

UNITED STATES FOREIGN POLICY FOR A POSTWAR RECOVERY PROGRAM

THURSDAY, JANUARY 15, 1948

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

The committee met at 10 a. m., in the Ways and Means Committee room, New House Office Building, Hon. Charles A. Eaton (chairman) presiding.

Chairman EATON. We will come to order.

Mr. Secretary, we are glad to have you with us this morning.

STATEMENT OF JAMES FORRESTAL, THE SECRETARY OF DEFENSE

Secretary FORRESTAL. Mr. Chairman and members of the Foreign Affairs Committee of the House, the Secretary of State, in supporting before your committee the program of United States assistance known as the European recovery program, said there were three basic questions involved:

Why does Europe need help?

How much help is needed?

How much help should be given?

His answers to those questions were clear, and in their broad aspects, supported the recommendations of the executive branch of the Government as placed before you by the President in his message to the Congress of December 19. What I have to say I consider to be an extension of views already presented, except with this difference: That I am speaking from the somewhat more limited point of view of our military security.

All of you are familiar with, and some of you have seen, the conditions in Europe that make necessary the European recovery program. The instinctive generosity and humane impulses of Americans would ordinarily move us to aid our neighbors in distress. Without taking too much complacent satisfaction in the statement, we are a generous people, and in keeping with that tradition, we have already made vast contributions to the alleviation of distress on the European Continent. There is, however, another and fully as compelling a reason for us to do our utmost to bring about European recovery.

As Secretary of Defense my concern is directed particularly toward the considerations of national security which face us in this particular problem. And so in answering the question which General Marshall posed, "Why does Europe need help?", I shall address myself principally to the factors affecting the security of the United States.

As in most other periods of history, there is a conflict of world politics taking place in Europe today. There is nothing more unusual about this political conflict, viewed in the long light of history, than there is about political differences in our own country, with this one exception: That we are in a world today in which, broadly speaking, there are two great powers, the Union of Soviet Socialist Republics and the United States, and that there is a vacuum in middle and western Europe as a result of the destruction caused by, and visited upon, Hitler's Germany. In most political differences a balance of power is exercised by moderate influence in the form of men or nations who are able to contribute the good offices of compromise and amelioration. Today, however, because of the vacuum in Europe, the nation components of what would otherwise be the balance of power find their position impaired by economic instability, political unrest, and consequent military ineffectiveness.

In these circumstances we are seeking to redress the balance of Europe by helping the western nations to get on their feet. Our purpose in doing this is not to forge an iron ring around any nation or to set up an aggressive military threat to any other nation. Our purpose and our object is totally and exclusively to prevent another war by the creation of the political and economic and social equilibrium which is requisite to the maintenance of peace.

Without our aid it is by no means certain that the western European nations can save themselves from economic collapse and political disintegration. In spite of great difficulties and tremendous handicaps, certain of these nations have already made an extraordinary start toward recovery. I have in mind Belgium, Holland, and Luxemburg. Recently, France and Italy have also given indications of a renaissance of national vitality and national will. Two leaders have risen in the persons of Mr. Schuman of France and Mr. de Gasperi of Italy, who have shown the capacity for the exercise of leadership without any corresponding effort to grab for totalitarian power. And in Great Britain there is substantial evidence that the great resilience and moral fiber which served the nation so well when she stood alone against Hitler are again asserting themselves. Coal production has failed by only a small margin of hitting the goal set for 1947 and while the exchange problem is still a continuing source of concern the British have recognized the fact that work and production are the foundations of an adequate standard of living; in other words, that political science as asserted by Bentham, Ricardo, and Adam Smith still has a validity that Marx assumed was gone forever.

The 16 nations which associated themselves in Paris last summer with the plan for European recovery comprise a great workshop with 270,000,000 inhabitants. Should this workshop be integrated, with all its industrial and military potential, into a coalition of totalitarian states, it is possible that we in time would find ourselves isolated in a hostile world. That situation would, in my opinion, be a threat to the peace of the world, to our economic and political position, and, in fact, to the very existence of the United States.

You are familiar with Hitler's success in the middle and late twenties in exploiting both the economic distress which existed in Germany just after the last war and the inequities which he declared were imposed on Germany by the Versailles Treaty. With every

device of political demagoguery, he beguiled and seduced his people with promises of food, employment, and redress of grievances, and with these he laid the foundation for the political movement embraced in the National Socialist Party of Germany. It was these events which led to the tragedy and destruction of World War II. Today, conditions similar to those in which Hitler's evil doctrines fell on politically susceptible ears, might be recreated, not merely in Germany, but in other countries of Europe. Our hope is to prevent that recurrence by the acceleration of a healthy European recovery, where the processes of trade, of business, and a free exchange of goods, commodities, and individual travel can again give men the foundations of hope.

After World War I, the United States, France, and Great Britain, together with other capitalistic countries of Europe, participated in the restoration of the economic stability of Germany. I am one of those who feel that this restoration of economic stability could have laid the foundations for an ultimate republican regime in Germany. It was aborted by the economic crisis of 1929, accompanied by the abrupt cutting off of external credits to Germany, precipitating a chain of events which led to the rise of Hitler. As in all other countries in times of political and economic difficulty, the moderates and the liberals of Germany fell between the pincers of bolshevism on the one hand and Hitler's Nazis on the other. It is my hope that throughout Europe, what we are proposing to do now will restore hope and courage in this great central bloc of ordinarily decent and peace-loving people in every country.

The result can be, and I believe will be, that these nations, if they recover their true sovereignty and their true positions in the society of western Europe, will reassert those principles of individual freedom and determination to live in a free society, which form a large part of our own inheritance. Central in that pattern are, of course, Great Britain and France. From both of these nations we have drawn great lessons in political wisdom, in spiritual and cultural values. I believe that none of us today can accurately picture the effect on our minds and our hopes for the future if we had to witness the surrender of France to a totalitarian authority or the economic collapse of Britain.

And yet if I did not believe that there was a vigor and a vitality in both nations which are capable of surviving, I would not be supporting the programs which your committee is considering. Despair is a disease which is easily communicated, but we must not forget that what I call the epidemic of hope is an even more powerful motivating force in man. The example of an industrious and hard-working Belgium, Luxemburg, and Holland, which is reflected in the now well known Benelux trade agreements, had repercussions throughout Europe and evoked admiration here. I firmly believe that there are similar reservoirs of energy, resourcefulness, and strength in Europe, which can be stirred to beneficial action by the catalyst of American aid. Europe is a trading and commercial continent. The skill and knowledge of business are still in existence and will be vigorously reasserted if we can recreate the background against which trade can flourish: Namely, stable currencies, the elimination of commercial barriers and the withdrawal of restraints upon free enterprise.

Peace and security are not to be viewed merely in terms of great military power or wealth in the hands of the United States—and I

consider it both illusory and dangerous to make the assumption that military power alone in our possession can give us the guaranty that we should like to have for the future.

France had its Maginot Line, Hitler had his blitzkrieg, Philip II of Spain had great wealth and possessions, and ancient Rome had her legionaries, but none of these gave real security. In each case there were conditions which insured the failure of an apparently impervious formula. In our own case the security of the Nation has to be viewed not merely in the light of our military power, but in the light of restoration of balance throughout the world. I use balance, and not necessarily balance of power, but, for I have reference to a balance of political action, of economic health, and also of course of military strength.

The essential requirements of our own people are of course the first charge against United States resources. However, the conclusions of three special committees—those of Harriman, Krug, and Dr. Nourse—are in agreement that our economy in general and our financial capacity in particular, are able to support the proposed program.

The cost of that program for the reconstruction of Europe will be high. It would be idle to say that it will not mean sacrifice, self-denial, and hard work for all of us; but it is a sound investment in the attainment of world peace. It contributes to insurance against war, and combined with the maintenance of a substantial military power at home, will be far less expensive than standing isolated and alone in an unfriendly world.

It is always dangerous to try to draw exact analogies or parallels between periods of history. In the first place, the construction men place upon history is apt to be at variance from time to time, but it seems to me that the position in which we find ourselves today is not unlike that of Britain after the Napoleonic wars. Britain having spent 20 years and much of her resources in defeating the attempt of Napoleon to conquer Europe, was anxious to withdraw from that continent. She found great difficulty in doing so, however, without exposing Europe and eventually herself to a recurrence of the very great threat of which she had just disposed. So Britain had to stay in order to make an effective contribution to the maintenance of the balance of power in Europe.

In my opinion, however, Britain was neither plotting nor planning for her own advantage; her statesmen were merely wise enough to understand the terrible cost of world-wide conflict and the necessity for localizing those conflicts that did occur.

Britain, through the exercise of her influence, was able to keep relative peace and stability throughout Europe for a century. There were, to be sure, many wars, both in Europe and in other parts of the world—but the conflicts were always kept localized. They did not result in vast injury to, or destruction of, the economic machinery of Europe or the political machinery of society. I think it can be said, therefore, that British policy in the nineteenth century was successful.

Our objective in the present recovery program for Europe is the prevention of war. Neither this program nor our national-defense expenditures are designed as a threat against any nation nor as an effort to restrain any nation or to dominate a group of nations. The policy of the United States, as I see it, is directed to the end that free nations shall be allowed to select their own governments, and

that no one country or political concept shall be permitted by force to conquer the world.

We need to maintain substantial military power, but I would rate the need for the restoration of the European community as equally strong.

Chairman EATON. Mr. Secretary, thank you for your very statesmanlike utterance.

We will now resort to questions.

Up to this session, we have not used the 5-minute rule with the result that a number of our members have had no opportunity to ask questions whatever. Therefore, with the consent of the committee, I think we will adopt the 5-minute rule now and make the rounds on that basis, if agreeable.

First, Mr. Chipperfield.

Mr. CHIPPERFIELD. I have no questions, Mr. Chairman.

Chairman EATON. Mr. Bloom?

Mr. BLOOM. Mr. Secretary, what was the cost, if you know, of the prosecution of the war?

Secretary FORRESTAL. I am always dubious about using figures without having them checked and double-checked but my own recollection is about \$350,000,000,000.

Mr. BLOOM. That is the total cost. However, in listening to your very informative address, it came to my mind that the plan we are trying to adopt here is pointed toward winning the peace; is that right?

Secretary FORRESTAL. That is my impression; yes.

Mr. BLOOM. There is no question about it because if we do not do this or do something, we will never have peace until something definite is done. Talking about costs, I just thought I would like to know if the war went along for 30 days, what would that amount be compared to the amount to be authorized under this legislation?

Secretary FORRESTAL. At the end of the war I believe we canceled approximately \$63,000,000,000 of appropriations in the period of 6 months after the conclusion of hostilities in August of 1945.

The total appropriations, as I recall them, of the Army and the Navy in the peak year were on the order of \$100,000,000,000 or over.

I do not have in my mind the per diem cost but relating that to months it would run 8 to 10 billions of dollars a month.

Mr. BLOOM. If we do not adopt this plan, Mr. Secretary, have you heard of any other kind of a plan that should be adopted to achieve the same objective?

Secretary FORRESTAL. I have heard stated as one possibility the suggestion that we withdraw into our own economic borders, so to speak, and create a military power so great that no one would attack us and no one will start another war because of the existence of that power. I think the fallacy in that is, in the first place the creation of that power would involve the mobilization of such a large part of our economic power as well as our manpower, as to deny ourselves that production which we need ourselves to get back to a normal equilibrium.

Mr. BLOOM. That would not be achieving peace?

Secretary FORRESTAL. No; it is an armed armistice.

Mr. BLOOM. Now, Mr. Secretary, I am going to ask a question that might appear rather foolish, but since there were certain questions asked of Ambassador Douglas yesterday, this might be justified:

There seems to be a certain amount of uncertainty throughout the different branches of the Congress and throughout the country about how this plan is going to operate, who is going to operate it, and who will hold the responsibility at the head of it.

Would you want to say, Mr. Secretary, that if the Administrator were to be named in advance, in case the legislation should go through as planned, would that not rather still the fears of a great many people as to what is going to happen in the different places, or how this is going to be administered; to give the assurance to the Congress and the people of the country that Mr. X is going to be the Administrator of this branch and they can be assured by Mr. X being mentioned. I do not mind mentioning the person. It is Ambassador Douglas himself.

It was mentioned by one of the members of the committee, not by me, if it was known that the Ambassador was to be the Administrator of this plan, whatever plan was adopted, would that not be a token of assurance to the committee and everyone that the plan was going to be conducted in a responsible way?

Secretary FORRESTAL. I think the name of Ambassador Douglas would carry a great weight of confidence and assurance that we would have competence in the administration.

I have not examined with any great precision the impact or the exact method of administration. I believe it must conform to two principles: First it has to be within the framework of our national policy and secondly it must have the assurance of efficient administration. In other words the country must be confident that this will be done on the most wise business basis—I combine the words “wisdom and business” consciously. I do not mean to imply that business is always wise, but here I would think one needs both. One needs the experience and confidence of business people, and one also needs the wisdom and statesmanship which will direct the efforts of business.

Mr. BLOOM. The chairman and I went into executive session here and the chairman answered by just one word, and that was “Yes.”

Thank you very much, Mr. Forrestal.

Chairman EATON. Mr. Mundt, we are under the 5-minute rule.

Mr. MUNDT. My total time so far in these hearings amounts to 3½ minutes, so I am very glad to get 5 minutes.

Chairman EATON. Add one minute and a half to that and go ahead.

Mr. MUNDT. Mr. Secretary, you stressed, of course, as the Secretary of National Defense naturally would, the military side of this argument, and you also placed great emphasis on the economic situation in Europe and its contributions to peace.

I would have been a little better pleased myself had you included in your paper some statement to the effect that we cannot just go over there and buy peace with dollars or produce peace through economic activity. We have an educational job to do over there, I think, too.

We have to consider more than the creature comforts of Europe. We must do something to help direct the thinking and to help provide facts about freedom by some method to the people of Europe.

I wonder whether you agree with me that it is highly important that we have an adequate and comprehensive and consistent publicity program abroad to accompany this vast investment which is contemplated here.

Secretary FORRESTAL. I would be glad to incorporate what you said practically intact in my statement. However I think the gain must be made with two things in mind: Wisdom and a limitation to facts. In other words, whatever we do in terms of expounding the American contributions to Europe and the American system of government and freedom shall be done on a factual and not a propaganda basis. I am sure you have the same feeling in that that I have.

Mr. MUNDT. You pointed out that some 270,000,000 people are involved in what you call the workshop of Europe. About 320,000,000 people are now dominated by totalitarian concepts emanating from Russia. If you add to that the people of Spain and the people of eastern Germany who will naturally have to go along with the political philosophy, you have about 600,000,000 in the potential manpower in Europe which, if it ceases to be divided among different concepts of government and it goes into one totalitarian rule, makes a rather good-sized piece of manpower as against about one-fifth of that many in the United States.

As Defense Secretary I wonder what you think might be the costs of trying to arm this country sufficiently to be secure against a technically equipped group of 600,000,000 people anywhere in the world. Would it not be considerably more than we have to spend under the present condition?

Secretary FORRESTAL. It presents a problem of such proportions as to be almost beyond any precise statement. It would run into such a drain upon our own resources and upon our own economic stability as to—I do not like to make extreme statements, but I think it is not unreasonable to say that it should lead to an economic and political result here which might achieve the ends toward which that philosophy is conceived and directs its efforts.

Mr. MUNDT. We hear so much about economy, in which I think we are all interested, but it certainly seems to me the possibility that there is more economy in pursuing some program along this line than there would be by just trying to brace ourselves against just the possibility of an attack by 600,000,000 people. Do you agree to that?

Secretary FORRESTAL. If you divide the world into a camp in which we are, in the Western Hemisphere, opposed and poised against the forces of the rest of the world, it presents what seems to be an almost impossible position for this country.

Mr. MUNDT. Would you agree with me that in order to do this job most adequately and efficiently as well as economically perhaps we should review the attitude we have shown toward the resources of Germany both from the standpoint of utilizing them to improve the economic tone of Europe generally, and to make sure they are not drained off by people who may be against us?

Secretary FORRESTAL. We must not restore Germany to a position where she can rearm and become a new threat in another 25 years. At the same time it is economic idiocy to assume other than that some production can be allowed to continue and make its contribution to what we are talking about.

Mr. MUNDT. That we should not use German resources to arm any potential enemy?

Secretary FORRESTAL. Yes; and with a concerted policy toward Germany, that result can be secured.

Chairman EATON. Mr. Kee?

Mr. KEE. Mr. Secretary, I regret very much not having been here to hear your previous statement.

This committee is not merely going into the problem of the bill before us but into the broad field of foreign policy.

So far we have devoted most of our time to a discussion of the program contemplated and of the provisions of but one of the measures which we have under consideration. That is the measure that provides for the prosecution of the entire program of European relief, together with the appropriation, that is, the amount we are to appropriate to carry it on, and also other matters connected therewith.

We have, however, one other bill under consideration which does not carry the broad program but only provides a means for the administration of the program set up in the bill above mentioned.

I would like to inquire of you, in view of the fact that this measure affects our foreign policy and our foreign relations whether or not in your opinion it should be administered by an agency entirely independent and divorced from the State Department or whether the administration should be under the responsible direction and control of the State Department.

Secretary FORRESTAL. Are you asking me if I think this Administrator should be an operator outside the State Department or under the control of the State Department?

Mr. KEE. Yes; and also, if outside the State Department, whether or not he should be under the control and direction of the State Department.

Secretary FORRESTAL. Before you came in, Mr. Kee, I said I would try to confine what I had to say to the national security aspects of this question; that I had not given close study to the organizational set-up; that, in general terms, I thought two objectives had to be secured; that whatever is done under this program shall be in line with the national policy of the country which is expressed by the Secretary of State, acting for the President; and that it shall be done on a wise basis, a business basis. No matter what you set up in the form of an organizational chart, you must have a man who is compatible and amiable with, let us say, the Secretary of State, with the result that those two men can work in complete harmony.

I cannot envisage this plan being successful if you start out with a man trying to administer this job, either inside or outside, between whom and the Secretary of State there is not complete mutual confidence and sympathy.

Mr. KEE. Should a provision not be incorporated in the legislation, that in the event of any dispute arising with respect to foreign policy, the decision either of the President or of the Secretary of State should be final upon that subject?

Secretary FORRESTAL. I think it has to be, but there again I would regard it as beginning to fail if a dispute arose that had to be settled in those hard terms. I think that the business aspect of this proposal is of vast proportions. When I say "business," I mean economic commerce and trade. Any attempt by one or the other to usurp authority completely could defeat the end results we are after. We are after the restoration of commerce in the world, and one of the essentials is political stability, and essential to political stability is stability of currencies. It is difficult to separate this job into compartments. It is pretty well interrelated.

Mr. KEE. We are dealing not only with the 16 nations of the world, but it affects our foreign policy with reference to all nations of the world; does it not?

Secretary FORRESTAL. I think it has a bearing on the policy of every nation in the world.

Chairman EATON. The time of the gentleman has expired. Mr. Jonkman?

Mr. JONKMAN. Mr. Secretary, on page 3 of your prepared statement, you say:

In spite of great difficulties and tremendous handicaps, certain of these nations have already made an extraordinary start toward recovery. I have in mind Belgium, Holland, and Luxemburg.

You seem to feel so strongly about that, that on page 6 you repeat it. You say:

The example of an industrious and hard-working Belgium, Luxemburg, and Holland, which is reflected in the now well-known Benelux trade arrangements, had repercussions throughout Europe and evoked admiration here.

Those countries accomplished what they accomplished without any help from the United States; did they not?

Secretary FORRESTAL. I do not think that is true, Mr. Congressman. I would want to check this, but they have had a loan from the United States.

Mr. JONKMAN. That is not from the United States.

Secretary FORRESTAL. To me, it is.

Mr. JONKMAN. I do not think that is consistent if you say that is from the United States. They went to the International Bank and borrowed money on good faith and credit.

Secretary FORRESTAL. I see your point. I say they did not do it without external help.

Mr. JONKMAN. However, it was based, as you say, on industry and hard work. They accomplished that before there was any reference made to the Marshall plan. The Benelux agreement was entirely independent of the Marshall agreement.

Secretary FORRESTAL. I think that is a fair statement.

Mr. JONKMAN. Do you not think that is the foundation upon which we should seek to base economic solidarity as well as military security for these people—that they solve their own problems?

Secretary FORRESTAL. I think we propose to do that, Mr. Jonkman. The reason I tried to emphasize the needs for having this under business administration is exactly that. I think the difference between Belgium, Holland, Luxemburg, and the rest of the countries is quite clear. Belgium, for example, wound up the war without great damage to her industrial machinery and she also wound up the war, as you know, with very substantial gold reserves. That enabled her to put into effect a sound currency by, as you know, the freezing of bank accounts to reduce the amount of buyable currency in the market and thereby reduce the pressure toward inflation. She was able to do that by special and peculiar circumstances.

Holland in turn had resources that had not been destroyed. Her trading powers were still in existence.

Mr. JONKMAN. You are departing now from your prepared statement where you base it on industry and hard work.

Secretary FORRESTAL. I include commerce, trading and barter between people as covered by industry and hard work.

Mr. JONKMAN. We know that Holland and Belgium immediately got busy on their currency situation and is not the currency situation the trouble in a lot of these countries, that they have not brought their currency to a strong basis?

Secretary FORRESTAL. That is true, but again I say Holland and Belgium had special circumstances that enabled them to do it more swiftly than for example Britain did with the tremendous debt she incurred.

Mr. JONKMAN. It is my concern and that of a lot of the American people, whether or not our constantly acting as a wet nurse to these other nations that will not get down to hard work and industry is going to be a basis for contribution to economic solidarity and to military security.

In other words, we have been constantly ahead of some of them with help, so that they begin to rely upon us.

Secretary FORRESTAL. I would not challenge your point of view, but I would suggest that the Italians under their existing Government without the use of the Marshall plan but with, I think, the provocative help of the idea of the Marshall plan or the European recovery program, in the last 6 months made very rapid strides toward the very thing you are talking about. The Italians have gone to work and with a will that has been quite contrary to the aims and hopes of the Communist Party.

I think the same applies to the accomplishments in recent weeks of the Schuman government in France. I think the steps they have taken are precisely the things you are talking about. In other words, the imposition of taxes that are designed to produce a stable currency.

Mr. JONKMAN. That has been done in what country?

Secretary FORRESTAL. In France. I am referring to the five laws which Schuman was able to get through the French Parliament in the last 2 weeks.

Mr. JONKMAN. You see, after all we have been ahead of them each time. Sometimes I think, for instance, after getting through with UNRRA, our residual relief bill was to a large extent based upon fallacies.

Then we were ahead of them with the Marshall plan and came out with the interim aid bill. Now we have this great construction program.

The point I want to make is that Holland and Belgium and Luxemburg, knowing that they had to solve their problems, did solve them.

If we are constantly going to be pouring in money there, obviating or eliminating to a large extent the necessity of their solving their own problem, are they ever going to do it?

Secretary FORRESTAL. I would differ with you on the fundamental thesis, in that I think Holland, Belgium, and Luxemburg were able to solve their problems because of the hope of continuation of the European society.

I think that the manifestation of that courage and belief is a great example for the rest of Europe. I believe that it is the fact that we have given every indication of not leaving Europe immediately that sustains the Italians and the French now to go back to work.

I think without that—and I again dislike extreme statements—but I think you have the seeds of chaos and anarchy which is the ground in which Hitler or someone similar comes into power.

Chairman EATON. The time of the gentleman has expired. Mr. Jarman?

