

UNITED STATES FOREIGN POLICY FOR A POSTWAR RECOVERY PROGRAM

WEDNESDAY, FEBRUARY 4, 1948

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

The committee met at 10:30 a. m., in the Foreign Affairs Committee Room, United States Capitol, Hon. Bartell J. Jonkman (acting chairman) presiding.

Acting Chairman JONKMAN. The committee will come to order.
Our witness this morning is Mr. J. A. Smith.
You may proceed.

STATEMENT OF J. A. SMITH, NORTHWEST HORTICULTURAL COUNCIL, WENATCHEE, WASH., ACCOMPANIED BY HON. HAL HOLMES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. J. A. SMITH. I am very glad to appear before this committee for it gives me the opportunity of bringing to your attention a problem of unusual importance—the problem of a branch of agriculture whose products, before the war, ranked ninth in importance among all United States exports.

I am a member of the board of directors and of the executive committee of the Northwest Horticultural Council. The council is a nonprofit corporation organized under the laws of the State of Washington. Its membership is as follows: Washington State Apple Commission; Wenatchee Valley Traffic Association; Yakima Valley Traffic Association; Hood River Traffic Association; Rogue River Valley Traffic Association.

The member associations are composed of growers, individual shippers, and shipping firms, sales organizations (including grower sales agents), growers cooperative organizations, fruit distributors and exporters of deciduous fruits produced in and shipped from the States of Washington and Oregon. The council represents, and in appearing before this committee I speak for, the growers and shippers of practically 100 percent of all commercial apples grown in the two States and in excess of 90 percent of all commercial deciduous fruits grown in those States. Total annual production of deciduous fruits in the States of Washington and Oregon approximates 1,380,925 tons grown on approximately 147,625 acres of orchard, which production has an aggregate farm value averaging in recent years approximately \$125,000,000 annually.

Apple production in the States of Washington and Oregon equalled this year, and normally equals, approximately one-third of total United States commercial production. The States of Washington, Oregon, and California account for almost all of the Nation's export production of fall and winter pears.

I am also vice president of Gwin, White & Prince, Inc., Seattle, Wash., who are sales managers for the Wenatchee-Okanogan Co-operative Federation, this country's largest organized group of apple producers.

THE INDUSTRY'S PROBLEM

The fresh apple and pear industry is typical of the class of agricultural production which has an historical record of dependency upon foreign markets. This and like industries have been seriously and unfavorably affected by the loss of such markets. I am confident the committee will agree that, with respect to commodities in surplus in this country—and appropriate for use in foreign-aid programs—it is desirable to consider the problems of the domestic economy in connection with the implementation of the United States foreign-aid programs.

Our industry is convinced first of all that, in rendering aid to foreign countries, normal channels of private trade should be used to the greatest extent possible. Furthermore, we believe that in determining kinds and quantities of agricultural commodities to be furnished foreign countries under United States aid programs consideration should be given to (a) the needs of the participating countries as expressed in the initial published report of the Committee of European Economic Cooperation; (b) the availability of such commodities in the United States; (c) the historic reliance by the participating countries upon imports of such commodities and the dependency of the United States producers of such commodities upon the markets of participating countries.

While the statements I shall make here refer particularly to the problems and prospects of the fresh apple and pear industry of the Pacific Northwest, it must be borne in mind that our area's position is not unique. Other horticultural products produced throughout the United States—relatively few in number but important to the maintenance of a well-balanced United States agricultural economy—which have a record of export market development and dependency, are being similarly affected by the loss of their foreign markets. For example, the problems of the citrus, grape, and dried-fruit industries also are probably well known to this committee.

As I mentioned previously, the problem is of unusual importance on a national basis as indicated by United States Department of Commerce figures showing that, before the war, exports of horticultural products from this country ranked ninth in importance among all United States exports. These products now represent the deflated branch of the agriculture family.

The industry's problem is in the existing and increasing oversupply of horticultural products available for United States markets, resulting from (a) loss of substantial prewar export markets, (b) materially increased production of United States horticultural products, both fresh and processed, with promise of further increases, and (c) im-

ports—principally apples from Canada and pears from Argentina. All of these conditions jeopardize our industry's economic stability.

The European nations which will participate in the prospective recovery program have indicated their needs for large quantities of fresh fruits. For example, the technical report of the Committee of European Economic Cooperation indicated the need for imports of fresh fruits. Furthermore, commodity reports prepared by the Departments of State and Agriculture indicate the plan to export to the European countries substantial quantities of fresh fruit. This makes sense. It is consistent with the known needs of such countries—and it is essential to the economic health of the domestic fresh fruit industry.

The fresh apple and pear industry of the Pacific Northwest is dependent upon export markets which were deliberately and consciously developed as an integral part of the entire industrial program. This position is adequately substantiated by records of the Department of Agriculture, going back several decades.

Prewar, the Pacific Northwest exported 28 percent of its entire production of apples and 44 percent of its production of fall and winter pears. During and since the war increased national production of many types of horticultural products, both fresh and processed, has intensified our need, at least to regain our prewar export accomplishments. Although the largest increase in production has been in citrus fruits, nevertheless, all fruit products compete for consumer preference in the United States domestic markets.

Adding to the burdensome supply problem in United States markets are substantial imports of Canadian apples and Argentine pears whose cost of production are appreciably less than those prevailing in the United States. Entry of these competing supplies into the United States market is permitted under most favorable terms to both Canada and the Argentine. Imports from Australia, New Zealand, and Chile constitute a potential addition to supply.

As a result of all of the foregoing, I might add parenthetically the Department of Commerce has recently published information that domestic production of fresh fruit is 51 percent—greater than prewar. Our industry must not only immediately reestablish the volume exported prewar but must increase that volume in direct proportion to expanded United States supply.

Since the Pacific Northwest fruit industry first came into commercial production early in the present century, foreign marketing has been a deliberate development. Markets abroad have been created by private enterprise with the use of private capital. Many of us have spent considerable time and money abroad. World markets having been established by that means, and having provided an outlet for an important portion of our crops, the industry has come to depend upon these outlets for its economic survival. Such markets have never been used as surplus dumping grounds but have been an integral part of the industry's world-wide distribution. Whether we are selling to Chicago, Dallas, Paris, or Stockholm, our basic prices are the same, f. o. b. car shipping point.

Our orchards have been set out, packing plants and cold storage warehouses built, and all of the equipment incident to horticulture and preparation for market have been attuned to the accomplishment

and the reasonable expectancy of disposing of a substantial portion of each crop abroad.

As orchard crops are the result of long-range planning, measured in terms of decades, and cannot therefore be adjusted to fluctuating demand, as is the case with annual crops (potatoes, onions, and so forth), our problems of oversupply are vastly intensified. As a matter of fact a grower in the Northwest is unable even to ignore his orchards and let further production await an improved market. Unless an orchard is properly maintained it becomes a source of infestation to the neighboring orchards. Therefore, Washington and Oregon State horticultural laws require the destruction of orchards which are not maintained. It takes 10 to 15 years to replace an orchard.

The entire Northwest industrial investment has been based on continued world demand.

During the war years when it was also impossible to export, the United States Government bought annually for the armed services and for lend-lease quantities of fresh fruit which largely offset the loss of prewar exports. Such purchases have now, of course, been almost entirely eliminated.

Yet, presently, export markets are virtually nonexistent.

The reestablishment of exports of fresh horticultural products in some future year after attainment of European recovery will be of little avail to United States producers, if in the meantime economic maladjustments, arising from loss of export markets, result in disintegration of the industry.

It appears to be universally recognized that reciprocal trade agreements now in effect, and those being negotiated, cannot be implemented until the world's economic atmosphere has improved considerably. The type of free, private trade envisaged in such agreements cannot be achieved until or unless dollar exchange difficulties are overcome. Thus it appears that a long period will pass before such circumstances prevail, unless something is done to overcome the foreign-exchange difficulty.

Our industry cannot await the gradual working out of the foreign-exchange situation. Export markets are needed immediately. For instance, notwithstanding the prevailing record high United States national income, our products—as a result of the dangerously increasing supply position and loss of export markets—are under severe price pressure. Already growers' productions are being forced into liquidation at seriously discounted prices—in fact below the actual current cost of production. Already the industry has been forced to ask for, and has been fortunate in receiving recently, piecemeal support and diversion assistance under existing price-support legislation. For example, apples and pears have been purchased under the school-lunch program. A diversion program has been undertaken for pears. Dried fruits have been purchased directly by Commodity Credit Corporation for price-support purposes. And these are not the only examples.

In addition, fresh fruit produced in soft-currency countries is finding its way into European markets under private trade conditions. Supplies of fresh fruit available in such countries are by no means adequate to meet the need for fresh fruits as indicated in the techni-

cal report. Nevertheless, the commerce in fruit from the soft-currency countries is enabling such countries to establish firm markets in European countries, which markets have traditionally looked to United States sources for their supply. If no United States fresh fruits find their way into European markets for a period of years it will be difficult, if not impossible, later to regain our normal prewar position in such markets, without which our industry cannot survive.

PROTECTION OF UNITED STATES AGRICULTURE

Having an established record of export business and a dependency upon export markets, our industry is confronted with the need of immediate assistance in reestablishing its export outlets pending the return of economic conditions abroad which will permit resumption of normal private trading.

I am certain this committee will agree that the maintenance of a properly balanced United States agricultural economy is deserving of consideration at least equal to that given European recovery—particularly when the two goals can be concurrently attained with mutual benefit.

ADAPTABILITY OF FRUIT TO THE EUROPEAN RECOVERY PROGRAM

For the reasons I have outlined to the committee, I am confident the Congress will recognize the necessity for including in the legislation activating the ERP, a provision requiring that all wholesome agricultural commodities in ample supply be included in relief programs—and the further necessity for making such commodities available through private trade channels to the greatest possible extent.

The cost of including fresh fruit in prospective relief programs will be relatively modest. Fruit has not contributed to the inflationary spiral—actually it is selling at prices considerably below a year ago. Use of fresh fruit can reduce to some extent the heavy inflationary pressures upon other commodities now included in relief programs. If, for instance, pressure on grains and related commodities could be reduced, lower grain costs resulting from the substitution of other foods doubtless will result in a net saving to the United States Government and to the United States population in reduced costs of living.

Again, I feel that I should emphasize to the committee that the failure to use fresh fruit in our foreign-relief programs will merely result in further expenditures under existing price-support legislation.

Fruit is a dietary asset. The United States Department of Labor includes apples in the cost-of-living statistics. That United States fresh apples and pears are a necessity to a well-balanced European diet is substantiated by large purchases made by European nations prewar—nations whose productions of fruit are demonstrably inadequate for their local needs. This position is further substantiated by the fact that in the season 1946–47 the British Government purchased a large volume of fresh apples in this country for governmental distribution (in the Government's basic food program) in the United Kingdom and released further large amounts of dollars for the purchase of United States fresh pears.

PROCESSED FRUIT AN INSUFFICIENT ANSWER

Dried apples and pears account for a negligible part of our production, and exports of dried fruits to the exclusion of fresh fruit have never solved, and will not now solve, our problem. The industry is geared to the production and distribution of fresh fruit. The quantity diverted to processing has been insufficient to influence the fresh fruit market. Expansion of processing equipment is impractical marketwise.

TRANSPORTATION

Transportation is available for the carriage of fresh fruit. Many refrigerated lines which participated in the prewar movement of fruit from the Pacific coast to Europe have returned to service. Re-established services are likewise available from east-coast and Gulf ports to Europe. Transportation is no longer a problem.

Some feeling has been expressed that transportation and other distribution facilities in the European countries are presently inadequate to handle the marketing of fresh fruits. This is denied by the fact that substantial quantities of fresh fruits imported from soft-currency countries are being handled and dispatched through private trade channels in the European countries today.

MECHANICS

As I have mentioned previously, in currently effective legislation, the Congress has made provision for substantial administrative and financial assistance to domestic agricultural industries suffering from marketing difficulties. Furthermore, the Congress has provided and unquestionably will continue to provide aid in the form of commodities, services, and credit to assist foreign countries in the rehabilitation of their war-devastated economies. These are two distinct governmental programs, but the desirability of coordinating them is too clear to require elaboration. If, in connection with these programs, our Government will make available to foreign countries dollar exchange to be used in the purchase of surplus domestic agricultural commodities by private traders abroad from private traders in the United States, the purposes of each program will be advanced.

To the extent that private trade with European countries is not possible or to the extent that such private trade does not relieve the domestic surplus situation created by conditions I have described to the committee, price support purchases under support programs must necessarily be invoked. However, even in these circumstances, surplus agricultural commodities which are appropriate for use in foreign-aid programs and which are purchased by Government agencies should be used in our relief programs.

Allocation to participating nations can be arranged by the utilization of existing trade-agreement machinery by continued cooperation between the Office of Foreign Agricultural Relations of the Department of Agriculture and the State Department in negotiating agreements with foreign countries. There is a good basis for working out agreements with foreign countries as to the kinds and quantities of agricultural commodities to be made available to them, and the seasonal shipping schedules for such commodities. By these means, we

can, with facility, arrange with foreign countries for the acceptance of our fruit as a part of our relief program, in months when such countries historically purchased our fruit.

CONCLUSION

Our position, therefore, is that fresh fruit has a rightful place, as demonstrated by the record, in European diet and that the request of our industry for inclusion in food-relief programs is appropriate, for by such inclusion two major goals will simultaneously be accomplished:

(a) The protection of a leading United States agricultural industry, which has a record of privately created export accomplishment and dependency, will be maintained throughout a period of temporary jeopardy without serious impairment; and

(b) In accordance with their traditional requirements, the European nations will be assured of a better-balanced diet.

Acting Chairman JONKMAN. Thank you very much.

Judge Kee, have you any questions?

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

Acting Chairman JONKMAN. Mr. Vorys?

Mr. VORYS. Are you familiar with the so-called Anderson amendment which was put in the interim-aid bill?

Mr. J. A. SMITH. Yes.

Mr. VORYS. Is that amendment one that would take care of the situation mentioned if it was put in this law?

Mr. J. A. SMITH. We do not feel that the caloric measurement there is an appropriate yardstick. We do feel that so far as the principle of the amendment is concerned, the arrangement by which the Commodity Credit Corporation can handle such commodities as are supported by them, is a good one.

Mr. VORYS. I do not get what your specific suggestion is, Mr. Smith.

Mr. J. A. SMITH. Do you mean in connection with the mechanics?

Mr. VORYS. Yes. I do not understand exactly what you want us to do.

Mr. J. A. SMITH. We feel, as indicated in the delivery of this position, that fresh fruit can appropriately be included. It can be appropriately included because it has advantages in connection with diet and the machinery is available for the arrangement of agreements between countries which can be closed with considerable facility.

Insofar as the inclusion of fresh fruit and the detailed mechanics are concerned, part of that will depend upon the position of the Commodity Credit Corporation bill, Senate 1322, with regard to revision of the charter. Apparently, the Commodity Credit Corporation is in a position to do some of this, just as they did under the Anderson amendment. The chief difficulty of the Anderson amendment is that it makes no provision for private trade in connection with fresh fruits or any other commodities, which is the only manner in which our commodities can be handled with any efficiency.

Mr. VORYS. What is in the way of your program to make arrangements by way of private trade to finance the sale of fruit?

Mr. J. A. SMITH. The lack of currency or dollar exchange abroad. We are sure that the market exists.

Mr. VORYS. Why can you not finance it and carry the deal until they get the dollars?

Mr. J. A. SMITH. Do you mean as individual shippers and producers?

Mr. VORYS. As an organization?

Mr. J. A. SMITH. As an organization, the Northwest Horticultural Council, they are not established for such a procedure.

Secondly, as individual producers and members of the Council, they are not financially or otherwise equipped to carry foreign exchange on a private basis. Their costs are high, their income is low.

As I mentioned in the report, we have reached a price support position, unfortunately.

Mr. VORYS. Thank you.

Acting Chairman JONKMAN. Mr. Jarman?

Mr. JARMAN. No questions.

Acting Chairman JONKMAN. Mrs. Bolton.

Mrs. BOLTON. You have mentioned the dollars as being the problem. You say there are plenty of refrigerator cars in this country. What happens when you reach the sea? Are there refrigerator ships?

Mr. J. A. SMITH. With regard to ocean transportation from United States ports to Europe?

Mrs. BOLTON. How is it done on the ships?

Mr. J. A. SMITH. In refrigeration, and normally from the Pacific coast via the Panama Canal.

Mrs. BOLTON. It goes all the way by ships?

Mr. J. A. SMITH. Yes.

Mrs. BOLTON. You have no lack of ships?

Mr. J. A. SMITH. The alternate route is across the country to one of the east coast or Gulf ports and then by either refrigeration stowage, or what we call ordinary stowage, to the destination.

There is no lack of shipping. That was our problem a year or so ago.

Mrs. BOLTON. What ships came back?

Mr. J. A. SMITH. A good many ships which had established their lines before the war, on both coasts, have returned to service, both United States and foreign lines.

Mrs. BOLTON. What is it that keeps fruit out of the caloric diets of which we all speak, 1,800 and 3,200 and so on? Why is fruit not included and what is its caloric value?

Mr. J. A. SMITH. I am sorry, I cannot answer that technical question.

Mr. VORYS. Would the lady yield?

Mrs. BOLTON. Yes.

Mr. VORYS. I think the proposition that has been put to us is, when you are facing starvation, you have to use your available money to get calories, and the principle of the Anderson amendment was to use fruit as a caloric fulfillment insofar as it was available, because when people are starving, neither they nor we can afford to give them the nice, well-rounded diet that would be desirable.

Mrs. BOLTON. Thank you, Mr. Chairman.

Mr. J. A. SMITH. I think I best expressed our problem when I mentioned adaptability of fruit to the ERP.

Mr. VORYS. You are speaking of the maintenance of a properly balanced United States economy, that it is deserving of consideration.

That is certainly true. However, any element of an economy which cannot support itself raises a question of whether it is in proper balance. Of course one of the things that must be considered is that if your industry is one that cannot support itself without Government crutches——

Mrs. BOLTON (interposing). Would the gentleman yield at that point?

Mr. VORYS. Yes.

Mrs. BOLTON. The reason the industry finds itself in this situation, is that that export trade was built up very largely at the encouragement of the Government, to get more trade, and therefore it is the first time that we have had brought to this table the situations in which one of our industries finds itself because of the lack of export trade.

Does that not account for the need of help?

Mr. J. A. SMITH. That is our essential difficulty.

Mrs. BOLTON. If there were some way to include a certain amount of fruit in our shipments, you would rather do it as private firms, would you not?

Mr. J. A. SMITH. Yes, that is so.

Mrs. BOLTON. Selling it to private firms abroad?

Mr. J. A. SMITH. Yes. The British Government, when it purchased fruit last year through the British Food Mission, in order to distribute it properly through the British Isles, used the facilities available to them in private trade channels. That is the most adaptable manner in handling fruit.

Mrs. BOLTON. When those countries have dollars, this would not be something that would automatically return?

Mr. J. A. SMITH. This is a temporary stopgap measure. I am glad you raised that question because it has been previously raised. We are assured by our private trade connections abroad that a demand exists for our fruit. We are certain we have the fruit of the specifications which they want. We are sure of our transportation position. We have all of the elements that are available to both give Europe what it wants and assist our industry in this temporary period of jeopardy, except for the dollar exchange.

Mrs. BOLTON. I think it is a most interesting question and one I am sure the committee will want to consider from every angle possible.

Mr. HOLMES. Without violation of protocol, could I make a statement?

Acting Chairman JONKMAN. We will be very glad to hear from you.

Mr. HOLMES. To sum this up a little, we have been up against some very difficult conditions in the Pacific Northwest with fruit, and to show you how important the export markets are to the fresh fruit industry of the Pacific Northwest, we have today, in the export grade of apples alone, a backlog of 4,000 or 5,000 carloads.

It was so severe, until we got some assistance from the Commodity Credit Corporation, on the school-lunch program, that was put out last week—an expenditure not in excess of \$2,400,000 for export-grade apples, that we were practically faced with the condition of dumping this fine fruit.

Twenty-eight percent of our apples—around 44 to 45 percent of our pears—find their normal channels in export alone.

Mr. VORYS. Where to?

Mr. HOLMES. To all the northern European countries. Even in the face of this stringency, Sweden, facing a very severe condition of dollar exchange——

Acting Chairman JONKMAN (interposing). Is that the normal percentage now?

Mr. HOLMES. Those were the prewar percentage.

The devastated conditions in Europe have just obliterated our export markets. Even in the face of these severe conditions in dollar exchange, Sweden has just recently entered the market for export-grade apples to the amount of around \$1,500,000, thinking it is necessary for their diet.

The loss of these export markets is the thing that is causing this devastating condition in the fresh-fruit areas of the Pacific Northwest. It is the over-all problem that they are trying to put before your committee, that in order to sustain themselves, Congressman Vorys, which they have been able to do in very good shape with the normal channels of export open to them, if they could again come into the relief program through private sources, to help establish their export markets, they are in turn perfectly capable of standing on their own two feet. However, it is with this tremendous impact of the loss of export markets that has thrown their position into a very serious situation. That is the point I think, Mr. Smith, who is one of the very able and outstanding men in this field, is trying to put across to the committee; the reestablishment of these channels of trade which are, normally, into France, the Netherlands, Denmark, England, Sweden, Norway, and those countries, and Germany previous to the war. They in turn can handle their own problem but with the loss of that and with the great European relief programs coming up, they want to reveal what the situation is they are facing. These normal prewar channels of trade will not be open to them. You see the military has practically ceased taking any large volume which offset the loss of these export markets during the war.

Mrs. BOLTON. Is it not a very vivid picture of the complete dovetailing of the lives of humans from one country to another? We are dependent upon export, not only with fruit but with other things. This is a very vivid moment of clarification, to perhaps some of those who feel we could be self-sustaining with such ease. I just throw that into the discussion, Mr. Chairman.

Acting Chairman JONKMAN. Mr. Smith said that after the beginning of the war, you lost your foreign export market, and that it was supported to a great extent by sales to the armed forces.

How long did that carry you, through 1945 and 1946, so that you had one season? How long has that impact been felt?

Mr. J. A. SMITH. That impact has reached its peak within the past 2 months.

To answer your question specifically, the buying for the military ceased when we reached the full period of demobilization, that is it has almost ceased. Some fruit in very small quantities is still being bought by the Quartermaster Marketing Centers, but the amount is insignificant.

Insofar as lend lease is concerned, I am sure the committee knows when that stopped.

Last year we were able to maintain a portion of our export position by reason of the fact that Great Britain purchased some of our fruit in rather substantial quantities.

Certain markets, such as Sweden and Belgium, were able to buy our fruit because they had dollars available. The dollar exchange position has deteriorated in all of those countries which are our principal markets, with the result that we find ourselves in exactly the position I have stated.

Mr. KEE. I think we can all appreciate the situation your people, the fruit growers in your State, are facing, and that it needs remedying. However, the bill before us is not one to open up the markets again of Europe.

I understand what you are after here is to have a provision incorporated in this bill either authorizing or requiring the Administrator of this program, in the event the program is established, to purchase in the markets, quantities of fruit to supply these European participating countries; is that correct?

Mr. J. A. SMITH. That is correct.

Mr. KEE. Now, the bill as presently written does authorize the Administrator to purchase all commodities he deems necessary or appropriate, to carry out the purposes of this Act.

As I understand it, it is your idea we should incorporate in the bill either authorization or requirement that the Administrator purchase fresh fruit; is that correct?

Mr. J. A. SMITH. That is right, with one or two additions. First, that authorization should, in our opinion, contain a provision for private trade. That is very important. That is an important element in the reestablishment of our business abroad, which we hope will be reestablished as quickly as the European recovery plan meets its goal.

Mr. KEE. Please explain what you mean by "Private trade." I take it the Administrator would purchase this fruit through the ordinary channels.

Mr. J. A. SMITH. I think I understand your question clearly. By "private trade," we mean trade between individual producers or exporters in the United States, with individual importers in the markets abroad.

The purchase by our Government is desirable but an alternative to their assisting us in returning to trade between individuals. As I have stated, to the extent that reestablishment of private trade between individuals in this country and individuals abroad does not meet the requirements of the industry in replacing its lost export markets, then purchases by our Government should and will doubtless help fill the gap.

It will do the industry little good in one respect—that respect being the return of our traditional trade with our established buyers abroad who best know us, and are the ones who will support us most consistently, if, for example, our Government should buy from us in bulk, or in large quantities, and then re-sell or give away or otherwise dispose of such fruit to foreign governments as such—purchasing missions or any of the other means which are not the private operation.

Neither this Government, I am sure, nor the governments abroad, are capable of handling fresh fruits with the facility of the private trade channels.

Mr. KEE. Do I understand you to mean that our government should purchase through your agencies abroad?

Mr. J. A. SMITH. There is a provision in the Administration's bill, and I think Mr. Herter's bill, for the establishment of credit abroad.

There are certain other references to what used to be called grant-in-aid portions of the program. They are now referred to, I think, "without specific procedure for repayment," or something like that.

Our suggestion is this, subject to refinement, that these credits be established in dollars abroad, with various countries which enter into agreements with the United States, which agreements will have been concluded with the use of existing trade agreement machinery, the Office of Foreign Agricultural Relations, the State Department, and so on, just as the Swedish agreement was made last June.

It is easy to make the arrangements between two countries, particularly when there exists, as with us, a long record of historical shipments month by month to these countries which are involved.

Let us say the Government of Sweden enters into an arrangement with the Government of the United States, by which Sweden would agree to issue import permits to the extent of a million boxes of apples and pears, meaning that Sweden would permit the entry into the Swedish fruit market of such a quantity.

The procedure thereby would be that after the permits are issued to the individual Swedish importers, with reference to their historical importance internally in Sweden, that they could then get in touch with their traditional connections in the United States, who would be able to quote them prices on our fruit.

There is one missing link. The Swedish Government would have no dollars.

It is the suggestion, subject to further refinement, that by some means—possibly the establishment of these credits—the dollar gap would be filled, in the reestablishment of private trade, by a designated Government agency supplying dollars, thereby permitting the return of all of the methods that we have known historically in private trading.

Mr. KEE. Thank you.

Mr. VORYS. I wonder if you studied the guaranty provision of the Administration bill which would guarantee the ultimate repayment of your dollar advances in dollars, or whether that would completely cover your problem?

If you have not studied it, I do not want you to take time to study it now.

Mr. J. A. SMITH. We have not studied that.

Mr. SMITH. The question I had in mind was very ably presented by Judge Kee. I have but one question:

What percentage of your crop, Mr. Smith, would be absorbed in this kind of a program, do you think?

Mr. J. A. SMITH. Of our crop in the Pacific Northwest?

Mr. SMITH. Yes.

Mr. J. A. SMITH. In order to avoid asking for price support, we require the return of our prewar export accomplishments, so the combination of price support and the inclusion in ERP is suggested. The combination of price support and inclusion in ERP, or entire inclusion in ERP, or an entire price support, would cost the Government no more money either way. But to answer your question specifically—28 percent of our apples and 44 percent of our pears.

Mr. SMITH. I am sure the committee would like to have any recommendations you might have with relation to the specific provisions to be placed in the bill to meet your problem.

Mr. J. A. SMITH. Thank you kindly. I would appreciate the opportunity of doing that.

Mr. SMITH. That is all I have, Mr. Chairman.

Acting Chairman JONKMAN. Mrs. Douglas?

Mrs. DOUGLAS. What percentage of your crop is consumed by the domestic market?

Mr. J. A. SMITH. The balance, Mrs. Douglas. We export 28 percent of our apples and 44 percent of our fall and winter pears. It would be 72 percent apples and 56 percent on pears.

Mrs. DOUGLAS. During the war, part of the domestic supply was bought by the Army?

Mr. J. A. SMITH. Yes; and lend-lease.

Mrs. DOUGLAS. Has there been any fluctuation in the domestic market?

Mr. J. A. SMITH. Yes, quite definitely downward since the end of the war.

I would like to correct that statement. The fluctuation downward has occurred during the present season, due to the lack of our export markets this year, even to the extent that we had them last year.

Mrs. DOUGLAS. I do not refer to your export markets, but to your domestic market.

Mr. J. A. SMITH. The domestic market has tended downward to a point where we are now selling all specifications of apples and pears at below cost of production.

Mrs. DOUGLAS. Since when has this curve started downward?

Mr. J. A. SMITH. The curve started downward in October of last year.

Mrs. DOUGLAS. That is October of 1947?

Mr. J. A. SMITH. Yes.

Mrs. DOUGLAS. Can you account for that downward curve in any way?

Mr. J. A. SMITH. Last year we were exporting. We exported substantial quantities both to Sweden and Belgium when they could buy from us. We exported large quantities of apples, pears, and grapes to England, when England had dollars under the British loan.

Mrs. DOUGLAS. I understand that, but I am asking you about the domestic consumption of apples and pears. Has there been a falling off in the domestic market in the United States?

Mr. J. A. SMITH. Yes.

Mrs. DOUGLAS. Now, the figure in 1947 was the beginning of the falling off of the domestic market. In other words, the people of the United States are not buying as much fruit as they did last year in October 1947.

Acting Chairman JONKMAN. Do the imports from Canada and Argentina emphasize that situation?

Mr. J. A. SMITH. That is true, they do emphasize it.

There had been a falling off in the domestic price of fruit. It is difficult to say that there has been a lesser consumption of fruit in the United States, but as I mentioned in my report, the supplies of fruit in this country are increasing.

Mrs. DOUGLAS. That is because your exports are falling off, so you do not know whether the actual consumption of pears and apples is less at the moment?

Mr. J. A. SMITH. We have both an increasing production of fresh fruit in this country, including citrus, and the lack of exports, and imports that I have been discussing, which add to our problem. It is not a quantitative matter, in any specific commodity we are talking about. It is a matter of the total supply of fresh fruits. They all compete for the same market.

Mrs. DOUGLAS. It seems to me that rising prices may very well tend to cut down the consumption of fruit. If your money is used up buying meat and potatoes, of course, you can't buy apples, grapefruit, and oranges. We know that from our own State where we raise so much citrus fruit.

I wonder if you have anything to say on that?

Mr. J. A. SMITH. We call ourselves the deflated branch of the agricultural economy.

Mr. JAVITS. Mr. Smith, could you say what you would like to see done with this Knowland-Anderson amendment, to change it to cover your situation?

I do not mean for you to do that now but perhaps you could draft it up and let us have it.

Mr. J. A. SMITH. I would like the opportunity to do that.

Mr. JAVITS. Would you tell us also whether it would be economically feasible for these European countries who are now getting soft currency apples and pears, to get yours?

In other words, would they be spending much more in dollars than they would be spending in soft currency?

Mr. J. A. SMITH. No; and it is for this reason. We envisage a type of trading agreement which would doubtless have to include, as one of its terms, the foreign recipient government's agreement with regard to maximum ceiling sales price. That is necessary, almost, to protect its own agriculture in countries abroad.

Mr. JAVITS. You feel you can compete in a country that is going to be aided, like France. You can compete for the apple market in France against other countries in the 16-nation group? Your price is low enough for that purpose?

Mr. J. A. SMITH. Yes; we can. As a matter of fact, in terms of francs, we are told there are astoundingly high prices being paid for local-grown French fruit.

Using the example of France, our proposal here would be consistent with the policy of deflation in France, because it would be supplying more goods into that market.

