not be available until after March 31 and hence they have cut it out of this estimate.

Mr. LODGE. Does it not seem to you better for the Congress to appropriate the money under this bill rather than to use the Export-Import Bank for that purpose?

Mr. HERTER. That is something beyond the control of the Congress at the moment because the loan has already been made. The point that I tried to illustrate was that there is a complete inconsistency in the one case of requiring Italy to pay cash, or make a loan for coal and petroleum and certain cereals, and in the other case get in under the grant-in-aid basis.

Mr. LODGE. This money which they would obtain from the Export-Import Bank can actually be spent for relief by them?

Mr. HERTER. You will find on page 61 of the blue book, if you will look at that, exactly what the Export-Import Bank situation is, and it is completely inconsistent, to my mind, because we are asking either for a repayment or for dollar payment for the very same type of thing which, on another page, we are going to make a grant-in-aid for.

Mr. LODGE. That is the point that I had in mind.

May I ask you if your committee investigated in any way the revision of the surplus-property agreements which we have made with these various countries? What I have in mind is this: Under these surplus-property agreements, as I understand it, we receive only 18 cents or 20 cents on the dollar, and we receive that in local currency.

Now, we have bound ourselves, in addition, to spend this money only at a certain rate per year over a period of years, and also for only certain items. Did your committee go into that situation with a view to revising those surplus property agreements so that the proceeds of surplus property sales would be available for other purposes?

Mr. HERTER. We did not go into that directly, but it enters into this whole problem. That is why I felt that the whole question of the use of local currencies ought to be reserved for the time being until we set

up some administrative organization and lay out the general principles under which those surplus funds would be used.

Mr. LODGE. You will agree with me that it would be a good idea to give us more latitude as to the expenditure of that money?

Mr. HERTER. That is right. I would like to see all of those local currencies put under a Board of Administrators who would have very broad powers to use it to the best advantage of the country itself.

Mr. LODGE. And there are many things it could be used for?

Mr. HERTER. Yes.

Mr. LODGE. In your opinion, Mr. Herter, should price controls in western Europe be retained?

Mr. HERTER. There you are getting into a really tough question. I do not know. I think that it would be very difficult to pass intelligent judgment on that. You actually do not have price control in certain countries.

Mr. LODGE. In view of the black markets?

Mr. HERTER. Continuing black markets. I think that that question ought to be reserved in connection with the complete reorganization of the currency systems.

Mr. LODGE. To the extent that there is a black market the Government of the country concerned does not receive revenue from taxes on those commodities and that is bound to have an effect on the burden of the American taxpayers.

Mr. HERTER. It also has a very serious effect on incentives for people to produce when production is a most important problem.

Mr. LODGE. Exactly. Do you believe that any rehabilitation program can really be successful while the Communist disruptive forces continue their activities?

Mr. HERTER. Well, there I would limit myself almost entirely to labor unions. If Communist leadership in the labor unions insists on disrupting production through general strikes, or through other sabotage without proper justification, merely for the sake of creating chaos, it can be a very difficult problem.

Mr. LODGE. I would like to thank you for answering all these questions and I would like to say one thing more.

With respect to the situation in northern Italy, I was there recently, and unemployment in northern Italy has suddenly taken a rise because the big industrialists in northern Italy do not have enough money to pay wages, and the whole problem of credit from private banks in northern Italy is becoming extremely tight. I am inclined to think that the picture in northern Italy is not quite as optimistic as some people suppose, and I think that is another factor which makes this aid all the more urgent. I thought you might be interested to know that.

Mr. HERTER. Yes. I think that there has been a slowing down ever since there was a tightening on the remaining dollar resources from the standpoint of the purchase of raw materials.

Chairman EATON. Mr. Herter, on behalf of the committee I wish to thank you for your very, very illuminating testimony. Permit me to say that, in the 23 years that I have served on the committee, this is the first time that I have ever known a witness to receive the acclaim and the affectionate regard of every member.

(Whereupon, at 5:05 p. m., the committee adjourned to meet at 10 a. m., on Friday, November 14, 1947.)