Mr. JARMAN. We all share the great admiration for the three countries you mention. They are doing fine. I wonder if it is an absolutely correct comparison to compare them with England.

How long did Holland and Belgium remain in the last war?

Secretary FORRESTAL. They were supposed to have been exposed to the direct impact of it for a very limited time. I would say from April 1940 to June. I think that was around the date.

Mr. JARMAN. Holland was a neutral in the first war, and Belgium lasted considerably longer during the first war?

Secretary FORRESTAL. That is right.

Mr. JARMAN. Whereas England stood out from beginning to end in both wars, and stood out alone for about a year, I believe, in the second one.

Therefore, for the reasons I believe you mention, I am not sure it is quite a correct comparison between Holland, Belgium, and Luxemburg and Italy, England, France, or any of the other countries.

They were overrun. I am not sure about the assistance rendered them. I believe their being occupied countries caused them to be eligible for UNRRA relief, which was not true for England, or Italy until we amended the law, because Italy was an enemy power.

The only question I had in mind to ask you has been checked on by several of my colleagues. I wish to follow it up a bit. The comparison of the cost of the so-called Marshal plan and the alternative is the question. You spoke of the fact or of the necessity for fortifying this continent. I believe that is the way you referred to it. That is the way I have referred to it in speeches. You spoke of the necessity for manpower which would occur in that event and how it would affect our economic situation.

Secretary FORRESTAL. That is right.

Mr. JARMAN. In addition to that what is the President's budget for national defense, about \$10,000,000,000?

Secretary FORRESTAL. It is \$11,100,000,000.

Mr. JARMAN. In addition to the economic situation, and with the manpower which would necessarily be withdrawn from our productive economy, I am wondering how the Marshall plan would compare in cost with fortifying this continent, setting up a standing army such as none of us ever conceived of in peacetime.

Have you ever thought about that comparison?

Secretary FORRESTAL. I have made some tentative calculations but the sum becomes so fantastic that I stopped the calculation.

One particular item would run to about \$8,000,000,000, if we are to achieve this absolute security that we think of in our minds.

Mr. JARMAN. In my discussions of this matter, I have just been making a rough prediction without any calculations at all. I do not know how nearly correct it is or how far wrong it is but I have expressed the opinion that the alternative—that is, permitting Europe and perhaps the remainder of Asia to fall victim to communism—in other words, for us to stand out against the rest of the world, fortify this continent and maintain a standing army accordingly, would probably cost this country each year what the Marshall plan would cost throughout the 4 or 5 years. In other words, \$17,000,000,000.

Secretary FORRESTAL. I think there is no question about that. During the war I learned to think not so much in dollars as in available resources and manpower, and the subtraction from our present economy of the manpower, materials, and resources needed to create such a military program and give us the absolute security we talk about would immediately force us to accept a much lower standard of life. That is another way of saying what you have said without using dollars.

Mr. JARMAN. I am glad to have my predictions verified by such an able and illustrious authority.

Chairman EATON. Mrs. Bolton?

Mrs. BOLTON. May I approach this from a little different angle? Inasmuch as you are Secretary of Defense, in your study of the defense of this country you have taken into consideration the areas of the world which abut upon the U. S. S. R., I assume?

Secretary FORRESTAL. Yes.

Mrs. BOLTON. Those are, of course, Greece, Turkey, Iran, and Afghanistan. That is as far as western Europe is concerned.

The loss of foodstuffs and supplies of various kinds, when the iron curtain dropped upon eastern Europe and Europe was then denied the foodstuffs and so on which she had been accustomed to getting from those areas. What areas had you considered as possible in the supplying of those same necessities to Europe? They cannot all come from the United States.

Secretary FORRESTAL. One area is the Middle East.

Did you refer to economic items and food?

Mrs. BOLTON. Yes.

Secretary FORRESTAL. The whole Middle East is the source of energy fuel for Europe. That is one area. Of course the Far East is the source of many raw materials, both for Europe and ourselves.

I think the trouble with the world is, unfortunately, in one sense so interrelated that it is hard to isolate any part of it and say, "This is the really central strategic point economically or strategically."

Mrs. BOLTON. Have you considered Africa as a very possible source for future food, for instance?

Secretary FORRESTAL. There is no doubt that Africa is one of the great potential sources of the world in terms of tillable land, mineral resources, waterpower, and land space for population.

Mrs. BOLTON. Do you know in the consideration of this whole plan for the recovery of Europe, whether thought has been given to the colonies and possessions of those same western European countries on the continent of Africa?

Secretary FORRESTAL. I cannot respond to that question, Mrs. Bolton. I do not know the answer to that.

Mrs. BOLTON. There seems to be no doubt about the possibility of developing the agricultural productivity of certain Near East areas to supply European food shortages caused by the loss of eastern Europe sources.

What would be the result if the fuel supply of the Near East and Middle East were cut off from Europe?

Secretary FORRESTAL. I think it would have a profound effect on the success of this recovery plan for Europe. I am not speaking now of the United States. The fuel from the Middle East and energy from that source is essential to the entire world, and particularly to Europe.

Mrs. BOLTON. You would be in agreement that the development of the Euphrates Valley, for instance, with its immensely rich soil, could be made of inestimable value in the feeding of western Europe?

Secretary FORRESTAL. I have been informed that that is one of the great possibilities, that the Tigris and Euphrates Valleys are subject to great development.

Mrs. BOLTON. Would it not be of vast significance if other countries did what Syria has done: refused to ratify agreements of the pipe lines?

Secretary FORRESTAL. Indications of that are profoundly serious in my mind.

Mrs. BOLTON. In the matter of the whole frontier—Greece, Iran, Afghanistan—would it seem to you a moment when we might, in renewing our agreements which I believe are due in the spring with such countries as Iran, endeavor to increase the amount of training and help that we gave in the development of the airport at Tehran, and so on; would it seem to you a valuable thing?

Secretary FORRESTAL. That is a little bit outside of my role. It would seem to be the desirable thing.

Mrs. BOLTON. I am speaking now from the defense standpoint of the United States.

Secretary FORRESTAL. You related what you said to the assured continuity of what I call that source of energy fuel both to the United States and Europe. There is no question about that desirability.

Chairman EATON. The time of the lady has expired.

Mr. Mansfield?

Mr. MANSFIELD. Mr. Secretary, in response to a question previously raised as to what the alternative of this plan would be, if this legislation was not accepted by the Congress and put into operation you stated, I believe, that you had heard that we would have to intensify our national defense; and you further stated, if I am correct, that, in your opinion, this would be a disintegrating factor, because we would have to take so many people out of industry, and the end result would be economic dislocation; is that correct?

Secretary FORRESTAL. Yes.

Mr. MANSFIELD. Then I take it from your point of view, the chief consideration as far as this particular measure is concerned, is the re-creating of something approximating normal, world, commercial relationships.

Secretary FORRESTAL. Yes.

Mr. MANSFIELD. What would be your opinion if we put into this legislation strong enough language to make it mandatory that from countries which received loans and grants and which possessed the necessary natural resources, we in return would expect to receive strategic minerals in short supply, or totally lacking in this country, so that in that way we could build up our national stock pile.

Secretary FORRESTAL. In principle I think it would be a desirable thing. I should want the view of the State Department as to whether language which sometimes you think is quite simple and quite harmless might prove too limited, but the principle of that I would subscribe to and I have asked Mr. Arthur Hill, the Chairman of the National Security Resources Board, which is responsible, by the way, to the President and not to me, to take a look at the category of materials which we would find it desirable to import. Whether

to put it in legislation or not, is a matter I would defer to the judgment of the State Department, but that objective is a good one.

Mr. MANSFIELD. Thank you, Mr. Secretary.

Chairman EATON. Mr. Merrow?

Mr. MERROW. Mr. Secretary, on the bottom of page 2 and the top of page 3, you have stated that today the nations in Europe "find their positions impaired by economic instability, political unrest, and consequent military ineffectiveness."

Now if this plan is put into operation over the next 4 years, how effective are these nations going to be from a military point of view at that time?

Secretary FORRESTAL. I certainly would be very ill-advised to try to make any prediction of the degree of their recovery of military effectiveness, but we know that if the balance of political stability is to be reestablished, there must be some start made.

In the first place, we have to assume that France and Britain retain and improve their military position. That does not mean that they are preparing for war, it simply means the normal return of the elements of sovereignty; in other words, armed force. The degree of it I would not venture to predict.

Mr. MERROW. They would be in a better position economically and politically at the end of 4 years, but if at that time, for instance, Soviet Russia decided she wanted to take the nations of Western Europe by force, do you think they would be able to resist for any period of time?

Secretary FORRESTAL. That would lead me into a field of military speculation that I am not professionally qualified to indulge in.

I do not care to evade your question, but I would like to go back to this personal belief: That the hope of the world is the restoration of equilibrium; that even Hitler hesitated about the disturbance of equilibrium, because any man who has huge power is aware that when he commits himself to aggressive action, the consequences are apt to be beyond his own immediate sphere and beyond his prediction, so that no matter how much power any nation has, even if the totality of force and power against them makes the odds very much in their favor, I think they still weigh carefully before they commit the final act of war.

Mr. MERROW. What disturbs me, Mr. Secretary, is this, that these nations over a period of 4 years will be built up, if we spent this proposed money, and therefore they will be richer prizes for any aggressor.

On page 4 you stated:

Should this workshop be integrated, with all its industrial and military potential, into a coalition of totalitarian states, it is possible that we in time would find ourselves isolated in a hostile world.

It appears to me that if we are not thoroughly and adequately prepared, that after we have built them up economically and politically they could be seized in a very short period of time, and the aggressor would have the military potential that we have built up.

Secretary FORRESTAL. I think that the return of effectiveness of diplomatic influence, of economic strength, of physical security, are all interrelated; and I believe that they march together. I think that the money we put into these countries will not go to create vast armies, but I place great insistence upon the history of Europe which

has been the effort of many men to conquer, and many men have come very close to success, and no one ever has succeeded. There is a tremendous core of capacity for suffering, for life, and for freedom in Europe.

I think what I call the catalyst of our aid can bring that to light.

Mr. MERROW. On page 7 you have spoken about "substantial military power at home" to go along with our proposed plan for rehabilitating these countries.

Do you think that anything short of complete control of the air is "substantial military power" to guarantee the security of this investment?

Secretary FORRESTAL. Well, if you talk about complete control of the air, Mr. Merrow, you would have to localize it a little bit more.

We are secure at the moment, so far as this continent is concerned. We have control of the air.

Mr. MERROW. We have only about 150 long-range bombers that we could put in the air, and that is pretty insignificant, is it not?

Secretary FORRESTAL. Not for the security of this country; the combination of our air forces and the planes in reserve and our naval air are adequate, but we are talking air power in wider terms.

I am in agreement with you, but I wouldn't want to restrict it only to the protection of our own shore line or of our own air space.

The future use of strategic air power may develop in somewhat the way that the use of naval power did in the nineteenth century. You may come to air fleets in being as the ultimate of political and military power. But when you have those air fleets in being, you will also have to have places from which they can depart, and that sets off a long series of discussions which go a little bit beyond and substantially beyond, in fact, the mere possession of airplanes.

Chairman EATON. The time of the gentleman has expired.

Mr. Javits?

Mr. JAVITS. Mr. Secretary, is this role assigned to the Department of Defense in the European recovery program?

Secretary FORRESTAL. There has been no specific assignment, but I would doubt that they have had time to make such a specific assignment to anybody.

Mr. JAVITS. Let us take two questions which I am directly interested in, and a great many other people.

First, the integration of 16-nation security forces. Have there been any discussions of any effort to do that?

Secretary FORRESTAL. No.

Mr. JAVITS. And, second, is it not a fact that the whole amount involved in the recovery program will be materially affected by the amount of money which each nation spends on its security forces?

Secretary FORRESTAL. Well, that is a matter of evolution, I think. It is obvious that the first steps are economic and political.

Mr. JAVITS. Is it not a fact, for example, that the British are cutting down their military establishment, for example, Palestine and Egypt; and is it not a fact also that they are pulling out of Germany to the extent of economic maintenance of that area as a military measure, for reasons of economy?

Secretary FORRESTAL. I think that is true.

Mr. JAVITS. And that that materially affects the amount of efficiency in the budget which this European recovery program purports to take up?

Secretary FORRESTAL. You say that accounts for the deficiency?

Mr. JAVITS. Not the whole deficiency, but it contributes to the budget deficiency or the budget amplitude which is dealt with in this European recovery program.

Secretary FORRESTAL. Certainly it has an effect to the degree that England shrinks its defense. There is that much more available for other purposes.

Mr. JAVITS. And the material effect?

Secretary FORRESTAL. Well, I would like to look at the financial end. My recollection is that Britain is spending about \$2,800,000,000 for defense, but I would think it is material.

Mr. JAVITS. Does it not seem to you, Mr. Secretary, that it would be necessary that our Department of Defense be assigned a definite role in the European recovery program in order to see whether the amount being spent for these security establishments is appropriate or not, and to what extent it may be diminished, or perhaps it needs to be enlarged, or to what extent it needs to be integrated, and also the Secretary well knows the essence of this program is self-help and mutual cooperation; should that not extend to the defense forces as well as to economic matters?

Secretary FORRESTAL. Well, I don't need to point out to you the delicate and rather sensitive area which is involved, which you get into when you get into that question. The essence of our concept of help to Europe is that we do not invade the sovereignty and the sensitive national pride of nations; and I think that our attitude should be one of being willing to help, rather than forcing gratuitous help upon unwilling receivers.

Mr. JAVITS. It is a fact, nevertheless, that the whole economic picture, being materially affected by the course of the defense establishments, we must if we deal with the economics of these countries take an interest in them?

Secretary FORRESTAL. I think I am in agreement with the trend of your questioning.

In the first place, you view the purpose of this proposed legislation as not creating an armament or an armed continent.

The basis is to create a continent that can be free of the need for armaments.

Mr. JAVITS. So that the least we can ask would be that the money that is being appropriated here is not in any way diverted off to security establishments unless we so will it?

Secretary FORRESTAL. Well, I don't want to appear to evade your question, but I wouldn't want to be too explicit. I wouldn't want to write that into the legislation. I would hope that it could be expressed in terms that might not offend.

Mr. JAVITS. Mr Secretary, in order to avoid writing it into the legislation, would it not be fair for us to require that our Department of Defense have some role in the administration of the European recovery program?

Secretary FORRESTAL. I am not seeking any extension of powers. I have plenty, and I am not one to add to them, but I will be very happy to accept that responsibility if given to me.

Mr. JAVITS. My question was would it not be fair that we should at least seriously consider that point.

Secretary FORRESTAL. To be serious, Mr. Javits, on that, I think that it is desirable, and I am sure that Mr. Marshall's background—I myself would have no misgivings about being able to get effective expression of my views.

Mr. JAVITS. I have one further question on a somewhat related point. The trend of the questioning of one of my colleagues on the Middle East induces me to ask this question: Is it a fact that one of the critical elements in the security of the United States is the integrity and prestige of the United Nations?

Secretary FORRESTAL. In my own opinion they are wrapped up together. However, I think it would be an equal mistake to assume that the United Nations can overnight assume all the responsibilities which we hope it can in the future assume.

Mr. JAVITS. But it is an important factor, a very important factor in our security considerations?

Secretary FORRESTAL. There is no question of that.

Chairman EATON. The time of the gentleman has expired.

Mr. Lodge.

Mr. LODGE. Mr. Secretary, naturally I shall understand it if there is any question which I ask which you prefer not to answer. This whole field is in a rather delicate realm.

I would like to approach the problem from the point of view of the European recovery program as a strategical measure and ask you this question, sir: If we go ahead with this program on the four recommendations made by the Secretary of State, that it be prompt, that it be adequate, that it be efficient, and that it be cooperative, do you feel that the threat of internal force, particularly in France and Italy, can by virtue of this program alone be adequately met?

In other words, instead of discussing the threat of external force as discussed by Mr. Merrow, I would like to have your comment in that connection on the threat of the internal force and specifically within those countries.

If you would rather not answer that, I shall quite understand.

Secretary FORRESTAL. You are referring to a coup, to a political change created by force?

Mr. LODGE. By internal force, rather than by constitutional means.

Secretary FORRESTAL. I think that is always existent in nations, as when I said earlier, where the economic and conditions of life create an anarchy and despair, which are the fertile field for Hitler, that is how Hitler achieved his power, and that is how most other revolutions have put men into total power.

Mr. LODGE. You would not be satisfied, then, that the European recovery program in and of itself would be sufficient to counteract such an attempt?

Secretary FORRESTAL. Well, to be candid about it, I think that if the trends in both Italy and France, for example, toward return of hope and return of constitutional government can be supported by what I call the catalyst of our help, if we can get by this next year in those countries, I would suspect that that would be sufficient.

Mr. LODGE. Well, Mr. Secretary, I have it on fairly reliable authority that Togliatti came to Paris on November 16 or 17 last and informed Duclos that while the Communist forces in Italy were about

equal with the Government forces at that time, and he thought that by March or April they would be in position to outpunch the Government forces and take Italy over by force. Then do you feel that the interim-aid bill, plus the promise of the Marshall plan, would be sufficient to help Italy to withstand that attempt, or do you think that there are other things which could be done in order to protect that vital area from Soviet domination?

Secretary FORRESTAL. Well, I would like to reflect. I think I know what is in your mind. I would like to reflect on that, because everything we do and every political fact today has a relation to every other possible fact, and without getting too obtuse, the manifestation of our continued interest as you know better than I possibly, is a great factor in Europe, and I believe that that manifestation can continue, and again I would defer to your probably superior judgment about that particular country.

I think we have a good chance of coming through, of the existing Government, which is the constitutional government, coming through successfully.

Mr. LODGE. I merely wanted to call attention to the problem.

I also would like to ask you this: I hear that we have been spending American dollars for the purchase of obsolete British planes for use by the Greek Army in Greece, and that at the same time we have been destroying acres of 1945 American planes within Germany on the theory that they are in excess of current needs. Would you care to comment on that, sir?

Secretary FORRESTAL. Well, maybe I should know the answer to that, but I don't, Mr. Lodge, and I will be very glad to explore it and furnish the answer to you.

Mr. LODGE. Thank you, sir.

Mr. JACKSON. Mr. Secretary, I should preface my questions with the same remarks made by Mr. Lodge, that if there are any of them you don't care to answer I shall understand.

Secretary FORRESTAL. I am very glad to have the questions, as a matter of fact.

Mr. JACKSON. Would you mind telling us how many naval personnel we have in Greece at the present time?

Secretary FORRESTAL. I would be speculating. It is a limited number. I think it is between 50 and 100.

Mr. JACKSON. What in general is their mission?

Secretary FORRESTAL. Well, it is almost entirely technical. It is assisting the Greeks, for example, in the technique of minesweeping, in some work on their harbors, in some assistance in the training of personnel. That, as I recall it, is the limit of their activities. But I shall be glad again to check and see if there is anything to extend or to add to those remarks.

(The information requested is as follows:)

NAVAL GROUP, AMERICAN MISSION FOR AID TO GREECE

Engaged in advising and assisting Royal Hellenic Navy in training, logistics, maintenance, and supply under Public Law 75, aid to Greece and Turkey.

Medical and dental personnel care for health and sanitation of entire American mission in addition to assisting Greek Government authorities in matters of health and sanitation:

Rear admiral, line, chief of the Navy group with additional duty as senior Navy member, joint planning group	1
Captain, line	1
Commanders, line	4
Commander, Medical Corps	1
Commander, Supply Corps	1
Commander, Civil Engineer Corps	1
Lieutenant commander, line	1
Lieutenant, line	1
Lieutenant (junior grade), line	1
Lieutenant (junior grade), Medical Corps	1
Lieutenant (junior grade), Dental Corps	1
Lieutenants (junior grade), Supply Corps	2
Lieutenant colonel, U. S. Marines	1

Total 17

Seamen	2
Radiomen	5
Pharmacist's mates	5
Yeomen	4
Storekeepers	6
Machinist's mate	1

Total enlisted 23

NAVY GROUP, JOINT MILITARY ADVISORY AND PLANNING GROUP

A joint group under the Chief of the American Mission for Aid to Greece as members of his staff for planning and in an advisory capacity:

Captain, line	1
Commander, line	1
Lieutenant colonel, U. S. Marines	1

Total officers 3

OFFICE OF THE UNITED STATES NAVAL ATTACHÉ, ATHENS, GREECE

Commander, line, naval attaché	1
Lieutenant commander, line, assistant naval attaché	1

Total officers 2

Yeoman	1
Storekeeper	1

Total enlisted 2

Mr. JACKSON. What in your opinion, Mr. Secretary, would be the practical effect of establishment of a beachhead on the Mediterranean in either Greece or Turkey with reference to our national security?

Secretary FORRESTAL. The establishment of a beachhead—you mean by us?

Mr. JACKSON. By any foreign power antagonistic to the United States.

Secretary FORRESTAL. I think that any act of war in the Mediterranean, or in the Middle East, has definite significance for us. In other words, to put it another way, the free transit of commerce and trade through the Mediterranean I consider to be a vital part of our national security.

Mr. JACKSON. Would we resist the establishment of any such beachhead?

Secretary FORRESTAL. I don't think I should respond to that.

Mr. JACKSON. Is Middle East oil essential to our national security at the present time?

Secretary FORRESTAL. Well, it is essential to the world; and as we are a part of the world—as somebody said about oil, oil is a global business, and you can't punch a part of that business in one point without having a repercussion at some other point.

In other words, the whole balance of distribution of oil, which is what we are really talking about in relation to our sources of supply, is a global matter; and I think the recovery of Europe as well as the business of the world, including the United States, but not the United States alone, requires the development of middle-eastern oil reserves to their maximum extent.

Mr. JACKSON. More specifically, Mr. Secretary, I should like to know whether or not our supply lines to the Middle East are essential, and what would be the immediate effect upon this country if we were denied access to that oil. What would our situation then be from the national defense standpoint or from the standpoint of the Defense Establishment?

Secretary FORRESTAL. I think it would be very difficult.

Mr. JACKSON. What personnel do we have in Turkey at the present time, Mr. Secretary?

Secretary FORRESTAL. I have a general recollection of the Navy, but I would have to check on the Army.

Mr. JACKSON. With reference to the Navy?

Secretary FORRESTAL. Well, in Turkey I think it may be 20 or 25 people.

(The following additional information has been submitted by Secretary Forrestal:)

NAVAL GROUP, AMERICAN MISSION FOR AID TO TURKEY

To advise and assist in the rehabilitation and modernization of the Turkish Navy, including rehabilitation of naval shipyards and the instruction of Turkish navy personnel in the operation of United States naval vessels being provided as part of the Turkish aid program under Public Law 75, aid to Greece and Turkey:

Rear admiral, chief of the Navy group, en route Turkey	1
Captains, line (1 submarine), both in United States	2
Captain, Civil Engineer Corps, in Turkey	1
Commanders, line (2 submarine), in United States	3
Commander, Medical Corps (submarine), in United States	1
Commander, Supply Corps, in Turkey	1
Lieutenant commanders, line, 2 in Turkey	4
Lieutenant commander, Supply Corps (submarine), in United States	1
Lieutenants, line, 5 in United States	5

Total officers, of which 4 are in Turkey and 1 is en route 19

Boatswain's mate	1
Electrical technicians	2
Radarmen	2
Shipfitter, in Turkey	1
Carpenter's mate	1
Machinist's mates, 1 in Turkey	3
Pharmacist's mate	1
Yeomen, 2 en route Turkey	6
Storekeepers, 1 in Turkey	4

Total enlisted, of which 3 are in Turkey and 2 are en route 21

OFFICE OF THE UNITED STATES NAVAL ATTACHÉ, ANKARA, TURKEY

Captain, line, naval attaché-----	1
Lieutenant colonel, U. S. Marines, assistant naval attaché-----	1
Total officers-----	2
Yeoman (enlisted)-----	1

NAVAL MEMBERS OF THE UNITED STATES DELEGATION TO THE UNITED NATIONS
SPECIAL BALKAN COMMISSION (NOW AT SALONIKA, GREECE)

Members of the United States delegation of the UN Balkan Commission to observe disturbances on the Greek borders in accordance with a special resolution of the United States:

Commander, line-----	1
Lieutenant colonel, U. S. Marines-----	1
Major, U. S. Marines-----	1
Total officers-----	3

Mr. JACKSON. Their mission is by and large the same?