Mr. JAVITS. Would you be able in your community to get together sufficient capital that you could give long-range credits to the European countries whom you desire to have buy your products, if those long-range credits were guaranteed, so the people who put up that money would still get their money back but it would be on a long-term basis of say 5 or 10 years? Could you get that kind of capital in your State or on the Pacific coast?

Mr. J. A. SMITH. No; we could not. The character of the fruit business, particularly in the area I am describing, is one of groups of small growers. The average acreage is around 10 acres. The grower has no capital.

Mr. JAVITS. Could these cooperatives raise enough money collectively to finance long-term credits if there were a guaranty so there would be no question about the money being good?

Mr. J. A. SMITH. Their position is being jeopardized just as is the position of the individual grower. They are hard-pressed at the moment by this market situation. They have no money for such purposes.

Mr. JAVITS. They could not raise it from banking sources?

Mr. J. A. SMITH. No.

Mr. JAVITS. I notice you placed emphasis on what you call private channels or private trade.

Mr. J. A. SMITH. Yes.

Mr. JAVITS. Is there some alternative?

Mr. J. A. SMITH. Yes; Government trading or State trading.

Mr. JAVITS. That is State trading in these recipient countries?

Mr. J. A. SMITH. The alternative is State trading.

Mr. JAVITS. Is it true that these apples and other items would be bought from you by foreign governments?

Mr. J. A. SMITH. That is not our suggestion of the way to solve the problem. We suggest that the foreign governments, after making agreements with the United States Government through the established trade-agreement machinery, be given credits for these commodities that we are discussing, which credits could be expended only under the terms of the trade agreements between the United States and the foreign nation. Thereupon the foreign country would issue import licenses to its individual importers. They have records of established trade going over many years and as a matter of fact right today the Swedish Government, in implementing its most recent fruit agreement with us, is issuing import licenses to the established trade.

Those importers who receive licenses and therefore exchange permits under the credit which has been established would thereupon communicate with their established connections in this country, the producers of fruit and exporters, and conclude the arrangements.

Mr. JAVITS. You are desirous that we place emphasis on the continuance of trade relationships between established commercial channels with the Government just making the foreign exchange available to its own established commercial traders?

Mr. J. A. SMITH. Yes; that is right.

Mr. JAVITS. Thank you.

Acting Chairman JONKMAN. Mr. Jackson.

Mr. JACKSON. Mr. Smith, being a representative of a great fruit-producing area myself, I am sympathetic. However, if you changed the export machinery to include fruit in this program, it might then have to be changed to include periodicals, prunes, pots and pans, and anything else marketed abroad in a market that had been built up over a great number of years by American firms in the export field.

Could you give me the feeling of the Maritime Commission relative to inclusion of fresh fruits in shipments overseas?

Mr. J. A. SMITH. Answering your last question, I cannot.

Mr. JACKSON. Can you with reference to the Agricultural Department?

Mr. J. A. SMITH. No; but I can say this: In the commodity reports, in the break-down of the technical report, Secretary Anderson has indicated the inclusion of a very substantial quantity of fresh fruit to go abroad.

Mr. JACKSON. I think one of the practical considerations is that of shipping space. Is it not true that from the standpoint of shipping

space the inclusion of bulk products as represented by fresh fruit would increase the over-all shipping costs and decrease the amount of space available for foods of higher caloric content?

Mr. J. A. SMITH. No; I do not believe so. In the first place, the shipments of fruit from our area particularly, and that includes the entire Pacific coast, is very largely moved by the Panama Canal, which requires special refrigerated vessels. Those vessels cannot possibly maintain themselves, for example, with dry cargoes. They are a very different type of ship.

Those vessels are available for the carriage of fruit in sufficient quantities to solve our problem. We can ship from the Pacific coast, from the Gulf, and from the Atlantic coast.

I do not believe there will be any reduction in available space for other types of commodities by reason of the inclusion of fruit in this program.

You asked one or two other questions that are rather fundamental. I would like to take the opportunity, if I may, of explaining the position.

Mr. JACKSON. Please do.

Mr. J. A. SMITH. You mentioned that this might open a virtual Pandora's box of commodities that have a historical record.

I might mention again that agricultural legislation is pretty well established in our Government procedure. This, quite frankly, of course, is a combination of support and of inclusion of an appropriate commodity in a relief program.

This is an industry which cannot possibly alter its production to take care of demand and supply curves. We have to go along producing as the trees will produce, as you know from your own constituents. We must maintain our production on an even basis because we have no alternative.

If we were manufacturing goods we could shift in accordance with the demands, or if we had annual crops, we could do the same thing. However, we are caught between stable production, which is geared to the exporting of such a tremendous quantity of our fruit, and the lack of that export market, due only to the lack of dollar exchange.

Mr. JACKSON. Thank you very much.

Acting Chairman JONKMAN. Are there any other questions?

Mrs. DOUGLAS. I would like to ask one.

Are you getting less for your apples and pears now than you got in February 1946?

Mr. J. A. SMITH. Yes.

Mrs. DOUGLAS. Who is getting the money for the apples and pears? When we go to the market and pay higher and higher prices, who is getting the money?

Mr. J. A. SMITH. The grower is not getting it. I cannot answer that question directly. I have heard it raised before but I do not know the answer. There seems to have grown up, unfortunately, a mark-up system by the domestic fruit handler after it is out of the hands of the producer. The producer is getting less than the cost of production.

Mrs. DOUGLAS. You are getting less than the cost of production now and less than you got in February of 1946?

Mr. J. A. SMITH. Yes.

Mr. SMITH. Perhaps Mr. Holmes can help us.

Mr. VORYS. We would like to have an authoritative statement on this, and I think it is up to Congressman Holmes and these witnesses to get us this information in precise form, and just as Mrs. Douglas says, our family does not see any falling off in the prices of fruit a bit.

Mr. HOLMES. I believe the witness can furnish the information you desire.

Mr. J. A. SMITH. We would be glad to furnish that.

Mr. JACKSON. Could we also have, along that line, if it is possible, some break-down on costs, including labor and including everything that goes in? Let us take that tonnage of apples. It might be reflected in that, in some respect.

Mr. KEE. Would it not be a good idea if you could persuade these distillers who want to use wheat to manufacture intoxicating beverages, to ship the wheat over and make a little of what we call applejack out of your surplus fruit?

Acting Chairman JONKMAN. All I can say, Mr. Kee, is that the question is not germane.

Mr. Smith, we thank you for coming here, and in keeping with what Judge Kee was speaking about, I would like to tell a little story that I think will illustrate two things:

Mr. Jackson says he is interested in this.

We grow apples in northern Michigan. The point Mrs. Douglas brought up is illustrated by a thing that happened there.

There is a very prominent politician in my district who grew apples. Another politician used to buy them from him. He ran across a crate of Oregon apples one time. He took the tissues off there and put Melba-Pershing apples in their place. He went over to Mel and said:

"Here are apples I bought for \$2.40 a crate and you get about \$1.20 for those same apples."

He also said, "It is no better apple than you have."

He looked at it and said, "You can't fool me. Those are my apples."

But that is where the \$1.20 went in the process.

Our next witness is Mr. C. A. Barrett. Is Mr. Barrett here?

STATEMENT OF MR. C. A. BARRETT, PRESIDENT, TATE-JONES & CO., INC., OF PITTSBURGH, PA.

Acting Chairman JONKMAN. Mr. Barrett has submitted a most interesting paper to the committee which, without objection, will be included in the record at this point.

(The paper referred to is as follows:)

TATE-JONES & Co., Inc.

PITTSBURGH 19, PA.

Mr. Chairman and members of this distinguished committee, I appreciate very much the opportunity given me to testify before this committee. My name is Carlton A. Barrett, president of Tate-Jones & Co., Inc., industrial engineers and contractors, of Pittsburgh, Pa. I am also the commander of the largest American Legion Post in Pittsburgh, Pa.

I am very interested in the welfare of the people of the United States and particularly in the welfare of the young veteran of the past war and his opportunity to earn a decent living.

The reason that I am here today is because, through the activities of our company throughout the world in the last 2 years, we have been able to accumulate certain information and data that, if properly used, should make the administration of the Marshall plan a benefit to the United States rather than a burden.

During the term of UNRRA we furnished industrial plants for Europe and Asia and, in the last 12 months, we have made several trips and a complete study of the conditions in Latin America. As a result, we have found the following world conditions to exist.

Most countries outside of the United States are very much in need of many commodities and industrial facilities but they do not have the dollars to purchase these requirements. However, most countries outside of the United States do have surpluses of certain commodities and raw materials that are badly needed by the United States in carrying out of the Marshall plan and in building up our own stock piles of strategic materials. These surpluses are readily obtainable by the United States providing these countries, by some means, can secure the things they need in return at fair value. For example, the Argentine has a considerable surplus of wheat and meat. They are asking between \$5 and \$6 a bushel for their wheat against an average price of \$3 per bushel in the United States. This is being done, because if the Argentinians receive dollars for their wheat and come to the United States to buy industrial or agricultural equipment with those dollars, they must pay a premium price over and above the regular selling price in the United States for the equipment they need. I have the definite assurance of responsible people in the Argentine that they will sell us as much of their surplus wheat as we need at current prices in the United States if we, in turn, will give them dollar credits in this country to purchase equipment over the next 4 years at standard market prices in this country, and, to insure this, that the United States Government, through the agency set up to administer the Marshall plan, will supervise the purchase of this equipment. The Argentine alone can supply us this year with approximately 3,000,000 tons of wheat, 600,000 tons of oats, 3,000,000 tons of corn; barley, 900,000 tons; linseed oil, 250,000 tons. The Argentine can also supply us with large quantities of beef, edible fats, industrial fats and leather in the form of hides. All of the above can be secured at present United States prices if we can give them, in return, the machinery and equipment they need at average prices in this country. In addition to the above commodities, the Argentine can also supply us with dairy and poultry products. Also, if given machinery and equipment, she can supply us in a few years with many minerals that we need and also petroleum and petroleum products.

Other countries in Latin America can supply us also with the following:

Bolivia

If we confine program's interest to Bolivia's minerals only—tin, copper, lead, bismuth, antimony and wolfram, zinc, petroleum.

Brazil

Has coffee, rubber, cotton, sugar, Yerba mate or Brazilian tea, timber, vegetable oils, fruits, cereals and grains, meats, and many other items which Brazil can contribute under our sound plan.

Chile

Chile produces wheat, barley, oats, fruits in abundance. But suppose we say that her contribution under our sound plan is confined to her mineral wealth—her nitrates, her copper, her iron, her molybdenum, and sulfur. Chile also has lead, aluminum, manganese, bismuth, cobalt, potassic salts, mercury, mica, zinc, and many other minerals of which we depleted the United States during the war.

Colombia

Coffee, bananas, rubber, cacao, drugs, fibers, and petroleum.

Costa Rica

Has coffee, bananas, cacao, and possibilities for the development in a large scale of other resources. The country has not been touched industrially.

Cuba

Tobacco, that England needs so badly, fruits and vegetables, honey, timber, copper, manganese, iron.

Dutch Guiana

Timber is abundant, including mora wood, possum, cedar, greenheart and hardheart (which are cabinet woods). It also has bauxite or aluminum ores.

Ecuador

While having great possibilities of producing large quantities of foodstuffs, it will take time. However, she can contribute minerals, including crude oils, silver, copper, lead, and zinc.

Guatemala

Has coffee and bananas in large quantities. Can also supply coconuts and rubber.

Honduras

Has bananas, coconuts, coffee, hardwoods, silver, and exports some copra.

Mexico

Rich in resources that have not been tapped and only await industrialization. Produces a lot of livestock, millions of sheep, millions of goats, millions of poultry, millions of cattle and hogs. Has tremendous areas of timber. It has fibers, such as henequen; it also has ixtle hemp. Has mineral oil, vanadium, tin, copper, iron.

Nicaragua

Coffee, bananas, sugar, cacao, mahogany wood.

Panama

Bananas, coconuts, cacao, high-grade coffee, manganese ores, hardwoods.

Paraguay

Has vegetable oils; essential oils, such as the petit grain, distilled from the leaves of bitter orange, used as a basis for perfumes and flavors. That should go good with the French. Citrus fruits, timber—unlimited quantities, thousand of miles of forest remain untouched. Many rare and valuable woods are still largely unknown in foreign markets. Cattle and meat packing. Rich iron ores in many parts of the country.

Peru

Cotton, sugar, rice, in the increase, fruits, cocoa, coffee, olives, quinine bark, castor oil, flax, forest products, petroleum, copper, silver, lead, zinc, vanadium, bismuth, coal.

El Salvador

Coffee—at low-cost production. It has 140,000,000 coffee trees. Henequen, balsam. According to late estimates, there are some 646,000 head of cattle—only 75,000 consumed annually.

Uruguay

The last agricultural census shows the following figures:

Cattle.....	8, 226, 890
Sheep.....	17, 931, 327
Hogs.....	346, 329

In 1945 alone, Uruguay's exports of meats, mainly to Great Britain, were as follows (in kilograms):

Frozen beef.....	29, 917, 999
Frozen lambs and weathers.....	7, 240, 359
Frozen pork.....	744, 420
Frozen turkeys.....	355, 789
C. C. beef.....	50, 759, 437

Besides extracts of meats, ox tongue, salted beef, jerked beef, tallow, and grease. Also produces skins and hides; wheat, corn, barley, oats.

Venezuela

Coffee, cacao, sugar, oil, asphalt, coal, and many other items.

In all, we estimate that Latin America can supply commodities and strategic materials to the extent of 1 to 1½ billion dollars worth per year on a conservative basis, and all of the above countries are ready and willing to exchange surpluses of their natural resources and commodities for much needed industrial, agricultural, and transportation equipment if we will give them this equipment at the same price we pay for it in this country, plus transportation charges.

It is our suggestion that the agency set up to administer the Marshall plan be given the authority to contract for foodstuffs and strategic raw materials, wherever possible, in Latin America, Canada, Europe, or Asia as long as the country contracting is a friendly member of the United Nations, and be allowed to pay for

these items with credits to the contracting country for purchase of machinery and equipment in this country, over the next 4 years. The United States Government agency administering the Marshall plan to supervise the purchase of this machinery and equipment by securing their requirements from each country contributing and purchasing for each country by securing competitive bids from United States engineering and manufacturing companies.

This would enable Latin-American countries, through expansion in industry, to absorb most of the displaced persons of Europe as workers and solve one of the hardest problems the world has on its hands at this time.

We would enable Latin-American countries to develop vast mineral resources which, as yet, have hardly been touched and put them in a position to truly take their place in the plan for hemisphere solidarity and defense.

The work that would be given to this country would materially help to increase the take-home pay of the workingman, create jobs and increase production generally so that we need have no fear of unemployment. At the same time, we would be able to keep these dollars in the United States and through increased production and profits, the United States Government would be able to recover approximately 25 percent of the amount spent through taxes without in any way increasing the tax rate.

Last but not least, we would immediately relieve the strain on our own commodities and inflationary prices on foodstuffs would tend to become normal.

Mr. BARRETT. Mr. Chairman and members of the committee, my name is Carlton A. Barrett, member of Tate-Jones & Co., Inc., industrial engineers and builders, of Pittsburgh, Pa.

We build industrial plants all over the world and in almost every country in the world. At the present time we are negotiating for industrial plants in Europe, Asia, South America, and Africa.

I am also committeeman for the national executive committee of the American Legion and as such am very much interested in world conditions today as affecting the lives of our own people in this country.

I have too many veterans of the last war coming to to see me looking for jobs. We began to wonder about the effect of the European relief plan on our own national economy. We proceeded a number of months ago to contact our engineers in various other countries to see if there was not a way that the so-called Marshall plan could be turned to advantage for the United States of America and at the same time accomplish what we wish to accomplish in western Europe.

I personally spent several months in the Argentine, Brazil, Chile, Peru, and Mexico. Last week I had a meeting in Florida at Boca Raton, with unofficial representatives of several Latin-American countries.

Our engineers are in Scandinavia, France, England; and we have representatives in India and China.

We find this condition to exist, as is well known, that practically all the countries in the United Nations are very much in need of many commodities and industrial equipment, but they do not have dollars to buy them. Therefore, immediately our problem was to determine the quickest, easiest, and most advantageous method to create purchasing power in those countries.

We found in our survey of Latin America that they require, need, and wish quite a large amount of industrial, agricultural, and transportation equipment. They have, in Latin America, enormous surpluses of foodstuffs that we anticipate using in our relief to Europe but which are short in this country.

I want you to understand one thing right at the beginning: In this plan of ours we have no intention of using commodities from countries outside of the United States to the extent that we would hurt our

own domestic commodities. However, we do plan to use commodities where available outside of the United States, to relieve shortages in this country, by using them to relieve Europe instead of our own commodities, as long as we can purchase those commodities outside of the United States at approximately the same price as our own commodities are bringing in this country.

I have a definite commitment from the Argentine Government that they will supply us with all of their surplus wheat, meat, corn, and various cereals, poultry, and dairy products, at current prices in this country, if they can get credits in this country to purchase from private industry in this country, industrial, agricultural, and transportation equipment in this country over the next 4 years.

I have right here a telegram from a high official of the Argentine Government stating that they have available for our use immediately, 3,000,000 tons of wheat; 250,000 tons of linseed oil; barley, 900,000 tons; corn, 3,000,000 tons.

They also have industrial fats, edible fats, wool, hides, leather, casein, chilled beef, superior beef, boneless beef, and they will give us these surpluses for use at current prices in this country.

In other words, it would be wheat at an average price of \$3 a bushel, if instead of dollars in cash they can get dollar credits in this country to purchase with and have whatever agency set up to administer the Marshall plan supervise the purchase of that equipment for them.

The reason for that is this:

We hear much criticism in this country about Latin America—not only the Argentine but other countries—asking exorbitant prices for their surplus commodities. The reason is this:

If they sell us wheat for \$3 a bushel, and they come back to this country to purchase industrial machinery and equipment at \$3, private industry in the United States asks \$5 for that industrial equipment that they would sell within our own borders for \$3. However, they feel this, if the United States Government supervises the purchase of that equipment as it did in the UNRRA program, and other programs that we have had, through competitive bids, that they will get a \$3 piece of machinery for \$3 instead of \$5 and they are willing to take the chance.

In my report there is listed the commodities available in every Latin-American country.

In addition to commodities, Latin America and Europe have valuable surpluses of strategic raw materials that we need badly, and which we can secure on a barter system in return for our relief and for our credits, at normal prices, which we could not receive in any other way.

We find that if this plan were set up we could get many of the commodities necessary for the administration of the relief plan immediately, without in any way creating additional shortages in this country, but on the contrary relieving the pressure on the market in this country for those commodities, thereby tending to bring prices down on basic foodstuffs.

We would throw close to \$1,000,000,000 a year, up to \$1,500,000,000, into this country for the next 4 years, thereby increasing the take-home pay of the average worker and through which the United States

Government would be able to recover 25 percent of what they spend through taxes.

Likewise I have the assurance and commitment of the heads of the various Latin American countries that if they are allowed to purchase industrial, agricultural, and transportation equipment from this country over the next 4 to 6 years, they will immediately start to absorb the displaced persons of Europe. They need many of those displaced persons very badly.

We talk about these surpluses at the present time from Latin America. As their industry grows and as they absorb the displaced persons, instead of having surpluses of commodities to export, they will gradually build up a population that will consume their own production, thereby eliminating our difficulties in our private markets and thereby increasing our own export markets for commodities in years to come.

We have checked this plan from almost every angle, and that is basically the program that we have outlined.

I would be very glad to receive any questions from any member of the committee, as to any dangerous effects that it might have on this country.

I also want you to remember that under this plan, every dollar that would be spent to use commodities from Latin America, Canada, or to secure basic strategic raw materials from either Latin America and Canada, or from Europe itself, would be kept in this country, and we would control the supplies, and the equipment, that would be given to western Europe and to Latin America to use.

That is all I have to say.

Acting Chairman JONKMAN. Judge Kee, have you any questions?

Mr. KEE. Your statement is indeed an interesting one. It seems to me it would be very well indeed if your statement was called to the attention of the officials of our Government and referred to every representative we have in those countries, the official representatives, for confirmation. If the findings are satisfactory, proper action should be taken.

Mr. BARRETT. I appreciate that.

Acting Chairman JONKMAN. Mr. Vorys?

Mr. VORYS. You have given a very interesting statement, Mr. Barrett.

As I understand, the plan contemplates South America joining the "Give Away Club" to the extent of several hundred million. We would like to have them in it, not only being willing to sell stuff for us to give away at world prices but it would be very nice if they would join the "Give Away Club."

What are the chances for the Argentine and Brazil shipping some of these foodstuffs that you mentioned in your extremely interesting outline, to Europe, and carrying it on the cuff or giving it away and not bringing us into it at all?

Mr. BARRETT. Mr. Congressman, there is a good chance if we, in our turn, will do something to back up our talk of good-neighbor policy at Mexico City, Habana, and Rio de Janeiro.

I will give you one short experience I had. When I went down to the Argentine in September, I arrived in Buenos Aires on September 20.

On September 30 I gave a press release that I was in the Argentine. Now, we have done this ourselves in our own company.

To begin with, we have traded with the Argentine, to build a tin foundry and linoleum plants for which we get linseed oil to send to Sweden, and they give us high-grade steel, which we use in our mills and get dollars. Therefore we create a movement.

I gave a press release stating I was in the Argentine to sell industrial equipment in exchange for commodities.

The day before I gave that press release the British Ambassador had notified the Argentine Government, Mr. Juan Peron directly, and Don Miguel Miranda, that the several billion pounds that the British Government owed the Argentine Government for meat, for which they had not paid them, was frozen, and that the Argentine Government could expect none of those pounds for quite some time.

When my press release came out that we were ready to do business and exchange commodities for industrial equipment which they needed very badly, the following day the British Ambassador received a cable from London instructing him to notify Don Miguel Miranda that the British Government was willing to change their policy and put a much softer tone on that attitude that they were going to freeze their pounds.

However, at the same time the British are not in a position to supply much-needed equipment in Latin America.

In western Europe, through a survey of our engineers, we find the reconstruction is primarily reconstruction. It is the rebuilding of torn-down plants and equipment so that the population can produce something of value that they can use to trade with, and develop credits.

In Latin America, industry is basically new. They are new installations and they are building up new possibilities of industrial production in addition to what they already have.

Western Europe at the present time is terrifically crowded with people who are unemployed, who have no place to go, and nothing to produce with. The ground itself will not support the displaced people of Europe and in many cases will not support their own population.

In Latin America you have a very fertile field from an agricultural point of view to support the population and if we give them the opportunity to build up industry—in the Argentine, Brazil, Chile and Peru, the mineral deposits and the oil or petroleum deposits have not been exploited over 25 percent. If Argentina alone could get oil-well equipment, she could produce four times as much petroleum as she is producing today.

Today the Argentine is buying 25 percent of her consumption of petroleum, whereas she could produce all of her consumption and export 100 percent of it.

Brazil has enormous supplies of timber and wood.

I do not know whether you ladies and gentlemen know this or not, but in Latin America there are valuable tin deposits. It is tin of a grade equal to anything in the world. The only hold-back is the transportation and the mining facilities to get in and develop that tin.

Mexico grows three crops of wheat a year, as against one and two in most countries. That is due to their climate.

Your Central American Republics have very valuable deposits of tungsten, chrome, and nickel, and various other minerals that we need very badly here; and at the present time we are dependent on European or Asiatic countries for our supply.

Contrary to the average opinion in the United States, Latin America feels like a stepchild. They have been told, "We want to be good neighbors. We want hemispheric solidarity."

Latin America would like to participate in the administration of the Marshall plan and aid to Europe, and much to my surprise I have found that in the Argentine, where actual figures are available, that in unpaid-for relief to western Europe, in the last 3 years, the Argentine has contributed almost as much as the United States has but they do not publicize it.

I ran into families down there all the way from the wealthiest to the poorest—and by the way, outside of the peons out on the farm and the cattle raisers, the average working person in the cities of the Argentine and of Brazil is better clothed and lives better than the average poor working class of people in our country.

I saw no poor people in the Argentine. There are no beggars on the streets of Buenos Aires. Incidentally, there are no fireplugs there either. I don't know what they do when they have a fire, but they don't have any.

Latin America, from Mexico down, wishes very desperately to be considered in and with the actions of the United States. They need industrialization to balance their agriculture to support larger populations and to support populations who are anxious to be active and work. They want to work and they want to produce.

I shall now speak as I would as a financier, because I was comptroller of one of the Mellon companies for 5 years:

If we simply give western Europe our dollars—since the war ended and up to the present time we have given already \$15,000,000,000 and if we give another \$16,000,000,000 without using that \$16,000,000,000 to build something to our advantage and get something back for it we are going to work a continued hardship on our own people.

You may ask: "How, with the supposed steel shortage, are our industries here going to supply the necessary machinery and equipment over the next 4 or 5 years, to give Latin America this equipment in exchange for their foodstuffs that we need?"

Well, ladies and gentlemen, I will make a statement and not a supposition: There is no steel shortage in the United States of America. I have on my desk today commitments from brokers for over a million tons of steel which I can get immediately if I will pay the price for it.

Our business domestically is to build large furnaces and equipment for steel companies. During the war we built 82 war plants for everything from armor plate to shells, and part of the atomic-bomb program. I know the steel industry.

The policy of sales in the steel industry and production today has changed. Up to and through the war, steel mills produced and rolled steel and sold it to the end users, the fabricators, and the builders. Today, the companies are selling to warehousemen and brokers. Through them it gets to the end user and it goes at extremely high prices.

I felt very angry 2 days after Congress had finally stuck its neck out and passed the Taft-Hartley Act, when Big Steel signed an agreement with organized labor, practically abrogating the application of the Taft-Hartley Act to labor. However, I believe I can see, now,

that Big Steel did not care that Congress had stuck its neck out because Big Steel, through the methods it uses today, can get any price it wants for the steel it produces.

I know that if this program is adopted, in the administrative end of the Marshall plan, that the foundries and the fabricators who need steel to produce industrial equipment—not only for Latin America but for western Europe, in the rebuilding of plants—can get all the steel that is needed.

Also, under this barter system, western Europe itself, where many countries have available good deposits of basic minerals, can, while we are giving them relief, give us in return quite large tonnages of the ores that we need to make this machinery with.

Are there any other questions, sir?

Mr. VORYS. Is the surplus you referred to in the Argentine, surplus over and above domestic needs or over and above their domestic needs and their present international commitments?

Mr. BARRETT. It is over and above their present domestic needs and international commitments. Even Don Miranda does not know that this cablegram is the last word. It is right up to date. That is because the Minister of Agriculture was with me in Florida and he got this cable right from his office in the Argentine.

Mr. VORYS. Are you going to file that telegram?

Mr. BARRETT. That is in the record, in my report.

Mr. VORYS. Thank you.

Acting Chairman JONKMAN. What is the wish of the committee? So you wish to proceed at this time or shall we adjourn until 2 o'clock.

Without objection, the committee stands adjourned until 2 o'clock.

Thank you very much.

(Whereupon, at 12:15 p. m., the committee recessed, to reconvene at 2 p. m., the same day.)

AFTERNOON SESSION

(The committee reconvened at 2:15 p. m., at the expiration of the recess.)

FURTHER STATEMENT OF MR. CARLTON A. BARRETT, PRESIDENT TATE-JONES & CO., PITTSBURGH, PA.

Acting Chairman JAVITS. Dr. Eaton has asked me to preside, and if it is agreeable to the rest of the committee we will go ahead with Mr. Barrett.

I think when you left at the noontime recess you were being questioned by Mr. Vorys. Mr. Vorys is not here.

Mrs. Bolton?

Mrs. BOLTON. You were telling us something of the method by which you found you had been able to buy one thing and another by means of something on the order of barter.

Mr. BARRETT. That is right.

Mrs. BOLTON. Take Argentina, for instance, if we were able to do this, Argentina could stipulate as to what she would get in return. What would she get in return?

Mr. BARRETT. For example, Mrs. Bolton, we worked in our own company a process whereby the Argentine Government would have

a tin foundry. Just recently the Argentine Government has made a treaty with Bolivia for a certain portion of Bolivia's tin ore. They will get 30,000 to 40,000 tons of high-grade tin ore a year.

At the same time we are in negotiation with the Swedish Government to build linoleum plants in Sweden. She has all the natural resources necessary with the exception of linseed oil. The Argentine Government has a considerable surplus of linseed oil. Therefore, we make arrangements whereby we sell the tin foundry to the Argentine Government in exchange for linseed oil and a certain percentage of their high-grade tin ore they are getting from Bolivia. We bring that ore back to this country and sell it to the companies who use tin. We sent the linseed oil to Sweden in return for which the Swedish Government is willing to enter into an agreement with us to furnish us with high-grade iron ore which we bring back to this country and sell to our steel mills for dollars.

In the absence of dollars with which to do business, and having found through our operations throughout the world, industrially, that most countries have some natural resources in surplus, we find that, although the majority of the United Nations countries do not have purchasing power with dollars, they do have purchasing power with surplus natural resources in some form. Latin America has commodities and the European countries have minerals.

Now Latin America with its great excess of commodities and their great desire to enter into hemispheric solidarity with us, should be given the opportunity to supply those commodities in exchange for industrial equipment, agricultural equipment, and transportation facilities that we can furnish, rather than dollars.

Mrs. BOLTON. But, then, would that give Argentina pretty high priorities on our rather scarce transportation facilities?

Mr. BARRETT. No; because Argentina would not expect to get transportation facilities immediately. Argentina or any other Latin American country would not expect to be able to purchase in this country, equipment that is scarce here at present. They would expect to be allowed to purchase that equipment through their credits that they would develop, as soon as the opportunity arose to get those facilities from this country.

What we could supply Latin America, Argentina, Chile, Peru, and Mexico at the present time with industrial equipment without straining our own resources to any great extent, or, that is, our capacity.

Very few of your steel foundries, your machinery manufacturers, are operating at full capacity at the present time in this country.

Mrs. BOLTON. Is that because of lack of ore?

Mr. BARRETT. They claim it is because of lack of raw material. When we adjourned at noon, I think we were in a discussion of that lack of raw material. In all probability, some members of this committee might doubt my statement when I say there is no steel shortage in this country. I made the statement that the only steel shortage we have in this country today is a synthetic shortage that is created by the method of producing and selling steel today as against the proper method that was exercised before the war and during the war. I stated that, instead of selling steel today directly from the mill to the end user or the fabricator, the steel companies were selling through warehousemen and brokers to the end user.

To bear out my statements it may be interesting for your committee to read a letter that I have here from a company that is a brokerage company. It takes in quite a large tonnage of steel that I am offered.

Acting Chairman JAVITS. Tell the committee what it contains.

Mr. BARRETT. This is from a brokerage company in New York:

DEAR MR. BARRETT: As per our conversation, we offer the following: No. 1—3,000 tons of angles, choice of size and thickness from 3- by 2-inch to 8- by 8-inch. Price \$0.075 per pound—

which is 60 percent higher than the regular mill price—

No. 2—Hot-rolled mill edge bands. Approximately 500 tons from 1- by $\frac{1}{8}$ -inch to 2- by $\frac{1}{2}$ -inch, lengths 20 feet. Price, \$8.45 per hundredweight—

which is 100 percent more than the mill price.

No. 3—Cold-rolled rejects. These rejects are largely overruns on orders and are prime material in large part. Some rejects for off size of sheets or off gage by $\frac{1}{2}$ to $\frac{3}{4}$ per thousandth. Gages 10 through 20 (80 percent or more 16, 18, and 20) Size sheets 15-by-48-inch to 30-by-120-inch commercial soft; 2 cars per week over period several months. Price \$200 per ton.

which is approximately 100 percent higher than the mill price.

No. 4—Same as item 3. We have an additional four to five cars weekly 21- to 30-gage. Price \$200 per ton,—

which is 100 percent higher than the mill price.

We have available at least 10,000 tons of No. 1 heavy melting scrap per month but before we can secure this on a firm basis we must propose a concrete method by which the scrap dealers secure greater return than they will from selling direct at market price plus the usual secret bonus.

This letter is for the files of the committee. I would suggest you delete the name of the company from the public record, but as far as the committee is concerned you are welcome to the name.

Acting Chairman JAVITS. Thank you.

Mr. BARRETT. Now to illustrate how this secret bonus plus extra compensation works, I received an additional letter dated January 31 from the same company:

We have been authorized to proceed with the disposition of 2,000 to 5,000 tons per month of No. 1 heavy melting scrap on the following basis:

(a) Return in small tons of sheet at the ratio of 25 percent of the gross tons of scrap.

In other words, for every 10,000 tons per month the scrap dealer delivers, he gets 25 percent of that tonnage back in finished sheet at mill price, which sheet he can sell at the present market price of \$200 to \$215 a ton.

(b) The sheet to be ordered by the end user—

a manufacturer having a history of large use of sheet steel—

named by the scrap dealer. (The scrapping operation was undertaken to secure this sheet for his factory.)

And for your information, this scrap is LST's that are being cut up by torch, that were sold to this scrap dealer at 10 cents on the dollar by the United States War Surplus or War Assets Administration. This could be sold directly to the mill at the same price and lower the cost of production, and the mill would not be obligated to return sheet to the scrap dealer but could send those sheets directly to the end user.

(c) The scrap price to be market price for unprepared No. 1 heavy melting at the site of operation.

(d) Provide a mechanism to insure their end user receiving the sheet from the mill when they release the scrap to the mill with no premium payment.

There are several means of securing compensation for us but the most satisfactory would be to secure a commitment from the mill for more than 25 percent return of sheet. (We know 33½ percent returns and more.) The excess beyond 25 percent could be sent to an end user named by us from whom we would receive compensation.

We have other sources of scrap offered with different stipulations than those outlined, so advise us if you cannot arrange a deal on the above basis.

That is also for the files of the committee.

Could I ask Mrs. Bolton whether she is satisfied with the answer or whether she desires further information.

Mrs. BOLTON. If you have more to give me, I would like to have the whole story.

Mr. BARRETT. In continuation of what we were talking about before that, I have talked in front of and to 14 of the largest American Legion posts in the United States on this subject. For the information of those of you who were not here before lunch, I will repeat that I am a member of one of the national executive committees of the American Legion, besides having our own company.

Most of the young GI's are very definitely interested in the welfare of this country, and in earning a living for themselves, their wives, and their children. With the high price for commodities in this country today, and with the indication that through the administration of the Marshall plan, as set up today so far, the intention is that you take the commodities needed for the administration of the plan from this country. They see only hardship, further shortages, and even a depression and lack of employment.

Whereas, as I stated before, inasmuch as Latin America is willing to give us her surplus commodities, at prevailing prices in this country today, in exchange for the contracts and credits to purchase the industrial, agricultural, and transportation equipment she needs over the next 4 or 5 years, I see no reason why we cannot take advantage of that situation, and before we use our own short commodities—and you will notice I use the words “our own short commodities,” because I do not depend on hurting American exporters when they have a surplus to export.

If we will use the surplus commodities Latin America has to offer in exchange for industrial equipment, and if we would also use the natural mineral resources of not only Latin America, but Europe and Asia to pay us in return for the money and credits that will be developed in this country for those countries, we can turn this Marshall plan into a great advantage to the people of the United States. By so doing, we will automatically relieve the strain on our own commodity market. We will automatically throw into this country annually, one billion to one billion five hundred million dollars for work for industry. The Government will be able to recover at least 25 percent of that money through taxes, because those dollars will stay in this country, and at the same time, we will be able to do everything that we have heretofore contemplated for western Europe.

Now, there are two other things: If we administer the Marshall plan by using our own supplies and commodities, we are going to weaken the United States and we are going to do something to solidify someone else, but not the Western Hemisphere. However, if

we use the surpluses available from other Western Hemisphere countries, we will strengthen those countries, both industrially and financially, and at the same time, we will create a terrific friendship that is not existing at the present time because although we have made speeches at Mexico City, Habana, and Rio de Janeiro, so far we have done nothing actually to back up those statements.

Secondly, one of the greatest problems we have to consider at the present time and that the Government of the United States is confronted with, is what to do with the displaced persons in Europe. If Latin America can increase its industry, Latin America says it will be glad to absorb the displaced persons of Europe and put them to work. They have land, the natural resources, the agricultural resources to absorb those people and put them to work. I assure you, gentlemen, that every place that I have talked, every place that I have gone and even mentioned this subject, the man in the street, the industrialist, the worker, organized labor, has been 100 percent in favor of it.

If there are any other questions, I will be glad to answer them.

Mrs. BOLTON. Thank you very much.

Acting Chairman JAVITS. Mr. Jarman.

Mr. JARMAN. I am glad to look up here and see such a fine looking, dignified new chairman.

Acting Chairman JAVITS. Thank you very much. It is very temporary assignment, I assure you.

Mr. JARMAN. Mr. Barrett, you have presented an entirely different angle to us, I believe, from any we have had before. I am mighty glad to have it in the record. I hope and I am sure that the Administrator or whoever handles this program will look very carefully into the possibilities you suggest. Being somewhat familiar with South America, I realize the advantages of what you say.

While I do not believe you said so in so many words, you indicated rather strongly that you think Latin America has great possibilities, generally speaking.

Mr. BARRETT. Definitely.

Mr. JARMAN. I certainly do myself, and so much so that I have often said that if I were 20 or 30 or 40 years younger, I think I would be tempted to cast my lot down there somewhere.

Mr. BARRETT. Well, you know, Congressman, when you sit down in Santiago, Chile, or Buenos Aires in the Argentine, and you find you can ride for 1 hour in a taxicab for 25 cents in United States money with no tips, and you can get sirloin steaks three times a day, and if you sit down to a 2-pound sirloin steak at dinner with everything from soup to nuts, and they bring in a couple of tray loads of French pastries and fruits and things for you to eat, and you have red wine and light wine, and when the bill comes around, it costs you \$1.90 in American money, you wonder what in the world is wrong up here.

Mr. JARMAN. Is that still true?

Mr. BARRETT. That is still true; yes, sir.

I took Mrs. Barrett down there with me on one trip, and I had an awful time getting her back up here.

Mr. JARMAN. I can understand that. I want to go back myself.

Mr. BARRETT. I have found this, and maybe you have noticed it: The attitudes and opinion of many people in the United States seems

to be that there is a certain amount of communism or fascism in Latin America.

Well, ladies and gentlemen, I lived with those people, all the way from the working class to the top-ranking people, and I never found more democratic countries in my life. As a matter of fact, if anybody in either Argentina or Peru or Chile or Brazil sticks their heads up and indicates that they are either Fascists or Communists, they get thrown out of the country awfully fast.

However, I did stand on the docks of Buenos Aires and I saw two large ocean transports come in loaded with immigrants from Europe, and not one of those immigrants were allowed to land, because they had no place to put the people to work.

Now, if they had additional industries down there, they would have been glad to take every one of them.

I know Mr. Peron personally and I know Mr. Miranda personally. I know most of the heads of the various departments there, and I can assure you that in the last 2 years they have realized that their existence absolutely depends on keeping their people happy. No matter what may have been understood or inferred at the time Mr. Peron went into power, I can assure you that at the present time he is more interested in doing good for his people. The Government of Argentina is spending some \$300,000,000 to rebuild the city of San Juan. That was destroyed by earthquake 5 years ago, and yet in spite of that those people would not live in the place where they did live. They are building homes for those people that are so much better than anything they ever lived in before, that there is absolutely no comparison. They would like to have woodworking plants down there to process their timber so they could build houses. They want linoleum plants in the Argentine so they can make roofing material and linoleum. That will not in itself interfere with our foreign markets or exports, because what they could manufacture with the plants we would build would probably only be about 25 percent of what they would actually use.

However, in exchange, they have oil resources at least 300 percent larger than they have developed at the present time. They are offering now special inducements to American petroleum companies, facilities and tax-free considerations to come down and develop those oil fields.

Brazil has an unlimited amount of timber and meat. They want us to build them a tin-plating plant so they can make tin cans to package their meat.

I would say that the Argentine and Brazil alone together could furnish all the meat that would be needed to our Marshall plan aid to Europe, without shortening our commodities at all here or creating any other shortages.

The other Latin American countries can furnish various other commodities which I have listed in this report.

I know as a citizen of the United States, and many of my friends and many of the servicemen of both World War I and World War II would feel very, very badly if we used, in the administration of the Marshall plan, commodities that were short in this country and high-priced today, and make them higher priced, when we could buy those same commodities from surpluses that Latin America could furnish us at current prices.

Acting Chairman JAVITS. Dr. Judd.

Mr. JUDD. Mr. Barrett, if you have answered this in earlier testimony, just ignore it.

If these countries sell to European countries direct or to us and then we transfer to European countries the commodities, they have in long supply—wheat, beef, and so forth—why is it that they cannot themselves buy our machinery and things they want in America at the same prices as Americans?

Mr. BARRETT. I had very forcibly the example put before me by the American Army Commission that went to Buenos Aires to buy grain. The Argentine Government, in the first place today, cannot buy machinery and equipment that they want in any country in the world but the United States. The Argentine Government has been asking \$5 and \$6 a bushel for wheat. That is because, as the Argentineans as individuals or groups come to this country to negotiate with private industry to purchase industrial machinery or equipment, the individual private American industry asks about 50 percent on the normal price that they charge ordinarily.

In other words, if Argentine sold a bushel of wheat to this country for \$3 and came back to this country to buy a piece of machinery that ordinarily would cost \$3 in this country, she would have to pay \$5 to get it.

Mr. JUDD. Is it your idea that if our administration bought those through the regular purchasing agencies of the Government, they could get it at the same price as would an American?

Mr. BARRETT. We know that to exist, because our company had the largest part of the industrial end of the UNRRA program. By purchasing through the United States Treasury Department by competitive bids, we build plants in China, India, Asia, and Europe, and we furnished those plants at prices that were not in any case higher than those in the United States, and in some cases lower.

Mr. JUDD. Could you get them cheaper through the Government than if they were bought directly?

Mr. BARRETT. Definitely.

Mr. JUDD. That is all.

Acting Chairman JAVITS. Mr. Richards.

Mr. RICHARDS. Mr. Barrett, I am sorry I was unable to hear the first part of your testimony. I was unavoidably detained.

I would like to ask you this question: Do you favor the Marshall plan?

Mr. BARRETT. Yes, sir.

Mr. RICHARDS. That is, provided we do the things that you suggest about buying surpluses from other countries?

Mr. BARRETT. Yes, sir.

Mr. RICHARDS. Commodities in short supply in the United States?

Mr. BARRETT. That is right. We have given so far since the war ended \$15,000,000,000 plus to Europe, without any return. Now, I am perfectly willing to go along and my friends are perfectly willing to go along and spend another \$16,000,000,000 if necessary, providing we use that \$16,000,000,000 to build something in this country.

Mr. RICHARDS. I get your point.

Mr. BARRETT. We also are of the firm belief that if this aid program were so set up that we appropriated so much money each year, that by using the surpluses from Latin America and other countries, and

at the same time building them up, that by the end of the second year you would not need to appropriate anything more for the Marshall plan.

Mr. RICHARDS. I understand your view. I believe it is entitled to every consideration. It is a very worth-while contribution to the testimony before this committee.

Now, as a businessman, what do you think about the set-up for administering this relief? Do you favor a board, or do you favor one administrator?

Mr. BARRETT. I do not favor administration by the State Department. I favor administration by a small bureau or agency set up to administer this particular program under supervision of the Industrial Division, or any section of the State Department that the Secretary of State so designates. I think that particular agency should be composed of American businessmen and not statesmen.

Mr. RICHARDS. Should they be independent of the State Department?

Mr. BARRETT. I would say that they should be allowed to operate with a great deal of freedom from the State Department, but I do think they should be supervised or a final check on what they are doing should come from the State Department.

Mr. RICHARDS. Which would handle questions of foreign policy.

Mr. BARRETT. That is right.

We have done business with practically every foreign government in the world in the last 3 years, and we have had occasion to meet the heads of those governments and their representatives, industrially and diplomatically. You must interlock your foreign policy with the administration of the Marshall plan in some way.

Mr. RICHARDS. In the case of a difference of opinion between the State Department and this board of businessmen, who would decide?

Mr. BARRETT. I think if there is a division of opinion between the State Department and this board of businessmen, then I think the foreign relations committee of the Senate and the House of Representatives Committee of Foreign Affairs should give the final answer.

Mr. RICHARDS. Traditionally and constitutionally the President of the United States operates our foreign policy.

Mr. BARRETT. The President of the United States operates our foreign policy, but the Congress of the United States controls the business operations of our country.

Mr. RICHARDS. That is all, Mr. Chairman.

Acting Chairman JAVITS. Mr. Lodge.

Mr. LODGE. Mr. Barrett, do you know of any reason why the present administration would not be willing to accept your suggestion?

Mr. BARRETT. No, sir.

Mr. LODGE. Would you be inclined to go along with this: That the European recovery program will depend in large part for its success on the degree of reciprocal self-help, the degree of economic federation which is obtained in Europe, and that what you are proposing is to apply to this hemisphere, the same principles of reciprocal self-help, so to speak, and the same economics as it is recommended be applied to Europe?

Mr. BARRETT. I do agree, sir.

Mr. LODGE. In other words, you see this as the other end of the stick, so to speak?

Mr. BARRETT. That is right.

Mr. LODGE. How would you write this into the legislation, Mr. Barrett, or have you not gone as far as that in your thinking?

Mr. BARRETT. That in the administration of the plan for aid to Europe, that the body administering the funds for this program be instructed to take every advantage of surpluses in both commodities and raw materials, from friendly countries and the United Nations group, in the purchase and supply of those commodities and raw materials, before using any of our scarce commodities and raw materials, providing those commodities and raw materials can be purchased at an average world price.

Mr. LODGE. You would make that in the form of a suggestion in the legislation, rather than in the form of a mandatory instruction?

Mr. BARRETT. That is right.

Mr. LODGE. You feel that the administration should not be bound by any such instruction?

Mr. BARRETT. I feel that if the Congress of the United States appoints as the administrative head of the United States someone to operate that bureau or department, that they will appoint a man who has common sense enough to do the best along those lines, if it is suggested to him.

Mr. LODGE. Mr. Barrett, how do the people of South America with whom you have contact, feel about Spain?

Mr. BARRETT. The people in South America are very friendly toward the people in Spain. The people of South America feel that this country has unjustly ignored Spain in many things in the United Nations Councils. They do not entirely sympathize with everything that Mr. Franco has done. They do not entirely sympathize with certain policies in Spain, but, after all, to many people in Latin America Spain is a mother country. The families of many of them are back there, or some of them, and Spain has natural resources to offer and it is willing to offer cooperation if she is given a chance.

I understand many things about our foreign policy that I have run into in many foreign countries that may be very necessary in the end in the carrying out of our foreign policy as established, but I know too much about our foreign policy and its actual workings to feel that we are always entirely right. We are speaking here of exchanging machinery and equipment for commodities with Latin America, things that we need in the administration of the Marshall plan, but 3 weeks ago England made a deal with Russia to purchase wheat from Russia in exchange for machinery and equipment that we have given England money to build, and yet we cannot do business with Russia. We have been offered \$50,000,000 worth of industrial business in Yugoslavia, of which we cannot touch a dime's worth.

Today the commercial attaché of the Yugoslav Embassy would like to place that business with us, but cannot because our State Department will not allow it. England got an order from Yugoslavia for \$50,000,000 worth of equipment and machinery, and took it. She built that with money that we loaned her.

Mr. LODGE. Do you believe such arrangements should be discouraged between Britain and Russia, but do you believe that insofar as it relieves the strain on our wheat supply it is a good thing?

Mr. BARRETT. I will say this: That as a citizen of the United States who served in the First World War—and all my family are Army and

Navy people except myself—they have all been high-ranking officers; General Patch of the Seventh Army is my cousin; my father just retired after 56 years' service in the Army in three wars; my uncle was Quartermaster General of the Army for 12 years, and if it is not right for us to do business with Russia and Yugoslavia, why, it is not right for England to do it with our money.

Mr. LODGE. Do you think it is right for us to do that business?

Mr. BARRETT. Under present conditions, no. I know the Russians very well. I know the Yugoslavs very well. Russia must be made to understand that she must give consideration to other peoples in the world. The Russian people as a whole are not antagonistic to the United States.

Mr. LODGE. Then you believe, Mr. Barrett, that we should not aim in this program toward a resumption of trade between eastern and western Europe, that we should not have¹ as one of our objectives that the industrial surpluses of western Europe should be exchanged on a larger scale with the agricultural surpluses of eastern Europe?

Mr. BARRETT. There is only one thing the Slav mind understands and that is force. I thoroughly believe from my own experience with the Slavs that if General Marshall had the authority, and came out and told Russia to get out of any country that she is now in that is a satellite nation, or to stop right where she is, if he said that in no uncertain terms and used those very words, Russia would not move one inch further.

That is the only thing they understand.

Furthermore, I also know that from an economic point of view, Russia is in no position to carry on a war.

Mr. LODGE. Thank you very much, Mr. Barrett.

Mr. MALONEY. Following Mr. Lodge's question on Spain, would you be in favor of Spain being included in the Marshall plan?

Mr. BARRETT. I would, yes, sir.

Mr. MALONEY. Do you think that Spain could really contribute to the general plan?

Mr. BARRETT. I do, sir.

Mr. MALONEY. That is all, Mr. Chairman.

Acting Chairman JAVITS. I have just two questions, if you will be good enough to answer them:

What are these Latin American countries doing with these huge surpluses now? Are they going to throw them in the sea?

Mr. BARRETT. Last year they burned as fuel 800,000 tons of wheat.

Acting Chairman JAVITS. That is in the Argentine?

Mr. BARRETT. Yes, in the Argentine.

Acting Chairman JAVITS. Are they expected to do the same this year?

Mr. BARRETT. This year they have given instructions to the farmers that unless they are included in the Marshall plan, they are to plow under two-thirds of their farm area.

Acting Chairman JAVITS. By "included in the Marshall plan," just what do you mean?

Mr. BARRETT. To furnish their commodities, their wheat, their meat, and their corn.

Acting Chairman JAVITS. As part of the plan?

Mr. BARRETT. As part of the plan.

Acting Chairman JAVITS. Now, you said these countries were being discriminated against by American suppliers of industrial materials, insofar as price is concerned?

Mr. BARRETT. No more so than any other foreign country. As a matter of fact, it is common practice in the United States, in engineering concerns and machinery manufacturing concerns, instead of adding the usual 10 percent that is added when we sell in this country, to add 40 percent when you are doing business with a foreign country.

Acting Chairman JAVITS. Suppose, on these bids obtained by the United States for them on your plan, the price would still be above the normal United States range, would you have the United States pay the difference?

Mr. BARRETT. No, sir.

Acting Chairman JAVITS. Then the scheme would fail?

Mr. BARRETT. No. The Latin Americans are satisfied that if the agency designated by the United States Government to administer the Marshall plan will supervise the purchase of the equipment and machinery that they need and for which they will submit requirements, if this agency of the United States Government will supervise the purchase of that equipment, they are satisfied just to call the deal a deal, and give us their commodities at average prices.

Acting Chairman JAVITS. Even if it is not actually successful, even if they still have to pay the high price?

Mr. BARRETT. That is correct.

Mr. JUDD. May I ask one question?

Acting Chairman JAVITS. Yes.

Mr. JUDD. Why do they increase their prices so exorbitantly when they deal with these foreign countries? Just because they can get it?

Mr. BARRETT. That is it exactly.

Mr. JUDD. Why can they not get it from us? Our country has to buy the commodities, too.

Mr. BARRETT. In the first place, there is too much competition in this country. There are too many companies in this country doing business only in this country. There are comparatively few engineering companies doing business on a foreign market.

I will give you a perfect example: The United States Steel Corp., Carnegie-Illinois, National Tube Co., Republic Steel, and all those fellows decide to build a new steel mill. Their engineers decide to build a plant; they buy the equipment direct from the manufacturers and install it themselves. Whereas, if a foreigner comes into this country and wants a steel mill, he cannot go to any one of those steel companies and get the drawings. They will not furnish them. He has to go to an engineering company which charges a 10-percent fee for the drawings and engineering. Then that engineering company does the purchasing and buys the machinery and the equipment, shifts the equipment overseas, furnishes drawings for foundations, and builds things, and also furnishes technical experts to supervise the installations and the opening operations of that mill at a fee.

Mr. JUDD. I judge from the letters you previously submitted, that a lot of these companies are charging Americans just as badly as the foreigners, when they can.

Mr. BARRETT. Well, I would not argue that point with you.

Mr. JARMAN. They send experts over to open the plant at a fee. Is that a part of this 50-percent add-up?

Mr. BARRETT. No; that is normal, but they add that 50 percent to the fee they ordinarily would charge.

In other words, if we would send a man as we often do to a certain location—for example, we are building some industrial installations for the Weatherhead Co. down in Louisiana. We send a superintendent down there and we charge them \$50 a day and expenses for that man. If we were sending that man to the Argentine, we would charge them \$100 a day and expenses.

Mr. JARMAN. Then that criticism down in South America and other countries, too, about American businesses gouging them, it is well-founded, is it not?

Mr. BARRETT. It is well-founded.

Mr. JARMAN. I did not realize that, and I am sorry to hear it.

Mr. BARRETT. I am just giving you facts, sir.

Listen. Our economy in this country is so tied up with world economy, that if we simply ignore world economy and contribute of our own wealth for temporary aid and relief to western Europe, this \$16,000,000,000 will disappear like the other \$15,000,000,000; we will have less work in this country, we will have unemployment, and the world will be no better off. Whereas, if we use this \$16,000,000,000 to create prosperity, not only to rebuild Europe to normal, but to increase prosperity in the Western Hemisphere where those people, through better living conditions, will want more of what they call luxuries today, but what we look on as necessities, then our export markets will double and triple and increase and this thing will be like a snowball over the years.

Mr. JARMAN. I thoroughly agree with all of that except I do not see how it will double and triple with this 50-percent addition.

Mr. BARRETT. We will not put the 50-percent addition on if we have to supply it through a Government purchasing agent, and if the proper businessmen are put in charge of that bureau administering that. They will know whether the prices are right or not, and they know where to go to get the right prices.

Mr. JARMAN. This letter that you had here, what kind of firm is it? I imagine that is a legitimate brokerage firm?

Mr. BARRETT. That is a legitimate American brokerage firm. There are thousands of them.

I have a commitment right now from a past commander of the American Legion for 150,000 tons of steel, cold-rolled sheet, deep, drawing stock, 18- to 22-gage, and it will be shipped right from a mill in Chicago at \$215 a ton. They say there is a steel shortage.

Mr. JARMAN. In view of these facts you have revealed, I can understand how, especially with anybody that might be inclined to be demagogic, a bad impression of us exists in the minds of some Latin Americans.

Mr. BARRETT. That is right.

Mr. JARMAN. It is not encouraging to me.

Mr. BARRETT. As I said this morning, the War Assets Administration is sending millions of tons of armament to scrap dealers at 10 cents on the dollar. Those scrap dealers are spending another 10 cents on the dollar and cutting it up with a flame torch. Instead of selling that scrap directly to the steel mill, they are calling up a broker or an agent who, in turn, sells it to the steel mill. The scrap dealer makes quite a nice commission, the broker or agent makes quite a

nice commission before the steel mill gets it. It is either that, or the broker and the scrap dealer specify that if they give the steel mill 100,000 tons of scrap at \$45 a ton, they have to receive back 50,000 tons of finished sheet at \$95 a ton, which they in turn will sell for \$215 a ton, because the people will pay it.

I had the purchasing agent of Henry Kaiser fly into my company office a few weeks ago and beg me to get him 500,000 tons of steel to make automobiles out of. I said, "I can get it, if you will pay \$215 a ton. I will not add anything on for myself, because I want to do you a favor."

He says, "I will pay anything to get it."

Mr. JARMAN. Now, how do they sell that War Assets scrap; do they sell it by bids?

Mr. BARRETT. Surely, they sell it by bids, and in some cases the deal is negotiated.

If the Government could cut that scrap up and sell it direct to the steel mills, you would eliminate about 90 percent of that.

Mr. JARMAN. The steel mills do not bid, evidently?

Mr. BARRETT. No; because all these big steel mills have agreements with the scrap dealers. We have a bunch in Pittsburgh we call the forty thieves.

I will give you a concrete example: You had a gentleman in the newspapers by the name of Henry Weisman, and some of the things I get angry about as a citizen—on December 27, 1944, I rode out on the Pittsburgher from New York, sitting alongside Leonard Weisman.

He turned to me and said, "Can you raise \$10,000?"

I said, "Sure, what for?"

He said, "Look at this letter." It was a letter from the colonel in charge of the British Purchasing Commission in New York. At that time we needed 105-millimeter shells, right after the Bulge. There was a plant up in New England the Government paid \$3,500,000 to put machinery in to make the shells and the British were not using it. This letter offered this plant to this general scrap dealer, Leonard Weisman, who is one of the "forty thieves," for \$20,000, United States money, cash.

If you want to check me, I got off the train in Pittsburgh and called Paul Gaston in the Machine Tool Division of the War Production Board and told him about it, and he did not know about it. He called me back on New Year's morning at 8 o'clock and said, "I know you will be happy to know that I had the United States Army take over that plant."

Mr. JARMAN. I do not want to check you, but I want to know who made that offer.

Mr. BARRETT. The British Commission in New York offered it to these scrap dealers in Pittsburgh. Every one of the big steel companies buys their scrap through a scrap dealer. That is normal, but in this case I do not see why the United States Government cannot sell the scrap direct to the mills.

Mr. JUDD. I can think of a company in my district that has been trying for 8 or 10 months to get some machine tools that are in some of these aluminum plants such as New Castle, Pa., Dayton, Ohio. The tools are there; they have been there for 2 years since VJ-day, but they said they cannot sell them because the paper work is not complete.

They were there 2 weeks ago, and last week they were gone.

Mr. BARRETT. A scrap dealer probably got them.

Mr. JUDD. Yes. The administration would not sell them to the man up in my district who is using the stuff to make oil burners, and so forth, for GI houses. No; they sell them to the dealer and the manufacturer then has to pay two prices for them afterward.

Mr. MALONEY. Is there fraud in this thing?

Mr. BARRETT. There is not one bit of fraud. According to our present existing laws, a man can buy anything at any price he wishes to pay for it and he can sell it for any price he can get for it. However, I do think that the United States Government, in the administration of its own departments, can take certain steps that will minimize the conditions that are not right, that are existing.

Mr. MALONEY. It leaves the door open for a lot of fraud, does it not?

Mr. BARRETT. That is true.

Mr. RICHARDS. Mr. Barrett, if the United States Government went to cutting up this stuff and selling it as scrap, you would have a howl from all legitimate big business throughout the United States that the Government is competing with private business, would you not?

Mr. BARRETT. Why?

Mr. RICHARDS. I do not know why, but you do.

Mr. BARRETT. No; I do not think you would.

Mr. MALONEY. Would the gentleman yield there?

Mr. RICHARDS. I think you would.

Mr. BARRETT. Legitimate dealers do not like scrap dealers, but they have to do business with them.

Mr. RICHARDS. Why must a steel manufacturer go through a scrap-dealer to get the stuff?

Mr. BARRETT. Well now, look: If I told you everything I know, I am afraid the Internal Revenue Department would be following me around to get some information—not on myself, but on things that I know.

Mr. RICHARDS. Well, I think the things that you are telling us could be very helpful.

Mr. BARRETT. I am afraid they could. That is why I am telling them to you. I am just sick and tired of seeing my GI doughboys—and I have 2,500 of them in my Legion post—going out and getting a job and being offered a job at \$150 and \$200 a month, when they cannot live on \$300 a month at the present cost of living, when there is no reason for it, when a few people in the United States—a few selfish people, such as people I know in Pittsburgh and in New York and Philadelphia, Chicago, and other places who say to me, "What do we care about the other fellow, we are going to make our fortune."

My boys have to live, and they have to have jobs where they get salaries to pay their expenses and put some money into the bank.

Mr. RICHARDS. Do you think the Government should take all surplus property and retail it throughout the United States and not sell any of it to legitimate business distributors?

Mr. BARRETT. I am saying that I feel that the United States Government should take its surplus property that cannot be legitimately sold as it is, for use as it is, and turn it into such shape and form that it can be sold directly to somebody that will use it as an end user.

Mr. RICHARDS. However, the law now is not being violated?

Mr. BARRETT. It is not at all. There just is no law to stop it.

Mr. JARMAN. If they did that, would the steel companies then bid on it? They would not bid on it now, you said, because of the arrangement with the "thieves."

Mr. BARRETT. The steel companies have gotten up to where they stand on their hind legs and state to the Government that they are not producing any more because they have not got scrap and raw material. They certainly would violate their own statements if they would not.

Mr. MALONEY. Would the steel companies themselves put this stuff in condition to be used?

Mr. BARRETT. No. They do not have the facilities to do it.

Mr. MALONEY. If they are so eager to get scrap, do you not think they would do that?

Mr. BARRETT. I would think they would, if they were so eager to get it, but they are satisfied. They are making nice profits. They are getting warehouse price for their merchandise instead of mill price.

Mrs. BOLTON. Would you feel that perhaps the United States Government has a responsibility in disposal of surplus war materials, that it has a responsibility to the people who paid for it, and they should not sell it at 10 cents on the dollar to be resold at 150 cents on the dollar, but rather they should sell it at a decent price to those who use it directly and not have it go through two or three middlemen to save the taxpayers money?

Mr. BARRETT. That is right.

I feel that I am a stockholder in the United States Government, as a citizen. I feel the United States Government has an obligation to its citizens to carry on its financial operations to the best advantage and to the best profit of the United States of America.

Mrs. BOLTON. Thank you.

Mr. JARMAN. I understood you to say that Argentina had furnished nearly as much relief, I believe you said since the war, to Europe, as we had. Did I understand you correctly?

Mr. BARRETT. Yes, sir.

Mr. JARMAN. I am surprised to hear that.

Mr. BARRETT. I did not talk to a family in Argentina that could not show me a list of many, many packages of food and clothing and shoes and things of that kind.

Mr. JARMAN. You mean largely individual contributions?

Mr. BARRETT. I mean individual contributions, just as our people here have given to the Red Cross and other agencies.

Argentina has not furnished it as a government, and I would say all of the Latin-American countries I know would be very glad to enter into the administration of the Marshall plan, contributing certain things free, but those countries today do not have any dollars.

As I mentioned this morning, when you were not here, sir, today in the Chase National Bank in New York, and various other banks in New York, there are \$100,000,000 worth of letters of credit from the Argentine Government to American business concerns who have gone down there and sold them a bill of goods to get a letter of credit, and they are men, as we say, "having their offices in their hats," and they feel if they can get a million-dollar letter of credit down there, they can come back to this country and find somebody to make it for them. Today, the Argentine has \$100,000,000 tied up in New

York by those men who are tied up from 7 to 9 months, and they cannot touch that money. Not one of those letters of credit has produced one dime's worth of equipment for the Argentine.