Secretary FORRESTAL. The same, technical assistance.

Chairman EATON. The time of the gentleman has expired.

Mr. Judd?

Mr. JUDD. I have no questions.

Chairman EATON. Mr. Vorys, will you inquire under the 5-minute rule, and after that it will be a free-for-all.

Mr. VORYS. Mr. Secretary, a brief and informal poll of our committee indicates that you are one of the most satisfactory witnesses that ever appeared before us. Your testimony is always direct and brief and very frank.

Secretary FORRESTAL. I appreciate the observation. Do not build me up too much. I may get fat headed.

Mr. VORYS. I have one sentence in your extremely persuasive and effective and eloquent statement that I want to ask you about.

You say this:

Neither this program nor our national defense expenditures are designed as a threat against any nation nor as an effort to restrain any nation ~~or~~ to dominate a group of nations.

The part I question is this, whether they are an effort to restrain any nation.

Secretary FORRESTAL. That is a good question.

Mr. VORYS. It seems to me that unless this gigantic effort on our part is an effort to restrain any nation committed to aggression and break down the peace, it is utterly unjustified.

Perhaps I am just picking out a little spot, but I wanted to ask you about that.

Secretary FORRESTAL. I think it is a loose use of language. I think your question is well taken.

Mr. VORYS. Our effort is to restrain any nation, is it not, that commits itself to aggression in violation of the principles of the United Nations?

Secretary FORRESTAL. I completely agree with you. As I say, we would be utter hypocrites if we tried to say that having spent vast sums of money and some of our most precious lives to restrain and contain and destroy Mr. Hitler, that we did not propose to follow the same philosophy in the future.

Mr. VORYS. I have one other question. The question has already been raised, but I do not know whether I got your answer. When I was over there this fall, and before and since, I have been perplexed about the possibility that we might be in our economic aid merely building a richer prize for possible aggression.

I wish you would comment a little further on that, while I know you have already commented on it.

Secretary FORRESTAL. I think that there are manifest problems as the Secretary of State has said, in any risk about Europe, but the greatest risk is in inertia. We have that in the risk we ran in 1931 in Manchuria, the risk the British ran when the Italians went into Ethiopia. We have a larger risk now because the scale of the action and the balance of the destruction makes it a larger risk, but in the first place, the amount of effort and of reconstruction and of industrial rehabilitation that would flow into Europe in the first 18 months would, I suspect, by the limitations of transit and manufacture, not be very, very great.

In that 18 months my own hope and belief is that you will see a restoration of Europe to a degree that will give us confidence in the success of our program.

I think we have to examine the shadow of the question that you raised constantly, but all of these things that we have talked about this morning, it seems to me, are interrelated.

The restoration of economy, the partial restoration of military effectiveness, the preservation of the concept of the free sovereignty of nations, they are all marching together in a pattern.

If the pattern should be reversed I think we should have to reexamine the situation.

Mr. VORYS. Is this not part of it, that land forces, mass armies for use in Europe against any possible aggressor must come from the 16 nations that we are now considering, and that one aspect of this is to support the economies that are supporting those armies that might be a first line of defense against a certain type of aggression?

Secretary FORRESTAL. Yes. I think you put it much better than I did. That is the effort first to give confidence and hope to the countries so they will make the effort to get that modicum of military effectiveness, and also to get a restoration of their national pride, of which an effective military force is a component, and all of those are involved. But the impression I did not want to leave is the impression that we were hoping to spend this money to create a great concert of military force. That is, I think, illusory. You cannot depend upon that to provide us with security. The world has to develop as a whole, and not in segments.

Mr. VORYS. I have one other question.

You have mentioned, and Secretary Marshall has mentioned, and Mr. Douglas has mentioned, and I happen to have mentioned in various comments on this that the cost of the opposite policy to that which you are considering might be very high. That is as I see it, we either stay in or pull out.

Secretary FORRESTAL. That is right.

Mr. VORYS. Those are roughly the two alternatives. The pull-out policy would result in an immediate saving of millions, billions of dollars, right in the next fiscal year. We would not spend a dime on recovery, relief, occupation, support of our forces any place outside of the Western Hemisphere.

I have had an idea that that immediate saving would involve a gigantic expense, and I know you have commented on that.

I wondered if it would be possible to get up a not strict budgetary proposal, but some sort of an estimate of the cost of that policy which many sincere Americans feel is a right policy, so that some comparison of the cost in dollars and cents over a 10-year period might be made. It could not be precise.

Secretary FORRESTAL. I think it is worth while trying to do.

Mr. VORYS. I wish you would try it.

Secretary FORRESTAL. I will try to do it, because I am frank to say if this program were not going through, I should feel constrained to come to the Congress and ask for a very substantial increase of our appropriations this year, and by substantial I mean in the order of 25 or 50 percent.

Mr. VORYS. Thank you.

Mr. JUDD. Mr. Secretary, Russia has repeatedly declared in official statements of her high officials that she intends, if possible, to defeat the objectives we have in this plan, namely the economic rehabilitation of free nations in western Europe.

Do you think that it will be more difficult for these countries in western Europe, particularly countries like England, Netherlands, France, which have had great trade in the past with their colonies and with the other areas in Asia, do you think it will be much more difficult for the purposes of this plan to be accomplished if they are unable to restore something like that prewar pattern of trade relations?

Secretary FORRESTAL. I think that is another component of the whole pattern.

Mr. JUDD. Therefore, anything that will enable them to do that, the more speedily they can recover their prewar pattern of trade, the more quickly they can recover in Europe?

Secretary FORRESTAL. That is my opinion.

Mr. JUDD. Do you think that the chaos is spreading in China and Asia, ideological and otherwise, and hindering and will continue to hinder that recovery?

Secretary FORRESTAL. It is bound to.

Mr. JUDD. Well now, then, this becomes the main point. If those countries do not recover, they are in chaos, so they are ineffective or come under the control of the Soviet satellites the way eastern Europe has come under such control.

Do you or do you not think that would enable Russia to be a great deal more vigorous and aggressive in her avowed intention to defeat our plan in Europe and therefore jeopardize it?

Secretary FORRESTAL. If you follow the assumption, as you have said, she has made that clear. I take it from time to time through official sources she has done that, and that that is her effort. Nevertheless, just as we have complex problems in trying to be of help to the world, trying to destroy the world has an equal problem—that is, trying to destroy it everywhere at the same time. So in a sense I think you know, I share the concern implied in your question.

There is a difference in the accessibility, however, between Asia and eastern Europe to the countries which you are talking about, which come into the simple matter of speed of transit, of supply and even of individuals, and I suspect that will create a somewhat more difficult problem, just as it is for us.

Mr. JUDD. My point is, inasmuch as she has announced she intends to defeat this if possible, it is good sense if we can within our resources and without undue scattering or diversion, it is good sense for us to do everything possible to defeat her attempt to defeat us.

Secretary FORRESTAL. In other words, to meet it wherever it is manifest.

Mr. JUDD. Yes, that is it, if she can weaken our strength, she wants to do it. If we can prevent her concentrating all her strength in one area at a time and taking them one by one, which has been the stand of technique of practically all aggressors, a simple decent conception of self-preservation requires us to do it without animosity, but in clearly meeting an avowed threat, is that right?

Secretary FORRESTAL. I agree with your thesis that you cannot divide. You can assign, and I think that is what the Secretary is trying to do, in decrees of priority, but I think for us to throw up our hands in one part of the world and get salvation in another is not a logical procedure.

Mr. JUDD. Yes. The contention made here that we cannot recover unless Europe recovers, but we can also say it will be much more difficult for Europe to recover unless there is recovery in other parts of the world.

Secretary FORRESTAL. One is a function of the other.

Mr. JUDD. But there is a matter of relativity involved.

Secretary FORRESTAL. Yes.

Mr. LODGE. Mr. Chairman, is it in order to ask the Secretary a couple of questions?

Chairman EATON. We are going to recess at 12. That will be in 9 minutes.

Mr. LODGE. Mr. Secretary, to discuss this matter a little further along strategical lines, it would seem to me that roughly you might say that there are four elements involved in the strategical picture. The first would be the economic element, ERP, the second is the cultural-information program, the third is the twilight zone in which we might attempt to meet the threat of internal force, and the fourth of course is the disposition of military forces.

I would like to ask you this: If France and Italy fell because of internal force, would we then, in your opinion, have to evacuate all our forces from Germany, Austria and Trieste?

Secretary FORRESTAL. Well, you are assuming that they fall to a government unfriendly to us?

Mr. LODGE. Yes, sir. I assume they will fall to the same government that many other nations have fallen under.

Secretary FORRESTAL. Of course any time you try to respond to that type of a question, you are faced with a problem because it presents a finality and a categorical series of actions that I do not think will occur in quite that black and white pattern.

I do not believe that any political action in Europe on the part of those countries would force our withdrawal, except at the point of force.

I mean by that, I don't think we would, and my own opinion would be that we should not evacuate because those political events occurred.

Mr. LODGE. Let us assume that the Communists carry out their threat to establish what we call an independent government in the

north of Italy. It would be synchronized with strikes in France. If they achieved that, as a start, that would definitely jeopardize the security of our troops in those areas, would it not?

Secretary FORRESTAL. It would involve a review of the situation at the time. There is no question about that.

Mr. LODGE. Well, sir, what I am leading up to is along the line of questions asked by Mr. Javits. I understand there is no liaison whatsoever between the French and Italian armed forces or between General Marras in Italy and General Revers in France.

Would it seem to you appropriate for the French and Italians who at this time have identical interests, or at least are threatened by the same force, to have some sort of liaison between their armed forces, just as existed during the war?

Secretary FORRESTAL. Well, they are two republican governments. I am speaking with a small "r" now, and they are the government or the kind of government we hope will persist in those countries, and I should think that would be appropriate.

Mr. LODGE. It seems to me that viewing this as a cooperative strategical measure, that it is perhaps as important for the military elements to achieve cooperation among the 16 nations as for the economic elements to achieve cooperation.

Would you agree with that, sir?

Secretary FORRESTAL. As I say, it seems reasonable. It is a little outside of my orbit, however. That is a diplomatic business, but from a practical standpoint it seems to make sense.

Mr. LODGE. Thank you very much.

Mr. MUNDT. May I ask one question? It grows out of something that Mr. Kee raised, when he was discussing the relationship of this program to the State Department.

I have this feeling, Mr. Secretary, that it is highly important in the over-all success of this program and in its continuation if it is going to run across a period of 4 or 5 years that there be brought behind it the largest possible bulk of American public opinion.

I do not feel that there is an administration foreign policy or a Democratic or Republican foreign policy. It should be an American program. I sort of like the idea incorporated in the Herter proposal, which I am sure you have read, which would bring into this picture somehow the best brains of both of the major political parties with some kind of a bipartisan group behind it.

Certain aspects of this program do deal with foreign policy. That is whether we will go into it or whether we do not, whether we adopt this program of raising up our friends abroad or not.

Once that is done it is largely economic, to be administered as I see it and to be directed by people skilled in the science of business, farming, economics, and so forth.

Do you see anything incompatible with the general over-all approach of gearing this program into an American foreign policy and incorporating it in some way with a bipartisan board, or bipartisan group, which will make it increasingly an American program, rather than of any particular President or any particular Secretary of State?

Secretary FORRESTAL. I know in general terms, Mr. Herter's proposal, but, Mr. Mundt, without again trying to avoid your question, I have tried to keep away from the administrative detail of how the plan is carried out.

I will say that I agree with your thesis that to be successful and to have the continuity of affirmative belief in it, to have that confidence back of it, you must have some organization which will give the people the conviction that it is a national and not a partisan enterprise.

Mr. MUNDT. From that it would logically follow that Mr. Wallace to the contrary notwithstanding, we are largely a bipartisan country?

Secretary FORRESTAL. Yes.

Mr. MUNDT. And that somehow we should bring behind it, therefore, both of the major parties, feeling that they have something to do in implementing American programs?

Secretary FORRESTAL. Well, for the same reason that I don't construe my own place in Government as being a partisan post.

In other words, I am serving the country and not a party. For the same reason I think it is essential that this enterprise be surrounded with the same character of policy and administration.

Mr. MUNDT. I agree 100 percent.

Mr. KEE. Mr. Chairman, may I ask a question there?

Chairman EATON. Mr. Kee.

Mr. KEE. At the same time, Mr. Secretary, whether we have an independent organization administering this program, or have it administered by Government agencies. In either event, and in the final analysis, the final determination of our foreign policy should not be placed in any independent or even a Government organization beyond the authority of the President of the United States.

Secretary FORRESTAL. Well, no matter how you get the arrangement set forth, I think in response to your question, the actions of any man that runs this project or enterprise must conform to the patterns of national policy, as expressed by the Secretary of State. Whether you, directly under him, or parallel with him, regulate those matters, I haven't gone into that and I haven't tried to form a judgment, but the principle you would enunciate is sound. I don't see that that is inconsistent necessarily with what Mr. Mundt proposes.

Mr. JUDD. I have one question.

Not only is this important from the standpoint of mobilizing public opinion here at the moment, but do you agree, Mr. Secretary, that it is even more important from the psychology of the people over there who at this particular juncture at the beginning of 1948 conceivably are wondering, "Well, if we are going into this thing now and a Republican administration in toto is returned to power in November, might it not be over then?" and therefore discourage an all-out effort on their part because they think it would not be continuing and would not be a predictable or dependable program?

Secretary FORRESTAL. Confidence in that continuity is as essential, almost, as the substance of your proposed bill.

Mr. KEE. That is right.

Chairman EATON. Mr. Secretary, I would like to make it absolutely clear, in view of the question just asked by Mr. Judd, that if the Government becomes totally Republican, it will not be so discouraging after all.

Thank you.

Secretary FORRESTAL. It will remain American.

Chairman EATON. Thank you very much for your very constructive testimony and we all wish you well.

We will recess until 2 p. m., when Ambassador Douglas will return. (Thereupon, at 12 o'clock noon the committee recessed until 2 p. m.)

AFTERNOON SESSION

The committee reconvened at 2 p. m., at the expiration of the recess.

Chairman EATON. The committee will be in order.

The first to question the Ambassador will be Mrs. Bolton.

**FURTHER STATEMENT OF LEWIS W. DOUGLAS, UNITED STATES
AMBASSADOR TO THE UNITED KINGDOM**

Mrs. BOLTON. Mr. Ambassador, I should like to pursue this tremendous subject of America's policy in the field of world recovery from a somewhat different angle from that of my colleagues.

Important as it is that we study the figures submitted by the Government and those received from other sources, basic as they undoubtedly are, this committee has approached the problem under a resolution read into the record the other day by Mr. Javits, which stresses the responsibilities of considering these matters upon a general policy basis, with the European problem as the first study. Our capacities are limited, and we cannot meet every need. Therefore we must determine upon what basis we shall act. Because our resources are limited, it becomes necessary that we find ways to give as little material aid as can be made to answer the fundamental necessities required to help these countries to rebuild themselves.

Many suggestions have been made pointing to the possible joining together of these nations of western Europe in order to strengthen themselves in their recovery program. Many feel that a union of some sort is essential to the winning of the "cold war." One needs to remember that it took us some years to find a common way, so that we should recognize that any form of federation in Europe cannot be consummated overnight.

What I want to ask, Mr. Ambassador, is whether during the weeks of your close association with the delegates of the 16 nations in Paris you found any inclination toward union.

Ambassador DOUGLAS. I feel quite strongly, Mrs. Bolton, that practically all of the governments represented at the Paris Conference are particularly keen to establish in western Europe and among themselves, a much more integrated-coordinated economic system than any which that part of Europe has historically enjoyed.

Mrs. BOLTON. That would, of course, lead toward a closer and closer union than it would possibly have politically?

Ambassador DOUGLAS. Yes.

Mrs. BOLTON. If we in our dealings with them are not careful in the bilateral agreements that we draw up—if we are not careful to keep as much similarity in those agreements as it is possible to do, may we not separate them again? They have come together, the 16 nations, and decided that these are their problems and that this is the way they wish to present them. Are we in danger of pulling them apart again with a bilateral agreement?

Ambassador DOUGLAS. I think it would depend, Mrs. Bolton, upon the type of commitment which would be made by any individual country; the kind of commitment in relation to the particular position of that country.

Let us take the matter of strategic raw materials. For example, some of them possess resources, either within their dependent areas, or within the area for which they have jurisdiction within the continent of Europe. Some of them do not. So it seems to me it would be perfectly appropriate to have a variation of commitments among the respective countries on that account.

Mrs. BOLTON. There would, however, be a thread of similarity?

Ambassador DOUGLAS. There would be, in the multilateral agreements that each country has made with the other, a complete similarity.

Mrs. BOLTON. A question has been raised as to whether it would be possible for them to set up a group of their own like an executive committee through which we would deal, instead of each country coming forward separately. Would there be any practical value to that?

Ambassador DOUGLAS. One of the jobs of the 16 participating countries is to have a continuing organization, provided there is a reasonable assurance that external support is forthcoming. This continuing organization would review the progress made by each country, the extent to which the undertakings were being honored, and in addition would engage in joint cooperative efforts to reach the objectives to which they are pledged. So that the undertaking which these countries have made includes the establishment of an organization which perhaps would not conform completely in its functions to that which you have in mind, but which would approach it.

Mrs. BOLTON. Do we sit on that group?

Ambassador DOUGLAS. It is contemplated that the United States would have a representative sitting with that group.

Mrs. BOLTON. The Communist group has expressed itself violently opposed to this closer association of the countries of western Europe. That would seem to indicate that such a closer association would be a very real problem to them and therefore, from our point of view, it becomes an even more necessary part of the program.

Ambassador DOUGLAS. We are a part of the community of nations that goes to make up what we call western civilization, and the closer the relationships and the closer these participating countries approach unity, the more homogeneous, the more solid and the firmer will be that general part of the world, comprising the countries which have on the whole so many elements of commonality.

Mrs. BOLTON. In the development of the program has there been any study made of the amount of development that could be given a little boost in the countries in Africa that are directly dependent toward their so-called mother countries?

Ambassador DOUGLAS. Some of the countries which have colonial dependencies have given a great deal of study to the development of natural resources within their dependent areas and therefore of course to the extent to which those dependent areas can supply us with needed raw materials and themselves with needed raw materials.

Mrs. BOLTON. Some of the questions we have all been asking relative to stock-piling strategic materials is associated very closely with the colonies and the dependencies. French Africa, for instance, and the Netherlands in Africa, are fabulously rich in many of the materials that are needed by us.

England of course is developing her dependencies there with that in view.

Have you any knowledge of the extent to which France and the Netherlands are moving in that area of development?

Ambassador DOUGLAS. I have no specific knowledge now, Mrs. Bolton. I know at least two of the countries that have overseas dependencies are doing so.

Mrs. BOLTON. Would it be possible to suggest that in the loans which we make, we be repaid by the products of certain mines that will be developed in the future? This would imply a trained-personnel responsibility when the moment comes for their development to contribute not only the machinery but also the know-how.

Ambassador DOUGLAS. One piece of legislation which the committee is considering authorizes the Administrator to extend support for the purpose of exploration and development of raw materials.

The legislation provides that loans may be repaid by delivery to the United States of certain specified strategic raw materials valued according to prevailing market prices as of a certain date. It also provides for the facilitation of the sale to the United States of strategic raw materials. As we discussed the matter yesterday, those countries that have very, very real difficulties in their balance of payments would not find any relief in their balance of payments if they were required to deliver to us, not in liquidation of the loan, the raw materials.

Mrs. BOLTON. In the matter of the United Kingdom and its trade relation to its dominions, who is going to determine the dollars that go to these dominions?

Ambassador DOUGLAS. I did not hear the first part of your question.

Mrs. BOLTON. The United Kingdom has certain trade arrangements with its own dominions. As I understand it, certain dollars go to those dominions.

Ambassador DOUGLAS. The bill does not contemplate, Mrs. Bolton, that there should be an extension of support to any of the members of the commonwealth.

Mrs. BOLTON. However, England could take some of her funds and so use them?

Ambassador DOUGLAS. It is not so contemplated. She can take her own reserves but not support from the United States. She may do as she chooses with her own resources, but she may not use the support extended by the United States.

I have been reminded by my assistant that, of course, if the administrator is authorized to purchase off-shore—that is, to purchase materials that are in short supply in the United States in other parts of the world—some dollars would on that account flow to Canada, for example, for the purchase of wheat. That is relieving the pressure on our own internal market and providing dollars for Canada. However, that would be a commercial transaction and not an extension of direct support.

Mrs. BOLTON. Mr. Ambassador, a concurrent resolution has been introduced and sent to this committee to the effect that the 16 countries should take positive action relative to the development of their own production, the reestablishment of their currencies, and so forth.

Would it be your feeling that there might be wisdom in including in any bill drafted as a result of these hearings, some such insistence?

Ambassador DOUGLAS. Actually the United States Government would make bilateral contracts with each one of the participating countries. The bilateral contracts would include not only the undertakings to which you have referred, as between the 16 participating countries, but such additional undertakings and commitments as the United States Government might require.

The contract would then become a contract between governments; that is, it would have the sanction of our government and it would have the sanction of the other government party to the contract.

Mrs. BOLTON. This would be completely included and perhaps more conclusively done in a bilateral agreement than any insertion in the legislation.

Ambassador DOUGLAS. One of the pieces of legislation which you have before you contemplates much of what you have in mind. For example, section 10 (B) (1) cites these contract agreements which shall be made and provides that they shall include provisions for a number of different undertakings to which each one of the countries entering into a bilateral agreement with us must agree.

This particular piece of legislation which the committee is considering does not include what is the intention; namely, to make reference or to require the reaffirmation by each country of the multilateral commitments that they made.

Some of the things in section 10 are repetitious of the multilateral agreements made by these countries in Paris.

Mrs. BOLTON. In the matter of the success of the whole program is it upon this group that you were describing a few minutes ago, that the duty revolves of checking constantly to make sure that progress is being made?

Ambassador DOUGLAS. One of the functions of the continuing organization would be to examine and review the extent to which the undertakings are being complied with.

In each country, there would also be a very careful analysis of, and examination of the performance of that country.

Mrs. BOLTON. Does it appear to you that that is an adequate set-up?

Ambassador DOUGLAS. Well, Mrs. Bolton, men do jobs. The quality of the job is a function of the quality of the man who does the job. This set-up, if it is manned by men of experience and competency, I think is adequate. No set-up with men of incompetency is adequate.

Mrs. BOLTON. I wanted to avoid this, but you forced me into it. It is then of extreme importance that the method of administration that is set up under this bill be such that it will attract only the best?

Ambassador DOUGLAS. If they are available.

Mrs. BOLTON. And what did you mean by availability?