Mrs. BOLTON. That is the good-neighbor policy.!

Mr. BARRETT. And you wonder why they feel bitter about it.

Acting Chairman JAVITS. Thank you very much, Mr. Barrett. Your presentation has been very helpful to the committee. I know I speak the minds of the committee.

Mr. BARRETT. Thank you.

STATEMENT OF WILLIAM D. DAVIES, REPRESENTING FOREIGN FREIGHT FORWARDERS AND BROKERS ASSOCIATION OF NEW YORK, AND AFFILIATED ORGANIZATIONS

Mr. DAVIES. My name is William D. Davies, vice president of D. C. Andrews & Co., Inc., whose head office is at 27 Water Street, New York, N. Y. I am also chairman of the Forwarders' Industry Committee, representing New York Foreign Freight Forwarders' and Brokers' Association, Inc.; the Forwarding Agents and Foreign Freight Brokers Association of New Orleans, La.; the Pacific Coast Customs and Brokers Association, with divisions at Puget Sound, Columbia River, northern California, and southern California; and a number of individual forwarders.

The purpose of our appearance today is to bring to your notice what foreign freight forwarders, here referred to as forwarders, are; how forwarders have served commercial industry and governments efficiently and economically; and the threat to their existence of expensive and unexpert governmental forwarding.

Foreign freight forwarding is the act of arranging to move shipments from any part of one country to a destination abroad. The business of forwarding compared with expert transportation is small, and its cost relatively insignificant. Freight forwarding in relation to export transportation is similar to that of ball bearings to an automobile. The cost of ball bearings compared with the total cost of the car is insignificant, but without ball bearings the automobile will not run far. Similarly in regard to forwarding, every export must be forwarded, otherwise a shipment will not move from its point of origin, let alone get to its foreign destination.

Many forwarding firms have been in existence for over 80 years. There are men sitting here in the room whose fathers were in this business and spent their lives in the business, and now have their sons spending their lives in the business. Forwarders as a whole like to stand on their own feet and have as their spokesman one of their own industry. Although the committee is assisted by Mr. Marvin Coles, in whose ability they have every confidence, yet I have been instructed, as chairman, to appear before you, as I am an actual member of the industry itself. Glancing about, I see a number of well-established concerns represented—Mr. Harry Fowler of Caldwell & Co., Mr. George Dougherty of American Express Co., Mr. George Talmadge of Ajax Shipping Co., Mr. Carl Schroff of International Expeditors, Mr. Jack Cunningham and Mr. J. Limerick of the Judson Sheldon Co. who, if time would permit, which of course it does not, would like to address you or answer any questions that you may have.

Our industry is now facing an economic death. In the years we have been in business, we have faced adversity and prosperity, and we know how to meet both. However, in the event that no provision is written into the bill that you have before you, we are faced with conditions which may cause a great disruption in, if not complete cessation, of our industry.

If we did not know the work that we perform has to be done, and if we did not know that as an industry we can perform this more expertly and more reasonably than Government departments, we would not be here before you. We make no appeal for manufactured unnecessary work, but what we fear is that a Government department, either our own or that of foreign governments, may do this essential freight-forwarding work.

These are not vague or nightmare fears. When lend-lease was first inaugurated, a foreign government decided to create its own enormous forwarding department, and it required an act of Congress to nullify this enormity. The Bland Freight Forwarding Act (sec 217 of the Merchant Marine Act of 1936, as amended) passed, after extensive hearings throughout the country by your Merchant Marine and Fisheries Committee, had developed the fact that on every shipment leaving this country, the act of foreign freight forwarding must be performed in this country and that for many years past, large and small commercial exporters have used forwarders as the most economical, most efficient, and best means of forwarding.

Capt. Granville C. Conway, Administrator of the War Shipping Administration, stated to a group of forwarders gathered together in his office from all over the country after the close of the war, that in his opinion forwarders have performed an efficient service to the Government at a lesser cost than could have been realized in any other way.

In more recent days, under the Greek-Turk relief bill, no specific recommendation was inserted regarding the use of forwarders, but rather transportation was left to executive discretion. The Army seized upon this, and has handled a large number of strictly commercial, nonmilitary, supplies to Greece, such as those for building roads and railroads, and have forwarded them as a Government forwarding agency. No figures are available to us as to the cost, but from experience of other Government operations we know that the actual cost of forwarding must have been greater than those of commercial forwarders.

Forwarders usually receive their remuneration in two forms, by service charges made to shippers for services rendered to them, and by brokerage paid by ocean carriers for the services they render to these carriers. Brokerage, customarily being at a rate of 1¼ percent, has never been a factor in entering into freight rates, as was testified under oath by several carriers in a recent hearing of the Maritime Commission. It is illegal and would be a rebate for any carrier to pay brokerage to a concern having a financial interest in the goods, which is interpreted as meaning that brokerage can only be paid to forwarders and not into Government or Army.

If forwarders handle these shipments, the cost to the Government would be comparatively little, and the major recompense to the forwarders would be in the form of brokerage paid by carriers.

Exporters, both large and small, for many years have used forwarders to do this specialized work for them. Large companies,

such as Allis-Chalmers, and the Chrysler Corp., certainly have the brains, the ability, and the money to create, if necessary, their own forwarding departments, but they do not do so, having found by experience that forwarders do an abler job and more cheaply than they can themselves.

The small exporter is particularly dependent upon forwarders. In another hearing before the Maritime Commission, smaller exporters from different parts of the country testified that without forwarders they would be unable to remain in the export business.

We have been told from high official channels that if the bill now before you becomes law, it is likely that a majority of exports to Europe for the next 4 years in one form or another will be paid for under this plan. To permit our own Government, through a governmental agency, to drive the commercial forwarders out of business, would not only mean greater expense and less export service to the Government, but would mean that eventually the exporters of this country would be placed at a disadvantage through a lack of proper forwarding facilities. To permit foreign governments to build up their own forwarding departments, or specially favored forwarding concerns, would create a strangle hold on the exports of this country when normal peacetime conditions return.

We have not come here to argue for or against this bill, but only to ask if the bill be passed, proper provision be made for the use of forwarders. We have not come to you to ask for a hand-out—to be paid for unnecessary work. We have come to you to place our belief and knowledge before you of the facts; and these facts show definitely that forwarding must be done on all exports and that forwarders can do this work better and at less cost than any Government agency. We are striving in this appearance for freedom from fear, not fear of economic death by natural causes, but fear that through our failure to put the facts properly before you, this matter may be engulfed by a heavy sea of apparently greater matters.

To show the scope of this industry, carriers have stated that for instance in the port of New York, in excess of 90 percent of their total cargo is provided by forwarders, that what the forwarder does for them could not be done without much greater expense on their part, than the brokerage paid, and that if for any reason forwarders were removed from the field of transportation, chaos would inevitably occur. Again in the port of New York on packaged goods as opposed to bulk or wet cargo, forwarders are responsible for arranging the arrival at seaboard at the proper time of at least 80 percent of all freight. Unless the ship and the cargo mate—that is the cargo is at the right pier at the right time for the right ship—vessels sail not fully laden, and the cargo incurs unnecessary storage. This service is of great value to carriers.

Some commercial forwarders pay in excess of a million dollars a month to carriers for freight moneys. The forwarding industry, as a whole, again in New York, employs over 10,000 people and pays the carriers many millions of dollars a month in freight moneys.

In the brief time at our disposal here, it is not possible for us to enumerate all the services that a forwarder performs for the carrier or all the services the forwarder performs for the shipper. Perhaps these latter can be best summed up in the general feeling expressed

by exporters that once they have arranged for the order and produced the merchandise, everything else is in the hands of the forwarder.

This committee in New York represents, in my considered opinion, 80 percent of all forwarding done—not 80 percent of all forwarders, as there are a number of small forwarders, and a few large forwarders, who have not joined themselves with this committee. The associations and members of the industry represented by this committee outside New York represent, again in my considered opinion, 80 percent of all the forwarding done.

Many forwarders have offices in different cities to serve best the interests of their customers in forwarding shipments through Atlantic, Gulf, or Pacific ports, as may be most desirable in the interests of speed and lesser rail and ocean rates. To provide the shippers expert advice and instructions as to the cheapest and quickest method of transportation from the point of origin to the point of destination is, I believe, one of the most important ways in which forwarders can and do serve exporters.

Congress has expressly stated its policy to be that American foreign freight forwarders must be maintained as a necessary adjunct to our foreign commerce and our merchant marine. After extensive committee hearings, the Congress established that policy in 1942 and directed the Maritime Commission and all other Federal departments and agencies to cooperate in the development of the freight-forwarding industry both in wartime and during the postwar period. Furthermore, Congress clearly indicated its intent that Government shipments to foreign nations be serviced by private freight forwarders, actually inserting a provision that lend-lease cargoes should be so handled. At the time Congress made that decision, the forwarders were faced with the same situation as we now find of possible extensive competition and virtual extermination by our own Government agencies and by forwarding organizations established by foreign nations receiving assistance from our country. All we ask is that the already established congressional policy expressed in section 217 of the Merchant Marine Act be reaffirmed to apply to shipments to be made under the pending bill.

It is our hope that we have shown to you that in the interests of the taxpayer, the use of the forwarder is necessary from the point of view of efficiency, economy, and the real peace development of the export trade of this country. To effect this, we urge that this legislation or its legislative history clearly indicate the congressional intent that private freight forwarding be used to handle all cargoes moving as a result of enactment of this legislation. This can, in our opinion, be accomplished in either of two ways. First would be an actual amendment to the pending bill, which could read along the following lines:

The term "water-borne export and import foreign commerce of the United States", as used in section 217 of the Merchant Marine Act of 1936, as amended (56 Stat. 171), shall be deemed to include all export shipments from the United States made pursuant to provisions of this Act.

If such a clause would be added, it would clearly demonstrate the congressional intent that these cargoes, as were the lend-lease shipments, should be serviced by forwarders.

If, for any reason, you deem it inadvisable to insert in the pending legislation a clause to this effect, we strongly urge that there be made

a clear statement in the committee's report on this bill to the effect that it is our intention that private freight-forwarding facilities be used to service these shipments. If you so decide, may I suggest something along the following lines:

Authority is given in the bill for the transportation of supplies to the recipient nations. While the authority to transport these supplies is broad, it is the intention of your committee that normal private freight-forwarding channels be used to service such cargoes and that these cargoes should be handled in accord with the provisions of section 217 of the Merchant Marine Act of 1936. It is your committee's view that use of private freight forwarders to handle these cargoes would not only be less expensive to the Government but that it is necessary to insure the preservation of our freight-forwarding industry for service to our postrelief program of foreign commerce.

If neither of these courses is adopted, we are fearful, and we believe properly fearful based on past experience, that either our own Government or a foreign government will seize this lack of direct intent and proceed to build up organizations of their own, which actual experience in the past has shown to be less efficient and more expensive and which will, in addition, deprive members of this industry of the results for which they have labored for generations past; and by dealing this industry a staggering, if not mortal, blow, will deprive exporters of export transportation help when the days of real peace arrive.

Acting Chairman JAVITS. Thank you very much.

Mr. DAVIES, you will forgive the members of the committee if they have to slip out one by one to answer this quorum call.

Were there any questions?

Mr. JONKMAN. What is the danger to your forwarding of shipping?

Mr. DAVIES. The danger is this: If no provision is made in the bill, one of our own Government departments—probably the Army—may decide to take over all the forwarding of such shipments. We have no means of competing with the Army. If the Army says it is going to take over, it takes it over and there is nothing we can do.

They actually did do so in the case of the shipments that went abroad under the Greek-Turkish relief program and that is what we fear. It is not a vague fear, it is a real fear that has resulted from things which have happened in the past.

Also, we fear if no provision is put in the bill, a foreign government—and this again has actually happened—will decide to set up their own freight-forwarding department here.

That was done in 1940 and 1941, and it required an act of Congress to do away with that.

Mr. JARMAN. Mr. Jonkman asked the only question I had in mind, but I do want to comment on it. I can see the danger with regard to the foreign governments, but I do not believe you need to worry about the Army.

Mr. DAVIES. I did not hear that, sir.

Mr. JARMAN. I say, I can see the danger of the foreign government setting up a forwarding company over here, but as far as the Army is concerned, this is quite different from the Greek-Turkish loan. With the personnel in the Army as short as it is, I do not believe you will have much danger on that score, but with regard to the foreign governments, you may have some reason to be concerned about them.

Mr. DAVIES. I hope you are right, sir, but the Army has shown indications that they want to handle this. They have said before

the House Committee on Merchant Marine and Fisheries that they would like to handle this.

Mr. JARMAN. They are talking about shortages of personnel, and I did not think they would want to.

Mr. JONKMAN. (Presiding.) Mr. Judd.

Mr. JUDD. You have said in your statement that there are no figures available regarding the cost to the Government of the Army doing the forwarding in the case of the Greek-Turkish shipments. If you do not have the actual figure, you do not know, do you?

Mr. DAVIES. I was referring to other figures there on page 3 of my statement, sir. There were some figures that were released during the war on certain governmental operations at the time. They were not complete figures. However, what I had in mind, sir, was this, in a rather indirect way—

Mr. JUDD. You mean on the basis of past experience, you would have reason to believe?

Mr. DAVIES. It is for this reason, sir, that when we do forwarding work, most of our recompense is received from the carriers in the form of brokerage. That is for services we render to the carrier. That brokerage is not paid to anyone who in effect is not a forwarder. It is not paid to the Government.

Therefore, our cost to the Government is minute, whereas the Army or any Government department would not get that brokerage and therefore their cost must be more. It is quite possible that our total compensation might be paid 90 percent by the carriers and 10 percent by the Government or even less than that, possibly, and it is quite impossible for anybody to believe that the Army could do it for 90 percent of what we would do it for.

Mr. JUDD. Mr. Chairman, I wonder if it would be possible for our committee staff to get the figures telling us exactly what the cost has been for this service of forwarding, as carried out by the Army or by governmental agencies, during the Greek-Turkish operation. Otherwise, we do not know what we are doing.

Mr. JONKMAN. We will call that to their attention.

(The information requested is as follows:)

DEPARTMENT OF THE ARMY,
Washington 25, D. C., March 3, 1948.

HON. CHARLES A. EATON,
Chairman, Foreign Affairs Committee,
House of Representatives.

DEAR MR. EATON: This acknowledges receipt of your letter of February 17, 1948, addressed to Legislative and Liaison Division concerning the method of forwarding and the cost factors involved in the handling of matériel for the Greek-Turkish assistance program.

Shipments of matériel to Greece and Turkey are moved primarily through the New York port of embarkation and the services which are available from freight forwarders have been provided by the staff at that port. • These services normally include the following:

1. Maintenance of a record of arrival of in-bound cars, trucks, or barges and the follow-up of shipments to insure availability for the vessel.
2. Arrangement for prompt unloading or temporary storage of shipments when necessary to avoid car detention.
3. Arranging for placement of cargo at shipside as required (at New York this includes obtaining steamship permits, placing of lighterage orders, follow-up to assure delivery of cargo at shipside) and checking to insure that shipment is complete including correlation of shipments from several origins when they constitute one ocean shipment.

4. Securing of dock receipts or other appropriate signatures from the steamship company, either directly or through the delivering inland carrier.

5. Accomplishment of in-bound Government bills of lading, noting exceptions and seal recording, and the surrender to delivery carrier. The maintenance of a complete record of bills of lading handled and surrendered.

6. The checking of out-turn reports against in-bound bills of lading to insure the receipt of the proper quantity, condition, and packing, and reporting any loss or damage to the consignor.

7. Arranging for re-marking, repacking, cooperage, and similar incidental services as required.

8. Maintenance of a complete record of arrival, unloading, storage, and loading aboard the vessel for each shipment in such detail as is necessary to provide a basis for certification of the carriers' bills for storage, demurrage, switching, and accessorial services.

9. Preparation of ocean bills of lading or space charter manifests, tendering same to the steamship company and securing the carriers' signature.

10. Provision of shipping documents (including War Department shipping documents) to steamship company to be placed aboard the vessel.

11. Preparation of export declarations or a letter indicating that the vessel is carrying United States Army cargo and filing of either the declaration or letter, whichever is appropriate, with the collector of customs.

12. Providing the consignor with all data and facts required concerning the shipment, including data necessary for the preparation of sailing dispatches.

The Department of the Army personnel engaged in the shipment of the Greek-Turkish assistance matériel perform similar services in effecting shipment of other matériels such as Department of the Army supplies for troop support, civilian supplies for the prevention of disease and unrest in occupied areas, and other aid programs. The volume of matériel shipped to Greece and Turkey is relatively small in comparison to these other programs and the cost of freight forwarder services rendered can only be based upon the cost of the man-hours devoted to the two programs and the tonnage handled. It is estimated that the cost of this service is 9.1 cents per measurement ton.

Sincerely,

WILTON B. PERSONS,
Major General, General Staff Corps,
Chief, Legislative and Liaison Division.

Mr. JUDD. You say the brokerage rate is customarily $1\frac{1}{4}$ percent?

Mr. DAVIES. Yes.

Mr. JUDD. Does it depend on a percentage, or on a negotiated agreement depending on the difficulty of the operation?

Mr. DAVIES. Our fees depend upon a negotiated agreement, and they may be \$2.50 or \$7.50 per shipment. One and a quarter percent, of course, refers to the ocean freight paid, and not the value of the shipment.

Mr. JUDD. Suppose this language that you suggest were put in. As I read it it would be practically a mandate to the Government to use the private freight forwarders. Would they not be in a position to put the screws on, just the same as we have heard that other people put the screws on when there?

Mr. DAVIES. Oh, I do not think so. I think their record shows that they have a desire to cooperate with the Government and have accepted the Government's rates after discussion in a free way.

Mr. JUDD. There is no question but what most business men in all lines of business want to cooperate. Most people stop at red lights, but if there is no policeman around, once in a while somebody goes through.

Mr. DAVIES. This is not like a steel mill where perhaps there are 20 companies producing steel. There are in New York, I have been told, and I believe, between 400 and 600 forwarders alone. If we do not want to handle the work for the Government, somebody else will. The force of competition will be bound to keep things down.

Of course, we would be violating the antitrust laws if we got together and made any agreements as to a certain amount. I think the Government is amply protected in such an event.

Mr. JUDD. Would you object to putting in language something like this, that insofar as the Government carrying on its operation, it shall use private freight forwarders for such service, where such service can be rendered by them as efficiently and at no greater cost? That would give the Government an out, if the Government could do it more efficiently or cheaper. They would then be authorized to do it under the law.

Mr. DAVIES. Of course, it would also be stipulated that the Army would not use their personnel without a proper charge.

Mr. KEE. I am sorry I was not in when you made your opening statement; I was called out, but I read your written statement here. I notice you mention a brokerage rate of $1\frac{1}{4}$ percent. Is that $1\frac{1}{4}$ percent of the carrying charges or the freight rates?

Mr. DAVIES. Of the ocean freight rates.

Mr. KEE. Would you mind for my information, briefly describing the nature of the service you render?

Mr. DAVIES. I will be glad to do that, sir.

Those services to the carrier, I assume you mean in that case. We perform two services; one to the carrier and one to the shipper. Of course, the services that we perform to the carrier are in return for the brokerage that we receive. I will just run through them very briefly and then elaborate, if you wish.

Mr. KEE. Just briefly.

Mr. DAVIES. Service rendered to the carrier by foreign freight forwarders:

Securing cargo for the ship, securing spot cargo—that is, cargo on which a ship may be dependent for a full load, either on a measurement or weight basis.

Providing special deliveries on special days for hazardous cargo, extra lengths or on-deck cargo, or for heavy lifts. We sometimes make, as agents for the consignee, contracts for the various carriers. We consolidate shipments, thus providing shipments which would not otherwise move.

We prepare ocean bills of lading and we prepay freight. We become liable for booking cargo. Instead of a carrier having to look for payment of its freight moneys all over the country, they can look to one established forwarder. We act as a liaison between carriers and shippers, thus enabling carriers to remedy situations resulting from occasional errors. Very often we make blanket bookings, thus doing away with a great amount of work on the part of the carriers in making individual small bookings for many small shipments. One of the chief things we do is the prompt handling of document. We see that cargo arrives at the right pier at the right time for the right ship.

We prepare and handle all necessary documents and see that they are in the hands of a consignee in sufficient time to prevent any delay in removing cargo from the pier at the other end.

If there is congestion at the pier at the other end, it has a very unfortunate economic effect on the carrier.

Those are some of the services or most of the services that forwarders provide for carriers.

Mr. KEE. It would be necessary to furnish the cargo ordinarily, but in this case the administrator of this plan would be furnishing all the cargo for the ships.

Mr. DAVIES. That is perfectly true, and I did not mean to imply that that is one of the services we would provide on Government cargo. However, even when the Government provides the cargo, there is still the necessity to see that that cargo arrives at the right port at the right time. Obviously, if it arrives too soon, demurrage or storage may be incurred.

If it arrives too late, the boat goes out unladen.

Mr. KEE. I can see where that would be a very important service at the time, and some of the others, possibly. It is possible that some of the commodities furnished under this program would be carried by Government ships. There would then be very little use for the service, is that not so?

Mr. DAVIES. If I may, I will answer your question in two parts.

Of course, I cannot tell what would happen in the future but I know of no direct operation by the Maritime Commission—which is the controlling agency—of any boats at the present time. They do have many boats under charter to various operators. They do, as a matter of fact, own most of the stock of a couple of operating lines, such as the American President Lines.

However, the Maritime Commission, which is the agency involved, does not operate any ships. There is no operation similar to what used to be done 20 years or more ago by the Emergency Fleet Corporation, which of course, was a Government corporation. Therefore, unless there is a change, there will be no Government-operated ships. However, even if the ships were operated, sir, the same services would have to be performed for them. It makes really no difference whether it be a Government-operated ship or a commercially operated ship. The same act of forwarding has to take place. Forwarding, sir, is something that is done in this country. It cannot be done abroad. It has to be done here. Without forwarding, no cargo would move from the supplier's plant to the seaboard, let alone get abroad.

Forwarding has to be done, and it makes no difference whether it be Government cargo or commercial cargo, or whether the ships be Government operated or commercially operated.

Mr. KEE. The exports from this country to Europe have fallen off tremendously, have they not, in recent months or years?

Mr. DAVIES. Of course, they are not, as my memory goes, as big as they were before the war, and they have been less recently. The Department of Commerce figures are not available. I think that they have fallen off just recently. I do not know if they have fallen off tremendously. I perhaps could not use that word in its full sense. They are now getting some benefit of course, under the Emergency Aid Act that was passed just recently.

Mr. KEE. Do you anticipate that the inauguration of the Marshall program will further reduce our exports to Europe from private concerns?

Mr. DAVIES. It depends upon how the Marshall Act works, sir. I think that if the Marshall plan is put into effect, the dollars will be made available in one form or another, so that exports can flow to Europe, as they have done so heretofore. Whether it will be on a government basis or a private basis of course Congress will decide.

Mr. KEE. If it was on a private basis, it would not interfere with the forwarding business at all?

Mr. DAVIES. Not in any way, sir. If it is left in the hands of commercial shippers, commercial exporters, and commercial buyers on the other side, we have no worry at all. It is only if a large amount of Government buying is done, either by our own agencies or by foreign government agencies.

Mr. KEE. Therefore, if it is left in the hands of private agencies, your business as forwarders would not be injured. However, if the Government makes all the purchases and controls the shipping, you are afraid, as you expressed in your statement, it would put you out of business?

Mr. DAVIES. That is right, yes, sir.

Mr. KEE. Of course, the fact that the Marshall program goes into effect will have no appreciable effect on your business because this is new business.

Mr. DAVIES. This Marshall plan business will take the place of what has been moving heretofore. In other words, there always has been a certain amount of exports to European countries. Since the cessation of hostilities there has been a goodly flow of business to European countries and if the Interim Aid Act and the Marshall plan are not coming into effect, because the supply of dollars in Europe has now fallen off, few purchases could be made here.

As I foresee it, the bill you have before you here now is merely going to replace what was formerly bought commercially before.

Mr. KEE. Is there any other place where our Government interferes with your business?

Mr. DAVIES. The lend-lease operation did, yes, sir, until the bill was passed to rectify the inequalities of the situation.

When lend-lease first started, we were placed in a very adverse position and the House Committee on Merchant Marine and Fisheries, whose problem it was at that time, went into the matter very carefully indeed. They held about 9 or 10 hearings here in Washington. They held hearings in Portland, Maine, New Orleans, Seattle and San Francisco, to find out what the position was. After these exhaustive hearings, they passed the so-called Bland Act, which directed our own Government to use commercial forwarders.

Mr. KEE. That was under the lend-lease program?

Mr. DAVIES. That was under the lend-lease program. It did not entirely limit it to lend-lease. It expressed a policy for the future, too. However, we feel that in this new bill that you are writing, it might very readily contain some expression, such as transportation being left to executive decision, which in the case of the Greek-Turkish bill was seized upon by the Army to forward these shipments themselves.

Mr. KEE. I believe you furnished to Dr. Judd, upon his inquiry, a suggested provision, did you not, that you would like to see incorporated?

Mr. DAVIES. I did; yes, sir. It is in the printed statement that I have here.

Mr. KEE. All right, sir. That will be all.

Acting Chairman JAVITS. Are there any more questions?

Thank you very much, Mr. Davies.

STATEMENT OF DAVID D. LLOYD, AMERICANS FOR DEMOCRATIC ACTION, WASHINGTON, D. C.

Acting Chairman JAVITS. Mr. Lloyd, would you be good enough to do your best to confine your opening statement to 10 minutes?

Mr. LLOYD. I think we can reasonably do that.

My name is David D. Lloyd. I am a lawyer and I am at present serving as director of research and legislation for Americans for Democratic Action at 1740 K Street NW.

I might also add that in connection with foreign policy, I have had some personal experience in that field, having been assistant general counsel of the FEA, during and after the war, and having served in Paris and London for some period of time on general European economic matters.

Americans for Democratic Action has consistently urged the enactment of a comprehensive plan for European aid. At its national conference in March 1947 the ADA adopted a statement of policy, which declared:

The vast material resources of the United States must be utilized to establish economic conditions in which democratic forces can live and grow and to demonstrate to the nations of the world that there is a dynamic alternative to the totalitarianism of the right and of the left.

Shortly after the Harvard speech of Secretary Marshall, the ADA endorsed his proposals as a concrete embodiment of its own recommendations. In a statement of September 20, the national board of ADA said:

We regard the program embodied in the Marshall plan as an absolute necessity for laying the foundations for an economically healthy and peaceful world. We favor the Marshall plan as a means of saving democratic civilization in Europe from chaos and the advance of totalitarianism; we favor also the necessary domestic measures in support of the Marshall plan to preserve our own economic health.

In December of 1947 the ADA issued a thorough analysis of our foreign policy entitled "Toward Total Peace." This document, copies of which have been sent to all members of this committee, surveys our most acute and pressing foreign problems and comes to the conclusion that the Marshall plan is the high point of our foreign policy since the war, and is essential to the maintenance of world peace. I would like to submit this document to the committee as a whole, with the request that it be inserted in the record, and ask that it be considered as a complete statement of the ADA position and the basis of my necessarily brief remarks.

Acting Chairman JAVITS. I think it is quite extensive for inclusion in the record. If you will be good enough to furnish us with enough copies for every committee member the clerk will distribute them.

Mr. LLOYD. I will do that, sir.

ADA believes that this country is faced with a world crisis demanding immediate and comprehensive action. There is every indication that the industrial countries of western Europe, the old center of the world's commercial system, are on the verge of collapse. If this economic catastrophe occurs, all our plans for world prosperity through the World Trade Organization, and the other international bodies which we have done so much to create, are headed for failure. The UN itself could not be expected to survive.

If living conditions get much worse in western Europe, and the economic future there becomes more uncertain and more ominous, we may expect the Communist Party, acting as the right arm of Soviet policy, to move rapidly to seize power. We may also expect to see the totalitarians of the right growing in strength and mobilizing their forces to impose dictatorships. Such a situation would have the makings of prolonged civil strife from which the United States and the U. S. S. R. might find it impossible to abstain. Whatever the outcome of such a struggle, all our hopes for peace and for a world economic community would be shattered. The only alternative to this grim prospect is, in our opinion, the prompt and large-scale application of economic aid for the purpose of strengthening democratic elements in the European nations and rescuing them from the political alternatives of despair.

Type of aid: Our problem is to restore the productivity and the trade of the western European countries. Since the war we have spent billions on relief, and saved the populations of Europe from starvation and epidemic. But this has not proved to be enough. We are confronted with a need for the bare essentials of food and fuel almost as great as when we started. We must get off the relief treadmill.

Our aid must include productive equipment both for industry and agriculture, to enable the participating countries to supply their own needs and to earn dollars abroad. We must be able to provide this type of equipment promptly, whether or not circumstances are such in each case as to permit its financing on a bankable basis.

Size of our aid: Our appropriations will have not only an economic but a moral effect upon the recovery of Europe. The world economic situation is fluctuating, price levels are rising, and it is quite impossible to make an accurate prediction of what will be needed. In considering the careful estimates which have been made by the administration and the Harriman committee, I think we should err if at all on the side of generosity, remembering that since the war most of our estimates on relief and foreign needs have been underestimates.

Indeed I believe that the more money we appropriate at this time the less we will have to spend in the end. Today in Europe economic recovery is strangled by fear as much as by shortages. There is a lack of confidence in the future, which leads to the hoarding of agricultural supplies and other stocks. An American commitment at a high level will restore economic confidence in Europe and check these manifestations of economic hysteria. But if our plans are niggardly and grudging the Europeans will continue to rely on primitive measures of economic self-protection, and trade will remain strangled.

Administration of our aid: The administration must be efficient, flexible, and closely coordinated with day-to-day developments in foreign policy. The corporate device, while it has its advantages, is likely to overemphasize purely economic considerations and thus be unable to yield swiftly to the demands of foreign or domestic policy.

On the other hand, the ECA should be an independent agency and not a part of the State Department. To do its tremendous job effectively, the ECA must be staffed by top-notch people from business, Government, and the ranks of the universities, and from labor. Such men can only be recruited by a chief of outstanding ability and national

reputation. Anyone big enough for the job is big enough to be responsible directly to the President.

European economic unity: The ERP offers an opportunity for laying the economic and political foundations of international cooperation. Both the economic recovery of Europe and the future chances of world peace depend upon the immediate institution of measures to break down the barriers of nationalism which have made Europe the cockpit for the power clashes of the twentieth century.

While the report of the CEEC indicates a willingness on the part of the participating nations to work toward a European customs union and to take other measures of integration, we should aim far beyond these modest goals. Congress might well include in the legislation it passes an affirmation in favor of the creation of a United States of Europe, along the lines of the resolution introduced last session by Senators Fulbright and Thomas. In addition to affirming this ultimate objective, the administration of the aid should take advantage of every opportunity to require the European nations to act collectively as a group rather than individually as economic and political rivals. The spirit of nationalism is still very strong in western Europe. Deeply entrenched interests, both bureaucratic and economic, will resist the battering down of national barriers. We can help in the process by dealing with the participating nations as a group, rather than separately, by asking them to pool their resources and requirements, to divide scarce supplies equitably among themselves, and otherwise to act in concert. On this score, our attitude should be cooperative, but we shall have to be firm.