Ambassador DOUGLAS. It is difficult, as Mrs. Bolton knows, to enlist in Government service anywhere men of the type of experience and competency that is so often necessary for adequate skillful performance of a public duty.

Mrs. BOLTON. Is it partly due to the fact that during the war, companies released their men for war service for long periods, or is it the habit we have in this Republic of ours to indict a lot of men who have done a pretty good job, when the job is over?

Ambassador DOUGLAS. I think it is a combination of a variety of things, Mrs. Bolton. A great many men have served in the war and

they have made sacrifices. They feel that their obligations to their families interfere with their making additional sacrifices.

Some of them, I suppose, have the feeling that Government service is a sort of a thankless job at best, and there is the question of course of the compensation which the Government can pay. There are a variety of things of that sort that enter into personal decisions.

Mrs. BOLTON. Fundamentally, we must be exceedingly careful that we set up an administrative practice that will permit those in the top positions, certainly, to really function.

Ambassador DOUGLAS. Yes, that is very important.

Mrs. BOLTON. To your mind, that should channel through the State Department, in the top brackets?

Ambassador DOUGLAS. No, I do not think so, Mrs. Bolton. I do not think the State Department should be responsible for or engaged in or related to the wide variety of business transactions which the administration of the European recovery program will be involved in continually.

I do think that the administration of the European recovery program should be in conformity with and in concert with the foreign policy of the United States. I think, too, the administration of the European recovery program must necessarily abide by certain decisions, the responsibility for the making of which is now vested in a number of different Government agencies, because that responsibility affects our own internal economy.

Mrs. BOLTON. You would be reluctant, however, to have us present a divided front?

Ambassador DOUGLAS. I think it would be a mistake both on this side, Mrs. Bolton, and abroad. I think it would cause confusion here at home and I think it might cause untold confusion in other countries. We have had some experiences within, of course, the last 7 or 8 years: for example, the Board of Economic Warfare and the Foreign Economic Administration.

I can assure you that in a great many instances the lack of clear definition of jurisdiction and of authority has caused incalculable trouble for our own Government.

Mrs. BOLTON. We have asked a good many times for a definition of "foreign policy." Where does that stop and where does business begin?

Is it not going to be necessary to have a better definition of those two fields?

Ambassador DOUGLAS. I think it would be highly desirable to have a more clear definition of where one begins and the other ends, and if there is any difference as to where one does begin and the other one ends, a court of appeals should make decisions as to where the limitations of one would be found and where the limitations of the other would be located and found.

Mrs. BOLTON. I am sure you are familiar with both bills before us, 4840 and the so-called Herter bill?

Ambassador DOUGLAS. Yes.

Mrs. BOLTON. Do you feel there might be a way of compromising the two, in order to have the business ability of the country represented, and also to have the people of the country represented through Members of Congress?

Does it seem an insuperable thing to you to contemplate a compromise measure?

Ambassador DOUGLAS. I think, Mrs. Bolton, there are certain provisions of the Herter bill which might confuse the function of the legislative body with the function of the executive body, though I am confident that a proper and wise administrator, whatever his title may be, could make arrangements so that the Congress was adequately and fully informed of what was transpiring.

Mrs. BOLTON. Would you consider at all such a set-up as is now functioning in the Atomic Energy Committee as a way of keeping Congress very vitally informed—not necessarily exactly the same pattern, but something of that nature, and have the congressional group not in the sphere of administration but in the area of something greater than top echelon?

Ambassador DOUGLAS. Mrs. Bolton, I am sorry to say I have not examined the legislation establishing the Atomic Energy Commission with sufficient care. Indeed, I have never read it.

Mrs. BOLTON. Would you mind doing it, and then perhaps sometime you can whisper in my ear what your feeling of it is, as one who used to be among us.

Ambassador DOUGLAS. Certainly.

Mr. CHIPERFIELD (presiding). Mr. Kee?

Mr. KEE. Mr. Ambassador, I am very glad Mrs. Bolton brought up the question of the administration of this legislation. I think as a matter of fact that is one of the most important parts of the legislation. We can resolve our difficulties as to whether or not we are going into this program at all, and again we can settle our difficulties over an authorization of a certain amount of money to effectuate the purposes of the program, although I might remark that this committee has found by experience that we might work for weeks and days, sweat blood and shed tears, wrack our hearts, souls and brains over fixing a definite minimum we are going to recommend be appropriated, and then along comes the gentleman with the meat ax and an inspiration, and all of our work goes out the window. We have had that experience frequently, so I think we can do something perhaps more worthwhile, by discussing a subject that we can really determine without inviting the operation of the meat ax.

I would like to discuss the administration of the program for just a moment. I presume you have studied the Herter bill to some extent?

Ambassador DOUGLAS. I have, sir.

Mr. KEE. I note in section 11, paragraph (b) of the Herter bill where it makes the chairman of the board of directors of the foreign reconstruction authority ex officio executive director of the council, and provides that his duties will include the responsibility of formulating "for consideration of the council" proposed programs of United States aid to such countries and proposed policies in connection therewith. As I understand it, he formulates the policies in connection with the aid, some of which no doubt will affect our entire foreign policy, or our policy with reference to different countries, and as to that particular function the Herter bill does not provide that he consult anybody; and although he may present his views and his policies to the council, they only have authority under the bill to act in an advisory capacity.

What is your thought about the provision of the Herter bill I have just outlined?

Ambassador DOUGLAS. I think the general provision of the Herter bill, in addition to the one you have just referred to, permits the administration of the European recovery program to be almost completely divorced not only from obligation to the foreign policy of the United States but from various functions exercised by other departments of the Government which are related to our own internal economic position.

Mr. KEE. Is it not your idea that that provision of the bill is, if not unconstitutional, certainly approaching it?

Ambassador DOUGLAS. Mr. Kee, I am not a lawyer, and I would hesitate to express an opinion as to the constitutionality of the provisions of this legislation.

Mr. KEE. I was interested very much the other day in a Washington Post editorial. The writer discussed that section of the bill, as well as other sections, and announced the opinion that, to the extent of that section, it was unconstitutional.

I noted a day or two ago that Mr. Herter sent a communication to the Post which was published, and in which he endeavored to point out that that section of the bill was not unconstitutional, that it was not taking away the powers given to the President by the Constitution, and arguing at great length upon his position.

The Washington Post then said:

Mr. Herter refers to the proposed foreign aid council including the Secretaries of State, Treasury, National Defense, Agriculture, and Commerce which would consult with the President on the recovery programs to be set up abroad. But this council could give advice only. The real power "to determine, prescribe and conclude the arrangements" under which the program would operate would be given to the bipartisan board of the "independent agency." As a practical matter, the President can control foreign policy only through his Secretary of State, who under the Herter bill would appear to be little more than a cipher in the determination of policy in this most vital aspect of foreign relations. If, therefore, the Herter bill escapes the charge of unconstitutionality by recognizing the power of the President to direct our foreign relations, it impales itself on the other horn of the dilemma by providing an unworkable means of achieving its aim.

What is your view with reference to the question of whether or not so far as the section mentioned is concerned, the bill is either unconstitutional or does provide a workable set-up?

Ambassador DOUGLAS. As I say, I am not a lawyer and would hesitate to express an opinion as to the constitutionality of the provisions of the Herter bill.

From the administrative aspects of the Herter bill, as I have indicated, I think it first of all divorces the administration of the European recovery program to too great an extent from the foreign policy of the United States on the one hand, and from the functions and responsibilities vested in other agencies of the Government, the Department of Commerce, the Department of Agriculture, and the National Advisory Council for example, which are charged with responsibilities having to do with our own internal economic estate.

Mr. KEE. Is it not your view, Mr. Ambassador, that whatever agency is set up here, whether this program is administered, or the bill provides for its administration under the control and direction of the Secretary of State by independent departments of the Government now existing, or whether the administration is placed in the hands of an independent agency, either one, there should be a plain provision in the law that all questions arising in the adminis-

tration of this act which affect in any way the foreign policy of this country should be submitted to and resolved by the President of the United States, speaking through the Secretary of State.

Ambassador DOUGLAS. I think that applies not only to the Secretary of State but I think it applies equally to other departments of Government. I am not quite clear as to whether in respect to all departments of Government there is to be a clear provision of the bill but the legislation should provide for a clear definition of the lines of authority.

Mr. BLOOM. Would the gentleman yield there?

Mr. KEE. Certainly.

Mr. BLOOM. Mr. Ambassador, is it not a fact that the Supreme Court in its decisions irrespective of the Constitution, has laid down the rights, the powers of the United States on foreign affairs, and it has been broader than anything in this legislation here. That policy is established by the decision of the Supreme Court. Not only does the Constitution set it out, but the legality or illegality of any of those provisions as regard the rights in the policy of foreign affairs is laid specifically with the President of the United States.

Ambassador DOUGLAS. I am informed that is the case.

Mr. BLOOM. There is no question about it.

Mr. JONKMAN. Will the gentleman yield to me?

Mr. KEE. I yield.

Mr. JONKMAN. Was that before we had the residual relief and interim aid, or the Marshall plan or anything we had in recent years?

Mr. BLOOM. It would not make any difference, Mr. Jonkman, the decision is there and the power of the President of the United States in international or foreign affairs is the only power. He is the only person who has the right, irrespective of what other departments or different branches of the Government come in. With foreign affairs the Supreme Court has held that the President of the United States is supreme in that field and there is no question about it.

Mr. JONKMAN. There is just one distinction I want to make. Is the question whether or not this distribution of goods and moneys is going to be foreign policy, or a business operation apart from foreign policy which, of course, on certain occasions there might be some relation.

Mr. KEE. It is not foreign policy, if the gentleman will pardon me, but the method of distribution and the questions arising in connection with it may have an effect on our foreign relations very harmful to the United States. It may seriously affect the foreign policy of our Government.

Now if you will pardon me, I will proceed for a moment longer, and conclude.

I think, Mr. Ambassador, that we all understand where the decisions with reference to foreign policy in this country are to be made, but what I want to make clear is that we want to avoid as far as possible in this bill any conflictions with provisions of the Constitution and we do not want to fail to insert in this legislation all precautions we possibly can to prevent foreign policies being made by either the Director or the Administrator or anyone else connected with the administration of the act other than those vested with constitutional authority to do so.

That is my view of it. I thank you very much.

Ambassador DOUGLAS. That is my view.

Mr. CHIPERFIELD. I believe Mr. Mundt has not had an opportunity to cross-examine yet.

Mr. MUNDT. Mr. Chairman and Mr. Ambassador, I do not care to go into the matters of the administrative set-up in any program of this kind in any great detail, although that is certainly a very important part of the bill. I would not quarrel with Mr. Kee or any other Member of Congress over the fact that under our Constitution the matters of foreign policy per se are handled by the President through the State Department. However, once that has been determined, as it will be, when this legislation is adopted, if it is adopted, and our foreign policy has been made clear, as an effort to brace up the friendly countries of Europe who feel as we do about matters of economic politics, and to resist the aggression and totalitarianism abroad, then we come to this administrative set-up and administrative problem. It is there where I depart from those who say that the administration of a bipartisan foreign policy should be strictly a one-partisan administration. That does not just make sense to me.

I do not believe that all the economic brains, administrative brains, or agricultural brains in the country are segregated in either political party, and I think that this program has enough magnitude and enough significance so if we go into it at all we want to go into it so that we can emerge victoriously, whereupon we must call upon the resources of America regardless of politics, so for that reason it seems to me it just makes good sense some place in legislation of this type to recruit the capacity of America regardless of party, and some kind of bipartisan arrangement, working through some independent administrative agency, which will implement the foreign policy of the United States as determined upon by the President and the State Department and as authorized by Congress, but which will implement it from the standpoint of its maximum strength.

If it develops that the country has more confidence in an independent agency of Government as an administrative agency I see no conflict between that and the success of a program of this scope and I wondered if you think it has some inevitable conflict which means that you either have to do it all through an established institution of Government or not at all.

Ambassador DOUGLAS. I could not agree more heartily or enthusiastically with your observation that the foreign policy of the United States should be a bipartisan matter.

Mr. MUNDT. In fact, as well as in name.

Ambassador DOUGLAS. When I say bipartisan, I mean that it takes on the form and shape and continuity. One thing we have learned, I hope, is that foreign policy must be something which can be projected forward and is not subject to the whims and vacillations of changing personalities and even parties.

Mr. MUNDT. As your predecessor on the stand said this morning, it would be ruinous if you were to get the idea or America either that anything we agree upon in the nature of foreign policy in this Congress is subject to an entire upset, next November, if America decides it should have another party in control of the Government.

When we finally have hammered out a decision it should be one, it seems to me, that will continue through the designated time, regardless of which party wins the election next November.

Ambassador DOUGLAS. I agree.

Mr. MUNDT. That should not be an issue, not so much from our standpoint, perhaps, as that of the European fellow who is trying to make his plan and tie his program to the American kite. He wants to know what that kite is going to do and whether that kite is going to be flying next December in that direction.

Ambassador DOUGLAS. I agree.

Mr. MUNDT. I asked you the other day a question which you said you would like to have some time to consider. I asked the question on Tuesday. I wonder if you would answer it?

Ambassador DOUGLAS. Yes; I will.

I have given consideration to the question which you asked. It was, as I recollect, whether guaranties contemplated under the act could be extended for the purposes you had in mind.

Mr. MUNDT. Yes; or economic enterprises involving immediate information.

Ambassador DOUGLAS. Yes.

The guaranties can be made under the provisions of the legislation which you are considering, or one of the pieces of legislation, for the purpose of furthering the fundamental ends of the act itself.

Now the purposes of the act are to restore economic and political stability in western Europe. I doubt very much whether the purposes which you have in mind fall within the definition of the fundamental purposes of the legislation. I am not saying that what the Congressman had in mind may not be a very worthy thing, but I doubt that the guaranties contemplated or intended under the provisions of the act should be extended for purposes which you had in mind in this legislation and under the administration of this legislation.

Mr. MUNDT. I am very happy to have your analysis of that, because I am one of those stubborn fellows who believes that it should be included in the act and that consequently either the purposes of, the act should be amended or else it should be spelled out some place in the legislation so that whatever agency does administer it will find, if desirable, that it can extend those guaranties for those purposes.

Frankly, I am a little bit disappointed in reading the purposes of the act, as far as that goes.

I think the big purpose of this act is to preserve peace, which finds no place at all in the enunciated purposes of the act, as written down "1," "2," and "3."

I know a lot of Americans who are disappointed in that.

After all, there is a pure economic thing that might be demonstrated—that we could build better buildings, for instance, for rehabilitation of the Navajo Indians, to meet the purpose of the act, but that goes far beyond the rather materialistic and short-sighted purpose set up by whoever wrote this bill.

I would like to see the purposes of the act include the preservation of peace, certainly giving guaranties to me of information working in the direction of securing the peace, and it would then become a legitimate enterprise.

Mr. CHIPERFIELD. Will the gentleman yield?

Ambassador DOUGLAS. You would like to have the establishment of peace and preservation of freedom included?

Mr. MUNDT. Yes; that is correct. I would like to see that listed as a fourth purpose instead of putting in the preamble and then promptly forgetting it.

I yield.

Mr. CHIPERFIELD. I am wondering if you could not, by bipartisan agreement, set up an arrangement so that you could use local funds of these various countries, as suggested by Mr. Mundt. I say "bipartisan." Possibly I should have said "bilateral."

Ambassador DOUGLAS. I think, Congressman, it is not at all impossible to provide arrangements for the use of the local currency counterpart of dollar grants for that purpose.

Mr. CHIPERFIELD. Thank you very much, Mr. Mundt. You may proceed.

Mr. MUNDT. Getting back to this point, which I do not like to belabor so much, except for the fact that we are engaging in a \$6,800,000,000 program which, in my opinion, is directed altogether too much to the stomachs and the creature comforts of Europe and not enough to those basic ideas which are essential if peace is to be observed, I take it that you would see no objection to including in the purposes of this act some way the clear-cut statement that one of the big objectives is to defend the national interest of the United States, or our national defense, or the permanent peace, or something of that nature which would broaden its scope enough to include some such program as I have in mind.

Ambassador DOUGLAS. Section 2 (a) of the act refers to the attainment of the objectives of the United Nations, and the Charter of the United Nations refers to the preservation of peace and other things which we have mentioned.

By implication the present language of the act does embrace and contemplate the purposes which you have properly in mind.

Mr. MUNDT. I think it is there by implication; but when we gear it into the scope of activity of the United Nations, we have to decide whether it is before or after a possible veto of some measure.

I think we should not be ashamed at all of the fact we are engaging in this, because of our interest in peace. It is not purely a commercial proposition with us.

Ambassador DOUGLAS. No. This is essentially an undertaking to establish the peace and to preserve the freedom and to protect the integrity of the community of nations of which we are a part.

Mr. MUNDT. Commercially it will be a good investment if it secures the peace, and a bad investment if war eventuates, is that not right?

Ambassador DOUGLAS. Yes, sir. Well, it might still have been a good investment.

Mr. MUNDT. Not nearly as good certainly as if it gets the peace.

Ambassador DOUGLAS. It would be a perfect investment if it preserved the peace. It would, I think, still be a good investment, even though unhappily the world might again be plunged into a devastating war.

Mr. MUNDT. I do not want to draw you too far into a discussion of the genesis of the difficulties which we face, but some thought should be given to that, and to me primarily we are in trouble, because one ideology in the world, communism, per se, has an international organism through which it functions and through which it brings to

bear upon a certain problem the resources and the activities of people in a number of countries.

On our side of the contest in upholding freedom, at the moment, we have no such international working organism, because the United Nations, which is set up to do that, is subject to a veto block and because we have no international party of freedom or Americanism or liberty or private enterprise—call it what you will. So it becomes increasingly important to me that in this program and in working through these 16 countries with whom we are cooperating, there flows a stream of educational publicity and information which helps to bring about a common effort in dealing which will help to resist the unity of effort on the part of the people who come to that proposition. Do you agree with that?

Ambassador DOUGLAS. Yes.

Mr. MUNDT. Now, I notice in this legislation there is left out some of the measures we incorporated in Public Law 389 to bring that about. For example, in paragraph 5 (c) of Public Law 389, Congress wrote in—

to give full and continuous publicity by all available media, including press and radio, within such country so as to inform the ultimate consumer as to the purpose, source, character, and amounts of commodities made available under the authorities of this Act—

and section 7 in toto of Public Law 389 deals with the same subject of labeling such materislistic aid as coming from the United States, which is susceptible to labeling.

None of that is found in H. R. 4840, as proposed. What do you have in mind in lieu thereof, as an educational program to become part and parcel of this economic program, so that in aiding these 16 countries we not only help to correct bodily ailments but mental attitudes as well?

Ambassador DOUGLAS. This recovery program is aimed at recovery, not relief.

Mr. MUNDT. In my opinion, so was the international interim aid program. It was aid as well as recovery.

Ambassador DOUGLAS. The number of commodities necessarily covered or included in a recovery program is very much broader and larger than the number of commodities included in a relief program.

Mr. MUNDT. I am not holding a brief for labeling commodities under this act. I want to know what you will put in in lieu thereof.

Ambassador DOUGLAS. It is the hope, as I understand it, that the legislation to which the Congressman's name is attached would become the law; and it would become, as a result, a very powerful supplementary of the foreign policy of the United States.

Mr. MUNDT. In that connection, in view of the fact that 15 of the 16 countries—in fact, all of them, excluding Luxemburg—maintain state-owned radio systems, would you see any reason why there should not be included in the return flow of considerations which the United States is to receive, some free time over those radio stations for use in connection with this information program which we hope the Senate is going to approve tomorrow afternoon?

Ambassador DOUGLAS. Well, I should hope that there would be time over the radio stations.

Mr. MUNDT. Would that not be a legitimate request? It looks that way to me, and if it is wrong, I want to know why because we are contributing into this joint effort \$6,800,000,000 or a fractional

part thereof and one thing that they can throw into the pool which costs them nothing is some free radio time on the Government stations.

To me it looks so plausible and logical. I want to know from a diplomat what he thinks about that.

Ambassador DOUGLAS. Well, I would be very glad indeed to discuss that matter with you and tell you what is already being contemplated, at least in respect of one country of which I have knowledge on precisely that point.

Mr. BLOOM. Will the gentleman yield?

Mr. MUNDT. There is not anything in black and white in support of that proposal?

Ambassador DOUGLAS. It is a delicate question, Congressman, to discuss publicly.

Mr. MUNDT. I do not want to press for it.

Ambassador DOUGLAS. For reasons which I am sure you will understand.

Mr. MUNDT. I yield to Mr. Bloom. He wants to say something at this point.

Mr. BLOOM. I will ask you and the Ambassador at the same time, is it your intention, Mr. Mundt, to put a clause like that in the act to make it a law, that this must be confirmed and approved by the different parliaments and the different legislatures of the 16 different participating countries, or would you suggest that it be in the arrangement made to these people, or to put it in in fact and make it law?

Mr. MUNDT. It would be either way, if you talk about these bilateral contracts, just so it gets done, and I want to be sure it is done. The intent of Congress should be written in there somewhere.

Mr. BLOOM. But if you put it in the arrangement between the different countries that participate, where it is a loan, you would not want it in the act. You would not want it in the arrangement either. They are paying what they get, but if you put it in the act itself, they must accept that through their parliaments and that is where the objection has been, as you know, by certain people, by making it a law that they are compelled to do this thing and accept it through their parliaments. Their parliaments would not accept it. But in the arrangement it would be just as strong and still would not be as obnoxious as if you had it in the act.

Ambassador DOUGLAS. I think this is true, and I am sure the Congressman will agree with me that there prevails throughout parts of the world a misunderstanding of the intentions of the United States; that our aspirations are being distorted in the minds of men. One reads about them almost very day in the press. This volume of misrepresentation that comes flying out of the eastern part of Europe is included.

We all know that a lie repeated often enough soon is accepted as the truth. How countries like our own, which appreciate the truth by objective standards can compete with others who measure truth by wholly false standards, can engage successfully in that sort of verbal warfare, is a very perplexing question. But the Congressman's fundamental view that an appropriate dissemination of the truth is an essential arm of foreign policy is an accepted fact as far as I am concerned. I think it is true as far as Secretary Marshall is concerned.

Mr. MUNDT. Getting down to the question which Mr. Bloom raises as to whether it should be written out per se as a specific quid pro quo

in this act, or be negotiated by bilateral or unilateral contracts, I have in mind that some place in these eight so-called conditions precedent there should be a ninth condition precedent which at least conveys the idea in general terms that one thing we consider essential as a condition precedent is some kind of cooperation to help get the truth, not only about America, but about this program of aid, because coming out of Belgrade from the Cominform today and every day they are going to get contortions and lies, beamed to these countries.

Somebody has to straighten them out, and the least we can expect in return for our financial assistance it would seem to me is a cooperative understanding which as a very minor part could be free use of such radio time as we need.

It possibly need not be put in the bill, but there should be some recognition of it, it seems to me, instead of an utter and eloquent vacuum which is here now.

Ambassador DOUGLAS. I would like very much to discuss that suggestion with you.

Mr. MUNDT. Thank you. That is enough for that point.

Now would you be able to give us any figures as to what was decided at these conferences among the 16 nations as to the contribution which each is to make for the benefit of all? I do not know as my question is clear. Our gross contribution, if the State Department has its way, is \$6,800,000,000. That is not a net contribution. That is gross. From that we get part back in strategic materials, and so forth.

Is there similarly some place a figure to show what gross contribution Denmark is throwing in, what Sweden is throwing in, what if anything France is throwing in? They may be deficient in 99 of the 100 products, which countries need, but they may have one of which they have a surplus.