The adoption of such a policy would convince the peoples of Europe that our aims are more profound and more constructive than playing power politics against the U. S. S. R. It would show that we truly desire to create an independent Europe, a workable federation, standing on its own feet and as free of our domination as of that of the Soviet. It would do much to offset the constant attempts of those hostile to us to persuade Europe that we are preparing the Continent for a future battlefield and planning to use the Europeans as pawns for our own purpose.

In all this, the agencies of the UN have a role to play. Further, there is room in the UN for such regional groups and associations. The door should always be held open, moreover, to the so-called satellite countries, provided only that they become members of the club in good faith, and abide by all the rules.

Nationalization of industries in Europe: Many of the governments of Europe are committed, in varying degrees, to internal economic programs calling for the nationalization of certain basic industries. In some countries these programs have been partly put into effect, in others they are still political talking points. In the past, few of these countries had a free-enterprise system in our sense. Because European states are so small, business there quickly takes the form of monopolies and cartels. It would be a tremendous mistake for the United States to insist upon the perpetuation of a system of ownership which the people of western Europe are exercising their democratic prerogative to modify. Such changes, undertaken in conditions of political freedom, have nothing to do with communism. In fact they are urged, in western Europe, by parties which are engaged in a death struggle against the Communist conspiracy to impose the police state.

We should not, therefore, make it a condition of our aid that European governments adopt our ideas as to the proper degree of government intervention in economics.

United States domestic economic policy: The successful carrying out of the ERP will require a healthy economy at home. While we would have a serious inflationary situation in this country if we provided no foreign aid, we must recognize that foreign aid tends to aggravate a situation already bad.

We must have sufficient foresight and sufficient maturity as a nation to back up our foreign policy with the needed goods, even where it hurts us to supply them. ADA believes that to accomplish our purposes, indeed to fulfill our destiny, we shall have to have, temporarily, allocation controls over certain essential materials, the rationing of meat, contraction of nonessential credit, certain price controls, and continued rent control. We shall have to face and solve the necessity of bringing wages into equilibrium with the rising cost of living, and stabilizing them at that level. These things are necessary, not only to enable us to supply Europe, but to forestall that economic collapse which will bring us down in domestic ruin, and on which the Soviets are basing their expectations and all their hopes of expanding their system of totalitarianism.

On the other hand, if we take the necessary measures at home, and launch our foreign aid program on a sufficient scale and in the spirit of statesmanship, we have a fair chance of creating a stable Europe and world peace.

Acting Chairman JAVITS. Thank you, Mr. Lloyd.

Mr. Jonkman?

Mr. JONKMAN. No questions.

Acting Chairman JAVITS. Judge Kee?

Mr. KEE. I note with pleasure that you believe in a liberal appropriation to initiate this program.

Mr. LLOYD. Yes, we do. We believe that at least the full amount which the administration has asked for should be appropriated.

Mr. KEE. \$6,800,000,000?

Mr. LLOYD. That is right.

Mr. KEE. I note in your statement, Mr. Lloyd, that you say that this should be administered by an independent agency, not under the State Department. Do you mean that it shall not be under the direct control and direction of the State Department?

Mr. LLOYD. We say, "Not a part of the State Department." What we mean by that is that it should be independent in the sense of having its own personnel and its own head and its own responsibilities, but it should be, of course, directed to work with the State Department on foreign policy and to conform to the foreign-policy directives of the State Department and the President.

Mr. KEE. That is practically the plan as set up in the present bill that we have before us, is it not?

Mr. LLOYD. Yes; I think that is correct.

Mr. KEE. We have an administrator who has broad powers, with the right to not only consult with, but make use of, all the Government departments and their agencies.

Mr. LLOYD. Yes; that is substantially it. I think, however, that there are some indications in the present bill to the effect that the

personnel may not be entirely under the administrator of the organization.

Mr. KEE. The present bill also provides, which I think you will agree is a necessity, that in matters affecting foreign policy the President speaking through the Secretary of State shall have the last word. You approve of that?

Mr. LLOYD. We agree with that. That is absolutely necessary.

Mr. KEE. You do not believe that it should be a corporation?

Mr. LLOYD. No. I think a corporation is likely to have certain advantages in the way it can handle the funds, and so on. But a corporation with a large board is likely not to have the necessary flexibility, and is likely to get too involved in making, or not losing, money.

Mr. KEE. The bill creating this agency as an independent agency can be framed so as to give it a sufficient flexibility, the same as a corporation.

Mr. LLOYD. Yes; that is quite right.

Mr. KEE. We have a bill before us, dealing with the administration of this program, which stipulates that it shall be administered by a corporation with 14 directors, 8 of whom shall be the voting directorate, and those 8, appointed by the President, shall be nonpartisan, 4 from each of the major political parties of the United States.

I would like to have you comment on that plan.

Mr. LLOYD. Well, sir, I think our general line would be on that, that such an organization sounds cumbersome. There is a desirability in having proper advice and counsel from private interests and representative groups in the Government. But I do not think—and here perhaps I speak not so much for ADA as out of my own experience—I do not think that a Government operation can be encumbered with a lot of boards and committees, and so on, to the degree that your suggestion would seem to me to involve.

Mr. KEE. I think that is all, Mr. Chairman.

Acting Chairman JAVITS. Dr. Judd.

Mr. JUDD. I have no questions now.

Acting Chairman JAVITS. Mrs. Douglas.

Mrs. DOUGLAS. I notice, Mr. Lloyd, with some interest, that you recommend that certain controls be reimposed.

Mr. LLOYD. Yes.

Mrs. DOUGLAS. If those controls are not reimposed, what do you think would happen as a result of this program?

Mr. LLOYD. Well, Mrs. Douglas, I am not an economic prophet, and I am just as glad I am not because they always seem to be wrong. But I do think that it will be increasingly difficult, as inflation progresses, to meet the demands of the program and to get the essential materials. This will have to be a selective program, in many respects. I do not see how you can be sure of getting enough grain or enough steel, for example, without some form of control to assure that it is there.

I do not think we can base our foreign policy on the long chance that we will have good crops. It seems to me that we have to go a little further than that.

On the general level of increasing prices, of course, if this present tendency continues we should have to reappropriate every few months to keep ahead of the price level.

I think that controls are absolutely essential, and that the failure to have any controls would seriously impede the program. Of course if it were a choice between controls and enacting the program, I would say go ahead with the program and do what we can.

Mrs. DOUGLAS. If we do not have controls, do you feel it will cost us much more?

Mr. LLOYD. It will cost us a great deal more. One of the troubles with the British loan, obviously, was that the price level increased so throughout the world, and particularly in the United States, that the money appropriated was not enough to do the job. One of the things all these countries are suffering from, it seems to me, is that our prices have gone up so.

Mrs. DOUGLAS. Do you think there is any likelihood that we will have these controls or can get them through?

Mr. LLOYD. Well, I think that is a matter in which we are very much interested and have been urging on Congress: the adoption of the necessary controls. I would hope that we could get something through. I am afraid, in the present temper of the country, that it does not look as though we will get all that are necessary. I would certainly hope that we would have the necessary ones.

Mr. DOUGLAS. Thank you.

Acting Chairman JAVITS. Mr. Lodge?

Mr. LODGE. Do you believe that a reimposition of price controls would produce more goods—thereby help the ERP and therefore bring down a gradual lowering of pressure on prices?

Mr. LLOYD. Here you have me out of my field and in the economic realm. I do not know that imposing controls on prices would increase production, but there are certain elements of our economy where production is at a peak and where price increases have nothing to do with bringing new goods onto the market. Certainly in those areas it would be possible to have controls without contracting production, and, by and large, it would seem to me that if we could once stabilize this thing at some point we would get off the spiral. If we could hold the cost of living items we would have some way of getting on a level keel here.

Mr. LODGE. You believe price controls do not result in a diminution of the supply of those commodities which are price-controlled?

Mr. LLOYD. Well, I haven't any evidence that they do. But, as I say, I am not an expert in this field.

Mr. LODGE. Do you think the people who produce items which are price-controlled are just as anxious to keep on producing them as they were before they were price-controlled?

Mr. LLOYD. Well, assuming the controls are at a reasonable level. We had price controls during the war, and our productive effort and achievements were never greater. We had almost universal price control.

Mr. LODGE. You had Government subsidy during the war on almost all those items by Government purchases of one kind or another.

Mr. LLOYD. I think that is true. I think this is also a necessity: If you are going into the business of controlling agricultural prices you have to inescapably face the question of subsidies.

Mr. LODGE. In other words, you feel, if you were the administrator of this program, that you would recommend that the European participating countries not only retain the price control structure they have but perhaps extend it and increase it.

Mr. LLOYD. I would recommend that they achieve stability as best they can. I think in all these countries you have tremendous monetary pressures. You have a tremendous monetary inflation which is doing just the opposite from creating production. It seems to me it is choking production because there is so little confidence in the future of the currency. To the extent that they can bring that situation under control, they should be encouraged to do so.

I would think if you have a well-organized, well-run government and a general acceptability of law enforcement throughout the country you can have price control, as England has had price control, on the basic commodities, and has kept down the cost of living ever since the war. In other countries I think it would be more or less impossible to enforce it efficiently.

Mr. LODGE. You believe price controls are the chief weapons against inflation?

Mr. LLOYD. No; I would not say they were the chief weapon. But I would say that probably at this point in our inflation you would have to have something like them.

Mr. LODGE. You do not believe, then, that price controls attack the real cause of inflation?

Mr. LLOYD. No. I think they are a stabilizing thing, as you can see in England, where price control, combined with the subsidy program, has kept the cost of living down. But that has not prevented money pressures from pushing out into other areas of the economy.

Mr. LODGE. In France, for instance, you have price controls on meat, and when I was there you could not possibly buy a piece of meat at the control price. The meat was sold in Paris on the black market, where the Government could not tax it.

Mr. LLOYD. Yes.

Mr. LODGE. Does that seem to you to be a satisfactory state of affairs?

Mr. LLOYD. No. But I wonder how you will get along if in France you remove controls on meat and rationing and price controls. In Britain, on the other hand, there is very little meat, but you actually get your ration at the meat store. Your price is fixed. I think the stability of Britain during this whole period has been due to the rationing and price control of basic items more than to any other factor.

Mr. LODGE. I can envisage situations in which price controls are necessary, but I am inclined to think that in order to cure the cause we have to think of other things besides.

Mr. LLOYD. I quite agree. I think control of credit expansion is one of the items, as well as many other things.

Mr. LODGE. Mr. Lloyd, on the last page of your testimony, under item V, you say:

Because European states are so small, business there quickly takes the form of monopolies and cartels.

That interests me because, as I see the ERP, one of its major objectives is to federate Europe economically, to create what I would call a sort of United States of Europe in which the important thing would no longer be that European states are small but in which there would be the creation of a European economic structure rather than a structure of separate European nations.

Mr. LLOYD. That is right.

Mr. LODGE. As that takes place, the basis which you referred to there would no longer exist, would it?

Mr. LLOYD. That is correct; yes.

Mr. LODGE. And, in that case, according to you, there might be a gradual denationalization and desocialization, if you like, of those various industries, would you say?

Mr. LLOYD. I think that is a possibility. Of course it would be very, very far in the future, I should think, because in my opinion this creation of the United States of Europe is going to take quite a while and be an extremely painful process. It will be difficult for the people who are undergoing it and also for the administrators of the program, but it might be that if they create a trading area of sufficient size without barriers that their resort to nationalization may not be so necessary.

However, that is conjecture.. I do not know.

Mr. LODGE. Thank you very much.

Acting Chairman JAVITS. If there are no other questions, I would like to ask you a few questions, Mr. Lloyd.

First, would you be good enough to tell us or present for the record at a later date the composition of the Americans for Democratic Action the number of members or chapters or in any other form so we get some idea as to the composition of the organization?

Mr. LLOYD. I can tell you. By count today we have 80 chapters and organizing committees in 30 States and our affiliated student organization, Students for Democratic Action, has about 105 chapters and organizing committees.

Acting Chairman JAVITS. Do you have any estimate of the number of members?

Mr. LLOYD. Nothing very accurate. The membership is by chapter. I think it is probably somewhere around 20,000 members now.

Acting Chairman JAVITS. I notice on page 3 of your statement you say, "Congress might well include in the legislation it passes an affirmation in favor of the creation of the United States of Europe." Do you have the text of any amendment to the bill that you would like to offer on that subject?

Mr. LLOYD. Well, I refer here only to the resolution introduced by Senator Fulbright and Senator Thomas of Utah last session. Perhaps we could get you something a little more specific.

Acting Chairman JAVITS. Would you like to submit something in terms of the legislation which is before us?

Mr. LLOYD. Yes.

(The information referred to is as follows:)

To carry out this idea, I would suggest inserting at the conclusion of section 2 (a) of the State Department bill (H. R. 4840) the following sentence:

"It is further declared to be the policy of the United States to encourage such countries to form bonds of permanent union within the framework of the United Nations, for the purpose of achieving economic unification among themselves and a regional political organization in the nature of a United States of Europe."

Acting Chairman JAVITS. I notice on page 4 of your memorandum, you ask that the doors be kept open to the so-called satellite countries. I assume you mean the Soviet satellites. If they abide by all the rules. What do you mean by that? What are the rules you want them to abide by?

Mr. LLOYD. I am thinking there in terms of the European organization, which we hope can be set up, that is at present the Committee of European Economic Cooperation, and whatever may come out of that. The rules would simply be the rules of an association, so to speak, the fair dealing, that goes on between those nations who are participating. I feel very strongly about this personally, Mr. Chairman, because during my period in London I was working in the Embassy there with the so-called European economic organizations, the coal organization, the transport organization, and the European Emergency Economic Committee. We made every effort to have the participation of the USSR and all of the eastern countries in those organizations. For a time we did have many of them in, at least as observers. But increasingly they got out. One of the great obstacles, of course, was the refusal of the Soviet to produce any statistics. I think the first rule of the club is that everybody has got to put his national statistics on the table, and no fooling, because that is the first, primary requirement of good faith in working out an economic program. Continuing on that line, you would go along on whatever else comes up. The rules, however, would not be laid down by us, but they would be rules which the European nations agree to use in concert for their mutual help and benefit.

Acting Chairman JAVITS. I notice under part 5 of your statement, you recommend that we do not impose any conditions with respect to the nationalization of industry. However, would you see any objection to our imposing conditions with regard to the attainment of goals of production?

Mr. LLOYD. Well, you could impose them if you allowed a tolerance. First let me get this clear. Do you mean conditions in the legislation?

Acting Chairman JAVITS. Either legislation or by these bilateral agreements we propose to make, as to how much production shall have been attained by a certain time.

Mr. LLOYD. You can establish targets there. I think in this economic situation we have today with so many disturbing elements, you could not hold them up because they, through some circumstances, did not reach the goal.

Acting Chairman JAVITS. You see nothing inconsistent between your desires and the establishment of production targets?

Mr. LLOYD. No. I think they could be established again with the concert of these nations.

I feel very strongly that a lot depends on the administration of this program and we cannot expect to stand off here and lay down the law as to what they should do with steel and so forth. We have to have people there who have their confidence and are working with them. In that spirit, I think we could certainly establish production goals.

Mr. KEE. You would not impose penalties if these nations did not hit their target, if they made an honest effort?

Mr. LLOYD. If they made an honest effort.

Acting Chairman JAVITS. Are there any other questions?

(No response.)

Acting Chairman JAVITS. Thank you very much.

The hearing will now adjourn until tomorrow at 10 o'clock.

(Whereupon, at 4:25 p. m., the committee adjourned until 10 a. m., Thursday, February 5, 1948.)

UNITED STATES FOREIGN POLICY FOR A POST-WAR RECOVERY PROGRAM

THURSDAY, FEBRUARY 5, 1948

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

The committee met at 10:15 a. m., in the Foreign Affairs Committee room, United States Capitol, Hon. Donald L. Jackson (acting chairman) presiding.

Acting Chairman JACKSON. The committee will come to order.

This morning we are privileged to have Mr. Chat Paterson, the national chairman of the American Veterans Committee, before us. You may proceed, Mr. Paterson.

STATEMENT OF CHAT PATERSON, CHAIRMAN, AMERICAN VETERANS' COMMITTEE

Mr. PATERSON. As long ago as July 1947, the national planning committee of the American Veterans Committee passed a resolution stating in part [reading]:

We warmly support Secretary of State Marshall's offer of large-scale American assistance to European nations on condition that they agree on a common program of reconstruction among themselves. To refuse such aid would force Europe into starvation, despair, and chaos, which would make impossible the establishment of a lasting peace. We propose that United States aid be used to raise living standards, not to raise armies. Whatever the cost in dollars to the United States of this assistance, it is negligible compared to the alternative. Neither peace nor a prosperous America can long exist in a wrecked and ruined world to which the United States refused to extend the credits and goods which are indispensable to reconstruction.

Under conditions of full employment, the American economy is capable of providing this aid without a decline in living standards, without retarding further economic development, and without interfering with appropriations for veteran training, reclamation, housing, public power, and other urgent needs.

Again in November 1947 we reaffirmed our support through an additional resolution which stated in part [reading]:

1. Europe today is threatened with a complete economic break-down, which can be prevented only by immediate and decisive American aid.

2. Political democracy and individual civil liberties can only be realized in an economy which provides a decent standard of living.

3. In Europe today democracy is strained to its limits by economic hardship, and may not survive any further deterioration in living standards.

4. European recovery requires vigorous action by the governments of Europe to improve the production and distribution of basic necessities of life. But without American aid, recovery is impossible. To give this aid is in our self-interest. A collapse of the European economy and the subsequent destruction of democracy there, must threaten a sound American economy, the free institutions of the United States, and world peace.

5. An over-all program for European reconstruction necessary for the achievement of those economic conditions in which democracy can exist can be achieved only through an integrated European economy such as that proposed by the 16 nations participating in the Paris Conference.

6. The domination of Europe by a reconstructed Germany can be avoided only within the framework of such an integrated European economy.

7. The refusal of the nations of eastern Europe to cooperate in the formulation of a coordinated program for European recovery makes all the more difficult the task of rehabilitating the devastated economic structure of both western and eastern Europe.

The full resolution is attached to Mr. Root's statement at the end of this testimony.

Last month Oren Root, Jr., a prominent member of our national planning committee, presented AVC's testimony before the Senate Foreign Relations Committee. A copy of his testimony is attached.

Acting Chairman JACKSON. Is it desired to have that testimony appear in the record of this committee?

Mr. PATERSON. It is.

Acting Chairman JACKSON. Without objection, it will appear in the record at this point.

(The matter referred to is as follows:)

TESTIMONY OF OREN ROOT, JR., REPRESENTING THE AMERICAN VETERANS COMMITTEE (AVC)

As the spokesman for the American Veterans Committee and as an individual citizen, I come here to urge favorable action upon the proposed European recovery program. I have attached to this prepared statement a copy of the resolution on this subject adopted on November 16, 1947, by the national planning committee of the American Veterans Committee. I shall not read this resolution, but I would appreciate its being made a part of the record.

Specifically, I urge this committee and the Congress to take the following action:

1. To authorize the whole 4¼ year program.
2. To act promptly and in all events before the exhaustion of interim aid on April 1, 1948.
3. To establish clear lines of responsibility and authority for the administration of the program.

In my view, the question should not be how much can the United States afford to send to Europe. The question should be how much is necessary to save Europe from chaos and totalitarianism, because a Europe fallen into chaos and totalitarianism would threaten this Nation's very existence. We cannot afford to let Europe sink into chaos and totalitarianism any more than we could afford to let the Axis win the war. We may not like to admit that American prosperity and freedom depend upon European stability and freedom, any more than some persons liked to admit in 1938 to 1941 that German and Italian military depredations were a threat to American security, but the one is as true as the other.

We placed no limit on our war effort and, for the same reason, we must not now place limits upon our effort for European recovery. The measure of what is needed is the measure of what we should supply, because if Europe fails to recover, nothing we in America own will be worth much for long.

As a matter of fact, however, the estimated cost of the Marshall plan is small compared both to the issues at stake and to other expenditures of our Government. Secretary Marshall estimates it at 6.8 billion dollars for the first year, with the over-all total reaching 15.1 to 17.8 billion dollars. In the fiscal year 1947 this Government spent 7.8 billion dollars for veterans of its past wars, in addition to such sums as were spent by States and municipalities. As one of those veterans, it seems to me that an average expenditure of 4 billion dollars per year for 4 years is worth while if that expenditure holds any substantial hope to prevent the creation in our lifetime of several million more veterans, living and dead.

I think, too, that the proposed expenditure of an average of \$4,000,000,000 per year for European recovery is just as important an expenditure for national defense as the \$11,000,000,000 proposed for the Military Establishment in the President's budget for the fiscal year 1948.

Including interest on the national debt, which is almost entirely a war debt, we are now paying for past wars at the rate of \$12,000,000,000 per annum. The

cost of any future war is incalculable. The annual estimated cost of the Marshall plan is the equivalent of the cost of 28 days of World War II. If there is any hope at all that this expenditure can prevent World War III, certainly it should be made and made without hesitation.

When you do approve this program, as I am confident you will, I very much hope you will establish clear lines of responsibility and authority. Let us profit from the mistakes we made in preparing for the war. It seems to me that our whole effort to prepare for the war was tremendously retarded by the fact that not until the creation of the War Production Board did we have anything like a unified direction of our industrial effort. We must not repeat that confusion. Personal jealousies, departmental jealousies, even jealousies between the executive and legislative branches of the Government, are too high a price to pay when the stakes are so great. Congress cannot eliminate those jealousies from human nature, but Congress can set this program up in such a way that their effect will be reduced to a minimum.

In urging approval of the Marshall plan, few people have put much emphasis, publicly at least, upon the moral aspects of our responsibility. I think this is a mistake. Americans are more sensitive to moral and religious motivations than any other people in the world. Our very system of government is based upon the Judeo-Christian concept of the dignity of the individual; our Declaration of Independence states that all men were endowed by their Creator with certain inalienable rights. These are moral and religious concepts. They are basic in the American creed. The followers of Hitler, Mussolini, Stalin, and their ilk may be satisfied to act solely in terms of materialistic and mathematical calculations of what is to their own advantage. But Americans are different. Americans will never be happy with all their vast wealth and power unless they do whatever is necessary to save the 300,000,000 people of Europe from ruin, atheism, and slavery. That is the real reason why the great majority of our people are for the Marshall plan. And that is why, in my judgment, this committee and this Congress, as the servants of those people, should approve and implement it.

I want to conclude this statement with a quotation from a speech made by Elihu Root 42 years ago when he was Secretary of State. Speaking at Rio de Janeiro on July 31, 1906, Secretary Root said:

"It is not by national isolation that these results have been accomplished, or that this progress can be continued. No nation can live unto itself alone and continue to live. Each nation's growth is a part of the development of the race. There may be leaders and there may be laggards, but no nation can long continue very far in advance of the general progress of mankind * * * A people whose minds are not open to the lessons of the world's progress, whose spirits are not stirred by the aspirations and the achievements of humanity struggling the world over for liberty and justice, must be left behind by civilization in its steady and beneficent advance."

RESOLUTION ON THE EUROPEAN RECOVERY PROGRAM (MARSHALL PLAN), AS ADOPTED BY THE NATIONAL PLANNING COMMITTEE OF THE AMERICAN VETERANS COMMITTEE, NOVEMBER 16, 1947, PHILADELPHIA, PA.

Whereas,

(1) Europe today is threatened with a complete economic break-down, which can be prevented only by immediate and decisive American aid.

(2) Political democracy and individual civil liberties can only be realized in an economy which provides a decent standard of living.

(3) In Europe today democracy is strained to its limits by economic hardship, and may not survive any further deterioration in living standards.

(4) European recovery requires vigorous action by the governments of Europe to improve the production and distribution of basic necessities of life. But without American aid, recovery is impossible. To give this aid is in our self-interest. A collapse of the European economy and the subsequent destruction of democracy there, must threaten a sound American economy, the free institution of the United States, and world peace.

(5) An over-all program for European reconstruction necessary for the achievement of those economic conditions in which democracy can exist can be achieved only through an integrated European economy such as that proposed by the 16 nations participating in the Paris conference.

(6) The domination of Europe by a reconstructed Germany can be avoided only within the framework of such an integrated European economy.

(7) The refusal of the nations of eastern Europe to cooperate in the formulation of a coordinated program for European recovery makes all the more difficult the

task of rehabilitating the devastated economic structure of both western and eastern Europe.

Therefore, be it resolved that:

(1) The American Veterans Committee—

Reaffirms its endorsement of the Secretary of State Marshall's program for the reconstruction of Europe through economic assistance to all European nations, irrespective of the economic system of any participating nation, willing to cooperate in good faith in a coordinated plan for such reconstruction;

Urges that Congress appropriate the funds requested by the nations participating in the Paris conference, as recommended by the Harriman report;

Urges that as a necessary prerequisite to such European recovery plan that immediate economic aid be extended to France, Italy, and Austria pending the full adoption of such program;

Urges that the foreign-aid program be implemented by vigorous action to prevent inflation and to increase production.

(2) The reconstruction of Germany in connection with the European recovery program shall not be conducted in a manner that will result in a resurgent Reich capable of dominating Europe economically or politically.

(3) The offer to participate in the Marshall plan be kept open to all European nations, in order that the complete integration of the European economy necessary to full recovery may be attained.

(4) We call upon our fellow veterans of the European nations to urge upon their governments full participation in the European recovery plan to the end that civil liberties, democracy, and peace may be reestablished on a firm foundation.

Mr. PATERSON. There is no need for me to go into a further discussion of the points raised by Mr. Root. However, I would like to make several points with regard to the program and its administration. I make these because I feel that they are in line with the thinking of our membership and within the framework of the resolutions adopted by AVC:

1. There should be no cut in the proposed appropriation of 6.8 billion dollars. If the program is vital enough to be worth 5 billion then it is certainly worth the additional amount.

2. Speed should be urged in enacting the program. It has been estimated that it will take two full months from the passage of the bill until supplies actually arrive in the other countries. In setting up the administration of the program give it flexibility and incorporate the experience gained through the war period. Mr. Root points out that:

It seems to me that our whole effort to prepare for the war was tremendously retarded by the fact that not until the creation of the War Production Board did we have anything like a unified direction of our industrial effort. We must not repeat that confusion. Personal jealousies, departmental jealousies, even jealousies between the executive and legislative branches of the Government, are too high a price to pay when the stakes are so great. Congress cannot eliminate those jealousies from human nature, but Congress can set this program up in such a way that their effect will be reduced to a minimum.

No other country can mobilize like America can on something it really feels is essential. The crucial question is whether we are able and willing to take necessary domestic steps to set an example to the rest of the world of how they should put their own house in order.

3. The Ruhr should be internationalized. Germany and its people are unreconstructed. I am sure members of this committee saw Mr. Sumner Welles' recent article in the New York Herald Tribune in which he described our de-Nazification program as a "tragic farce."

While we admit some improvement in German economy is called for, it is essential that German production be geared for the benefit of the peoples who suffered at Germany's hands.

Our primary objective is to revive economies of ERP nations, and Germany only to the extent necessary for her to supply necessary goods. The Ruhr should be put in the hands of nations participating in ERP—these countries can best determine the priority and the use of such German production. I have drafted a sense resolution to this effect which I think should be passed by this Congress, thereby making clear our intentions with regard to the Ruhr.

I think this resolution might be changed as to wording, but it contains the essential points:

PROPOSED RESOLUTION ON INTERNATIONALIZATION OF THE RUHR

Whereas increased industrial output in Germany is deemed to be essential to the revival of the economies of the 16 ERP countries; and

Whereas the Ruhr contains the bulk of the industrial facilities whose production is important to European economic revival; and

Whereas all reports from Germany testify to the continued prevalence of Nazi ideology among the German people; and

Whereas certain of the present key managers of Ruhr production have in the past been outstanding Nazis and prominently connected with the German cartels which in the past dominated the European economy; and

Whereas the success of the European recovery program depends on the elimination of the forces which in the past have worked to the detriment of the peace of Europe: Be it therefore

Resolved, That the United States propose that the Ruhr be placed under the joint international administration of the 16 nations participating in the European recovery program to insure that its production facilities are used for European economic revival without creating a new menace to European peace.

Some of the production men, as I say, have been outstanding Nazis. I think of Heinrich Kost and Heinrich Dinkelbach. I believe Dinkelbach was the chief paymaster for the Nazi Stahlwerke which was the board of directors of the steel cartel, and I believe it made a contribution of approximately 50,000,000 marks to the Nazi Party.

I understand he is now in charge of steel production in the Ruhr. The same with Heinrich Kost, who was the right-hand man of Fritz Thyssen during the early days of building up Nazi economy.

4. There has been considerable talk about the desirability of appointing business administrators for this program. We suggest you place just as much emphasis on labor representation in this program. The bulwark of American democracy abroad may well have to be the democratic trade-union movements. Attackers of this program in Europe have called this program an imperialistic, capitalistic crusade. What better answer could there be than to insure full representation of the American labor movement in the policies and administration of this program and thereby show the people of the world that the American workers are actively behind this operation? I say this as one not connected in any way with the American labor movement.

5. The motives of the European recovery program are under constant Communist attack. The charge that United States aid is inspired by an imperialist desire to exploit the peoples of Europe has taken root among the not inconsiderable numbers of Communist Party members and supporters in western Europe.

This argument can best be met by making it clear that this aid is a direct contribution from the United States taxpayer to the European people. The provision that up to 5 percent of the money appropriated

may be encumbered by guaranties to American citizens or corporations who invest in approved projects provides a talking point for this imperialist propaganda.

Furthermore, such guaranties should be unnecessary. They will probably provide guaranties for investments that would have been made anyway.

6. The American taxpayers should not be obliged to provide the necessary funds for this program while the well-to-do Europeans continue to hold on to their private hidden investments in the United States.

Immediate steps should be taken to assure that such private assets are duly registered and called upon by the governments of the individuals to the extent that the crisis requires.

These private sources can then be used for security for the governmental loans of these nations. This is no time for certain European individuals to shirk their responsibility for the recovery of their own nation.

I have not gone into Mr. Root's testimony, and have only gone into those things which he has not discussed.

Acting Chairman JACKSON. Thank you very much, Mr. Paterson, for a very comprehensive statement.

As is usual at these hearings, following such a statement, the session is thrown open for questions.

Mr. Jonkman.

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

Acting Chairman JACKSON. Mr. Jarman.

Mr. JARMAN. Mr. Chairman, I regret that circumstances beyond my control caused me to be late, and denied me the pleasure of hearing Mr. Paterson's testimony.

I have no questions, except I noticed a headline in the paper this morning, and decided later to read an article along the line of the investments in this country that you spoke of.

Mr. PATERSON. I did not happen to see that, but I believe I have seen most of the articles appearing on that subject.

Mr. JARMAN. Thank you very much.

Acting Chairman JACKSON. Mr. Javits.

Mr. JAVITS. Mr. Paterson, I am very much interested in your comments about Germany. That is a subject which is very much before us, and I must say it is the first time that I have heard this idea that the cooperating nations should take over the management of the Ruhr.

Now, will you tell us in detail, by what diplomatic and procedural steps you would accomplish this objective?

Mr. PATERSON. I must say that the actual administrative phase of it I have not gone into very deeply.

As I said, I tried to translate a resolution that had been passed at one point, calling for internationalization of the Ruhr. I believe at this point, for example, with the combination of Mr. Dinkelbach and other gentlemen, they are the top people in "Bizonia." I do not know whether this would mean a pulling out of America. If it were internationalized it would certainly include these other 16 countries.

I believe the steps could be taken if we were determined to do it because Britain and the United States do control those two zones and there is no reason in the world why through the United Nations, some program like that cannot be carried out.

Mr. JAVITS. Is it not the fact that any internationalization of the Ruhr discussed in the past has been four-power internationalization?

Mr. PATERSON. As you will know, I did not restrict it to that.

Mr. JAVITS. Would you tell me how the United Nations could be tied into the ERP when the United Nations is not tied into the 16-nation European committee. How could you suddenly bring in the United Nations, as you just said?

Mr. PATERSON. As I said, I have not gone into detail. I would have to give it considerably more time, which I would be glad to do.

What I was trying to do was simply lay out a basic principle which could govern the Ruhr at this particular time.

Mr. JAVITS. Would you like to submit a detailed plan by which the 16 nations could internationalize the Ruhr?

Mr. PATERSON. Yes, I would be glad to do that.

(The information referred to is as follows:)

FURTHER INFORMATION ON A PLAN BY WHICH THE 16 NATIONS PARTICIPATING IN THE MARSHALL PLAN COULD INTERNATIONALIZE THE RUHR

I believe that it would be possible to provide in the German peace treaty that the ownership of the major industries in the Ruhr be turned over to the 16 nations participating in the Marshall plan. Provisions should be made to assure ownership by this group of nations of Germany's coal, steel, and chemical industries in the Ruhr and Rhineland, with fixed compensations being paid to the public or private owners of these industries and resources. The economic administration of the Ruhr should be vested in these nations. A commission elected by these nations should be empowered to make all decisions by majority vote as to administrative problems. Attention should be given to assuring that management of the Ruhr resources is vested in reliable personnel, not formerly connected with the Nazi or with German cartels. Management personnel should be appointed by the members of the 16-nation governing group. The terms of transfer of the Ruhr resources to this consortium should provide that the commission allocate all coal and steel products in the Ruhr and Rhineland on a percentage basis to the various nations, including Germany, requiring these resources to meet their stated goals under the Marshall plan as stipulated by the Paris Conference in 1947.

Mr. JAVITS. Now, you say Heinrich Kost; and what is the first name of Dinkelbach?

Mr. PATERSON. Also Heinrich.

Mr. JAVITS. That they are now leading industrial managers in steel production in the Ruhr?

Mr. PATERSON. Steel and coal.

Mr. JAVITS. And they have a Nazi record?

Mr. PATERSON. Yes.

Mr. JAVITS. Would you submit for the record the details of their past?

Mr. PATERSON. Yes.

(The information referred to is as follows:)

DETAILS OF THE PAST OF HEINRICH KOST AND HEINRICH DINKELBACH

HEINRICH KOST

In October 1947, despite the strenuous opposition of France, the Netherlands, Belgium, and Luxemburg, the military government in Bizonia decided to relinquish to German officials the authority of production as well as allocation of Ruhr coal. A German coal management was created for the purpose of reviving the coal production of the Ruhr. Heinrich Kost was appointed general manager of the German coal management (New York Times, October 27, 1947).

Heinrich Kost was a well-known German mine manager who became general director of the Rhine Preussen Co. just as Hitler came to power. The Rhine Preussen Co. is one of the largest of the Ruhr coal producers. The company

forms a part of the famous Haniel Trust which is one of the largest concerns of Germany dealing with coal, steel, rolling stock, etc. The Haniel family has become tremendously wealthy under the Nazi regime. Heinrich Kost has been connected with the Haniel Trust for a number of years and during World War II held directorships in several major industries and cartels. The cartels with which Kost was associated helped finance Hitler's rise to power and, later on, Germany for aggressive war.

Heinrich Kost joined the Nazi Party in 1934, years before the Nazi Party put pressure on businessmen to take out membership. Because of this fact, and because of Kost's intimate association with Germany's major cartels, his appointment as manager of the Ruhr coal production was sharply attacked by the Ruhr coal miners' unions and by many democratic fellow Germans. It is noteworthy that most of the other members of the German Ruhr Coal Commission were also prominently connected with the Nazi Party or working very closely with it.

Among the representatives of the German mine owners special mention must be made of Waldimar Oppenheim, a very intimate friend and collaborator with Baron Kurt von Schroeder, a general of the SS and fuehrer of the Nazi banks, and the man who was in a position to bring Hitler and Von Papen together, leading ultimately to the appointment of Hitler as chancellor and Von Papen as vice chancellor of the Third Reich.

Writing about the new German administration of the coal industry which is so vital to the recovery of Europe, the Washington World Report of December 16, 1947, made the following comment: "Allied officials take the position that they will not interfere in administrative operations and will give advice only when asked."

HEINRICH DINKELBACH

Heinrich Dinkelbach was appointed supermanager of the Ruhr industry by the British authorities in October 1946.

Heinrich Dinkelbach is a notorious Nazi, a member of the board of directors and the financial brains behind the Vereinigte Stahlwerke. He has been associated with that notorious steel combine since before the advent of the Nazi regime. He has worked in the closest possible terms with the founders of the combine, Albert Vogler and Ernest Poensgen, the leaders of the German heavy industry and the founders of the international steel cartel in Europe. Through Dinkelbach millions of marks were paid to the Nazi Party.

The Vereinigte Stahlwerke was established in 1926 by Vogler, Poensgen, and Friedrich Flick—recently tried as a war criminal. The influence of Germany's leading iron and steel combine extends beyond its affiliates both open and concealed. The Vereinigte Stahlwerke holds the largest quota in the strategic Rheinisch Westfaelische Kohlen Syndikat which controls about 75 percent of Germany's coal industry. The Vereinigte Stahlwerke also controls, indirectly, the International Steel Cartel in Luxemburg. The political influence of Germany's largest steel combine was not based on the number of its directors in the German Parliament, but arose from long association and support of pan-German and Nazi movements. The Vereinigte Stahlwerke was behind the Nazi drive for military conquest.

The records found by the military authorities in 1945 in the office of the Vereinigte Stahlwerke in Dusseldorf revealed that Dinkelbach was closely allied with the Nazi policy for a number of years. When he was appointed by the British to become the chief trustee of the iron and steel industry in the British zone, his membership and activities in the Nazi Party were deliberately overlooked. Soon after he came to power and by virtue of his new position he succeeded in freeing 27 of the 31 high officials of the Vereinigte Stahlwerke who had been previously arrested as notorious Nazi criminals. It is noteworthy that the majority of the Vereinigte Stahlwerke high officials were members of Nazi criminal organizations such as the SS and SA.

The well-known London weekly, News Review, of August 7, 1947, described Heinrich Dinkelbach's present position in the following terms: "Herr Heinrich Dinkelbach holds in Germany today the place once occupied by such powerful figures as Alfred Krupp, Hugo Stinnes, and August Thyssen. He is their direct successor. He is the Ruhr industrial magnate, model 1947."

Dinkelbach's activities were described by the same weekly in the following terms: "Within the limits of disarmament and four-power level of industrial projects, he is reorganizing the whole set-up (the Ruhr industry). He had the same kind of a job under the Nazis from 1933 to 1939."

The prominent French newspaper, L'Ordre, reported last year that his son, Friedrich, who distinguished himself in his fights as a member of the SS, was

liberated immediately after Germany's capitulation and was returned to Dusseldorf where he is now working with his father.

Dinkelbach is now planning the revival of Germany's heavy industry from the North Cumberland House in Dusseldorf—the house which was formerly called the Stahlhaus, where the leaders of the German heavy industry used to meet to plan the conquest of Europe. In 1926, when the giant Vereinigte Stahlwerke was formed, Dinkelbach was appointed to the job of welding the numerous concerns that went into the combine into one workable, self-supporting “from the earth to the finished product” machine. He is now planning to rebuild the same machine with the blessing of the British authorities.

Mr. PATERSON. The information I gave was that he was mentioned in Mr. Thyssen's book. The two of them are listed as members of the board of directors under Hitler at that time.

Mr. JAVITS. I notice what you say about cutting this amount for the ERP from \$6,800,000,000 to some other figure. Is it your idea that this committee and the Senate Foreign Relations Committee should not review the amount to see whether they believe it is justified but should just pass it because it is asked for?

Mr. PATERSON. There is no question of not reviewing it.

Mr. JAVITS. Suppose it is decided that \$6,800,000,000 is wrong, that it should be \$6,600,000,000. Would you see any objection to reducing it?

Mr. PATERSON. Mind you, I have not had the occasion to hear continually witnesses on this and have not had access to other particular documents, but then it seems to me that \$6,800,000,000 is itself even lower than the minimum put forth and represents a cut itself. I must say I have taken at face value the statements that have been made by several people before the Senate Foreign Relations Committee, that that did represent a cut, a minimum cut, and if it were brought down below that it might be more of a relief program than a recovery program.

Mr. JAVITS. You do not for a minute desire us to take your statement as meaning that we should not review the amount.

Mr. PATERSON. No. I did not want to go into detail.

Mr. JAVITS. I notice you oppose this provision with respect to the guarantees of American private investment abroad. If you were convinced that “a plan”—not “the plan,” but “a plan”—would contribute to the European recovery program success, you would not be against it, would you?

Mr. PATERSON. I must say I have not had the time that the gentlemen of the committee have had to really go over this thoroughly. I know that, for example, certain large concerns are planning on reestablishing their interests in Germany. I assume they will do that anyway. If the conditions are not such that they cannot do it, why should the Government stand the loss any more than they should?

I do not see why that 5 percent should be there.

Mr. JAVITS. Have the veterans in your organization expressed themselves on this issue of the reindustrialization of Germany?

Mr. PATERSON. In the resolution adopted in July that I referred to briefly that is not attached here. One of the statements in it is—and that, incidentally is the reason it is probably not reemphasized in the November resolution [reading]:

We recognize the danger that American credits may be misused to rebuild German military strength, without inspection and controls as after World War I. We urge that any increase in the level of German industry be accomplished through the imposition of strict control.

Mr. JARMAN. I forgot to say what a fine looking, able-appearing new chairman we have, and commend him on his excellent handling of the committee.

Acting Chairman JACKSON. The Chair thanks you.

Mr. JARMAN. With reference to your fear, which I heartily share, that any substantial reduction of that amount would cause it to become a relief program only, I might say that we have considerable testimony developed from my questions to the witnesses, who probably are much more familiar with the situation than you are, to the effect that just that would happen.

As a matter of fact, I have asked two or three of them this. I have assumed it might be cut approximately to two-thirds.

I ask them the question, if they thought it was possible that 4.5 billion would accomplish two-thirds as much as 6.8 would, or in other words, whether it would not be wasteful, and the positive opinion that has been expressed by those to whom I propounded the question was that it would not, that it would not produce two-thirds of the results. You are not alone in your opinion.

Mr. PATERSON. I envy the committee for their position of hearing all these things.

I have spent about 5 years outside of the United States recently and am interested in your opinion on foreign affairs but I must say I do not have quite the time to study things that I would like to and unfortunately have to work on just too many pieces of legislation.

Mr. JARMAN. Thank you very much, sir.

Acting Chairman JACKSON. Any further questions?

Mr. Kline, the president of the American Farm Bureau Federation, is also to appear before the committee.

Mr. Kline, may I, on behalf of the committee, welcome you this morning?

Mr. Kline is the president of the American Farm Bureau Federation. You may proceed, Mr. Kline.

STATEMENT OF ALLAN B. KLINE, PRESIDENT OF THE AMERICAN FARM BUREAU FEDERATION

Mr. KLINE. It is a pleasure to appear before this distinguished committee, for there are perhaps no more important committees in the world today than those of the United States Congress which deal with foreign relations and foreign affairs.

I, along with millions of other farmers, share the deep conviction that our Nation must meet the responsibilities of world leadership. Less than 2 months ago our voting delegates, representing over 1,275,000 farm families, or approximately 5½ million farm people in 45 States and Puerto Rico, adopted a strong resolution on international cooperation. The parts of this resolution dealing with the recovery plan are as follows [reading]:

We favor cooperation, within our productive and financial ability, in the European recovery program. Foreign-aid programs should be based upon the principle of helping the people of the various nations help themselves. No program of help is good unless it will lessen the need for aid in the future. It is essential that steps be taken to help war-torn nations restore dependable value to their currencies and expand industrial production, as well as the production of food and fiber to raise their living standards and restore their ability to carry on normal trade relations.

Expenditures for relief should be considered as part of the cost of the war and handled as such. The expenditures for capital goods, however, should be considered as loans and means provided for repayment. We favor a policy which will encourage the making of private loans and investments abroad. We believe that private foreign investments can be mutually beneficial to both this Nation and the receiving nation.

We favor the establishment of a bipartisan commission appointed by the President and confirmed by the Senate to administer the long-time aid program, which must be closely coordinated with the activities of the Department of State, the Department of Agriculture, and other interested Government agencies. In the formation of the commission, agriculture should be given adequate representation.

We should make certain that the aid is used for the purpose intended. The individual recipients of any aid should be informed that this aid came from the United States and was produced by free people working under a system of private enterprise.

The paramount question in the minds of millions of farmers is, What can be done to attain an enduring peace?

Farmers realize that there is no easy answer to this age-old problem. They are unwilling, however, to let the present opportunity go by default. It has been afforded us by the victorious conclusion of the most costly war in the history of the world. We must carefully weigh the cost and yet let us never forget that war is the most horribly expensive of all methods of settling international disputes.

Our Nation finds itself in a position of world leadership involving many new and grave responsibilities. We must accept this challenge in the same fearless manner as did our forefathers in making the most of the opportunities out of which our ancestors created this great democracy. American farmers are proud of the splendid bipartisan manner in which our foreign policies have been handled since VJ-day. We wish to commend the Congress for the fine statesmanship displayed and sincerely hope it will continue.

The American farmer is a strong believer in the private enterprise system. He feels that one of the major long-time contributions that can be made to civilization is for this country to maintain a strong, virile, and productive system of private enterprise, to serve as a citadel of democracy in these troubled times.

It is significant that while some are attempting to discredit the capitalistic system, many areas of the world are at the same time knocking at our doors, seeking the fruits of our productive enterprises. The farmer has learned, through bitter experience, that we cannot isolate ourselves from what is happening to other segments of the economy. We are all dependent upon one another. Likewise, he has learned that this Nation cannot isolate itself from what is happening to governments and people in other parts of the world.

We realize that this aid program will cause some temporary hardships upon this Nation; but it is our conviction that, if the program is handled wisely, our Nation is strong enough to meet this challenge through the private enterprise system, and will not have to resort to a regulated economy, foreign to our democratic principles.

It is of extreme importance in any aid program that recipients be clearly informed that this aid was produced and furnished by the free people of the United States. They should further know that much of it has been furnished without hope of reward other than that of a prosperous and peaceful community of nations.

It has been my privilege to have been in Europe three times within the past 4 years—once during the war and twice since the war. I am

not alone in this experience. Perhaps more farm leaders have been to Europe since the close of the war than in any previous decade.

This is mentioned simply to illustrate the interest among farm people in meeting the challenge of present-day problems. It is my conviction, and that of my associates both those who have traveled with me and the vast majority of farmers throughout the country, that Europe needs help in order to get started on the road to recovery.

It is our feeling that the mere shipment of food alone will not meet the problem. We must make it possible for Europe to obtain the things necessary to get production started. They need machinery to produce necessary goods and services. Steps must also be taken to help stabilize their currencies. It is a vicious circle. Recovery in Europe depends upon both production and exchange of goods and services. At this time, even when necessary goods have been produced, trade is slow or even impossible because currencies are of little value and even then not dependable. This is a vicious circle which must be broken before permanent recovery can make headway. While we must send enough food to enable people to work effectively, we must at the same time see that they have the means to produce other things to insure that we do not merely stabilize a relief situation.

It must be apparent that this Nation cannot solve all the economic problems of the world—that much of the undernourishment of the world is centuries old and is not a direct result of the war. While these problems cannot be ignored, I feel that we should recognize that Europe is the key to the reinstatement of that sort of production, trade, and government in which a democracy can survive, and that our major effort should be concentrated for the time being upon bringing about economic recovery in this area.

It goes without saying that any aid program should be designed to help the people of the nations help themselves. In extending this aid, careful safeguards should be provided to insure that it is used for the purposes for which it is intended.

Whenever the aid is not so used, it should be terminated. Extreme care and wise administration must be provided to avoid spending huge sums of money which leave the recipient nations no better off than they were before. Production by the people of Europe themselves, accompanied by the opportunity to exchange their goods for things they need, is the only permanent solution to the problem.

The administration of this long-term aid program presents a difficult and complex problem. Our resolution calls for administration of the program by a bipartisan commission appointed by the President and confirmed by the Senate. The resolution also recognized that the activities of this commission would have to be clearly coordinated with the Department of State, the Department of Agriculture, and other governmental agencies which would participate in the program.

In this case, as in other cases where an important issue faces a democracy, there are varying ideas concerning the best solution, and quite often each proposal contains many points of merit. The end result is often compromise which is more workable than the original suggestions. It must be recognized, however, that under our present form of government the Department of State is responsible for our foreign relations and contracts with other nations. At the same time it is necessary to realize that this aid program has a number of impacts

upon our domestic economy which are not necessarily within the jurisdiction of the Department of State.

In discussing this matter on Tuesday of this week, our board of directors thought that the best solution would be to establish a bipartisan commission of six members, with the Secretary of State or his delegated representative serving as chairman, and the other five members appointed by the President and confirmed by the Senate.

This policy commission would be held responsible for the program and required to report quarterly to the President and the Congress. Since food is one of the major items involved in this program, we feel that a person familiar with agriculture should be on the commission. Authority to establish advisory committees to the commission should be provided.

We believe the program should be financed out of current receipts of the Government. We believe that past history indicates that many of the loans made under the program for current consumption may never be repaid and that it might be a mistake to establish too rigid conditions for the repayment thereof. We feel, sir, that we should strive to make loans for capital goods on a business basis.

We would like to see the aid program provide the greatest possible latitude for the making of loans by private individuals. Perhaps the conditions for aid to the respective countries should contain some reasonable protection for American capital to insure that it has the same treatment as domestic capital in the country involved.

It is my conviction that there are opportunities for American business to make productive investments in devastated countries which, under proper conditions, would be extremely beneficial to the citizens of those nations, and at the same time be advantageous to American business and finance.

The aid program should contain provisions designed to promote international trade on a sound basis. It is apparent that much of Europe cannot exist without a considerable exchange of goods and services.

It is also apparent that American agriculture will need foreign markets. During the 1920's and 1930's from 60 to 75 percent of all our agricultural exports were to the countries participating in this program. Before the war, western Europe produced only about two-thirds of its total food. The United Kingdom was less than one-third self-sufficient in food.

Belgium, Norway, and Switzerland were about 45 percent self-sufficient, while western Germany produced about 60 percent of its food requirements. It is apparent that there are possibilities of maintaining permanent markets in Europe which would prove very beneficial to American agriculture.

Adjusting our expanded volume of wartime production to peacetime demands will be easier if we have foreign markets. There has been a close correlation between the amount of undesirable regimentation that it has been necessary to place upon agriculture in the past in order for farmers to survive, and the volume of foreign trade.

You will ask, "Can American agriculture stand the impact that this program may have upon it?" I believe it can. The program calls for exports of less than 10 percent of our production of farm machinery.

While this is a slight increase over what has been exported in the past, it is likely that this increase can be offset by increased production, which would make machinery available to our farmers at about the present rate. The program provides for continued exportation of United States nitrogen to western Europe at about the present rate, which is 8 percent of the total commercial supply. This requirement will diminish after 2 years. Shipments of phosphate rock would be continued at about the present rate, which is around 4 percent of our domestic production.

From the standpoint of the impact upon consumers, the program actually calls for a smaller quantity of food exports than in other recent years, but there is no use denying that the relief program places strains upon our economy which would not be there if the goods were not shipped out of our Nation. These strains can be lessened, however, if care is exercised to utilize those products which may be in excess supply and thus alleviate the pressures on other commodities. Like most other worthwhile things in life, this program cannot be had without some sacrifice by our own people. I believe that the potential benefits from the program outweigh the sacrifices which we will have to make.

In conclusion, may I state that the American Farm Bureau Federation has great confidence that this Nation will rise to meet the challenge of the times. We wish it were unnecessary to be discussing this aid program. We wish that now, 2½ years after the war, a permanent solution to the problem of peace had been effected, or was near at hand.

This, however, is not the case. We have great confidence in our private enterprise system, and in our democratic form of government. The members of the American Farm Bureau Federation feel that we can help these needy nations to help themselves in such a manner that it will be in our own long-time best interest, and will also be of immeasurable value to the people in the recipient countries.

In summation, I think we can point out some of the major elements affecting the farm bureau with regard to this European recovery program.

In the first place, we are certain that a European recovery program ought to be handled on the basis of a bipartisan approach. We certainly commend the Congress for the position which has been in the past dominant in that area, and we are certain that it ought to be the major concern of both parties, that this thing be considered on the basis of what the situation requires and not on the most vulnerable position in the armor of the other party. That does not mean anything in particular, but I think you know what it means.

The European recovery has to be European. There is not any doubt about it at all. I have heard people say, "Can we feed Europe?" The answer is, of course, "No." We cannot begin to feed Europe. Neither can we afford to contribute from our own production the kind of thing which would make up for traders. It means recovery in the kind of production and the sort of trade, to make it possible for Europe to survive by its own efforts.

Nothing we could do would take the place of a plan evolved by Europe and put into effect by Europeans. Our job is to kick this thing off.

One of our dangers will be that we might get into a position where we stabilize relief in Europe. It is a very serious threat, and it would be a great calamity.

For instance, where we could furnish food, now and just food enough to keep Europe alive, and were we to fall down on the proposition of getting recovery started by the sort of supplements which are concerned with machinery for production, and the kind of thing that will increase the capacity to produce on the part of European workers, then we are simply continuing an impossible situation.

There are in Europe a good many more people than can live in Europe on the soil. This population was developed with a production and trade which enabled them to buy food from all over the world, and when that is renewed, there will be a great step taken.

We think there is a tremendous interest on our part in this thing. It is not an altogether selfish interest but if one wished to consider it from an altogether selfish viewpoint, it still makes very good sense for the United States.

I have had the good fortune or misfortune to have been in Europe during the last 4 years. Once during the war I spent a couple of months in Britain and in the past two springs I was there and both times I visited Germany. I was confident as I could be that there is little possibility of living in the United States, unless we live in a world where nations like those of Europe enjoy again that which they enjoyed prior to this war, a relatively high standard of living and some hope.

Those citizens who are willing to work and have some initiative must have some hope that if they work hard and do their best they might be able to buy an overcoat next winter.

Until we have restored some economic order, there are too many people with too little food and production and trade is either so poor or so disorganized that they do not fit the people there.

There is always the threat of an inimical organization in Europe in some form with which we cannot get along. We are convinced we are not experts. However, also, there must be coordination between the State Department and the administration of European recovery.

It would be a tragedy if the United States, with the amount of resources which will inevitably go into this effort, if we were to handle it in such a way that we were at loggerheads with ourselves.

We have suggested that there ought to be an administrator who was either appointed by the Secretary of State or someone appointed by him. We think also, though, that we ought to coordinate this thing by having appointees of the President confirmed by the Senate.

The Congress has to be tied into this thing. We do have to overcome the tendency which the State Department has to do things and tell us about it afterward, and not to have the people in on the proposition as it goes along. This European recovery program is big business. It will concern the distribution of vast quantities of materials. It is necessary to have it well administered and the State Department is not set up for that sort of thing.

It is a little complicated and as we suggest here, perhaps a compromise that might be worked out would be better than some of the proposals which were made to start with.

That, Mr. Chairman, concludes my oral statement.

Acting Chairman JACKSON. Mr. Jonkman.

Mr. JONKMAN. You said in your statement:

We realize that this aid program will cause some temporary hardship upon this Nation. It is our conviction that if the program is handled wisely, our Nation is strong enough to meet this challenge through the private-enterprise system and will not have to resort to a regulated economy foreign to our democratic principles.

If this demanded a correlation including price control in the United States, would you still prefer it?

Mr. KLINE. I would like very much, when that occasion was said to be here, to have the opportunity to evaluate the occasion. I would doubt that it was here, yet.

If I might discuss that just a little bit, I will say that I do think it is probably true that many of the controls such as you are suggesting now might be necessary because of the Marshall plan, are in effect in Europe now, and many are there because of necessity.

The shortage of goods and the inflation which has been disguised by such means as this, make it necessary to do something to facilitate the distribution of our goods.

However, Europe is having a very difficult problem. It is a little overstatement but not too much so, to say that Europe has discontinued the use of money. You can get the things distributed by coupons for very little money.

Now, for additional labor and increased ingenuity he gets more money, he does not get more coupons.

He must go into the black market or luxury market, and there the inflation is very apparent and very real. He can buy little with his own money. He considers leisure is more important to him than money.

Over and above this matter of work on the part of the worker it is well to remember that Europe lived by trade and that her population cannot possibly exist on the soil as it is. The trade of Europe prior to the war depended upon the use of money and credit and was evolved during the nineteenth century pretty much on the basis, relatively, of free trade.

All those things are changed by the situation. It is necessary to get export licenses and import licenses, and with various controls of the exchange itself, trade is entirely controlled.

Imports and exports are controlled in all these countries. So you have the distribution in the country controlled, the imports and exports controlled and many people blithely assume that if we were to become a little short of this, that or the other in this country, we could take care of inflation and everything by putting in a few little controls.

I have seen these controls first-hand, when they were not a few little ones, but were all over the place, both here and in Europe.

I am not at all sure that they are an easy answer. Black markets go right along with the luxury markets. The inflation shows up inevitably.

When we come to this time when some people in America might say, "Now, we better introduce this other system because our system of relatively free markets is not working so well," then I would want the opportunity to look it over rather carefully. They would then be saying, "This is a rather terrible emergency." We would then have

to gage whether we might be able to get the sort of production which was essential and still throw in these controls and take off administrative ability, in order to manage the controls. I think we are quite a long way from it now.

In food, we exported about 7 or 8 percent. Pound-wise we sent about 13 or 14 percent of the domestic distribution.

Mr. JONKMAN. If you were convinced that with \$4,500,000,000, we could retain our free economy, but that with \$6,800,000,000, the strain would be so great that we would have to go into a controlled economy, would you then advise the \$6,800,000,000?

Mr. KLINE. The answer again is "No," but again I would have to check all the details and that would get to be the sort of explanation where you would have to say, "Let me ask another question."

Mr. JONKMAN. If we are trying to save free government in the world, and the Western Hemisphere is the only place where it exists, will we gain anything by releasing it and abandoning it in the Western Hemisphere, as compared to our own interests or world interests?

Mr. KLINE. The most important thing in the world today, both from our standpoint and the world's standpoint in my opinion, is to make this American system work and make it be successful.

Make it successful both in the production and distribution of goods.

Mr. JONKMAN. That does not answer my question. Is it working if you go into a controlled economy?

Mr. KLINE. No.

Mr. JONKMAN. That is all I wanted to know.

Mr. KLINE. That is almost too much, because the fact of the matter is that we have many controls in this country which practically everyone is in favor of. We do not have complete free enterprise, sir. We have all sorts of little abridgments. Such as the Federal Power Commission and the Interstate Commerce Commission.

Nobody is in favor of letting the railroads set the rates by themselves yet. It is an infringement of free enterprise, to set up a commission to restrain them.

I think the maximum amount of free enterprise will make this thing work, with the minimum amount of controls that will be in the public interest as we go along. We have to appraise that from year to year.

Mr. JONKMAN. That is all, Mr. Chairman.

Mr. JARMAN. Your appearance here brings pleasant memories to me. First for the very fine and patriotic attitude your great organization has always taken since I have been in the Congress, on such momentous problems as this.

Furthermore, it brings equally pleasant recollections of a very fine, delightful, able southern gentleman from my State who has heretofore appeared in the capacity in which you appear today, and which capacity you have now taken.

I am sure you realize that in stepping into the shoes of Ed O'Neal you have stepped into large shoes.

However, from what I have already heard of you, if there is anyone in your organization capable of filling those shoes I believe you are the man and I congratulate you on the opportunity which is yours.

Mr. KLINE. Thank you, both for myself and Mr. O'Neal.

Mr. JARMAN. It is highly appropriate, I believe, that when you appear before this committee, that it be presided over by a man, who

although a very junior member of the committee, is a distinguished member of the committee and the Congress from your State.

I just said awhile ago when the previous witness was here and I looked up and saw my good friend Don Jackson, the gentleman from California presiding, I commented on what a fine and able looking chairman the young man made, and I think that is appropriate.

Mr. LODGE. Hear, hear.

Acting Chairman JACKSON. The young man also thanks you.

Mr. JARMAN. I am going to read your statement very carefully, because I like so much the first sentence of it and I hope the constituents of all the members of these committees will entertain the same appreciation of them as you do when you say [reading]:

There are no more important committees in the world today than those of the United States Congress which deal with foreign relations and foreign affairs.

I hope our constituents enjoy that same appreciation.

Mr. KLINE. Am I to understand from your comment that I am from California?

Mr. JARMAN. That is what I understood.

Mr. KLINE. Well, I am from Iowa. It is practically the same thing.

Mr. JARMAN. I beg the pardon of the gentleman from Iowa, for suggesting that he came from California, but it is just next door.

Mr. KLINE. Both in the same great country.

Mr. JARMAN. I was misinformed.

Now of course you are not technically versed in this, I am sure but in view of the question propounded to you by the gentleman from Michigan, I am wondering if you have studied the question sufficiently to have a definite opinion on this question. As you know, the amount suggested and requested in this testimony as being necessary to accomplish the purpose we all feel must be accomplished for the first 15 months, is \$6,800,000,000.

There are proposals to reduce that amount. I do not believe and I hope there is no proposal to reduce it so drastically as to \$4,500,000,000, but I select that amount because that is approximately two-thirds of the \$6,800,000,000.

From your experience in your visits to Europe and the study you have made of this proposal, do you think that \$4,500,000,000, which is two-thirds of \$6,800,000,000, would accomplish two-thirds the good toward the end we want to accomplish, that \$6,800,000,000 would? In other words, would two-thirds the amount of money accomplish two-thirds the good?

Mr. KLINE. Mr. Chairman, I believe the answer would be no. However, it is difficult to give a well-considered answer. This is in terms of billions of dollars and it has to get down to terms of relief on the ground and rehabilitation.

It does, however, bear on the statement which I made orally: The most important thing in Europe is to get recovery of European production. We are faced with the absolute necessity of assisting with food. If we go far enough and do quite a little bit with food, and quite a little bit to meet the exigencies as we go along, but do not do anything about getting their own program of retooling started, then it would be true that this money would not accomplish percentage-wise the total that it was of the total expenditure, because we would tend to stabilize the relief situation.

Or if you insist, we would not continue the relief situation anyway, we would tend merely to continue, as far as our effort was concerned, an impossible situation by enabling people to live through the winter.

The most important thing of all is to get production started in Europe, and the expenditure which we make there getting production started is the sound expenditure. That is the expenditure which can be productive. That is, furthermore, the only kind of thing that can be repaid.

Acting Chairman JACKSON. That was exactly my reason for the question.

Mr. JARMAN. I believe that such a reduction would reduce the effort largely to a relief matter which would either have to be continued year after year, or we would have to stop it, whichever was our choice and we would not get to the real productive part of the program which is rehabilitation and the commencement of construction.