Are there any such figures available?

Ambassador DOUGLAS. There are figures available, Congressman, which show the deficiencies, and the balance of payments among those countries which might give a reflection.

It might be a reflection of the amount of export.

Mr. MUNDT. I have seen the deficiencies. I wonder if there are similar figures on the surpluses or contributions? As I understand this is a mutual, self-help program. In other words, to take a hypothetical case, suppose Denmark is long on a hundred thousand tons of butter, and is willing to throw that into the hopper and make that available to these 16 countries. Is that included in there some place?

Ambassador DOUGLAS. Some of the countries have surpluses expressed in terms of their trade balances and others have deficiencies among themselves.

It is contemplated that those deficiencies and surpluses will be cleared through a clearing arrangement, so to that extent those that have surpluses are extending support to those that have deficiencies.

What I have just said refers of course to their respective surpluses, and deficiencies, expressed in terms of their merchandise balances or the balance of trade between each country.

Mr. MUNDT. That is the theory, as I understand it. That is the theory as I have had it explained and as I have explained it in talks which I have given.

I wonder if there are tables any place which would start out on this basis? These 16 countries require \$100,000,000 worth of fuel. Of

the \$100,000,000 worth of fuel, \$80,000,000 comes from the United States of America, \$10,000,000 comes from Great Britain, \$5,000,000 comes from Norway, and so much from some place else, and on each of the items in regard to the countries that could be available so we could find out specifically in terms of quantities and products which countries are contributing to the general over-all needs of all.

I would like for each country, if we could get it, the picture as a whole, specifically what we are trying to do in the United States.

We take this \$6,800,000,000, and we say so much will be for this kind of products, so much for fuel, so much more for fertilizer.

Well, now, there are other needs, I presume, for fertilizer which we are not supplying. Somebody else is going to supply them. Who is going to supply them and to what extent?

Ambassador DOUGLAS. There is a list of commodities, a limited list, which will be exported from one country to another. For example, Britain by 1952 estimates she will be able to export I think it is 36,000,000 tons to the Continent of Europe, and there is an item of coal from western Germany and from France.

Mr. MUNDT. That is the type of thing I have in mind.

Ambassador DOUGLAS. There is timber from the Scandinavian countries. There are a number of items of that sort. I don't think it is possible to give a complete analysis because there are literally so many. We have made available to the committee information covering 28 selected commodities. It would be impossible to provide a list for all of the commodities because I presume there are something like 2,000 commodities which are necessary for the operation of an integrated industrial system.

Mr. MUNDT. You do have it, I take it, for the major commodities?

Ambassador DOUGLAS. On the selected commodities of about 28.

Mr. MUNDT. Is timber one of those major commodities?

Ambassador DOUGLAS. Yes, sir.

Mr. MUNDT. As to timber which the Scandinavian countries will supply for the neighbors to the south and to England, in this working agreement which was arrived at, in each of the countries of the 16, did they agree to the same kind of formula we are following? We send the materials and you make them available. We transfer. If they can pay cash readily, we accept the cash. If it is a matter of a loan, we accept the loan. If they have some strategic materials, we accept them. If they have nothing, we extend them on credit.

Do each of those countries agree similarly with all of their neighbors to make extensions on credit or do each of the other countries insist on getting their pound of flesh in one form or another?

Ambassador DOUGLAS. No. It would take the form of a commercial transaction for these countries have been devastated by the war. They have very few resources, most of them, which they can call their own which they can extend, and the great requirement of all the countries is dollars and not local currency.

Mr. MUNDT. Could not Norway transfer timber to England on a credit basis under that sort of arrangement? We are under an arrangement whereby it looks to me we are underwriting all the balance of payments anyhow. It would seem to me they would not have to insist on a strictly commercial transaction.

Ambassador DOUGLAS. Actually many of the commercial transactions are extended on credit or will be extended on credit, and that, of course, is basic and fundamental to the clearing arrangements.

Mr. MUNDT. Then to the purpose of getting the truth out before us, this mutual self-help program is arranged on the basis that it is a commercial transaction as far as the 16 countries are involved among themselves, and a program of hopeful generosity as far as we are concerned in dealing with Europe?

Ambassador DOUGLAS. The difficulty with this area is that it is shy of dollars.

Mr. MUNDT. I do not completely understand this international monetary business, but I do not see how dollars are involved in transactions among themselves.

Ambassador DOUGLAS. In one country there is a deficiency of one kind of currency and in another country there is a surplus of that kind of currency, and they have agreed to a clearing arrangement through which the deficiencies and surpluses will be cleared out. But that helps them of course as among themselves. It doesn't help them in respect of purchases from the United States or the Western Hemisphere.

Mr. MUNDT. I understand that perfectly and that is why we have to pay this extension of credit for loans. But thinking in terms of those people alone, I want to intensify and step up and accelerate mutual self-help that they give each other, not thinking about our part, but that which they give each other.

Ambassador DOUGLAS. They do that through this clearing arrangement. It involves the extension of credit.

Mr. MUNDT. Is that a continuing clearing house arrangement which is set up specifically as a result of the Paris Conference?

Ambassador DOUGLAS. Yes, sir.

Mr. MUNDT. And that is to continue?

Ambassador DOUGLAS. Yes, sir.

Mr. MUNDT. And it applies just to those 16 participating countries?

Ambassador DOUGLAS. Yes, sir. Now as I said the other day, I don't think the Congressman was here, not all of these 16 countries are yet members of that particular clearing arrangement, but a good many are.

I can give you the list of those that are parties to that clearing arrangement.

Mr. MUNDT. That is helpful.

(The information is as follows:)

On November 18, 1947, an agreement for multilateral clearing was signed by Belgium-Luxembourg, France, Italy, and the Netherlands. Denmark, Norway, Sweden, the United Kingdom, and Austria have signified their intention of joining this arrangement as occasional members.

Ambassador DOUGLAS. That arose definitely out of and as a result of the Paris Conference.

Mr. MUNDT. That is definitely a step in the direction of what I was trying to lead to.

Thank you very much, Mr. Ambassador.

That is all, Mr. Chairman.

Mr. CHIPERFIELD. Mr. Bloom.

Mr. BLOOM. Mr. Ambassador, returning to the questions of the other members of the committee, supposing you should write into this act a section or provision whereby that one provision should be declared invalid by the Supreme Court, and that is, the right of the President of the United States through the Secretary of State to have

complete control over the foreign affairs and foreign relations of the other countries.

If that provision should be declared invalid by the Supreme Court, which I take it will be held invalid, then your whole act would fall.

Mr. LODGE. Will the gentleman yield?

Mr. BLOOM. I will be glad to.

Mr. LODGE. If the gentleman will turn to section 15 of the bill he will see that the whole act will not fall.

Mr. BLOOM. But if the gentleman will allow the Ambassador to answer that question.

Mr. LODGE. I thought you yielded to me.

Mr. BLOOM. Of course I yielded, and I will answer you. You are saying what I am saying. That is, if this one provision in the act should be declared invalid, then there would not be any organization at all. Then what is going to happen to the balance? The balance of your act would not be effective.

That would go on, but the handle and the operation of the act is destroyed completely so that you have no act at all. All of the other parts of the sections of the act would have no alteration, but the fact is when you destroy your administration of the act, then there is nothing left and the Supreme Court has already held that in the case of the *United States v. Curtiss-Wright*, and that decision was made in 1936.

I have just sent to the Supreme Court to try to get a little analysis of what the decision was but I think I know what the decision was. Therefore, Mr. Ambassador, and Mr. Lodge, you would not have any act because you have taken away the handle. It could not become operative. You would not have any organization to operate the act.

Mr. LODGE. I was trying to make the point that the entire act would not be automatically out.

Mr. BLOOM. I agree with you. The entire act would continue on, but what is the use of the act? You have no administration. You have just taken the handle away. It does not become operative at all. Do you wish to answer that question, Mr. Ambassador?

Ambassador DOUGLAS. As I understand your question it was this: That if the Supreme Court should declare the basic administrative provisions of the so-called Herter legislation to be unconstitutional—

Mr. BLOOM. Or of any other.

Ambassador DOUGLAS. Or any other piece of legislation, then there would be no administration of the act and the purposes of the act would not be carried out.

Mr. BLOOM. That is right. That is the question I am asking.

I am not a lawyer and I understand the Ambassador is not a lawyer, so you and I can decide this case very easily.

Ambassador DOUGLAS. I presume under the hypothetical circumstances which you have put forward that the result of your indicated hypothesis would necessarily follow.

Mr. BLOOM. Yes. So therefore with that thought in mind, is it not necessary for us to be very careful and not write anything into the act that would destroy the act itself? If any citizen could apply to the Supreme Court to hold this act invalid, the Supreme Court under former decisions would have to do so. That is my contention. I think you agree?

Ambassador DOUGLAS. I think it would.

Mr. BLOOM. Mr. Ambassador, yesterday I believe the question was asked if Rumania and Great Britain would want to make an agreement whereby Rumania would send wheat into England and England would sell coal to Rumania; would that be possible according to the procedure of things over there now?

Ambassador DOUGLAS. Yes; but that is a hypothetical question and my reply was that that would be an appropriate thing to do.

Actually it is very unlikely that Rumania would be importing coal from the United Kingdom. She would derive her coal from some nearer source.

Mr. BLOOM. Would that be possible at the present time or under the agreement between satellite countries in western Europe?

Ambassador DOUGLAS. I don't know that any existing agreements would interfere with that sort of transaction, but the natural economic forces would interfere with it because Rumania would doubtless derive her coal from a source nearer than the United Kingdom.

Mr. BLOOM. Would you say that that same thing would apply to the coal mines in Poland and any of the participating countries?

Ambassador DOUGLAS. Well, it is contemplated Poland will ship into western Europe between 23 and 24 million tons of coal during the year 1949, so that there will be as between Poland and western Europe a certain amount of trade.

Mr. BLOOM. I think I asked you the other day whether that provision as regards the shipment of coal from Poland to western Europe was not conditioned on the loan to be given by someone for the development and so forth of the coal mines in Silesia?

Ambassador DOUGLAS. No. I think not, Congressman. In 1947 it was estimated, as I recollect, the total exports of coal from Poland would approximate 18,000,000 tons, of which, according to my recollection, about 7 million tons went into western Europe.

Mr. BLOOM. Yes.

Ambassador DOUGLAS. Poland is increasing its production of coal.

Mr. BLOOM. At that time was there not a promise made by a government that there would be a loan of around \$60,000,000 and there was \$50,000,000 withheld from Poland?

Ambassador DOUGLAS. If there was, I am not informed about it.

Mr. BLOOM. I think if my recollection is correct we were to make a loan to Poland of \$60,000,000. We gave them \$10,000,000, and then we stopped further payments of that.

Ambassador DOUGLAS. Mr. Thorp tells me there has never been any promise from this Government. Poland, according to my information, has been seeking a loan from the International Bank.

Mr. BLOOM. No; I am not talking about the International Bank because that would be outside of this country. We did stop payment on the loan we promised to make to Poland.

Ambassador DOUGLAS. I am told we made an Export-Import Bank loan of about 40 millions to Poland some 2 years ago for the purpose of purchasing coal-mining equipment, freight cars, machinery, and so forth. Almost \$11 millions were utilized.

Mr. BLOOM. The balance of it was never given.

Ambassador DOUGLAS. That is right.

Mr. BLOOM. Mr. Ambassador, I would like to ask you this question: When you advance payments for raw materials to any of the participating countries, for raw materials, and when the raw material is

fabricated and made into goods and those goods are sold, are we repaid for the raw material, and just for the raw material, that we give to these different countries, or are they permitted to sell the goods or whatever it may be, a pair of shoes or clothing, and they take all of the return for the sale of these goods and do they pay us for the raw materials that we give to them?

Ambassador DOUGLAS. If the support takes the form of a loan, and the loan is used for the purchase of raw materials, then we would be repaid in the amount of the loan out of such proceeds and income as the debtor country might derive. It is just as in any commercial transaction.

Mr. BLOOM. Yes, but there are certain countries that you give raw materials to, but you do not give the materials through a loan. Is that right?

Ambassador DOUGLAS. That is right, in the case of a grant.

Mr. BLOOM. Well, that is a grant. Now you give your raw materials. Are we repaid for the raw materials when the merchandise is made and sold and they get payment for our raw material, besides their costs of manufacturing?

Ambassador DOUGLAS. In the case of the grants there would be no repayment. In the case of the loan, there would be a repayment to the full amount of the loan.

Mr. MUNDT. Would the gentleman yield?

Mr. BLOOM. Delighted.

Mr. MUNDT. In the case of the grant is it not true that the country makes the payments in its local currency? At the time you get this monetary ledgerdemain where they make the payment in local currency which they cannot spend and we cannot spend and it stays there in frozen form?

Ambassador DOUGLAS. Yes. There is a local currency in the case of a grant. There is a local currency counterpart equal to the shipside cost at the point of delivery, and that local currency under the terms of one of the pieces of legislation, which is before this committee, would be placed in a special account.

Mr. MUNDT. Nobody could spend that local currency?

Ambassador DOUGLAS. Nobody can spend that, and it cannot get back into the monetary stream of a country except upon mutual agreement.

Mr. BLOOM. But the local currency is spent within that country?

Ambassador DOUGLAS. No, sir.

Mr. BLOOM. It is spent outside?

Ambassador DOUGLAS. No; it is not spent at all. It is placed in a special account.

Mr. BLOOM. You mean deposit is made in the bank?

Ambassador DOUGLAS. In the Central Bank of the local country.

Mr. BLOOM. That is the credit of the participating country and the United States?

Ambassador DOUGLAS. It is placed in a special account in the Central Bank of the recipient country.

Mr. BLOOM. Only the participating country?

Ambassador DOUGLAS. Of the recipient country, and there the local currency remains until it is withdrawn for some purpose, agreed to by both countries.

Mr. MUNDT. But then it has to be spent in the local country?

Ambassador DOUGLAS. Even then it has to be expended in the local country, or one of its dependent territories.

Mr. JONKMAN. Will the gentleman yield?

Mr. BLOOM. Yes.

Mr. JONKMAN. Is there anything to prevent the receiving country from printing an equal amount of currency to put it in circulation?

Ambassador DOUGLAS. Except the financial commitment they make to bring their budgets into balance.

Mr. BLOOM. Does that same procedure apply?

Ambassador DOUGLAS. The important thing is to withdraw this amount of local currency from the monetary stream so as to avoid additional inflationary pressure.

If a local recipient country continues to have to borrow for some period of time, it is better that it be an open transaction than it be a concealed transaction through the use of the local currency equivalent of any grant which the United States might make.

Mr. JONKMAN. It does, except there is an implied promise they would not print additional currency without something behind it. It is merely an implied promise.

Ambassador DOUGLAS. It is an express promise, Congressman. The question of fulfilling the promise is another matter.

Mr. JONKMAN. Is it like the promise in the Atlantic Charter?

Ambassador DOUGLAS. No. I think it is a firmer promise than the Atlantic Charter.

Mr. JONKMAN. That is all; thank you.

Mr. CHIPERFIELD. Mr. Bloom has yielded to me for a question.

When these local currencies are put in a special fund, is this special fund in the name of both countries or in the case of the recipient countries, or how is that handled?

Ambassador DOUGLAS. As to the title of the account, I cannot answer. But it would be in the name of the recipient country. The recipient country agrees that there shall be no withdrawal or use of that currency except upon mutual agreement.

Mr. CHIPERFIELD. There have been discussions as to whether that should not be in joint account, not only to the account of the beneficiary country but to the United States.

Ambassador DOUGLAS. As I indicated the other day this matter of local currency is a very perplexing one.

The magnitude of the local currency counterparts in certain countries, depending upon percentage of loans or grants, can be tremendous. In one country, for example, under a certain set of hypotheses, as to what percentage of the support would be extended in extent of grants, what in the form of loans the amount in the special fund would be four times the deposits, other than governmental, in the central bank, and would be greater than the total currency in circulation.

That gives one an idea of the magnitude of the fund, even during a period of 15 months, under those hypotheses and therefore of the extraordinary power over the financial system of a country, which the fund might exercise.

Mr. CHIPERFIELD. Would not the fact that you have the special funds be deflationary in character and help to stabilize their country?

Ambassador DOUGLAS. The withdrawal of the funds from the monetary stream is in the deflationary category.

Mr. CHIPERFIELD. Thank you very much.

Mr. MUNDT. Mr. Bloom, do you yield?

Mr. BLOOM. I believe I do.

Mr. MUNDT. I think Mr. Bloom has raised a very interesting point, and that is the possibility of reducing the net cost of this program to the United States without materially hindering the recipient countries by working out the arrangement, if I understood his suggestion, so that the actual costs of the raw materials come back to the United States and the recipient country would retain its profits that are made in the processing and distribution of them.

Now under this arrangement of a special account with a very slight amendment in the bill, or written into the bilateral contracts that would be provided, some sort of wording to the effect that "However, this joint agreement is understood to be mandatory from the standpoint of reimbursing the United States in terms of local currency for the cost of the raw materials."

We in turn then use those local currencies to pay our cost of the diplomatic missions, the Voice of America programs, and other things, and I wonder if that would not be a way in which we could reduce our over-all cost and not injure the other countries?

What would you think about that?

Ambassador DOUGLAS. That is one of the purposes which might be mutually agreed upon by the respective countries; that is to say, the use of the local currencies, among other things, for the purpose of defraying the cost of local administration of the European recovery program, and for other purposes.

Mr. MUNDT. But if we wanted to write it in the bill, we could do that?

Ambassador DOUGLAS. Well, it goes to a question of balance of payments in terms of dollars, which is, of course, the essential monetary problem. That is the external monetary problem of these participating countries.

Mr. MUNDT. May I ask this question for information? It is directed to a man who may be a somewhat reluctant and unwilling candidate for the job of administrator of the act. I would like to know whether you think it is contemplated we are going to try to get that kind of agreement, wherever possible, in our bilateral contracts?

Ambassador DOUGLAS. It is contemplated insofar as the cost of administering the program with the local currency is concerned.

Mr. MUNDT. I mean the theory that Mr. Bloom worked out, the return for the costs of raw materials being made to us in local currencies for our use in paying not only the administrative costs of this act, but our general diplomatic mission costs, information service costs, and so forth.

Ambassador DOUGLAS. As I understand it, that has not been contemplated to that extent; for the purpose of defraying costs of administering the European recovery program within a country, yes; but for the purpose of defraying other expenditures within the country; no. It has not so far been contemplated.

Mrs. BOLTON. Would there be a danger in that?

Ambassador DOUGLAS. The local currency problem is a very perplexing one, and it gives us tremendous power.

If we are repaid in the value of the raw material in the local currency, that fund in certain countries would reach tremendous proportions

I am not talking about the case of a loan because in the case of a loan we get repaid in the amount of the loan extended.

Mr. BLOOM. Is that not all the more reason why we should do it and protect ourselves if it becomes a large amount? If it was a small amount you might say it would not amount to anything.

Ambassador DOUGLAS. But I don't know if it is a protection to ourselves. It gives the United States such tremendous control over the internal monetary system that it might be a very dangerous instrument for us.

Mr. BLOOM. I was going to say this, Mr. Ambassador: Supposing part of the goods, where we give them the raw material, were exported, and those exports are paid in dollars; what would happen to those dollars then? We would not get any of that at all?

Ambassador DOUGLAS. We have already taken that into account in calculating the amount of external support that each one of these countries needs.

Now to the extent to which they pay us dollars out of the dollars which they receive, to the same extent the amount of the external support needed is increased.

Mr. BLOOM. I do not get it that way. The only thing I am interested in, and I am not interested in selling a pair of shoes, we give them the leather to make the shoes; they sell those shoes for \$5. The leather is worth \$1 or \$2, whatever it is, and this is considered a grant; they export that. In that case do you not think that where they get the full amount of the \$5 for that pair of shoes that the United States should be repaid for the amount of money that we have given to them in raw material?

Ambassador DOUGLAS. If we are prepared to make up the difference, that is what it resolves itself into.

Mr. JARMAN. Will the gentleman yield?

Mr. BLOOM. Yes.

Ambassador DOUGLAS. Suppose a country in order to achieve recovery during the period, any 15 months' period, needs, let us say, \$100,000,000, and let us suppose that we extend \$50,000,000 in the form of a loan.

That \$50,000,000 would be repaid to us in dollars. Then let us suppose we extend support to the amount of \$50,000,000, as a purely hypothetical case, as a grant; and among the commodities which the \$50,000,000 purchases for the recipient country are some hides, and then let us suppose that the recipient country takes the hides and makes shoes; it sells those shoes, let us say, for a total of \$5,000,000 and the hides, let us say, have cost \$2,000,000.

If under that hypothetical set of circumstances the recipient country were to repay the United States for the cost of the hides, that is, \$2,000,000, then we would in effect have extended a loan to that country of \$52,000,000 instead of \$50,000,000 and a grant of only \$48,000,000 consequently that country's dollar requirements would have been increased by \$2,000,000, and it would be \$2,000,000 more deficient.

Mr. BLOOM. I do not get that at all, but I will stop here, because Mr. Jarman wants to ask a couple of questions.

Mr. JARMAN. Along that line I might interrogate.

In other words, getting back to our duty to hold those countries up to the extent of \$6,800,000,000, if it is our duty to do so, doing what

Mr. Bloom suggests, would be like taking \$2,000,000 out of one pocket and putting it into the other one.

Ambassador DOUGLAS. That is right.

Mr. JARMAN. We would have to furnish two more million?

Ambassador DOUGLAS. That is right. We believe very strongly that it is in our national interest to do everything we can conceivably and reasonably do in the limits of our resources to encourage and foster the recovery of this significant and important part of the world.

Mr. JARMAN. In other words, it finally gets down to the shortage of dollars?

Ambassador DOUGLAS. That is right.

Mr. BLOOM. It gets down to the shortage of dollars, and that reminds me of a few years ago of a situation in a certain country. They owed us \$5,000,000, and they said, "If you loan us \$10,000,000 we will pay you the \$5,000,000 that we owe you."

That is about what you are doing here, Mr. Ambassador.

Mr. JARMAN. That is what we have got to do, too.

Mr. BLOOM. I know. I do not see why. I think we would be only too glad to do it because if you give to these recipient countries, wherever they may be, the material with which they make these goods, we should be entitled, after they sell these goods, and especially for export, to repayment.

Now you can take that case. You made a pretty good case but I have not the answer yet. You can take anything you want. That is just a hypothetical case. Here is a fact. You have given me the material through which I can transact my business and make it possible for me to sell goods and make a profit.

Ambassador DOUGLAS. What you are suggesting, Congressman, is that all the support be extended in the form of loans.

Mr. BLOOM. No. I am not.

Ambassador DOUGLAS. Yes.

Mr. BLOOM. No. I beg your pardon.

Ambassador DOUGLAS. It seems so to me.

Mr. BLOOM. I hope I did not infer anything of the kind. If they were to take these goods and make shoes and give them to the poor people of these recipient countries, that would be a different thing. If they were to benefit by it or if they were to sell the goods just at the price which it cost to manufacture, that would be all right, but here they are taking the goods and making them into finished products and selling them and getting dollars for them. We are just sitting there and we keep on supplying the material which they can do business with, and we are not getting an accounting for anything at all. That is what it amounts to to my way of thinking.

Mr. MUNDT. Will the gentleman yield?

Mr. BLOOM. Yes.

Mr. MUNDT. We have a pretty good precedent, the line of economic endeavor which Mr. Bloom proposes is the way the American Government helped the American Indian during the depression.