My agreement with your statement was what prompted my question. Thank you very much.

Acting Chairman JACKSON. Dr. Judd.

Mr. JUDD. Following up the remarks of my genial friend from Alabama, on your having difficulty filling the shoes of your illustrious predecessor, it is perfectly clear from your statement here this morning that you brought your own shoes and are filling them very admirably.

I think you have made one of the finest, best-balanced, most realistic statements, both of needs and of what is necessary to satisfy those needs in ways that will be sound and enduring and mutually beneficial that we have had in the whole hearings.

I notice you speak of the exports of farm machinery, fertilizer, and so forth.

When you were in Germany did you have opportunity to visit any of these areas where there were nitrogen plants of enormous capacity but which are not now operating at anything approaching full capacity or not operating at all, and some of which have even been dismantled? Did you go into that problem?

Mr. KLINE. Yes, sir; we visited with the folks in connection with our military administration over there, about the whole fertilizer problem, and particularly the nitrogen problem. We visited with the joint administrative officials of the British and American zone at Stuttgart and we had a number of conferences with German officials.

We met with the board of directors of a cooperative. We met also with the German administrative officials under the joint administration at Stuttgart.

It is agreed there on all sides that there is capacity to produce the necessary nitrogen.

I did not go through the plants and it would not be of much help if I did because I do not know anything about nitrogen plants.

The immediate difficulty is coal. I presume you have heard that story a great many times.

It is my own impression that the most immediate necessity for the improvement of agricultural production in our zone in Germany is fertilizer. The production of fertilizer is an industrial proposition and the whole thing stems back again to this industrial break-down of which I spoke before.

Mr. JUDD. As a farm expert did you run across instances where in some of the countries Americans were trying to raise agricultural techniques, methods and procedures to the level of Iowa for example, and therefore were taking machines into areas which did not have any way now and will not hereafter to get foreign exchange to buy oil and parts for the tractors and other farm machinery which were being sent from America.

To do this raises their position temporarily but when the United States walks out in 1952, it leaves them with a modified agriculture system which they cannot support.

Did you find evidence of that in any countries?

Mr. JONKMAN. The gentleman is asking too much to ask that the level be raised to that of Iowa, the agricultural level?

Mr. JUDD. Well say, "even Alabama." You know what I am driving at. This ought to be recovery and not an attempt to carry on a great social or industrial or agricultural reform, especially if it tries to bring them to levels they cannot sustain on their own power.

Mr. KLINE. I did not personally visit any such place. I did visit places where the introduction of large machinery would be bound to fail, until there were all sorts of alternative use for people, because there are enough people to do the work with hand tools and you must do something with the people.

However, that type of production is very intensive. It gets every little foot of land. Therefore, I say the most essential thing is fertilizer.

You ask about shipping machinery which does not count. That has to do with the long-term trade proposition for the United States which might have considerable importance.

Four years ago this month I visited the Political and Economic Policy Club in London. And I remember the discussion with regard to machinery. Dr. Brogan, who has been in this country a number of times, finished off the argument. He said, "With regard to a British farm machinery manufacture, there is no good British farm machinery. There is only good American farm machinery."

We also have the possibility of developing considerable trade here. It is a sore spot with farmers because they want the machinery themselves and the fertilizer themselves.

They think we should not do the things you suggest, which consists of putting machinery in places where the people do not understand tractors anyway and where there is no prospect of long-range servicing of that machinery and extension of trade in that area, but there are many mechanized areas where the plants have broken down that ordinarily supplied them.

The German tractor factories are not in production. There are places where machinery is very necessary indeed, in order to keep their production up. There are also possibilities of a very economical use of machinery in some of those areas, even though it might only be served for a few years until the machinery wore out.

It would be most foolish for us to send some machinery over there and not have enough foresight to see that it had the capacity to be serviced. A \$2,000 tractor can break down for a 50-cent part and set around for months.

Mr. JUDD. There has to be some balance and in my own mind the extent to which we ought to get these people dependent upon us has

never been clear. Their shortage now is in American dollars, because we are the only productive plant in the world that is relatively unscathed.

Must we not try in this program, to get people so they are not quite so dependent upon American dollars?

On one hand we want to build up markets so when our shortages are filled, American farm-machinery manufacturers will have places where they can sell their products.

However, if those countries cannot have dollars with which to pay for the goods, will they not be back here asking for loans?

Mr. KLINE. That is true. This dollar shortage is just what you suggest. It is a shortage of things that dollars will buy.

I think a lot of people are confused about the talk about dollar shortage. The fact is that dollars are exchangeable for things which people want.

They are short because people want a lot of the things.

Also, the break-down of production over there is part of this dollar shortage. We do not want them to be dependent on us for things they can and should produce.

That is what I mentioned awhile ago. That would be stabilizing relief. That we certainly want to avoid and so do intelligent Europeans.

What we want to do is kick production off over there. In the long run, dollar shortages abroad can only be taken care of by imports of various sorts into this country. These loans eventually have to be repaid or they are no good.

Mr. JUDD. Is it not true, then, that insofar as we build up these economies, making them dependent on things which can be gotten only from America, we are laying the foundation for the necessity of modification of some of our import programs?

Mr. KLINE. The last statement I made could be misunderstood. I said the loan is no good unless it can be repaid. I think we have an investment in European recovery which is a sound investment, but when we export a commodity in which we have a very great advantage in production and therefore have high wages and high standards in that industry, we can expect that we might profit from that by importing something in which some other country had an advantage, or some special valuation because it might be made by hand, or some raw material which the United States does not have in unlimited supply, such as oil.

There are so many things that we need in this country. If we want to replace our supplies, we do have to trade. That is the only way to overcome a dollar shortage in the long run.

Mr. JUDD. I think that is all.

Acting Chairman JACKSON. Mr. Javits.

Mr. JAVITS. Mr. Kline, I am very much interested in your statement here about farm machinery, nitrogen fertilizer and phosphate rock, because there was a bitter battle made over a previous bill of ours on the floor, on the grounds that we were taking the bread out of the mouths of the American farmers by doing anything which in any way went along with these programs that you referred to.

Without in any way embarrassing you or your organization, do I understand that you feel this ERP proposes a fair allocation under present circumstances as between our own needs and European needs?

Mr. KLINE. Yes, that is correct. We could use all this ourselves and more besides.

Mr. JAVITS. It follows out with the statement you made, which incidentally I would like to compliment you on very much. It is a thesis which my colleague, Mr. Lodge, has constantly made a point of, that you cannot do this ERP without straining. Somebody must give up something.

You feel, then, that as between the farmers of the United States and the farmers of Europe, under the circumstances, the division of farm machinery and fertilizer represents a fair measure of justice?

Mr. KLINE. That is an estimate and the best one we could make.

Mr. JAVITS. As a city Congressman, I am most interested in your sentence on the last part of page 6 which says [reading]:

These strains can be lessened, however—

referring to the strains of the program—

if care is exercised to utilize those products which may be in excess supply and thus alleviate the pressure on other commodities.

I would like to ask you a few questions on that score: Are farmers themselves deeply concerned about these very radically increased costs of food to the city consumer?

Mr. KLINE. Yes; we are very much concerned from a number of different angles.

One of them is because there is a phenomena of inflation and this inflation has been of long standing and is very severe.

Our prices rise in inflations and our costs rise more slowly but eventually get somewhere near an operating balance.

Inflation in this country has always been followed by deflation and the longer they lasted and the more rapidly they rose, the sharper the peak was at the point.

They went up very rapidly just before they started down and they then went down rapidly.

Farm prices are most elastic and they go down most rapidly. Farm costs are one of these sticky things, having gotten up under this level of operating income, so that they were in balance, they stay there. Net income tends to disappear.

That is a selfish interest.

We are also interested in a public-relations angle. The city man buying high-priced food thinks the farmer is getting wealthy and laughing in glee at all the difficulties. Therefore we are a little concerned about it. The fact of the matter is, the farmers in my country who sell cattle and hogs for these very high prices, and they are high now, are not just exactly happy about it. I do not mean to say they do not take the money but I do mean they say to themselves, "We probably will get some trouble out of this, so we better save this money and be careful with it, because there are bad times ahead."

That does not mean that they do not try to avoid those bad times, by any means. That is one of the reasons for having a farm bureau organization.

What this sentence applies to is that there are some foods already in very good supply.

Oranges are extraordinarily cheap. Grapefruit is extraordinarily cheap. Grapes have gone down. Some grapes now sell for only a little more than a third of what they sold for last year.

I talked to one of my friends from California in December, who had just gotten paid for a shipment of table grapes where he lost money. The freight rates and handling charges are all fixed, so the price the consumer pays sometimes looks pretty high, yet, while the producer is losing money because these fixed costs stay in.

In the distribution business, margins often are fixed and the reduction by the farmer does not show up at the retail counter.

It does become the responsibility of consumers everywhere, that if they are hard-pressed for money, and some of them are—it should be their responsibility to study this food situation and buy the kind of foods which are available in good supply, and not have an easy assumption, "If somebody would do something all at once I would be taken care of."

It is difficult.

Mr. JAVITS. Do I understand that some program has been evolved in your organization which you suggest to help city dwellers meet that situation?

Mr. KLINE. We have made only general suggestions. A good many housewives are rather clever at this sort of thing. Some others probably are not quite as well informed with regard to food value, and there is always the matter of choice as to whether you want to spend more of your income for good quality food, or whether you will take something which is a substitute that has good nutritive value. Those are free choices, that ought to be free. I think we should always remember also that there never has been a condition in times of stress, as there is now after this great war, when everybody was doing very well at the same time.

I think our average is very good. I do not mean to imply that we should not try to improve it.

Mr. JAVITS. Has your organization been opposed to these price rises?

Mr. KLINE. Definitely.

Mr. JAVITS. Would your organization be opposed to some broad scale, well financed, widely advertised, national conservation program which would teach consumers what they should do?

They could work in close cooperation with you, and try to find out where we are cheating ourselves, as city dwellers, where we are not being smart, and advice, counsel, guidance could be given in connection with the situation, so the city dweller can help himself.

Would you gentlemen feel that is cooperative with or antagonistic to you?

Mr. KLINE. No; I think that is very good. As a matter of fact I am meeting this afternoon with a small group, including the Secretary of Agriculture, to talk with him about this situation, and how we can get better use of the available supplies.

In addition there are some things we can do in the line of getting maximum use of every source of food we have. That is always possible, to improve the sources of food we have, to get food out of them.

Mr. JAVITS. Very well.

Acting Chairman JACKSON. We will have questions from the agricultural expert of the State of Connecticut, Mr. Lodge.

Mr. LODGE. I am also very happy to congratulate the chairman, even though his status is only temporary.

I am tremendously interested in your statement, Mr. Kline. I think it is significant and of great interest to us.

I should like to ask you, aside from the stake which we all have in the recovery program, aside from the strategical implications, what would be the immediate effect on the farmers of America if there were no foreign drain upon the products of this country?

Mr. KLINE. It is difficult to gage. However, some of the food support programs which people think are responsible for high prices and which currently have little, if anything, to do with it, would come into effect on a commodity like wheat, for instance.

Wheat has been produced in this country in response to a demand which was known to be—this European recovery plan, feeding our Army in Germany and feeding people under the military government, and so forth—we produced last year 1,400,000,000 bushels of wheat, where the normal, prewar, was 750,000,000 bushels of wheat, approximately.

If we took out the demands which enabled us to ship abroad 550,000,000 bushels of bread grain, there would be some difficulties and adjustments. The adjustment this year would have been relatively easy, because we produced a few hundred million bushels too little corn, so we could have fed the existing livestock and more people would have more meat, and the market conditions were such that it would have been a relatively easy time to make the sort of an adjustment which would have been required.

Mr. LODGE. There are a certain number of things that could be done under this program to relieve strain on American wheat.

One of the things that can be done, to take one example, is the agreement made recently between the Russians and British, whereby the Russians exchange some of their wheat for part of the British industrial output.

Now of course under an arrangement of that kind, we would be called upon inevitably to replace or provide some of that industrial output which the British would be sending to the Russians.

On the other hand, the wheat which the British would get would relieve the strain on American wheat.

Would you in your position, as president of the American Farm Bureau Federation, be in favor of that type of agreement?

Mr. KLINE. I do not know the exact agreement here but in general we would be in favor of the accumulation for western Europe and Britain of supplies of food from east of the iron curtain, including both Russia and the Danubian basin. The fact of the matter is this European situation looks ever more impossible and a recovery program in Europe seems ever so much less likely, unless we do have a reinstatement of the complementary activities of western Europe and eastern Europe.

Mr. LODGE. I am very glad to have your statement on that. I think you have made a very responsive answer.

That is one of the points that we have been wrestling with here. It is that question of applying to this whole program, the catalyst for revival of trade between western and eastern Europe, feeling, as many of us do, that the insufficiency of that trade is one of the prime causes of economic prostration in Europe.

Would you also say, then, that it would be a good thing for us to exchange our industrial goods, our capital-goods surplus, for South

American wheat and particularly Argentine wheat, in order to achieve the same sort of beneficial arrangements within the Western Hemisphere which we propose for Europe and thereby relieve the load on American wheat?

Mr. KLINE. There is a very special urge now to protect food supplies in America and especially to protect against inflationary rises in the prices of some of the more desirable foods. Obviously the removal of some of the extraordinary pressure on our domestic supplies by other places would be favorable to the farmers.

I have explained why the farmer is not in favor of high prices for his cattle. For many reasons it just is not a good idea.

However, when you raise the question of Argentina, it is a little difficult. Argentina has done some things of which you are probably aware, in the matter of scuttling the wheat agreement and selling for highest possible dollar in these international markets, which makes the question of Argentinian trade a peculiar question and a difficult question and one that deserves separate treatment.

When you say [reading]:

How much drain will we put on the American economy in order to furnish to Argentina the particular kind of machine tools which she needs to do some domestic things, in order to get her to release wheat to Europe to release us from a commitment for a lot of wheat—

and I think we would have to consider the purposes which she expected to use the tools for, and how much steel was concerned and so forth. I would want to qualify that one more than I did the first one.

In general, I would like to see it happen. I would like to see as much wheat come from other places as possible.

Mr. LODGE. In general, you would like to see every area of the world, including the Orient, produce those items which it is most fitted indigenously to produce.

Mr. KLINE. That is right.

Mr. LODGE. With respect to the figure of 6.8 billion dollars, since that figure is predicated largely on the "balance of payments" basis and therefore is a question of dollar deficits, would you feel that if there is an early currency devaluation on the part of the 16 participating nations that such a devaluation, by increasing the exports from those nations and thereby reducing their dollar deficits, might well make it unnecessary for the Congress to appropriate such a large sum?

Mr. KLINE. There are certain ways of improving our situation by getting more in return for what we send over and thereby reducing the net expenditure of dollars from this country, or the net export of goods.

I would like to get it back on the goods basis.

On the other hand, it is important to remember that the reason this program is going along is because production in Europe is so bad.

I have walked up and down the streets in Paris, in London, in Frankfurt, Stuttgart, and by golly there are not many things there we want.

Mr. LODGE. However would you not say that one of the other benefits to be derived from a devaluation of currency is that it would almost inevitably result in increased production abroad, especially with regard to farm products. As you pointed out in your testimony, people are using coupons.

The farmer does not want to sell his produce, because he has no confidence in the value of the money. Therefore would it not be true that a devaluation of currencies would not only result in more production abroad, it would result in more exports from abroad and in more dollars abroad, and it might also result in a lowering in the cost of living in America because of the increased imports in America?

Would you say that would be true?

Mr. KLINE. Oh, yes. The stabilization of currency abroad is a very vital part of this thing, so the people can have confidence in money, so a farmer can sell a cow and get the money and feel confident that with the money he can buy something either now or later.

I believe it was in Stuttgart where I went through an export show, showing all the things made in the American zone, so the Americans could go there and buy those things.

I asked questions of them with regard to these commodities.

"Are they ready to sell?" "No; they are not ready to sell, but there is a factory here, there is a labor supply, we are ready to give allocations for the materials required for this production, and we are ready to discuss with this merchant and the manufacturer in America a deal, and if they can get together, and if we see our way clear on these other matters we will approve it and you have a deal and we can give delivery in 6 to 9 months, on any of the commodities in this display."

If it were considered a display for a single manufacturing city, it was quite a display. However, considered as a display for a great industrial zone, it was nothing to brag about.

We could easily be overoptimistic about how much we can get out of that European economy in the more immediate future, in exports.

Mr. LODGE. However, you would say, would you not, Mr. Kline, that since the American dollar is the unit of currency in the world today, rather than the pound sterling or rather than gold, that in so far as these foreign nations bridge the gap between the legal and real value of their currency—when I say "real" I mean in terms of dollars—to that extent they will be willing to produce more and thereby relieve the strain on our economy.

Would that not be so?

Mr. KLINE. Yes; that is right. Trade will be more or less facilitated if we can get to a place where there are not a lot of controlled price levels here with the grave difficulties that arise in trying to get trade to flow between those areas.

Mr. LODGE. May I then just follow up with this question: In view of the possibility that a devaluation of currencies may relieve the balance of payments deficits of the 16 participating nations, within the 15-month period, which is the one immediately projected, would you say to the Congress: "Nevertheless go ahead with the top figure, and the Administrator may be able to effect substantial savings which will be carried over to future years"? Or would you say to the Congress: "Try to estimate somehow what effect these devaluations will have on balance of payments deficits and therefore appropriate a lower figure than 6.8 billion dollars"?

Mr. KLINE. You will appreciate that your question is difficult.

Mr. LODGE. I do indeed.

Mr. KLINE. I do believe, however, that we should appropriate in such a way that we are sure the Administrator can avoid this proposition of just stabilizing a relief situation. It does seem to me also

that we ought to have in this board of directors or whatever the Congress deems it wise to set up to operate the European recovery program, both the power and capacity always to keep in mind that what we wish here to do is kick this thing off, to put the minimum strain on our economy, which gives them the necessary chance, providing they do the things which they also have to do.

Mr. LODGE. In other words, you would say it was not worth taking the chance of having the whole program fail for lack of sufficient funds. It would be better to appropriate the maximum that may be necessary, and that anything that may be saved, because of these measures, can be carried over in reduction of subsequent appropriations.

Mr. KLINE. I do not like the word "maximum." I always say "the minimum."

I would be sure that this amount was the minimum which might be sufficient.

Mr. LODGE. Let us say on the most pessimistic assumptions; on the assumption that there is no devaluation.

I take it that the figures from the administration are based on the assumption that there will be no devaluation. It is based on the previous years' estimates, when there was no devaluation.

If we could precipitate these reforms, you would say that would be a saving to be carried over into future rather than something we should anticipate now. Is that correct?

Mr. KLINE. Yes; it is correct. It is correct at the same time that I think we shall be penny-wise and pound-foolish on this thing, until we do have an effective program.

That means it goes over and above this matter of keeping Europeans alive. It enters into a progressive promotion of improvement in their production and trade which will make it possible for the kind of government we would like to see in Europe succeed.

Mr. LODGE. Mr. Chairman, may I ask one more question?

Acting Chairman JACKSON. Go ahead, Mr. Lodge.

Mr. LODGE. I wanted to ask you, Mr. Kline, whether you feel that the price-control structures in the several participating nations should be altered; and if so, how?

Mr. KLINE. I believe that, under circumstances, stringent as they are, with regard to availability of many commodities in Europe, we probably would have done a lot of the things that those countries do.

On the other hand, it is my personal opinion—which the British did not ask me for, and the Dutch did not ask me for, and the French did not ask me for—and it was a member of the Foreign Affairs Committee here that asked me—I think they could release some of the controls advantageously and should do so as soon as possible.

Mr. LODGE. Because the meat was rationed, you simply could not buy it. If you wanted it, you went to the black market.

Mr. KLINE. If they released all the controls, the meat would disappear, the first thing you know. It is a difficult proposition.

Mr. JUDD. The trouble, in the long run, will be the same as with wheat. We were told that the wheat planting in France had been reduced 20 percent.

By that they reduce the amount that will be available next year, because under control they do not plant as much as they can raise.

You might tell us, if you and your research experts went into this question of 6.8 billion dollars, whether or not it is a reasonable esti-

mate. Of course, that is merely the total sum of some 17 or 18 other figures, and it means you would have had to go into each of those to determine whether they were realistic estimates of the individual countries' needs.

Mr. KLINE. We have not gone into that that way. We have contacted a few people in the State Department, and a few little things like that.

That is all.

Mr. JUDD. We have not yet had anything before us that goes into that realistically.

The sum is just a total of the others. I want to get at the others, one by one by one.

Acting Chairman JACKSON. I have a very interesting communication here, which, without objection, will be inserted in the record.

It is directed to the committee from Congressman Cole of New York. It is a communication from Mr. Wymore, of Liberty, Mo.

He makes a most interesting suggestion relative to the machinery exports, in that he suggests that the level of industrial development in Europe is not adapted at the present time to the use of large quantities of power machinery.

His suggestion, in brief—which is based on a year and a half in Europe and a close study, so Mr. Wymore says, of conditions—is that machinery exported by the United States should be in large measure horse-drawn or draft-drawn machinery as being more adaptable and less likely to become immobile through lack of repairs.

Would you care to comment on that suggestion?

Mr. KLINE. There might be some merit in it. There are some difficulties involved, though, because our horse-drawn machinery, like our tractor-drawn machinery, is not adaptable to the power and conditions in many circumstances.

Here you will see a cow going down, pulling a 12-inch plow. Well, you cannot buy 12-inch plows in this country. You see a cultivator being used for cultivating small grains, where somebody guides it by hand, and it has a little shovel between each of the rows, and there is a man who guides it, and then there is a fellow leading the ox up ahead.

We do not make that kind of machinery.

In the area where there is mechanization, however, they do use tractors, and the Germans produced a great many tractors before the war. Ford has a big factory over there, which produces a lot of Fords. They are not as good as they ought to be.

There are those areas that have a lot of mechanization, and even where there is a lot of hand labor there will be one tractor or two tractors in those areas to supplement the supply and make up for the lack of production which has been thrown out by war destruction.

Mr. LODGE. Would it also effect a substantial saving in petroleum products.

Acting Chairman JACKSON. That is also brought out in the communication.

Mr. KLINE. Yes; and petroleum is a real problem.

Acting Chairman JACKSON. Without objection, the communication will be inserted in the record.

(The letter referred to is as follows:)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., February 4, 1948.

The HOUSE COMMITTEE ON FOREIGN AFFAIRS,
Washington, D. C.

DEAR SIR: I have just received a letter from Mr. J. B. Wymore, of Liberty, Mo., a part of which I will quote herewith:

"I would like to express my opinion in regard to farm machinery which is to be exported under the Marshall plan. At a recent meeting in Kansas City of the implement and hardware dealers of this region, many of us expressed the opinion that it is rather foolish for the United States to export power machinery to the foreign countries. I read many of the articles written by persons traveling in Europe at the present time, and nearly all comment on the large percentage of tractors and power-operated farm equipment which is idle due to the lack of repair parts and experienced mechanics and operators. I was in Europe for nearly 1½ years, and I know from a personal experience of the abilities of farmers in these foreign countries. The people do not appreciate the abilities and efficiency of modern power equipment. As many as 50 and 75 percent of the tractors which have been shipped to European countries since the war now remain idle, because of poor management.

"Their fuel supply is also an important factor in the continuous operation of power equipment. We believe that instead of shipping new tractors and power machines to these countries we should send them great quantities of new and rebuilt horse-drawn machinery. This would tend to relieve the severe shortage of power machinery here in the States. There are great quantities of horse-drawn machinery available in all parts of the country. This machinery can be procured at reasonable cost and reconditioned so that it will serve efficiently for several seasons. The machines, being simple in construction, offer few problems and could be kept operating much easier by inexperienced users.

"The majority of European farms being small and operated entirely by peasants, these machines would find many more capable users than will the complicated power-operated machine; we believe the American people are much more in favor of sending machinery which we consider obsolete to our methods of farming. As you have been told many times, the European countries are just now attaining what we consider obsolete methods.

"There are many more points which might be considered toward the export of horse-drawn equipment."

I shall appreciate it very much if you will give this matter your serious consideration and let me have your comments thereon at your earliest convenience.

Yours very truly,

WILLIAM C. COLE, M. C.

Mr. JARMAN. Following up that machinery discussion, and also the question by Mr. Javits, when we had the interim aid program, we had two amendments proposed, and they had considerable support, both of them, from my part of the country, particularly.

One was to prevent the shipping of anything under that program which was in short supply in this country. Another was to prevent the shipping of fertilizer as long as it is in short supply.

Now, I anticipate that such amendments will be advanced this time. The farm machinery to which you refer and the fertilizer—they are in short supply. In fact, nearly everything that will be needed for this program is more or less in short supply, is it not?

Mr. KLINE. Yes.

Mr. JARMAN. Of course, you spoke of the fruit and the grapes. That is an exception.

Mr. KLINE. Dried fruits we can use for export, but a good many of these commodities are in long supply here simply because they do not fit.

Mr. JARMAN. In other words, is it or is it not fair to say that the passage of either of those amendments of which I spoke would just

practically ruin this program or prevent it from accomplishment of its purpose at all?

Mr. KLINE. It seems to me that the program ought to recognize—and certainly, as far as the American Farm Bureau Federation is concerned, we do recognize—that there will be some hardships in places. This is a delicate problem for us—this export thing.

We have many commodities available for export. We think all of them ought to be studied carefully and let necessities govern in many cases.

There is no doubt about the willingness of the American farmer to buy all the machinery available.

There is no doubt at all about his capacity to use all the fertilizer available. There is not any doubt but what the domestic economy would use the steel.

There is no doubt at all about the use of our petroleum products.

I think that your question is a good one and should be very thoughtfully considered, but we must recognize in answering it that we are going to deal with some things we would use ourselves.

Mr. JARMAN. It naturally follows, does it not, that since the program could not possibly be effective if we did not ship anything in short supply, and since it is to the best interests of the farmers of the country as it is to the country as a whole that Europe be saved, it would not be to the best interests of the farmer of America to pass such amendments, would it?

Mr. KLINE. I think one so stringent as to say you could not ship these things unless they are not in short supply would not be in our best interests. After all, we are not only farmers, we are citizens.

Acting Chairman JACKSON. There being no other questions, Mr. Kline, I would like to thank you very much for your remarks this morning, your statement, and your very capable assessment of the situation.

Mr. KLINE. Thank you very much, Mr. Chairman. It has been a privilege.

(Thereupon, at 12:50 p. m., the committee adjourned, to reconvene at 2 p. m.)

AFTERNOON SESSION

Acting Chairman JACKSON. The committee will please come to order.

This afternoon it is a very great pleasure to have a very distinguished Southern Californian with us, a very distinguished jurist, who has practiced law in Los Angeles for 55 years.

I trust that it will not be out of line with our bipartisan policy in the Foreign Affairs Committee to mention that Mr. Scott nominated Herbert Hoover at the Chicago convention for the Presidency.

He was for many years a great friend Hiram Johnson's and has been president of the Los Angeles Board of Education.

I believe you are prepared with a statement, Mr. Scott.

Mr. SCOTT. I am, sir.

Acting Chairman JACKSON. Proceed, sir.

STATEMENT OF JOSEPH SCOTT, PRESIDENT OF AMERICAN LEAGUE FOR AN UNDIVIDED IRELAND, LOS ANGELES, CALIF

Mr. Scott. Mr. Chairman and gentlemen of the committee, I wish to thank your distinguished chairman for introducing me in that cordial fashion. That is typical of our California spirit. We do not heave rocks at each other if we can possibly avoid the operation.

It is true I have been in California many years and have seen a great deal of history in the time I have lived there. I felt part of my duty to interest myself in public affairs. I never earned a political office except the office of the president of the Board of Education of the City of Los Angeles. I have been president of the community chest, the chamber of commerce, and have otherwise tried to make myself a useful citizen.

Mrs. Scott was a native of San Francisco. She wonders why I am gallivanting all around the country. I passed my eightieth milestone a little while ago, and I hope you will think I came here on no frivolous purpose.

I am Irish. My mother was born in Ireland and married my father there in a little town in the southeast corner of Ireland. That country gave this Nation the great Commodore Jack Barry, who lived in the United States and died here. He loved the United States of America.

Gentlemen of the committee, it is 100 years since Ireland felt the "rebellion" as they call it, of '48. All through the pages of history, if you read them carefully, gentlemen, you will see that youth has to demonstrate its nerve, courage, indifference to danger, and risk. In '48 they arose in Ireland because the conditions were intolerable.

The potato famine arose because the whole crop of potatoes throughout Ireland was diseased and unable to be taken as food. During that terrible epoch most foodstuffs could not be exported out of Ireland. The people arose as the people in this Nation arose. The uprising was abortive.

But to show the mettle of the men who went into that hopeless campaign, the three leaders, Meagher, Mitchel, and Duffy, Meagher became a great fighting general in the cause of the Union, and Mitchel went down south and favored the cause of Robert E. Lee and his grandson became the mayor of New York, John Mitchel. Duffy became the Prime Minister of Australia.

These men were born as you men were born, with the idea that God created you as free and equal. We were so endowed by our Creator.

Going up to the Statue of Thomas Jefferson yesterday, my heart was comforted by the statement on that memorial from Jefferson:

Can the liberties of a nation be secure when we remove the conviction that these liberties are the gift of God?

The Irish are a liberty-loving people, and they believe in a living God. They receive that, they seem to think, to some extent, from St. Patrick, because he was a slave on the hills of Antrim, from the time he was 14 until he was 19. He was a slave in every sense of the word to the ancient Druid Irish. He hated slavery because he pas-

sionately realized all the degradation of slavery so he cherished the idea to be a freeman. He came back to Ireland as a missionary, and he evangelized the whole of that nation and taught the Irish to fear nothing but God above.

That is why they have been reckless in some respects when it comes to the question of personal courage.

We are here, gentlemen of the committee, as taxpayers. I appear simply as a buck private, ordinarily, but these men who had the convention in New York about 3 or 4 months ago insisted on my being president of an organization of which there are about 2,000 delegates from all over the Nation.

I was elected president.

They are concerned about this Marshall plan. They are concerned that they are sending money from this country, which goes to London, and from there to Belfast. One of the most reactionary and degrading specimens of imperialism right today is in the northeast corner of Ireland.

Call them Irishmen, or call them what you want to. The rising of 1916, on the same plan as the rising of 1946, was abortive, and young men again were in the forefront of that battle, with the same kind of spirit, gentlemen, that Nathan Hale had when he tied a rope around his neck and he said, "My one regret is that I have but one life to give for my country."

They love the ideals of their country and the ideals Patrick Henry gave to them and have done so down through the centuries.

They fought and lost.

As Padrig Pearse proclaimed himself the president of the Irish Republic and died with a smile on his lips and the sun of Heaven on his face, unafraid. He wrote a letter, a very remarkable letter, to his mother a few hours before he was executed.

One of the men in that battle was De Valera, now Prime Minister of Ireland.

We represent, I will say, gentlemen of the committee, all forms of American politics and all types of Irish politics.

There are men who believe in De Valera, Padrig Pearse, and who go along that way, and there are others who belong to the parliamentary form and the American way. The chairman has told you what my affiliations are, but there are some hard-boiled Democrats around here. I have quite a time getting along with them, but I have managed to save my face with them.

We are a united group, all Americans. I came to this country after I matriculated into and graduated from London University.