We granted him certain things as we are granting raw materials to Europe.

In that particular case we granted the foundation herds to the Indian tribes and they paid back by giving back to the Government the increase from the herd.

As a consequence they finally got their debt paid back to the Government. They repaid the raw material and the foundation stock stayed where it was.

I think the policy in your line of reasoning, Mr. Ambassador, is that you assume the whole economic process stops after one transaction, but it does not because the foreign government retains that \$2,000,000 worth of raw materials with which the shoes are made.

They again make a \$3,000,000 profit, and then they pay that back to us.

They again make it a third time, and over and over again. They retain that \$2,000,000 foundation stock, and go back to the Indian analogy which we gave them. They do not pay that back.

Mr. BLOOM. No; but they ask for the raw material. They could undersell us on anything they want to manufacture over there. We give them the raw material.

Well, I am glad you agree with me. I am in sympathy with what Mr. Mundt wants to do with reference to the idea of letting the people of the participating countries understand where this help is coming from, and it reminded me, Mr. Ambassador, of a case of my own, and that was when I was a little boy in San Francisco.

I started to go to school 70 years ago.

My folks were not able to buy the books, so the school board contributed these books to the pupil. But in the book there was a stamp that said, "This book is loaned to the scholar because the scholar's parents were not able to buy the book."

I was a little boy then. I read that and I threw the book on the floor and I walked out of the school and I never went back since, because to me it was a repulsive thing to think that I had to advertise the poverty of my folks.

Now, I think it is wrong if anyone should suggest putting into the legislation that the United States Government is doing so and so and so and contributing to the success of the prosperity of these countries.

They contribute to the help of these countries and to the aid of these countries to the rehabilitation, or whatever you want to call it. I object to putting that into legislation so that their parliament must accept it. It would be letting their people know that we are doing this for one purpose: We are doing it as much for ourselves as we are doing it for them, and maybe more.

Mr. Mundt said that to have peace, we must first secure peace.

We have no peace in the world today. If we can secure the peace of the world by this piece of legislation, then we can have permanent peace throughout the world.

I think it is wrong to ask the other legislatures or the other parliaments of the participating countries to take our legislation and say, "This is what you have got to agree to," and their people would naturally resent it.

Mr. MUNDT. Will the gentleman yield?

Mr. CHIPERFIELD. Dr. Judd has to take a train. I wonder if we could have a few minutes of cross-examination and then return to you?

Mr. BLOOM. Go ahead. Whatever you say is very enlightening.

Mr. JUDD. Mr. Ambassador, again and again in this testimony it has been stated by every witness that the key factor will be the caliber of the people who administer it.

I have grave doubts that under the set-up proposed here it will be possible to get the kind of top-flight administrator that is necessary

because as I see that diagram, he would not be directly under the President. He would be a sort of assistant secretary to each of the various Cabinet officers involved. If you look at section 7 on page 10, second paragraph:

That the Administrator can utilize the services and facilities of any department, agency, or establishment of the Government as he shall direct with the consent of the head of such department, agency, or establishment.

Now, of course, that means that he is subject to the will of the head of every department or agency or establishment of the Government. If you get a stubborn man at the head of one of those, he could force it clear back to his own removal, could he not, by showing that he had the legal authority to block any action on the part of this Administrator?

Ambassador DOUGLAS. What section are you referring to?

Mr. JUDD. Page 10, paragraph 2.

Ambassador DOUGLAS. Subsection (b), section 7?

Mr. JUDD. It begins on line 10, page 10. The part I am concerned about are lines 12 and 13 [reading]:

with the consent of the head of such department, agency, or establishment.

I think it ought to be as we had it in the other acts not as the head of any agency but as the President directs. Then you have a proper chain of command.

Ambassador DOUGLAS. I am sorry I can't identify the language to which you refer.

Mr. JUDD. Page 10, line 10.

Ambassador DOUGLAS (reading):

By utilizing the services—

and so forth?

Mr. JUDD (reading:)

By utilizing the services or facilities of any department, agency, or establishment of the Government as he—

that is the Administrator—

shall direct with the consent of the head of such department, agency, or establishment.

That makes him subordinate to the head of every department, agency or establishment from which he might want to get something or which he might want to do business with, does it not?

Ambassador DOUGLAS. I think not, sir. If the Congressman will refer to page 9 (b), the language reads as follows [reading]:

The Administrator may provide—

It does not say he shall provide. It says:

He may provide for the performance of any of the functions described in subsection (a) of this section, one, by utilizing the services.

Mr. JUDD. That is correct.

Ambassador DOUGLAS. And if that sort of an arrangement is not satisfactory to him, he may then make arrangements for the services which have to be rendered by establishing his own.

Mr. JUDD. You mean then that if the head of the Department of Agriculture refuses to cooperate the Administration may set up a rival department of agriculture?

Ambassador DOUGLAS. Well, one is caught on the horns of a dilemma. Either one directs him to do it in the first instance, or one makes it permissible for him to avoid doing it in the other.

Mr. JUDD. I do not think it need be limited to the two horns. For example, in the three, or at least two of the bills we have passed in the last year, we have avoided that kind of thing by saying, for example in section 3 of Public Law 389 "The President."

We do not say "The Administrator."

We say "The President, acting through such departments, agencies, or independent establishments of the Government as he shall direct," whether the head of the agency consents or not.

This bill puts the Administrator under the head of every agency, as a sort of Assistant Secretary.

I do not think you can get top-flight men to come into such a set-up where they have the responsibility for the success of the program, but they do not have the authority.

Ambassador DOUGLAS. I don't think that follows, sir. I think permission is given to him to use any department or agency of the Government, to discharge the responsibilities of his office, but I think it is not required of him that he shall do so.

Mr. JUDD. No, but it is impossible for him to achieve the things that you want to have him achieve unless he has that authority, or unless the chain of command comes from the President, as we have it in these other acts, 84 and 389.

In them we said, "He shall use such other agencies," or, "He may use such other agencies as the President shall direct."

It seems to me that is the way that it has to be.

Ambassador DOUGLAS. Well, the Administrator is appointed by the President upon the confirmation by the Senate. The Administrator's jurisdiction is defined by the legislation which the Congress enacts and he operates under the President of the United States.

He may in the exercise of his authority use any agency or department of the Government which is necessary to discharge his responsibilities.

If the head of that department resists, then he may be forced to establish his own agency to do it.

I understand that the Herter bill contains almost identical language.

Mr. KEE. Will the gentleman yield?

Mr. JUDD. Just a moment, please, until I finish this. Then I will be glad to yield to you, because I think I am working along the same line you have, that the chain of command ought to come from the President and not the various secretaries.

For example, over on page 13 of the bill, beginning on line 10: [reading]

The Administrator in the exercise of any authority conferred under section 7 of this act may procure, 1, commodities owned by any department, agency, or establishment of the Government, if the owning agency determines that such commodities are available for such procurement.

There again the head of that agency may come in and say, "No matter what you say the law says I can block this," and the only thing the President could do would be to remove the head of that agency; whereas we wrote a bill here and passed it just before Christmas in which it says, dealing with the same problem, [reading]

Any commodity heretofore or hereafter acquired by any agency of the Government under any price-support program shall to the extent that such commodity is determined by the President to be appropriate for such purpose and in excess of domestic requirements, be utilized * * *."

determined by the President, not by the head of the CCC or some other agency.

It keeps the command where it ought to be, in the President, and does not make the Administrator Assistant Secretary to each of the Cabinet officers.

Mr. MUNDT. Will the gentleman yield?

Mr. JUDD. Yes.

Mr. MUNDT. I think if you will look on page 3 you will find that the Administrator does have that power under this set-up.

On line 16 it says the Administration shall be headed by an Administrator for Economic Cooperation, and it continues—

as hereinafter referred to as the Administrator, appointed by the President, with the advice and consent of the Senate,

and it concludes—

except as otherwise provided in this Act.

The other says, "hereby vested in the Administrator."

That does not limit the Administrator. No. That gives the right to these departmental heads to refuse to cooperate in the program.

It is obtaining for them the authority they now have, giving them the responsibility with the authority you are talking about.

Mr. JUDD. You are not retaining for them, but putting into their hands authority under law for them to block any action by anybody in the Government, short of the President himself, by removing them from office.

In the other bills I am talking about, we carefully avoided that by saying each time—

as the President shall direct.

Now I yield to Judge Kee.

Mr. KEE. I want to call your attention to the fact that on page 9 of the Herter bill as to the same provision:

authorized to use facilities, services of any personnel or department or agency of the Government, with the consent of the head of the department.

You use the same language. I agree with you that this does not give him any power at all.

Mr. JUDD. That is correct. You would not get a high-grade person unless he is willing to sacrifice himself. The kind of people we want we cannot get. I do not care whether in the Herter bill, or here, it is bad administration. It puts the Administrator right in the middle of the interagency fights and without any authority whatsoever.

Mr. MUNDT. The alternative would be to make it more powerful?

Mr. JUDD. No. Under the President, not under the heads of the agencies is where the man should be placed. It should be the same as in the other bills we have passed. "The President shall direct," not "The head of the agency shall block."

Now take, for example, over on page 6, in section 6. It seems to me that there again much of the personnel provided for will have two bosses. [Reading].

For the purpose of performing functions under this Act outside of the United States, the Secretary of State may appoint or assign certain persons—

and then down below, in line 25 it says:

and by regulations prescribed by him the Secretary of State—

and so forth.

That is, the Secretary of State is the one who appoints these persons to work with the Administrator and they work under regulations prescribed by him.

Ambassador DOUGLAS. I think, Congressman, you were not here when yesterday morning I referred to these sections and to the reasons for vesting the appointing power in the Secretary of State.

Moreover, it was explained then that the recruiting of the personnel serving overseas, except for the recruiting that may be undertaken within the very, very small group of Foreign Service inactive officers and Foreign Service officers, would be undertaken by the Administrator.

It is the intention that he shall nominate to the Secretary of State and that the Secretary of State shall do the appointing.

The reason for the vesting of the power to appoint in the Secretary of State was that this overseas personnel, should, we believe, be in the Foreign Service Reserve.

First, because their emoluments are higher, unless Congress, of course, waives certain very express provisions of existing law in regard to employment, and secondly because they will as members of the Foreign Service Reserve have a status or title.

For example, in the United Kingdom, it is contemplated that the overseas person in charge of ECA would have the title of Minister. That title provides the person with a status.

Mr. JUDD. I see advantages, but still he would be under two bosses, one the Administrator and one the Secretary of State.

Ambassador DOUGLAS. As presently contemplated he would be a part of the Embassy. He would be perfectly free to communicate to the Administrator in Washington, but a similar communication goes to the Secretary of State.

If the Minister disagreed with the Ambassador, he would be perfectly free to express his views to the Administrator and to the Secretary of State.

The Ambassador would likewise enjoy the same privilege.

There are reasons for not having two separate people representing the United States Government in a foreign country.

One is conversations in the name of the United States Government, with, for example, Prime Ministers, Ministers of State for Foreign Affairs, presidents of boards of trade, Chancellors of the Exchequer.

Mr. JUDD. If the Administrator and Secretary of State were in disagreement, this man would obey the Secretary of State because the latter prescribes the rules and regulations.

Ambassador DOUGLAS. The Administrator can always appeal to the President.

Mr. BLOOM. Now I refuse to yield further.

Mr. Chairman, I would like to have the clerk read the decision that I referred to with reference to the legality of the President of the United States on Foreign Affairs.

Will the clerk kindly read that?

Mr. CRAWFORD (reading):

Opinion of the Supreme Court of the United States in the case of *United States v. Curtiss Wright Corporation*, volume 299, United States Supreme Court decisions, page 304, decision No. 98, October 1936.

Not only as we have shown is the Federal power over external affairs in origin and essential character different from that over internal affairs, but participation in the exercise of the power is significantly limited. In this vast external realm, with its important, complicated, delicate, and manifold problems the President alone has the power to speak or listen as a representative of the Nation. He makes treaties with the advice and consent of the Senate, but he alone negotiates. Into the field of negotiation the Senate cannot intrude, and Congress itself is powerless to invade it.

As Marshall said in his great argument of March 7, 1800, in the House of Representatives "The President is the sole organ of the Nation in its external relations and its sole representative with foreign nations."

Mr. VORYS. It might be well to point out that the Marshall referred to was the late Chief Justice.

Mr. BLOOM. Well, that was 1800.

Now, Mr. Ambassador, in referring to the discussion of the Supreme Court I will contend that if we should write anything into this act that is different from the decisions of the Supreme Court on this one important point, we will be destroying this bill.

We would not have a handle to the legislation, and it will be of no use at all. You might as well have that in mind when you are writing this bill.

That is all I have to say.

Mr. CHIPERFIELD. Dr. Judd?

Mr. JUDD. Will you turn to page 17, Mr. Ambassador?

I am trying to find out what some of this means. I am not a lawyer, either.

Ambassador DOUGLAS. I would like to make this observation about the section to which you have just referred. The language does not quite carry out the intention which I have just stated. There is a confusion between the language and the intention.

Mr. JUDD. Well, I thought there was. I wish you and your experts would submit something to help clarify this because I cannot make out what the individual would do under two bosses if he were trying to follow out his duty.

On page 17, section 10, it reads:

The Secretary of State after consultation with the Administrator is authorized to conclude with individual participating countries or any number of such countries, or with an organization representing any such countries agreements in furtherance of the purposes of this Act.

Now, I understood all along that these agreements were to be bilateral agreements. This apparently includes multilateral agreements. What does it mean in line 11, "With an organization representing any such countries"?

Does that mean representing any number of such countries?

Ambassador DOUGLAS. That is purely permissive language. It is the intention to make bilateral agreements, which among other things will make reference to or contain a reaffirmation of the pledges and undertakings made by the participating countries.

Mr. JUDD. Under this the Secretary of State can enter into agreement with an organization representing 2 or more of the 16 countries, if they constitute or voluntarily organize such an organization?

Ambassador DOUGLAS. That is the way I would construe the language.

Mr. JUDD. I am glad to get that.

Now, a little while ago Mr. Mundt referred to some of the requirements that we have put in previous legislation as to the agreements between the United States and recipient countries. He mentioned some that were omitted.

There are one or two more omitted that I would like to call attention to. They are in Public Law 389, for example, and I am curious to know why they were omitted here. I assume there is good reason. For example, in Public Law 389, one of the conditions was that—

the country must agree not to export or permit removal from such country while need therefor continues of commodities made available under the authority of this Act, or commodities of similar character produced locally, or imported from outside sources except to the extent agreed upon by the Government of the United States.

I recognize certain conditions where it would be advantageous to us and them for them to reexport part of the commodities or something constructed out of the commodities, but in general it seems to me there is real point in having that condition in there. There is an escape clause whereby it can be done where we believe it advisable.

I will tell you why I feel it ought to be in there. For most of the countries involved in the 16, probably it would not be necessary; but there might be one or two or three of these countries, and there might be other countries with which we later would have agreements on a similar program, where the government, for whatever reason, ought to have a certain amount of close observation—put it that way—to make sure that merchandise was not reexported and channeled elsewhere than we had in mind.

Now, since there is an escape clause in it, why is it not proper to have this item in all of them? Then there is no stigma. In most of them you would not need to apply it. Where you did not need to apply it, you would have the authority. Why should we not have it in this act?

Ambassador DOUGLAS. If I understand the question correctly, I am not certain that there is any serious objection to the right of the United States to prohibit reexport.

Mr. JUDD. They would agree not to reexport except where it is mutually agreed upon.

Ambassador DOUGLAS. There is a fundamental distinction, Congressman, between the legislation we are now considering and the purpose of the legislation.

Mr. JUDD. I realize that.

Ambassador DOUGLAS. The purpose of the previous legislation has been to provide relief. They were just straight relief bills. This legislation is designed to support and encourage recovery and the restoration of stability.

One of the fundamental things most of the participating 16 countries must achieve is a higher level of exports.

Unless they achieve a higher level of exports, then they cannot achieve recovery and stability.

Mr. JUDD. That is right; but not of the commodities that we made available under this act, except in unusual circumstances.

Ambassador DOUGLAS. In some cases it might well be, and perhaps in a good many. There are some 2,000, or a thousand to 2,000, commodities embraced in the recovery program for this great industrial area.

Mr. JUDD. But there may come a time when it is very important to have certain—I would not call them “restraints,” because I do not like that word—but some mutually agreed upon conditions under which the program is to be carried out; and if they are needed in the cases of certain countries, they ought to be in the general legislation.

Then there is no stigma for any country, there is no discrimination, no loss of face, or whatever it may be, and it would be so much easier to administer.

Ambassador DOUGLAS. There is one phase of the matter I would like to consider and discuss with you as to the reservation of a right. This is not a considered judgment. Perhaps the reservation of a right on our part might be a wise thing.

As I understood, Congressman, you were referring to the reexports of the imported commodities in substantially the same form; is that right?

Mr. JUDD. That is right; of commodities made available in accordance with this act or commodities of the same character produced locally or imported from outside.

Mr. VORYS. Will the gentleman yield?

Mr. JUDD. Yes.

Mr. VORYS. The comment has been made that this bill last fall was solely a relief bill. I think it will be found that a little over \$400,000,000 of the entire authorization was programed for food, fuel, and medicine, and the rest was materials to prevent economic retrogression, precisely the same type of materials that will be involved here; so that the provision that the gentleman from Minnesota is referring to applied to nearly half of the supplies to be furnished under the interim aid bill.

Mr. JUDD. And the same sort of aid that is contemplated here.

Mr. VORYS. That is correct.

Ambassador DOUGLAS. I think there would be very few cases in which an identical commodity or a commodity in the form in which it was delivered would be reexported.

I do not want to engage in discussion to any great length, but I think there is a difference between the language to prevent economic retrogression and to support recovery. One is the negative statement, and the other is a positive statement.

Moreover, actually as a practical matter, while the interim program embraces a larger number of commodities than those specifically identified by language, the number of commodities in the interim aid program were relatively few; whereas the number of commodities, though they may not be supplied by the United States resources, embraced in the export-import programs of these countries and which form the basis of the measure of the external support required, ranges somewhere between a thousand and 2,000, for this is a highly intricate industrial community.

Mr. JUDD. That is all the more reason why there ought to be significant restrictions. I hope you will have your experts work on this and help us devise something, if we can, that will give assurance on this point.

Ambassador DOUGLAS. We will be very glad to.

Mr. JUDD. There is another one of the same sort. In other legislation we have had requirements that the governments agree to have representatives of the United States Government observe—and we put in the bill, “advise and report”—on how the program was being carried out; whether it was being carried out in accord with the agreements that had been entered into.

It is conceivable that some country here or there might not carry out its agreements; and it would be bad for that country, bad for the people of the United States, and for the Congress of the United States, the taxpayers, and so forth—to find that there was nothing we could do about it.

Therefore, I think it is advisable to put in language of that sort, but saying that they have to agree that American representatives would be permitted to observe—advise, if you like—but observe and report. There is an escape clause in the very beginning of the whole section.

It says that “the country must agree to these things, where applicable.”

In most of them it would not be applicable, but in some it would be applicable, and it should be in the general legislation.

If it is a blanket requirement, there is no insult. If it is singled out and applied to certain countries and not to others, then it is an insult, and we would not have their cooperation.

Mr. KEE. I think if you look on page 9, section 7, you will find a provision for the report to be made of the operations under this contract from each country, but I do not think the provision is quite broad enough.

Mr. JUDD. That is a report of the President pretty much as to how he administered it?

Mr. KEE. No. In such country transmitting to the United States not less frequently than every calendar quarter after date of agreement of full statement, operating under the agreement, including the report of the funds received under this act.

Mr. VORYS. Will the gentleman yield again?

Mr. KEE. I do not think that is quite as broad.

Mr. JUDD. I agree with you.

I yield to the gentleman.

Mr. VORYS. I have been wondering whether the distinction should not be made between the supervision and the control of the grant funds and funds that are loaned.

No such distinction is provided in the draft legislation before us. It has seemed to me that the provisions of the interim aid bill were quite appropriate when we were not expecting repayment in any way, shape, or form. They might be quite inappropriate if we were making a loan of any kind whatsoever, and it would seem to me that a very easy way to handle that might be a reference back to the provisions of the interim aid bill in this legislation to cover such amounts as are covered or as are furnished by way of grants.

Mr. JUDD. That is a good suggestion.

Now, may I ask another question along the same line

On page 9 of the bill, if the Ambassador will look, please, line 22.

This is a thing that has come up in three previous bills, and I would like to have some light on it. It says [reading]:

The Administrator may provide for the performance of any of the functions described in subsection (a) of this section—(1) by making funds available in the form of advances or reimbursements to any participating country, or to any agency or organization representing a participating country.

In each of the three bills we have had previously within a year it has come down in that manner. Each time the Congress has changed it in line with the last bill. [Reading:]

The President may by allocation of funds herein authorized to any such existing departments, agencies, or independent establishments or by establishing in this country credits subject to the control of the President.

I would think that having made that change three times, it would be taken by somebody in the State Department that the Congress was not in favor of turning over funds to any foreign country.

I do not think there are any more reasons in favor of it in this bill than in previous bills.

Why cannot that be handled as we handled the three previous ones, by allocating the funds to the purchasing agencies here or establishing in this country credits for those countries, with the credits under the control of the President?

What objection is there to that?

There must be some, because each time they come back modified.

I asked Mr. Lovett when he was here, and he said he did not see any objection. He thought it was an advantage to have only credits established. Yet the next bill comes in with the same old language—turning over funds. Certainly that is psychologically inadvisable in this country.

Ambassador DOUGLAS. I cannot answer the question.

Mr. JUDD. Would there be objection to our putting in this as we have in these previous bills, that he may carry it out by allocating funds to the agencies, establishments, the departments of our Government or by establishing credits in this country, subject to the control of the President?

Ambassador DOUGLAS. I do not know what the language of the previous legislation is.

Mr. JUDD. That is practically the language I offered in all these other bills.

Ambassador DOUGLAS. What about offshore purchases? That would have to be covered.

Mr. JUDD. They could be handled through credits in the United States, could they not?

Ambassador DOUGLAS. Yes.

Mr. JUDD. That is the way we have done it previously. I would like to know if there is any objection to that; because if that can be accepted without harm, I know it gives a greater sense of assurance to our own people who put up the money.

Ambassador DOUGLAS. Offhand, I would not think there was any objection to it. I do not know the history of the previous legislation.

Mr. JUDD. We do.

Now, on this question of merchant vessels, if our merchant vessels should be transferred by charter to England, for example, would she

be compelled or required to cut down her use of steel for construction of ships by a commensurate amount?

Ambassador DOUGLAS. That question was put to me here yesterday.

Mr. JUDD. You said Cripps had announced they were having to do it because of shortage of steel?

Ambassador DOUGLAS. That is right.

Mr. JUDD. Would it be part of the understanding that if they got extra merchant shipping through charter from us, of our surplus ships, they would agree to reduce their drain on steel for the construction of ships in order to save some of this short-supply commodity steel for other purposes?

Ambassador DOUGLAS. On page 93 of the explanation of the bill the language reads:

While it is recognized that a large proportion of the shipbuilding program projected by the participating countries is concentrated upon types of vessels in short supply, it is believed that some of the energy and materials planned for this program could be used to better advantage for other more urgent construction tasks, if additional tonnage is made available from the United States.

Mr. JUDD. That is our objective, but would it be part of the agreement? It is one thing to say that it is contemplated, expected, what we hope for, but it is very difficult to get legislation through unless it is firmly agreed upon.

Ambassador DOUGLAS. Well, I call your attention to the next sentence, which reads:

Transfer of such additional tonnage to participating countries should be linked insofar as practical with the reduction of building of similar types abroad as a steel conservation measure.

I would assume in the administration of the act, Congressman, that the programing—actually, for each country—actually agreed to by the administrator, regardless of what his title may be or the type of agency over which he might preside, the administrator, in approving the program, would have that in mind.

Mr. JUDD. I am glad to have that in the record, because your statement should help guide him.

Ambassador DOUGLAS. I cannot prejudge the action of the administrator. However, he may.

Mr. JUDD. But to make clear that some of us agree with you perhaps will guide him a little. Perhaps that is a little optimistic.

Yesterday when we had the question of the 16 countries, together with the break-down of amounts for each, you said, and it was understandable, you had not had the opportunity to examine into the internal affairs of each of these individual countries. But we have to approve or disapprove funds for each individual country.

Now you have not done that. Who has done it? Who has reviewed them? I wonder if it would not be possible or advisable to put on the stand some of the men in the State Department who do review these so we can go back and say, not "The State Department said so," but "This person in the State Department says so."

Ambassador DOUGLAS. What we are preparing now, and I think it may throw light upon the problem which you have in mind, is a tabulation of the distribution of the selected commodities and the other imports, by country, and the source from which those commodities will be paid, whether through United States funds or whether in the form of loans from other sources.

I think that may provide the Congressman with the information which he seeks.

Mr. JUDD. We have had an unfortunate experience or two where estimates or requirements were prepared by individual persons, employees, whose names nobody knew and we took it on the say-so of the State Department.

Later it turned out there were some ulterior motives on the part of these persons.

That is pretty hard to defend. If you personally had screened the estimates in a given case I would have confidence in it. I would probably have confidence in someone else if I knew him, but for me to say, "I vote for this because the State Department reviewed it," is not enough.

When we vote for or against specific sums, we want to know who determined the amounts, what sort of background they have, and what their qualifications are. They are the men who do the screening and who present the figures. We have to defend the figures, and how can we until they have been defended to us?

Ambassador DOUGLAS. In a hearing before a committee of another body it was agreed that a list of personnel who made these various commodity studies would be inserted in the record.

Mr. JUDD. A short biography of each, including training and background?

Ambassador DOUGLAS. They did not ask for the curriculum vita of each person but we will try to furnish it. It is quite a task.

These commodity studies were made by interdepartmental committees, on which as I understand it, are representatives from the various interested departments.

It was quite a complex and difficult problem and the committees, as I say, were recruited from representatives of the various departments.

There was a great deal of work done on them.

Mr. JUDD. I know that. You see our difficulty?

Ambassador DOUGLAS. I can insert the names. We can put them in the record at the moment. We can put the list in the record now.

Mr. JUDD. I think it ought to be done.

Ambassador DOUGLAS. We do not have the curriculum vita of each one.

Mr. JUDD. I think it makes a good deal of difference. It does not have to be in detail. You can defend a provision a great deal better if you have some idea of the background of the man who presented it, and presumably have weeded out the unworthy and kept in the worthy.

I wish that could be done, if there is no objection.

(The information is as follows:)

ORGANIZATION OF THE EXECUTIVE BRANCH AND PERSONNEL RESPONSIBLE FOR DEVELOPMENT OF THE PROGRAM OF UNITED STATES ASSISTANCE TO EUROPEAN RECOVERY

Organization of the Executive Branch of the United States Government for Preparation of the Program of the United States Assistance to European Recovery

Details of organization

The report of the Committee for European Economic Cooperation was transmitted to the Secretary of State on September 22, 1947. During the summer of 1947 the executive branch had undertaken a comprehensive examination of the

availability of United States resources and problems of foreign aid. Primary responsibility for organizing the preparation of the ERP for presentation to Congress was undertaken by the Secretary of State under the President. The work, however, was so complex and touched so many aspects of both the American as well as the European economic situation that nearly all departments of the executive branch were involved.

The work of analyzing the European economic situation, of appraising the CEEC report, and of developing the present proposals with regard to United States support to a European recovery program was undertaken by the executive branch under the general leadership of Under Secretaries of State Robert A. Lovett and William L. Clayton, and Ambassador Lewis W. Douglas. Mr. Clayton spent much of the summer in Europe and during this time conferred informally in Paris, together with Ambassadors Caffery and Douglas, with representatives of the participating countries in the Committee for European Economic Cooperation. After Mr. Clayton's return to the United States, he aided in the direction of work under way in Washington until his resignation as Under Secretary of State for Economic Affairs.

In Washington Mr. Lovett participated actively in organizing the work of analysis and screening of the CEEC program and the formulation of the program of United States assistance recommended by the executive branch. The first study of the problem of European recovery and the approach to its solution was undertaken by the policy planning staff of the Department of State, under the direction of Mr. George Kennan. With the report of the policy planning staff as a basic document, the standing top level executive branch policy committees on international financial and economic matters were brought into the picture. The National Advisory Council on International Monetary and Financial Problems (the NAC, see appendix), under the chairmanship of Secretary of the Treasury Mr. Snyder, was asked to examine the financial problems involved and to develop the policies to be applied in their solution. The Executive Committee for Economic Foreign Policy (see appendix), under the chairmanship first of Under Secretary Mr. Clayton, and subsequently of Mr. Willard L. Thorp, Assistant Secretary, was asked to develop the economic and trade policies involved.

In order that the manifold other elements in the task could be handled by the best experts available in the Government and to assure that the interests of all appropriate agencies of the Government concerned with particular domestic or foreign aspects of the program were taken into account, an interdepartmental Advisory Steering Committee was formed. Mr. Lovett was chairman of the committee, and his special assistant, Col. C. H. Bonesteel, of the Department of State, was vice chairman and executive secretary (see appendix). This committee directed the work of analysis and appraisal of the CEEC report and the formulation of the detailed program for United States support of European recovery. The committee was made up of top-level technical representatives from each of the interested departments and agencies of the executive branch. These included the Departments of Agriculture, Army, Commerce, Interior, Labor, Navy, and Treasury and the Board of Governors of the Federal Reserve. Observers from the Bureau of the Budget and White House offices also attended most meetings, and other agencies were represented on some occasions.

Under the Advisory Steering Committee an organization was built up which pooled the appropriate experts from each interested area of Government into functional working teams. The Steering Committee appointed a Correlation Committee, under the chairmanship of Colonel Bonesteel and consisting of four members representing the Departments of State, Treasury, and Commerce. This committee acted as the executive group of the Advisory Steering Committee. An Objectives Committee, with Mr. George Kennan, of the Department of State, as chairman, was established to review the broad aspects of the program as it developed. Seven major areas of functional responsibility were established. These areas and the persons with primary responsibility for each area were as follows: Economic policy, Mr. Thomas Blaisdell, Department of Commerce; financial policy, Mr. Frank Southard, Treasury Department; organization and administration, Mr. Lincoln Gordon, Department of State; legislative drafting, Mr. Ernest Gross, Department of State; functional and commodity analysis, Mr. Paul H. Nitze, Department of State; labor and manpower, Mr. Philip Kaizer, Department of Labor; and country analysis, Mr. Henry Labouisse, Department of State.

A major task of the Government groups working on the recovery program was to interrogate European representatives from the Committee of European Economic Cooperation who came to Washington to assist in the explanation and further

clarification of the Paris report. These conversations lasted for several weeks and permitted both the policy formulating groups and the technical analysis groups to determine in further detail the intent of the CEEC and to examine the detailed justifications of the requirements submitted by the European countries. During the technical conversations with the Europeans, the staff members, and in some cases principals of the President's Committee on Foreign Aid (the Harri-man committee), participated, and there was full and free discussion of European requirements and potential United States assistance. Staff members of certain of the interested committees of the Congress also observed, and to some extent participated in, these conversations with the representatives of the CEEC.

In the course of the conversations with representatives of the CEEC many requests were made of them to furnish additional detailed information to enable the United States working groups to make better judgments in connection with their work.

After completion of conversations with the representatives of the CEEC, the work in formulating a United States program of assistance proceeded. The methods and sources used in developing the proposed United States program of assistance are explained below.

METHODS AND SOURCES OF ESTIMATES FOR COST OF EUROPEAN RECOVERY PROGRAM

Selected commodities

The first step taken by the executive branch of the Government in preparing estimates of the cost of the European economic recovery program was to study intensively certain commodities to be imported by the participating countries from the Western Hemisphere. The choice of the particular commodities studied in this fashion was dictated primarily by the fact that the Committee on European Economic Cooperation established technical subcommittees which prepared detailed reports on requirements and production in the fields of food and agriculture, energy, iron and steel, and transport (timber was later added to the list) because of the central importance of these commodities to European recovery. These commodities are referred to by the CEEC report as "Technical Committee goods." The list of "selected commodities" for which detailed estimates were prepared by the executive branch corresponds closely to the list of Technical Committee goods, for two main reasons: The goods are those of primary importance to European recovery and the most important supply problems will be encountered by the United States with respect to them. Cotton and trucks, both important items of United States exports, were added to the list. Petroleum equipment was not treated as a selected item, since it was impossible to obtain in the time available a detailed statement of the American company requirements.

(a) *Requirements.*—In the selected commodities, careful studies were first made of requirements to assure that, apart from supply considerations, the program would not be based on unwarranted levels of consumption. The standard used was the minimum required for genuine recovery, not that of a relief program.

In food, requirements included calories needed by the urban worker both to sustain life and to provide sufficient energy to enable him to work effectively. Extra allowances for special classes of consumers—miners, heavy workers, children, pregnant and nursing mothers, etc.—were taken into account. In addition to calories, attention was paid to the minimum basic needs for protein and fats and oils. And finally, the historic differences between standards of living among the countries of Europe, as well as the practical limitations on increasing consumption standards, rapidly were taken into account. As indicated below, availabilities, especially at the start of the program, are far short of the screened requirements.

In items other than food, requirements were derived in part from the physical requirements of reconstruction and in part from the interrelations of production programs. The need for steel, for example, was determined so far as possible in relation to the need for steel for rails, railroad equipment, coal-mining machinery, agricultural equipment, etc., as well as to the reconstruction and housing need. The requirements in coal, coke, freight cars, etc., were determined in turn in relation to the need for steel and other products.

If it was impossible to demonstrate that the country concerned needed a commodity for its economic recovery and could not dispense with it on any reasonable standard of consumption such as is required to maintain a tolerable standard of living for its people, the requirements was regarded as unjustified. Some projects, such as that for a small steel plant in Greece, were considered to be uneconomic and therefore as unjustified. The stated need for certain types of heavy agri-

cultural machinery were disregarded on the ground that European farms were not large enough to accommodate them on an economic scale and European agricultural labor not sufficiently skilled in their use to make it desirable to incur the large capital expenditures required. Requirements which appeared to be reasonable in the light of European needs and capacities in recovery were then regarded as initially justified. To the extent that requirements as set out by the Committee on European Economic Cooperation were not justified and they involved the import of goods, such imports were reduced or eliminated.

(b) *Availabilities.*—Against the initial calculation of requirements as justified it was necessary to set initial estimates of availabilities. The primary figure in an estimate of availabilities was domestic production in each country in Europe. Thereafter, an examination was made to see to what extent deficiencies which remained between domestic production and requirements could be met from surpluses available in the other participating countries themselves. Only finally, after the net deficits of the participating countries as a group were determined, was an examination made of the world supply, including supplies normally exported to the area from eastern Europe, Asia and Africa, the other Western Hemisphere countries, and the United States.

If requirements could not be met from world availabilities (including the supply available for export to the participating countries from the United States, after taking into account other United States commitments or demands for export) showed that the requirements could not be met, a reexamination of requirements was made to ascertain whether these could be readjusted or substitutes found to conform with availabilities without destroying the validity of the recovery program. In food, there was no choice but to cut requirements from the desirable level of food intake to the practical level dictated by supply considerations. In other items, it was frequently possible to adjust requirements so that the greatest possible protection could be given to the recovery program despite the fact that availabilities were insufficient to meet the requirements as initially calculated. Particular attention was given in this connection to providing supplies and equipment needed to remove bottlenecks holding back production in a wider area of the economy. The most important such bottlenecks have been coal, transport, fertilizer, and steel. The tight supply situation led the executive branch to eliminate from the program the imports of scrap steel which the participating countries sought from the United States, and to reduce the level of desired imports of crude and semifinished steel. A smaller amount of finished steel was added in order to prevent lack of steel from crippling the productive effort. Steel is likely to be insufficient in western Europe to enable the participating countries to reconstruct housing and commercial structures on the scale hoped for. But a readjustment of the anticipated uses of steel will make it possible, on the basis of the executive branch estimates, to protect the main steel-consuming industries on which economic recovery depends.

Sources of information

All available sources of information were used by the interdepartmental commodity committees established by the executive branch to examine the justification of requirements and the state of supply availabilities. A major source of information was the CEEC report, including both the general report and the technical reports. The executive branch also had available the individual replies to the questionnaires circulated by the CEEC technical committees and returned by the separate participating countries. In addition, the interdepartmental commodity committees held a series of conversations with technical representatives of the CEEC over a period of several weeks, and in cases where desired information could not be furnished directly by the CEEC representatives, supplementary questionnaires were prepared, circulated to the participating countries, and replies assembled.

Comments were sought by the United States Government on the country replies to the CEEC questionnaires from the United States representatives in the participating countries, and were furnished through the chief of mission by the economic staffs thereof, with assistance from the agricultural, commercial, and labor attachés. In the case of Greece, additional detailed information was obtained from the American Mission in Greece. From Germany, information on points not completely clear from the answers to the CEEC questionnaires furnished by the bizonal area was obtained from the Office of Military Government (U. S.) through the Department of the Army.

In the final preparation of the estimates, economic officers attached to missions of the most important countries involved were brought back from their posts

abroad for consultation with the Department of State and to contribute their knowledge of economic conditions and needs in various of the participating countries directly to the formulation of the program estimates.

In addition to the information furnished through official sources of the CEEC and American organizations abroad, valuable material was obtained from the organizations of the United Nations—in particular from the Statistical Office of the United Nations at Lake Success; from the findings of the Devastated Areas Subcommittee for Europe of the Economic and Social Council; from the Economic Commission for Europe; and from the predecessor organizations of the ECE—the European Coal Organization, the European Central Inland Transport Organization, and the Emergency Economic Committee for Europe. In certain cases, special collections of basic material were obtained from United Nations sources—for example, the material accumulated by the Public Utilities Panel of the Emergency Economic Committee for Europe on the electricity network of Europe.

Heavy reliance was placed upon the reports of the committees headed by Secretary of the Interior Krug; Mr. Nourse, Chairman of the Council of Economic Advisers; and Secretary of Commerce Harriman. The Harriman committee enlisted the active participation of competent businessmen and other experts who contributed to the large body of valuable information available in their report.

Further information on requirements and availabilities was obtained from private United States citizens and business firms on one or more aspects of European economic conditions and prospects.

Frequent use was also made of information gathered by the daily press, both American and foreign, to statistical publications of central and commercial banks, private and quasi-public organizations and institutions, and to the official statistics of the countries concerned.

Balance-of-payments estimates

On the basis of the requirements and availabilities thus derived, an estimate of the pattern of trade was developed by the commodity committees. These covered the 28 commodity classifications or groups set forth in the tables on pages 115–118 of the Outline of European Recovery Program (Senate committee print) and dealt with the trade of the 16 participating countries, western Germany, the dependent areas of Belgium, France, the Netherlands, Portugal, and the United Kingdom. Exports and imports were calculated not only between these countries and the United States, but also with Canada, the rest of the Western Hemisphere outside the United States and Canada, the participating countries themselves, and other nonparticipating countries outside the Western Hemisphere. Figures for physical quantities of trade were converted to value equivalents at the prices of July 1, 1947, which date was also used by the CEEC and the Harriman committee as the price basis for their original computations. Following this step, which was performed by the interdepartmental commodity committees in consultation with the country committees, the estimates were turned over to the Balance-of-Payments Committee (National Advisory Staff Committee working group), also organized on an interdepartmental basis, with the assistance of the country committees.

From the work of the commodity committees, the Balance-of-Payments Committee received a series of tabulations for each participating country and each group of dependent areas showing exports and imports of scheduled commodities for the 3 months April to June 1948 and for each four 12-month periods thereafter. On the basis of these figures, the Balance-of-Payments Committee prepared estimates of exports and imports of other commodities, invisible items such as shipping, insurance, remittances, tourist expenditures, interest and dividends, etc. From these estimates, schedules of the over-all balance-of-payments positions of the participating countries and their dependent areas were derived on the basis of July 1, 1947, prices. An adjustment for changes in commodity prices and freight rates was finally applied, as indicated in Outline of European Recovery Program (Senate committee print), pages 93 and following.

The process of deriving the estimate of the cost to the United States in newly appropriated funds from the estimated balance-of-payments deficits of the participating countries and their dependent areas—subtracting what the participating countries are expected to pay in cash, what is estimated will be contributed by other countries in the Western Hemisphere, by loans from the International Bank, expenditures from existing loans of the Export-Import Bank, etc. Further explanation is to be found on pages 102–110 of the committee print of Outline of European Recovery Program.

APPENDIX

LIST OF UNITED STATES PERSONNEL PARTICIPATING IN THE PREPARATION OF THE
EUROPEAN RECOVERY PROGRAM

A. ADVISORY STEERING COMMITTEE ON EUROPEAN RECOVERY PROGRAM

Chairman: Robert A. Lovett, Department of State.
Vice Chairman: Willard L. Thorp, Department of State.
Executive secretary: Charles H. Bonesteel, Department of State.
Secretary: Melvin L. Manfull, Department of State.

Members:

Charles Murphy, the White House.
Thomas C. Blaisdell, Jr., Department of Commerce.
Frank A. Southard, Treasury Department.
N. E. Dodd, Department of Agriculture.
James Boyd, Department of the Interior.
Col. R. M. Cheseldine, Department of the Army.
Admiral E. T. Wooldridge, Department of the Navy.
J. Burke Knapp, Federal Reserve.
Philip M. Kaiser, Department of Labor.

Alternates:

Paul H. Nitze, Department of State.
Lincoln Gordon, Department of State.
Henry Labouisse, Department of State.
Thomas J. Lynch, Treasury Department.
L. M. Pumphrey, Treasury Department.
Jesse Gilmer, Department of Agriculture.
Fred D. Northrup, Department of Agriculture.
Capt. Nathan H. Collisson, Department of the Interior.
Lt. Col. Philip Shepley, Department of the Army.
Capt. M. J. Tichenor, Department of the Navy.
Alexander Gerschenkron, Federal Reserve.
Lewis Dembitz, Federal Reserve.

Observer: Charles Murphy, the White House.

B. EXECUTIVE COMMITTEE ON ECONOMIC FOREIGN POLICY

Chairman: Willard L. Thorp, Department of State.
Executive secretary: Eleanor E. Dennison, Department of State.

Members:

Frank A. Southard, Jr., Treasury Department.
Clinton P. Anderson, Department of Agriculture.
Thomas C. Blaisdell, Jr., Department of Commerce.
Philip Kaiser, Department of Labor.
C. Girard Davidson, Department of the Interior.
Thomas J. Hargrave, Munitions Board, National Military Establishment.
Oscar B. Ryder, United States Tariff Commission.
J. Burke Knapp, Federal Reserve Board.¹

Alternates:

Morris J. Fields, Treasury Department.
Charles Brannan, Department of Agriculture.
Frank Shields, Department of Commerce.
Faith M. Williams, Department of Labor.
Arthur S. Barrows, National Military Establishment.
Lynn R. Edminster, United States Tariff Commission.

C. NATIONAL ADVISORY COUNCIL

Chairman: John W. Snyder, Treasury Department.

Secretary: John W. Gunter, Treasury Department.

Members:

George C. Marshall, Department of State.
W. Averell Harriman, Department of Commerce.
Marriner S. Eccles, Board of Governors, Federal Reserve System.
William McC. Martin, Jr., Export-Import Bank.

¹ Has liaison representation on ECEFP; for European Recovery Program discussions considered full member.

Alternates:

Frank A. Southard, Jr., Treasury Department.
 Willard L. Thorp, Department of State.
 Thomas C. Blaisdell, Jr., Department of Commerce.
 J. Burke Knapp, Federal Reserve System.
 Herbert E. Gaston, Export-Import Bank.

D. POLICY PLANNING STAFF OF THE DEPARTMENT OF STATE

Director: George F. Kennan, Department of State.
 Executive secretary: Carlton Savage, Department of State.

Members:

Jacques J. Reinstein, Department of State.
 Joseph E. Johnson, Department of State.
 Ware Adams, Department of State.

Consultant: Edward S. Mason, Harvard University.

E. SUBSTRUCTURE OF THE MAJOR COMMITTEES

(1) *Advisory Steering Committee*

a. Objectives Subcommittee:

Chairman: George F. Kennan, Department of State.
 Executive secretary: Bromley K. Smith, Department of State.

Members:

Charles H. Bonesteel, Department of State.
 Willard Thorp, Department of State.
 Thomas C. Blaisdell, Jr., Department of Commerce.
 Frank A. Southard, Treasury Department.

Consultants:

Jacques J. Reinstein, Department of State.
 John D. Hickerson, Department of State.
 Samuel Reber, Department of State.
 Loy W. Henderson, Department of State.
 W. Walton Butterworth, Department of State.

b. Correlation Committee:

Chairman: Charles H. Bonesteel, Department of State.
 Executive Secretary: Col. Sidney Giffen, Department of the Army.
 Secretary: Stanley Phraner, Department of Commerce.

Members:

Paul H. Nitze, Department of State.
 Frank A. Southard, Treasury Department.
 Thomas Blaisdell, Department of Commerce.

Alternates:

Lincoln Gordon, Department of State.
 John M. Cassels, Department of Commerce.

Staff group for Correlation Committee:

Chief: Charles P. Kindleberger, Department of State.

Members:

Harold R. Spiegel, Department of State.
 William T. Phillips, Department of State.
 William H. Bray, Jr., Department of State.
 Wilfred Malenbaum, Department of State.
 Ben T. Moore, Department of State.
 Robert W. Tufts, Department of State.
 Harlan P. Bramble, Department of State.

c. Organization and Administration Committee:

Chairman: Lincoln Gordon, Department of State.
 Executive secretary: Herman Pollack, Department of State.
 Secretary: John L. Kuhn, Department of State.
 Vice chairman: Arthur A. Kimball, Department of State.

Members:

Thomas J. Lynch, Treasury Department.
 Nathan Ostroff, Department of Commerce.
 Thatcher Winslow, Labor Department.
 Dan Wheeler, Department of the Interior.
 J. Burke Knapp, Federal Reserve Board.
 W. Carroll Hunter, Department of Agriculture.
 Lt. Col. John P. Buehler, Department of the Army.

Alternates:

Joseph A. Frank, Department of State.
 Arthur G. Stevens, Department of State.
 Wayne G. Jackson, Department of State.
 Walter S. Surrey, Department of State.
 Joseph B. Friedman, Treasury Department.
 Daniel L. Goldy, Department of the Interior.

d. Legislative Drafting Committee:

Chairman: Ernest A. Gross, Department of State.

Members:

Thomas J. Lynch, Treasury Department.
 Adrian Fisher, Department of Commerce.
 Martin G. White, Department of the Interior.
 W. Carroll Hunter, Department of Agriculture.
 Jeter S. Ray, Department of Labor.
 Maj. Gen. Thomas H. Green, Department of the Army.
 Hudson B. Cox, Department of the Navy.
 George B. Vest, Board of Governors, Federal Reserve System.
 Wade H. Skinner, Maritime Commission.
 Hawthorne Arey, Export-Import Bank of Washington.

Alternates:

Walter S. Surrey, Department of State.
 Michael H. Cardozo, Department of State.
 Robert B. Eicholz, Department of State.
 Joseph B. Friedman, Treasury Department.
 Elting Arnold, Treasury Department.
 Clifford Hynning, Treasury Department.
 Nathan Ostroff, Department of Commerce.
 J. P. Brown, Department of Commerce.
 Felix S. Cohen, Department of the Interior.
 George E. Cooper, Department of Agriculture.
 Edward M. Shulman, Department of Agriculture.
 Kenneth Meiklejohn, Department of Labor.
 Brig. Gen. E. M. Brannon, Department of the Army.
 Col. James F. Hanley, Department of the Army.
 Lt. Col. Ray K. Smathers, Department of the Army.
 Col. W. H. Peters, Jr., Department of the Army.
 Harold B. Gross, Department of the Navy.
 Fred Solomon, Board of Governors, Federal Reserve System.

Functional and Commodity Committee:

Chairman: Paul H. Nitze, Department of State.

Executive secretary: Glenn H. Craig, Department of State.

Secretary: Ronald M. Ayer, Department of State.

Members: Chairman of individual commodity committees on attached lists.

1. Food and Agriculture:

Chairman: Fred Northrup, Department of Agriculture.

Secretary: Murray Thompson, Department of Agriculture.

Members:

W. J. Garvin, Department of the Army.
 Lewis Bassie, Department of Commerce.
 Albert Viton, International Emergency Food Council.
 Francis Linville, Department of State.
 C. K. Lewis, Tariff Commission.

Observer: Robert Oshins, the White House.

Alternates:

J. A. Becker, Department of Agriculture.
 J. T. Cavin, Department of Agriculture.
 Joseph L. Orr, Department of Agriculture.
 F. M. Rhodes, Department of Agriculture.
 L. B. Taylor, Department of Agriculture.
 C. E. Lund, Department of Commerce.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947:

Karl A. Fox, Harriman committee staff.

John Kerr Rose, House Select Committee on Foreign Aid staff.

2. Fertilizer:

Chairman: William G. Finn, Department of Agriculture.

Secretary: William F. Watkins, Department of Agriculture.

Members:

Kenneth D. Jacob, Department of Agriculture.

C. K. Horner, Department of Commerce.

Henry M. Pauley, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947:

Karl A. Fox, Harriman committee staff.

Maynard Jenkins, Harriman committee consultant (chemical company).

John Kerr Rose, House Select Committee on Foreign Aid staff.

3. Agricultural machinery:

Chairman: William L. Beck, Department of Commerce.

Secretary: Martin R. Cooper, Department of Agriculture.

Members:

Thomas J. Murphy, Department of Commerce.

Karl L. Anderson, Department of State.

Alternates:

A. P. Brodell, Department of Agriculture.

R. B. Gray, Department of Agriculture.

Erling Hole, Department of Agriculture.

Leon B. Taylor, Department of Agriculture.

Arthur W. Turner, Department of Agriculture.

G. J. Rothwell, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947:

Karl A. Fox, Harriman committee staff.

H. H. Hughes, Harriman committee staff.

S. Morris Livingston, Harriman committee staff.

Willard Morrison, Harriman committee consultant, Agricultural Machinery Co.

John Kerr Rose, House Select Committee on Foreign Aid staff.

Francis O. Wilcox, Senate Committee on Foreign Relations staff.

4. Coal:

Chairman: John Havener, Department of Commerce.

Secretary: Louis Lister, Department of State.

Assistant secretary: Fred Sanderson, Department of State.

Members:

C. M. Stull, Department of Commerce.

Thomas Hunter, Department of the Interior.

R. M. Preisman, Office of Coordinator.

Alternates:

Ralph Trisko, Department of Commerce.

Daniel Wheeler, Department of the Interior.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947:

C. W. de Forest, Harriman committee consultant (now with gas and electric company.)

Richard H. Mote, Harriman committee staff.

Hector Prud'homme, Harriman committee staff.

Theodore Geiger, House Select Committee on Foreign Aid staff.

5. Mining machinery:

Chairman: William L. Beck, Department of Commerce.

Secretary: Everett Wilcox, Department of Commerce.

Members:

William H. Myer, Department of Commerce.

John W. Buch, Department of the Interior.

Karl L. Anderson, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947:

Harold Von Thaden, Department of Commerce.
 Albert M. Keenan, Harriman committee consultants.
 S. Morris Livingston, Harriman committee staff.
 Richard H. Mote, Harriman committee staff.
 H. R. Wheeler, Harriman committee consultant.
 Theodore Geiger, House Select Committee on Foreign Aid staff.

6. Electric power:

Chairman: Thomas Hibben, Department of Commerce.

Secretary: Wilfred Malenbaum, Department of State.

Assistant Secretary: M. G. Tiger, Department of State.

Members:

Lt. Col. A. L. Jorgenson, Department of the Army.

E. Robert de Lucci, Federal Power Commission.

Arthur Goldschmidt, Department of the Interior.

Alternates:

Howard Way, Department of Commerce.

Ellsworth Hand, Federal Power Commission.

C. E. Bennett, Federal Power Commission.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947:

Walker L. Cisler, Harriman committee consultant.

C. W. de Forest, Harriman committee consultant.

George Hamilton, Harriman committee consultant.

R. M. Landreth, Harriman committee consultant.

J. A. H. Torry, Harriman committee consultant.

V. M. White, Harriman committee consultant.

Edward Falck, House Select Committee on Foreign Aid Staff.

7. Petroleum:

Chairman: John Loftus, Department of State.

Secretary: David Longanecker, Department of State.

Members:

Gustav Vogel, Army-Navy Petroleum Board.

Carl Gibboney, Department of Commerce.

Max Ball, Department of the Interior.

Walter Levy, Department of State.

Alternates:

Carroll Fentress, Department of the Interior.

E. B. Swanson, Department of the Interior.

R. H. S. Eakens, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947:

John Bauer, Harriman committee consultant.

Gerald Cogan, Harriman committee consultant.

A. E. Ernst, Harriman committee consultant.

Robert Koenig, Harriman committee member.

Richard Mote, Harriman committee staff.

Arthur Stewart, Harriman committee consultant.

John Fry, House Select Committee on Foreign Aid Staff.

8. Iron and Steel:

Chairman: J. Joseph Palmer, Department of Commerce.

Secretary: Isaiah Frank, Department of State.

Assistant secretary: Virginia McClung, Department of State.

Members:

Robert Simpson, Department of Commerce.

Harold Wein, Department of Justice.

Paul Hoover, Department of State.

Carlyle H. Strand, Tariff Commission.

Alternates:

Robert M. Weidenhammer, Department of Commerce.

Leon Goldenberg, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November, 1947:

Hiland Bachellor, Harriman committee member.
 Richard Bissell, Harriman committee staff.
 Otis Brubaker, Harriman committee consultant.
 S. Morris Livingston, Harriman committee staff.
 William S. Morrison, Harriman committee consultant.
 Hector Prudhomme, Harriman committee staff.
 William Remington, Harriman committee staff.
 Edwin B. George, House Select Committee on Foreign Aid staff.
 Robert Landry, House Select Committee on Foreign Aid staff.

9. Inland transport:

Chairman: John M. Tuthill, Department of State.

Secretary: Doris Whitnack, Department of State.

Members:

T. E. Anderson, Department of Agriculture.
 J. C. Winter, Department of Agriculture.
 Paul Brown, Department of the Army.
 James Glynn, Department of Commerce.
 Gerald Gallagher, Office of Defense Transportation.
 H. H. Kelly, Department of State.

Alternates:

J. J. Kaplan, Department of State.
 Gustav Pollaczek, Department of State.
 Robert Swain, Department of State.
 Clarence S. Gunther, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947:

William Flexner, Harriman committee consultant.
 Max Milliken, Harriman committee staff.

10. Maritime Transport:²

Chairman: Walter Radius, Department of State.

Secretary: Lehman P. Nickell, Department of State.

Members:

Serge Kushnarev, Department of Commerce.
 Huntington T. Morse, Maritime Commission.
 J. E. Saugstad, Department of State.

Alternate: Harvey Klemmer, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947:

Capt. Granville Conway, Harriman Committee member.
 James McCullough, Harriman Committee consultant (National Federation of Shipping).
 Max Milliken, Harriman Committee staff.

² The report submitted on Maritime Transport was reviewed by the Shipping Coordinating Committee (SHC). Its formal membership is as follows:

Chairman: Garrison Norton, Department of State.

Vice chairman: W. W. Smith, United States Maritime Commission.

Executive secretary: L. James Falck, United States Maritime Commission.

Assistant executive secretary: John W. Mann, United States Maritime Commission.

Secretary: G. Curtis Murrell, United States Maritime Commission.

Members:

Maj. Gen. Edward H. Leavey, Department of the Army.

Thomas C. Blaisdell, Department of Commerce.

Rear Adm. W. M. Callaghan, Department of the Navy.

Edward H. Foley, Treasury Department.

Alternates:

Brig. Gen. Paul Yount, Department of the Army.

Thomas Hibben, Department of Commerce.

James C. Nelson, Department of Commerce.

Huntington T. Morse, United States Maritime Commission.

Richard Parkhurst, United States Maritime Commission.

Capt. W. N. Mansfield, USNR, Department of the Navy.

Admiral J. F. Farley, USCG, Treasury Department.

Capt. H. C. Moore, USCG, Treasury Department.

11. Timber:

Chairman: Edward I. Kotok, Department of Agriculture.

Secretary: W. H. Sparhawk, Department of Agriculture.

Members:

Edward C. Crafts, Department of Agriculture.

Joseph L. Muller, Department of Commerce.

Jacob Crane, Federal Housing Agency.

J. S. Shanklin, Department of the Interior.

Frank H. Whitehouse, Department of State.

J. M. P. Donahoe, Tariff Commission.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947:

A. C. Cline, Harriman committee consultant.

Kenneth R. Davis, Harriman committee staff.

Theodore Geiger, House Select Committee on Foreign Aid staff.

Thomas Gill, Pack Forestry Foundation.

12. Manpower:

Chairman: Faith Williams, Department of Labor.

Secretary: Jean Flexner, Department of Labor.

Members:

Ralph Hetzel, Department of Commerce.

Val R. Lorwin, Department of State.

Alternates:

David Lasser, Department of Commerce.

Herbert A. Fierst, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November, 1947:

Ford Hinrichs, Harriman committee staff.

Gustav Peck, House Select Committee on Foreign Aid staff.

f. Country Committees:

Coordinating Group for Country Studies:

Chairman: Henry Labouisse, Department of State.

Executive secretary, Leonard Unger, Department of State.

Members:

Fred Straus, Department of Commerce.

Val Lorwin, Department of State.

Wayne Jackson, Department of State.

William Koren, Department of State.

1. Austria:

Chairman: Harold Vedeler, Department of State.

Executive secretary: Charles Rogers, Department of State.

Members:

Karl Koranyi, Department of Commerce.

J. Herbert Furth, Federal Reserve Board.

James Wood, Treasury Department.

Staff:

Joseph Rosa, Department of State.

Gerti Landauer, Department of State.

Everett Walk, Department of State.

Erwin Strauss, Department of State.

Myrtle Brickman, Department of Commerce.

Margaret Bell, Treasury Department.

2. Belgium-Netherlands-Luxemburg:

Chairman: Ray Miller, Department of State.

Executive secretary: Richard Breithut, Department of State.

Members:

Taylor Musser, Department of Commerce.

Robert Bean, Federal Reserve Board.

George Willis, Treasury Department.

Staff:

Clinton Knox, Department of State.
 Paul Hoover, Department of State.
 Marcia Harrison, Department of State.
 Elizabeth Otey, Department of State.
 Walter Buchdahl, Department of Commerce.
 Clarence Seigel, Department of Commerce.
 Frances Miller, Treasury Department.
 Ellen Maloney, Treasury Department.
 Paul Parker, Treasury Department.

3. France:

Chairman: Woodruff Wallner, Department of State.
 Executive secretary: Ivan White, Department of State.
 Executive secretary:³ Maurice Levy-Hawes, Department of State.

Members:

Taylor Musser, Department of Commerce.
 Albert Hirschman, Federal Reserve Board.
 Frances Miller, Treasury Department.

Staff:

Alfred Reifman, Department of State.
 Val Lorwin, Department of State.
 William Koren, Department of State.
 Leon Goldenberg, Department of State.
 John Kean, Department of Commerce.
 Clarence Seigel, Department of Commerce.

4. Greece:

Chairman: William Rountree, Department of State.
 Executive secretary: John Lindeman, Department of State.

Members:

Samuel Goldberg, Department of Commerce.
 J. Herbert Furth, Federal Reserve Board.
 George Willis, Treasury Department.

Staff:

Arthur Beach, Department of State.
 Charles Glendinning, Department of State.
 John Kennedy, Department of State.
 Beatrice S. Baum, Treasury Department.

5. Italy:

Chairman: Walter Dowling, Department of State.
 Executive secretary: William Stibravy, Department of State.

Members:

Katherine Jacobson, Department of Commerce.
 Albert Hirschman, Federal Reserve Board.
 George Willis, Treasury Department.

Staff:

Gesualdo Costanzo, Department of State.
 Jacob Kaplan, Department of State.
 George Tesoro, Department of State.
 Clinton Doggett, Department of State.
 Seymour Pollack, Treasury Department.

6. Scandinavia:

Chairman: Robert Hooker, Department of State.
 Executive secretary: Randolph Higgs, Department of State.

Members:

Grant Olson, Department of Commerce.
 Robert Bean, Federal Reserve Board.
 George Willis, Treasury Department.

Staff:

George Alsberg, Department of State.
 Richard Breithut, Department of State.
 Eleanor Murphy, Department of State.
 Eddie Schodt, Department of State.
 Ellen Maloney, Treasury Department.

³ Mr. Levy-Hawes succeeded Mr. White on the latter's return to the Paris Embassy.

7. Switzerland-Portugal:

Chairman: Outerbridge Horsey, Department of State.

Executive secretary: William Conklin, Department of State.

Members:

Charles Barrett, Department of Commerce.

Albert Hirschman, Federal Reserve Board.

James Wood, Treasury Department.

Staff:

Edmund Da Silveira, Department of State.

Raymond Fernandez, Department of State.

Maurice Levy-Hawes, Department of State.

Nicholas Milroy, Department of State.

Fred Neter, Treasury Department.

Seymour Pollack, Treasury Department.

8. Turkey:

Chairman: Paul McGuire, Department of State.

Executive secretary: Herbert Cummings, Department of State.

Members:

Samuel Goldberg, Department of Commerce.

J. Herbert Furth, Federal Reserve Board.

William L. Hebbard, Treasury Department.

Staff:

Francis Boardman, Department of State.

Charles Glendinning, Department of State.

Gideon Hadary, Department of State.

Harry S. Weidberg, Treasury Department.

9. United Kingdom and Ireland:

Chairman: Avery Peterson, Department of State.

Chairman: ⁴ Wayne Jackson, Department of State.

Executive secretary: Herbert P. Fales, Department of State.

Members:

John Cassels, Department of Commerce.

Charles Harley, Federal Reserve Board.

William Hebbard, Treasury Department.

Staff:

John Lindeman, Department of State.

Alex Rosenson, Department of State.

James Lewis, Department of State.

David Linebaugh, Department of State.

Edward N. Cooper, Department of State.

Joseph Sweeney, Department of State.

Leocade Leighton, Department of State.

Donald Heatherington, Department of Commerce.

Frances Hall, Department of Commerce.

Cromwell Riches, Department of Commerce.

Lisle Widman, Treasury Department.

10. Western Germany:

Chairman: Edwin Martin, Department of State.

Chairman: ⁵ Daniel Margolies, Department of State.

Executive secretary: Coburn Kidd, Department of State.

Members:

Karl Koranyi, Department of Commerce.

J. Herbert Furth, Federal Reserve.

James Wood, Treasury Department.

Col. Charles Blumenfeld, Department of the Army.

Don D. Humphrey, OMGUS.

Staff:

George Jacobs, Department of State.

William Parker, Department of State.

Fred Sanderson, Department of State.

June Boeckman, Department of State.

Herbert H. Marcuse, Department of State.

Stanley Sommerfield, Treasury Department.

Maj. William Reed, Department of the Army.

Wilfred Garvin, Department of the Army.

Saul Nelson, OMGUS.

⁴ Mr. Jackson succeeded Mr. Peterson on the latter's return to the London Embassy.⁵ Mr. Margolies served as chairman while Mr. Martin attended the meetings of the Council of Foreign Ministers in London.

(2) *Executive Committee on Economic Foreign Policy*

Subcommittees for ERP:

- a. Working group on the relationship between the ERP and the UN and specialized organizations:
Chairman: Leroy D. Stinebower, Department of State.
Members:
Miriam Camp, Department of State.
Otis E. Mullikin, Department of State.
Thomas C. Blaisdell, Jr., Department of Commerce.
Iver Olsen, Treasury Department.
Robert B. Schwenger, Department of Agriculture.
- b. Working group on the relationship between ERP and ITO:
Chairman: Paul H. Nitze, Department of State.
Members:
Ben T. Moore, Department of State.
George Bronz, Treasury Department.
Morris Fields, Treasury Department.
Oscar Zaglits, Department of Agriculture.
Henry Chalmers, Department of Commerce.
Lynn R. Edminster, United States Tariff Commission.
- c. Working group on domestic controls needed to implement the ERP.
Chairman: Donald D. Kennedy, Department of State.
Members:
Charles P. O'Donnell, Department of State.
John S. Richards, Treasury Department.
Frank Garfield, Federal Reserve Board.
Charles W. Bucy, Department of Agriculture.
Paul Homan, Council of Economic Advisers.
Walter Seymour, Department of the Interior.
Mike Meehan, Department of Commerce.
- d. Working group on strategic materials:
Chairman: William T. Phillips, Department of State.
Members:
Karl L. Anderson, Department of State.
James Boyd, Department of the Interior.
Carl Rolle, Army and Navy Munitions Board.
T. D. O'Keefe, Department of Commerce.
Morris Fields, Treasury Department.
W. G. Finn, Department of Agriculture.
- e. Working group on manpower report:
Chairman: Faith Williams, Department of Labor.
Members:
Wilbur Cohen, Federal Security Agency.
Irwin M. Tobin, Department of State.
George L. Warren, Department of State.
Val Lorwin, Department of State.
Collis Stocking, Department of Labor.
Jean Flexner, Department of Labor.
Duncan Wall, Department of Agriculture.

(3) *National Advisory Council: Staff committee (ERP financial policy group)*

Director for ERP: Frank Southard, Treasury Department.
 Secretary: Andrew Kamarck, Treasury Department.
 Chairman: John W. Gunter, Treasury Department.
 Working-group chairman: Andrew M. Kamarck, Treasury Department.
 Secretary: Allan J. Fisher, Treasury Department.
 Assistant Secretary: Harold Rosen, Treasury Department.
 Members:
 Norman Ness, Department of State.
 Clarence Blau, Department of Commerce.
 J. Burke Knapp, Board of Governors, Federal Reserve System.
 Hawthorne Arey, Export-Import Bank.
 Walter C. Louchheim, Securities and Exchange Commission.
 Liaison: Jerome J. Stenger, Department of State.

Alternates:

Hubert F. Havlik, Department of State.
 Hale T. Shenofield, Department of State.
 Harold R. Spiegel, Department of State.
 Lewis Dembitz, Board of Governors, Federal Reserve System.
 Walter C. Sauer, Export-Import Bank.

Interdepartmental working groups of the staff committee composed of the experts on the particular matter or country are set up as occasion warrants. These groups collect the basic information available to the Government and perform the necessary analysis on the particular problem. The membership of these groups at one time or another would include most of the experts in governmental service working on international financial and economic problems. It appears neither appropriate nor feasible, therefore, to list the membership of such groups.

Mr. JUDD. I have one further question. May I direct this to Mr. Thorp, with your permission?

Ambassador DOUGLAS. Yes.

Mr. JUDD. When Secretary Marshall was before us in November, I asked him about the proposal that he said he was getting ready for submission, dealing with a possible long-term recovery program in China. I asked him if it would be ready for submission before the Council of Foreign Ministers meeting, and he said in the hearings, "I could not answer that right now, sir, I do not think it will be but it will be submitted by the time the Congress reconvenes, or earlier."

I asked, "Reconvenes in January?"

He said, "In the regular session; yes."

We have been in session now 10 days. Could you give us a definite date as to when that is likely to come before us because I think it is very important in estimating the whole European program. It should not come in at the last moment as a tag end, but as a part of the total picture the United States faces.

Mr. THORP. All I can say on that, Mr. Chairman, is we have been very busy at work on the program and had hoped that it already would be before the Congress.

A program has been drafted. It is now being reviewed within the executive branch.

I might also state that I think either today or tomorrow a technical group is arriving from China and we had thought it would be helpful to have some quick discussion with them before we submitted the program, but I think it is a matter of days rather than weeks.

Mr. JUDD. You think it will be this month?

Mr. THORP. Yes. I would feel quite confident that it will be this month.

Mr. JUDD. Can you tell me whether the budget the President submitted the other day for the next fiscal year included the proposed program for China?

Mr. THORP. This program has not been submitted as yet to the Budget Bureau. I think that the Budget Bureau in a miscellaneous item had various possible programs in mind, but I do not think that it was based on specific items.

Mr. JUDD. How much was that miscellaneous item, do you recall?

Mr. THORP. \$440,000,000.

Mr. JUDD. That is to take care of the contingencies. It might conceivably include the program for China, is that right?

Mr. THORP. I think it might well be that part of the program for China and it might have been charged against that. Actually I don't know what the Budget Bureau was including in that.

Mr. JUDD. But we can expect that we will get this program before the end of this month, surely?

Mr. THORP. As a matter of fact our goal has been to get it before you much earlier than that.

Mr. JUDD. I was just getting a progress report.

Mr. THORP. It does have to be cleared through various interested agencies within the administration, and I cannot guarantee the length of time that may take.

As far as the State Department is concerned, I think our basic work is completed with respect to the legislation.

Mr. JUDD. Thank you very much.

Thank you, Mr. Ambassador.

Mr. CHIPERFIELD. There are two more members of the committee who want to cross-examine you. I have consulted with them and they are willing to proceed or stop now, just as suits your convenience.

Ambassador DOUGLAS. Whatever would suit your convenience better. If they would like to continue this afternoon, that would be entirely satisfactory with me. If they prefer to wait, that is all right, too.

Mr. LODGE. I have quite a number of questions, Mr. Chairman. It might take some time.

Mr. CHIPERFIELD. I rather suggest, then, if it is agreeable with Mr. Javits and Mr. Lodge that since we have been in session quite a long time that we might meet again next Tuesday at 10 o'clock. That is the suggestion of Dr. Eaton. At that time they will be given plenty of time to cross-examine. They might be hurried tonight.

Mr. JAVITS. Might I ask a preliminary question so we might be prepared on Tuesday? Will you handle questions respecting the international trade organization or will the State Department produce another witness?

Ambassador DOUGLAS. No. I have enough on my hands as it is.

Mr. CHIPERFIELD. Thank you very much.

We will adjourn until 10 o'clock Tuesday.

(Whereupon, at 4:45 p. m., the committee adjourned, to reconvene at 10 a. m., Tuesday, January 20, 1948.)