You should have seen the faces of the pure, decent Irish girls getting aboard a ship, leaving their motherland, brokenhearted, realizing their fathers and mothers were being booted out of their cottages by the redcoats of England, because of the exactions of the alien absentee landlords living on the fat of the land in England. You see those Irish girls as I saw them, and then you see them as I saw them coming up the Bay of New York with the Statue of Liberty in sight. I kneeled down before the Statue of Liberty before these Irish girls and thanked God I was coming to a land where I could call my soul my own.

My little Irish mother told me when she clung me to her bosom—whatever we say about those Irish, they are affectionate people because the family strain and the racial strain is strong in us—she

pulled me to her heart and said, "Boy, wherever you go fear God. And fear nothing else that crawls the earth or under the earth. Just fear God. You will never regret it."

That was the fighting blood of the women of Ireland that made us men folks feel the way we do among other things.

The partition, gentlemen, was caused in this way: After Padraic Pearse and these other brave lads were shot to death, after the revolution was defeated, Eamon de Valera, the present Premier of Ireland, was in that rising and was made prisoner, and he was saved from execution because he happened to be an American, born in New York. Subsequently, in the effort of the English Government to secure a solution of the tragedy, Lloyd George, a wily, shrewd, clever, smart, nimble, agile mental giant, among that kind of people, told Griffith and Mike Collins, who at that time represented the Irish as an ultimatum:

"I have the steam up on the train leaving Euston station. You sign on the dotted line. If you don't, you take the consequences."

And with a gun to their heads, these desperate Irishmen signed on the dotted line. Thus, this so-called partition became effective, cutting off the wholesome part of Ireland, this northeast corner dominated by racial animosity and religious bigotry.

Here is that corner of Ireland today, gerrymandered in disgraceful and contemptuous disregard for political rights of minorities, so that it would make an American city ward politician of today almost laugh in his sleeve at anything as coarse and ruthless as that if it was not for the tragedy of it.

They haven't a chance to be accorded a reasonable vote.

They were cutting that northeastern part of the heart of Ireland out of it. We lawyers in California call that a shotgun contract.

The reason why we are particularly sour about this thing is because that northeast corner of Ireland has produced some of the greatest men in Ireland. People say this is a religious question. It is not a religious question. Some of the greatest men we ever had in the cause of Irish independence were men who were not Catholics. John Mitchel, for instance, Wolf Tone, one of the greatest men in all Ireland.

The Irish Presbyterians in the northeast were men who were dependable and fellows who made the battle for freedom in the days of the colonial wars. They were with Washington. That section of Ireland is sanctified by the footsteps of St. Patrick. It is a precious, glorious section of Ireland, and these realists and barbarians, and phonies from Wales and elsewhere said, "You cut this off. Take it as it is."

So from that time to this, on both sides of the border, they have been insisting on this partition line being eliminated.

Woodrow Wilson said:

Well, let us have the termination of this. There is the self-determination of the small nationals. Let the Irish see whether they want that land to stay here or not.

A bloody war was fought in this country to avoid partition. So we feel, and I say this with all due deference to my distinguished gentlemen, it will probably be an annoyance to many because of my appreciation of what these fellows have done. My good friend, Will Rogers, one time told me, "Joe, we can take our boys and put them anywhere, on top of the earth, under the ground, under the sea, on the sea, in

the air, and anytime we meet anybody else we can lick the hell out of them.

"But when you put the old boys at the conference table with these buzzards, we lose our shirts, and they take us to the cleaners.

"We have not won a single conference.

"I was with Wilson at Paris, with the Economic Conference in London, I was in Washington with Harding and Charles Evans Hughes when we got worried about the peace and sunk our battleships in the ocean. Every time you sit down with those buzzards the same thing happens. We lose our shirts and they take us to the cleaners."

Now, what I am suggesting, gentlemen of the committee, on behalf of this widely-represented group of men from all corners of the country, is that as taxpayers this time, a little of the wisdom of Will Rogers be applied. You men sit in conference and say, "Listen, not a smooth dime of that money is going over to Belfast."

I talked to a gentleman in the congressional halls yesterday, and he said the English think that is a reflection upon them. Tell them. It would not be the first time there has been a reflection upon them. Tell them. We do not propose that the American money, whether it is the Irish or not, that that money be diverted from London to keep up that bankrupt government they now are maintaining in Belfast.

Our information is this government is in the red right now in Belfast. They are broke, and they want money, and they want money from the only place they can get it. That is from this country. You remember in the recent war how some of our battleships steamed right out into the Pacific and got a great big broadside into their bellies, and some of them went to the bottom of the ocean. Archbishop Brisbane said that the people of Australia would give thanksgiving to the United States for the American Navy because they saved them from the Japanese.

But we say, at what a price. You will recall the skipper of the great ship on which Father O'Callahan, the Jesuit chaplain, was fighting, said that he was the bravest man he had ever seen in all his life. We of the Irish race believe in the principles of the American way of life. That is not a credit to Hollywood. If they want to take a one-way ticket to Moscow, let them go over there. But I am not of that tribe, and none of us are of that tribe. The Irish believe in two fundamental things which are essential to resist communism. They believe in the right of private property, the right to have their own capital their own. That is one of the things they have been fighting for for centuries.

The peasant farmer wanted to have his own property, and the next thing he has his own property. They believe in the living God. They believe in Jefferson, as I quoted him a little while ago. They believe that Lincoln meant what he said when he said:

This Nation under God shall have a new birth of freedom, with malice toward none, charity toward all, with fondness in the right as God gives us to see right.

The founding fathers believed in God and so did the Irish. That is why we are opposed to communism because it defies the idea of a Supreme Being. With Communists there is no God. There is no everlasting life.

You are phoney when you have such foolish notions.

The Irish, with fidelity to faith and religion, the faith of the fathers, in my humble opinion, see it as no asset to this Nation. With all due deference to your views, we would protest against a solid dime going

to Downing Street, London, to be sent to Belfast. That is a disgrace. It is a blot on civilization today. Nobody accepts it as a solution. That is one of the reasons why we are here.

I have two or three notes I want to check. Then I will proceed. Take for instance, Robert Emmett. He was another Protestant. There is a book out on him right now. The book has been reviewed by the New York Times.

I picked it up last Sunday. It says:

The Orange man of northeast Ulster are simply the lineal descendants of these type of people that poor Emmett and these other people fought. He operated in a country in which the Government penalized the best of the men and rewarded the worst.

Now, that is a sample of what we have.

Now, gentlemen, I know Congressman Lodge's grandfather, who was from Boston. He was a great man and a great citizen. Those men have done one thing up there. They have not been ashamed or afraid to accept public responsibilities of a citizen in public life. But, Mr. Lodge, when I went to Boston in 1889, in the advertising columns of the Boston Globe and Boston Transcript and the Advertiser, and all those other papers, you saw ads "wanted, carpenter—no Irish need apply." "Wanted, cook; no Catholic need apply." "Wanted, a nursemaid; no Irish need apply."

As I told a group of Boston people the other day, and there were 65,000 of them, I said, "I knew Boston in those days, with John O'Reilly, a man who fought for Ireland as a young, patriotic fellow, like they all did in 1867, in the days of Patrick Donohue, Gen. Patrick Collins. That was your situation in Boston in those days, in 1889."

Now Boston today is 75 percent Irish and Catholic, but the Irish in 1889 in Boston didn't lie on their bellies and let people make a doormat of their backbones. The blood of free men was in their veins, and they stood up as free men and look what it has got for them.

Seventy-five percent of that town is made up of that kind of people. So we, gentlemen of the committee, have felt that at least we could do a little more for our Ireland on this side of the water, without having them shot down like pheasants.

Practically all of them that went over there were shot down, or executed, like Parnell and O'Connell and the rest of them. I will tell you, gentlemen, that you can look at the pages of history and find them all, either executed as felons or dying of broken hearts.

Here at least we have a chance to help Ireland and help the cause of America, help the cause of democracy and have some consideration for the taxpayers.

Out in my State some of my extreme Democratic friends seemed to think that there was gold bullion at the bottom of the Potomac River and that you should pull the gold up and shove it over to England. But now the money comes out of their own pockets. Their income taxes and everything else have reminded them that not a smooth dime comes out of here unless it comes from the taxpayers' pocket. But, as a thoroughbred American and with a little brogue my ancestors gave me, I am emphasizing it.

I am the father of 7 children and 17 grandchildren, and when people tell me I should be rocking in a chair I say, "Well, Benjamin Franklin was a little older than I am and he was some fellow in the Constitutional Convention. That was a great big glorious thing, and we are glad we had him in that capacity."

So, gentlemen of the committee, you go before your constituents a little oftener than my Senatorial friends on the other side of the Capitol, and while we were received with great kindness by them, we are more particularly interested in you, because the anxiety may come to you that you must do this thing because England wants it done.

I have not any grievance against the English, except they gave me the good fortune to come to America. I went to the University of London. Somehow or another I got by. We are concerned lest some people try to "befuddle" you, to use a unique phrase, into believing we ought to help these people there.

Yes; help them. I was chairman of the Los Angeles Emergency Committee during the 4 years from 1931 to 1935. I think I know something about the instinct of the human welfare program. But, gentlemen of the committee, what we are concerned about here is that somewhere in this legislation you will put some of America's desires in there.

You should say, "No; we will not give you a dime, a smooth, thin dime, to crucify any poor, unfortunate persons under the heel of an imperialistic despotic system."

That is all we are asking for. I think we are entitled to it.

Let me give you one more example, including quite a dispassionate statement made by three men who met in Dublin lately from this separated corner of Ireland.

Two of them were over here sometime ago. One was Patrick Maxwell, a Catholic, and the other was Captain Ireland, from Belfast, a Protestant. He was not ashamed to be a member of the Episcopal Church. He was in the First World War and came over to Los Angeles because he saw the chicanery and hypocrisy as to the rights of self-determination, with Mr. Lloyd George just pulling the wool over the eyes of some of our wholesome citizens who could not see any better.

From that section of the State of Ireland came these spokesmen at a gathering in Dublin, Ireland, January 25, 1948. The first man who spoke was a lawyer, and not using my entertaining language, but just a calm, dispassionate fellow, arguing before the Supreme Court.

This is what he said:

Britain set up partition and could end it. The responsibility was thrown upon whatever government was formed in Eire—

that is Ireland—

to show that it was inexpedient for Britain to continue it. I have never advocated physical force like Wolf Tone in the Glorious Death, and I never will, but if it is not solved the way you have suggested, as sure as the sun will rise tomorrow, another generation will raise and there will be more blood offered at the shrine of British imperialism. The only way to end it is to make it inexpedient for Britain to continue it.

If it is in the red, keep our good American dollars out of that country.

Joseph Stewart, who was a member of Parliament, said that while the Government in Whitehall shed crocodile tears over the minority groups in India, the British Government today callously ignores the aspirations of 80 percent of the Irish people the while she expresses a fear of the expansion on the anti-democratic philosophy of Russian communism.

She insists on stifling the voice and ruthlessly suppresses the exercise of the democratic processes in Ireland.

One of the Senators said that at the present time the friendly isle was essential to Britain. It was their duty to weld the Irish throughout the world into one body, demanding an end to partition. We are here for that purpose.

Gentlemen, I hope you will pardon the vigor of my talk. These doctors tell you after a certain length of time you are supposed to get in a rocking chair and behave yourself and just fold up.

In behalf of those for whom I have the honor to speak, I desire to thank your committee, Mr. Chairman, for this opportunity to be heard, and, for the record, permit me to make it plain who it is for whom I speak: It is for very proud American citizens, Mr. Chairman, hundreds of thousands of whom have signed their names and set their addresses to a monster petition now on its way to the President and to the Congress at Washington—but more of that in a moment.

I also speak at the direction of a very remarkable Irish Race Convention which was held in the city of New York on the 22d and 23d days of November 1947. I carry to you the unanimously expressed wishes and views of that great convention.

The sons and daughters of our American Irish were represented at that convention, Mr. Chairman, by their delegates from 38 States of the United States of America. All of the great Irish-American organizations sent their unqualified endorsements, and were, for the most part, represented in person by their national officers. I mean such organizations as the Ancient Order of Hibernians, the Clan na Gael, the United Irish Counties Association of New York, Inc., the Gaelic League, the American-Irish Historical Society, the Sean Oglaigh nah Eireann, the League for Irish Freedom of San Francisco, the Anti-Partition League of Philadelphia, the Irish Fellowship Club of Chicago, the Irish Cultural Society, and countless others.

I suppose, therefore, that without exaggeration I might say that I speak for millions of our citizens of Irish blood, and I want to tell you why it is that all of them are speaking with a single united voice—a voice which cannot be denied—it is, Mr. Chairman, because they have a very deep sense of grievance.

Let me, as quickly as I can, paint the situation for you in simple and direct words. I quote:

The countless thousands of American citizens of Irish birth or blood are smarting under the indignity of the forcible partition of Ireland by England.

Those words, Mr. Chairman, are taken verbatim from the monster petition to which I have before referred. And to prevent your minds, gentlemen, from formulating the question: "What has that to do with this committee, and with these hearings?" permit me to quote a further line from the preamble of the petition:

That England, by subsidy and otherwise, has maintained this partition against the voice of the overwhelming majority of the people of Ireland.

You quickly catch and note that word "subsidy." You quickly catch and note, too, those words "* * * against the * * * overwhelming majority * * *."

Meanwhile, the President of the United States of America has transmitted to the Congress of the United States his message on the

European-recovery program. The official outline of the European recovery program shows that Ireland was one of the 16 countries invited to the Paris Conference.

The President has predicated his message upon the spirit of democracy, as he sees it. In a later press release he refers to the plan for western Europe as both economic and spiritual. The President has also sent to the Congress proposed legislation which this committee is now considering for report to the House. That legislation calls for American money, vast amounts of it. And out of those very moneys England proposes to continue to support her invasion of Ireland, contrary to the democratically expressed wishes of the people of Ireland.

So, beyond peradventure of doubt, Mr. Chairman, this is the time and this is the place for our citizens of Irish birth or blood to be heard carefully and with grave consideration before further irreparable damage may be done.

Mistake it not, when these sons and daughters of Ireland say in their petition from which I have quoted that they are "* * * smarting under * * * indignity," they have indeed a grievance. Let us examine that grievance, and see what it is.

I asked a grandfather the other day, a simple man, a maker of things all his life, how he could best express it. He said:

My sons were in the service. They were unable to answer the questions of their buddies: "Where did your folks come from?" My sons couldn't say "From Ireland," because there is no Ireland. She is split into 6 counties and 26 counties.

You heard of the man without a country. Well, England has made my sons men without a land of heritage.

But beyond that—my sons, thank God, have come back safe. Now they are raising me a crop of grandchildren. How, in Heaven's name, are those grandchildren going to explain where their ancestral stock came from? You'd have to feed them political history with their milk.

There you have it.

Take it another way. Sit you down at a business conference, or sit you down at a luncheon. Gather at your place of worship, or assemble at your club or at your lodge. Americans all. That typifies the strength of our America. As you look around at your fellow American citizens you tabulate them: Sure, that fellow over there is a Swiss; and that husky giant is a Norwegian; there's a Dane in the corner seat; and that chap over there is English. Each has his country of ancestral heritage. But we come to the stock that John Boyle O'Reilly wrote of, and what can we say of them? Think of the shame of it! If one of them so much as peeps up "my father was Irish," or "my mother's folks came from Ireland," immediately the questions start: "Which Ireland?"—"Where?"—"You mean from the English part of it or from the other part?"

Congressmen—they had a short name for the Pacific Ocean in this last war. They called it "the Irish Sea."

Can we seriously imagine that the Kellys and Burkes and Sheas, or the Sullivans, who went down there to their last long sleep, or that the Murphys, the O'Briens and the McCarthys who were fortunate enough to come back from there, would want the United States of America to subsidize by our money the partition of Ireland—so that in very fact there is no Ireland but only two divided sections of counties of which the spokesman for the leading political party in Ireland has

said: "If partition be not undone, then all that has been gained for Ireland in the last hundred years may be lost."

All that has been gained in the last hundred years. That seems a very casual way to treat a hundred years of event-packed history, Mr. Chairman. Our great United States of America is not yet in its two-hundredth year. But let us look at it from the standpoint of Ireland's history. It was not until after the middle of the twelfth century that the English armed forces came to Ireland. Ever since then, and in each generation, the battle in Ireland against the invaders of Ireland has continued. And wherever throughout the world the exiled sons and daughters of the Gael were forced to go in order to find the liberty and to make the living which was denied to them by the oppression of the foreigner in the land of their forebears that battle has also continued, and will continue until the end, Mr. Chairman.

So, as of today, for almost 800 years, the Irish have fought the continued foothold of that English invader, and, at long length, they have driven that invader out of 26 of the 32 counties of Ireland.

Why England's subsidy supports a puppet government in the remaining six counties—against the majority vote, again and again recorded—of all of the people of Ireland, and how England does this, is too long a story for me to detain you with today, but there are two things which I can do without taking time: First, I can file with you copies of David O'Neill's 38-page brochure *The Partition of Ireland, How and Why It Was Accomplished*, asking you, Mr. Chairman, to regard that exhibit as an extension of my remarks; and, second, I can emphasize for this record, the fact, that since the last printing of Mr. O'Neill's publication saw the light, the head of England's puppet government in the six counties, namely Sir Basil Brooke, the six-county premier, has admitted in a public speech that the minimum subsidy by which England sustains the unnatural partition of Ireland is \$40,000,000 per year. Later authentic reports show that Sir Basil Brooke's figures are far too low. In many years, England's subsidies go much higher than published reports. She tries to conceal the figures, but qualified estimates place the average at \$200,000,000 per year.

(The brochure referred to is as follows:)

THE PARTITION OF IRELAND—HOW AND WHY IT WAS ACCOMPLISHED

(By Daniel O'Neill)

PART I—"INFLAMING ULSTER"

There were two general elections, a Presidential election, local elections and five by-elections in the free part of Ireland in the period from 1943 to 1945. All these elections were strenuously contested. Four parties took part in them: Fianna Fáil (Government), Fine Gael (principal opposition), Labour, and Clann na Talmhan (Farmers), as well as many Independent candidates. Neutrality excluded, these parties differed on almost all public questions except one. The one was partition; on that every party spoke with the same voice; partition was a grievous wrong against the Irish Nation and must be undone.

Dismemberment of a nation

What is this partition which draws all parties in free Ireland into a unity against it, which transcends all party differences and binds into one every section of the Irish people in four-fifths of Ireland? Partition is the dismemberment of one of the most ancient nations in Europe. For all the years of recorded history and for many a century before history was written, Ireland was one nation, with indisput-

able boundaries set in the sea. Before the Christian era, it recognized itself as a unit; a high King of Ireland acknowledged by lesser kingdoms was the symbol of that unity.

This unity survived all the changes that 2,000 years of history can bring. It was not broken by invasion. It was not broken by internal revolt. Under it, Ireland passed from paganism to Christianity, from a pastoral civilization to one in which she led Europe in many of the arts. Under it, Ireland as a single nation had her great victories and her great defeats. In the days of her power she sent armies overseas, in the days of her subjugation her sons could arm only in secret, but in both periods there was only one meaning to "Ireland"—that is the whole island.

Only one Ireland

This unity which triumphed over every misfortune and every failure was as evident in the modern political struggle as it had been in the centuries before it. There was only one Ireland all through the eighteenth and nineteenth centuries. Grattan spoke for it, Emmet died for it, the Young Irelanders and Fenians rose in its name, Parnell led it, and the men of 1916 began their immortal proclamation with the words:

"Irishmen and Irishwomen! In the name of God and of the dead generations from which she receives her old tradition of nationhood, Ireland, through us, summons her children to her flag and strikes for her freedom."

The signatories to that proclamation were all executed, but their sacrifice only strengthened the Irish will to be free, and in the general election of 1918, their followers carried an overwhelming majority of the seats in the whole of Ireland. The following January the elected deputies—those who were not in prison—met in Dublin, established Dáil Éireann, the Parliament of Ireland, and in the name of the Irish nation, declared the independence of Ireland.

The act of a stranger

In 1920, after the unity of Ireland had once more been demonstrated in the local elections held throughout the Nation in that year, this most ancient Nation was partitioned. It was partitioned by an act of the British Parliament for which none of the Irishmen in the House of Commons could be got to vote, not even those from northern Ireland. The dismemberment was, and could only be, the act of a stranger who had no understanding of Irish history or Irish culture or Irish tradition. It is true that the national minority concentrated in the northeast of Ireland had, under the inspiration of the British Tory Party, opposed home rule or, indeed, any form of Irish self-government. They desired an Ireland, all Ireland, inside the British Empire and governed by the British; the majority desired an Ireland, all Ireland, outside the British Empire, governed by Irishmen. Neither the majority nor the minority proposed a solution of their conflicting views the cutting-up of the motherland that both loved. That, a foreign power proposed and carried out.¹

A bloody pawn in a party game

This outrage was committed upon Ireland not because those who committed it thought it was necessary for the good of Ireland. They did it in pursuance of their own party politics. When the Liberals were in office in 1886, Gladstone proposed a home-rule bill for Ireland. The Tories saw that on such a measure they could arouse both racial antagonism and religious fears and direct them against the Liberal Party. Their leader, Lord Randolph Churchill, anticipating that the Liberal leader would bring in such a measure, decided beforehand what the British Tory Party's counter would be.

"I decided some time ago," he wrote on February 16, 1886, "that if the G. O. M.² went for home rule, the Orange card would be the one to play."³

He played it. He went to Belfast and there so effectively stirred up sectarian passions that his son, Mr. Winston Churchill, writes of his "rousing England and inflaming Ulster." He inflamed it so that, as again his son tells us, "the attitude of the Protestants in the North of Ireland became daily more formidable. The excitement in Belfast did not subside. Dangerous riots, increasing in fury until they almost amounted to warfare, occurred in the streets between the factions of Orange and Green. Firearms were freely used by the police and by the combatants. Houses were sacked and men and women were killed. So savage, repeated, and prolonged were the disturbances, breaking out again and again in spite of all

¹ "We never asked for partition, and we never wanted it"—Lord Glentoran, former chief whip of the Six County Unionist Party, speaking on October 10, 1946, at Belfast.

² G. O. M. (Grand Old Man) Gladstone.

³ Winston Spencer Churchill, *Lord Randolph Churchill*, vol. II, p. 59.

efforts to suppress them, that they became in the end the subject of a parliamentary commission, the evidence and report of which are not pleasant reading, and proved, when finally published, damaging to the Orange Party."⁴ The whole Tory leadership concentrated on this sectarian incitement with such good effect for the party that they actually brought down the Gladstone government and drove the Liberals out of office for 20 years with a short break from 1892 to 1895.

Old methods revived

Ireland, still unpartitioned, became again the bone of contention between the two great English parties in 1912 when Asquith introduced his home-rule bill. Here we come upon an instructive and significant parallel. When Lord Randolph Churchill realized that Gladstone was going for home rule he took steps, even before the bill was introduced, to raise the sectarian issue, not because he felt that Protestants in Ireland were in any danger, but because by that means he could bring down his political opponents, the Liberal government. Twenty-six years later, Mr. Bonar Law was the British Tory leader and he adopted exactly the same tactics. Before the Liberal Premier had introduced his home-rule bill, Mr. Law, accompanied by others of the Tory leadership, crossed to Belfast and not only played the Orange card against the Liberals but played it in exactly the same way. Lord Randolph Churchill had organized and reviewed a marchpast of 70,000 Orangemen. Mr. Law reviewed 80,000. Lord Randolph, in an incendiary speech, encouraged them to take extra constitutional action and promised them the full support of the British Tory party. Mr. Bonar Law did the same. The effect of Lord Randolph's speech and promise was that the Orangemen, feeling themselves privileged by such support (for it included men who had held the highest offices under the British Crown), put the inflammatory speeches into action and brutally set upon the Catholics. We have seen Mr. Winston Churchill's description of what followed his father's speech in Belfast. The same sequence occurred in 1912.

"Catholic workmen were assaulted both in the yards and in the crowded approaches. Some were kicked and beaten; others assailed by showers of iron nuts and rivets—'Belfast confetti': during the month of July 1912, there were 25 assaults inside and 55 outside the yards, '5 of the most dangerous characters, threatening the lives of the sufferers.' The Catholics employed by Workman and Clark were driven out of their employment, as they complained, by the threats of their Protestant fellow-workmen, and refused to return until their safety was assured."⁵

"Two thousand Catholic workers had been driven from the shipyards in scenes of considerable brutality."⁷

What had thus begun was continued at intervals for many years. Whenever it seemed that Ireland was likely to become either self-governing or wholly free, British Tory leaders crossed to Belfast, and there fanned a brutal sectarianism into flame solely to inconvenience their political opponents in Britain. In 1912, however, the Liberals were in a stronger position than they had been in 1886, and, therefore, it would need more powerful organization to secure their defeat on the long chosen ground, the home rule bill. Thus it came about that several British ex-Premiers, many other former Cabinet Ministers, many high-ranking British officers were soon engaged in proceedings which involved the creation of the first private army in 20th century Europe—the Carsonite Volunteers, who were armed by the illegal importation of weapons, and, under the leadership of the British opposition, pledged themselves to resist a British Act of Parliament in arms. British Army officers stationed at the Curragh mutinied rather than interfere with the conspiracy. Faced with this array of leading British statesmen and senior British officers, Asquith, then British Premier, surrendered and proposed the partition of Ireland.

Maneuver and deceit

Thus had partition its origin in the maneuvering of one English political party to get the other political party out of office. The Tories, by inflaming racial and religious prejudices throughout Britain and the northeast, had created conditions which threatened the security of the Liberal government. The Liberal government, rather than stand by their own principles which were enshrined in their own act of Parliament giving self-government to all Ireland, surrendered to the armed threats and to save themselves proposed that Ireland be dismembered.

⁴ Winston Spencer Churchill, Lord Randolph Churchill, vol. II, pp. 65-66.

⁵ Ian Colvin, *The Life of Lord Carson*, vol. II, pp. 132-133.

⁷ George Dangerfield, *The Strange Death of Liberal England*, p. 88.

What was born of a partisan maneuver was perpetuated in deceit. In order to secure the assent of some of the Irish Nationalist leaders to this new policy the Asquith government pressed it upon Mr. Redmond, head of the Irish Parliamentary Party, on the grounds that it was purely a temporary measure and that, after 5 years, the excluded counties, which were to be only four, would revert automatically to the control of the National Parliament. At the same time pledges were being given to the Belfast leaders by the British that partition would be permanent.

More than 300,000

Before the new "settlement" could be put through the First World War intervened and self-government for Ireland was shelved while Britain took the field for the liberty of small nations. Irishmen were recruited for that war on pledges issued by the British War Office, which stated that when it was over, Ireland (not a part of Ireland) would receive the same independence as Belgium: "They (the Allies) cannot then in the face of Europe give freedom to all small nations and leave Ireland out," said a British official War Office recruiting poster. It is estimated by Gen. Sir William Hickie that more than 300,000 Irishmen served in the First World War. That the vast majority did so believing Ireland also was to be freed or given home rule is indisputable. But a number of Irishmen of deeper understanding decided, in view of Britain's shelving of the whole question of Irish self-government, that nothing would win them liberty but the assertion of independence in arms.

A rising took place in Easter week, 1916. It was crushed ruthlessly, all the signatories of the proclamation of a republic issued on the morning of the rising being executed and, with them, the greater number of highest ranking officers of the revolutionary army. But Britain, no longer able to hide from the world her denial of freedom to Ireland, busied herself, with much publicity, in preparing a measure of Irish self-government. There was little sincerity in this apparent concern for Ireland's rights; the explanation is to be found 3,000 miles away where America, deeply shocked at the execution by firing-squads of men of a subject nation seeking liberty, seemed to recede still further from entering the war. It was thought in London that a gesture toward Ireland might help to undo the harm done by the suppression of the rising. Lloyd George was given the task of finding a solution to the Irish question.

A significant letter

He promptly revived the proposal to partition Ireland, and on this occasion did actually succeed in persuading the Irish parliamentary leaders that the exclusion of the Northeast would be purely temporary, and by that means won their consent to the proposal. It is significant of the manner in which partition was eventually accomplished to notice that Lloyd George, while persuading the Nationalist leaders of the temporary nature of the solution, was writing as follows to Sir Edward Carson, the Orange leader:

WHITEHALL, SOUTH WALES,
May 29, 1916.

MY DEAR CARSON: I enclose Greer's draft proposition.

We must make it clear that at the end of the provisional period Ulster does not, whether she wills it or not, merge in the rest of Ireland.

Every sincerely,

(Signed) D. LLOYD GEORGE.

Will you show it to Craig.

A new plan

The popular revulsion against the partition proposed defeated the attempt to soothe American opinion and a new offer was made by Lloyd George, who had since become Premier. The British would set up a convention of Irishmen and let them decide on a plan for self-government for all Ireland. When, however, the convention was created, it was found to be not an elective but an appointed body in which the Sinn Féin movement, now representing a majority of Irishmen and women, was to be given 5 seats out of 101. This "Irish convention" was not to be permitted to declare for Irish independence, which was what the Irish people now desired. Its main purpose was to deceive the United States into believing that Britain meant at last to deal honestly with Ireland and so the convention was kept talking until America was securely in the war. Then it was brought to an end by the receipt of a letter from the British Premier completely changing its terms of reference and declaring that such agreements as had been come to by the majority of the delegates could not be accepted and that, in fact,

even the limited self-government which was being considered was impracticable. During the sittings of the convention, the Unionists of the predominantly Nationalist area joined with the Nationalists themselves in an effort to avert partition by making extraordinarily generous concessions to the Northern minority. That minority, however, actively encouraged by the British Tories, blocked every effort at a settlement. Home rule for all Ireland being no longer useful to the British cause in America, was dropped by the British Cabinet.

By their acceptance, even temporarily, of partition, the Irish Parliamentary Party, although still holding the vast majority of Irish seats (the last election was in 1912), had lost the confidence of the electorate. The people had transferred their support to the new movement led by men who had taken part in the rising and who stood for full independence for the whole of Ireland. The first electoral test after partition had been proposed came in December 1918. At that election, the Irish Parliamentary Party vanished, only 6 of its 73 members surviving. That was the measure of the people's anger against the partition proposal and of their determination that Ireland as a unit should be fully free.

A vote for freedom

That general election of 1918 is significant not only for the defeat of the Irish Parliamentary Party, but for its actual results. In all Ireland, those who stood for full self-government were returned in an overwhelming majority—79 to 26. Even in the province of Ulster itself in this election—the last election before partition was accomplished in 1920—there were returned a majority of deputies standing for a independent Ireland. In votes cast, including estimates for the constituencies in which no opponents to independence were nominated, the electorate decided:

For self-governing Ireland	1, 211, 516
Against self-government	315, 394

Local elections were held in Ireland in 1920, again before partition was accomplished. They showed that in 206 corporations and councils there were 182 in which the majorities were for a self-governing Irish Nation. In 19 only were majorities against self-government and in 5 others the membership was given.

No one wanted it

It is here necessary to stress a point already made. Up to December 1920, no party in Ireland wanted partition. The mass of the Irish people demanding independence obviously did not want partition, but neither did the Unionists of the Northeast, who, even when they strove for the exclusion of Ulster, did so in the hope that home rule would thus be defeated and all Ireland remain in the British Empire and under the as yet unshaken patronage of their own class.

In view of this national opposition, the steps taken by the British Government to impose partition had to be thoroughgoing to be effective. They took a twofold form:

- (i) To inflame, as in the past, sectarian passions in the northeast.
- (ii) To inflict such punishment on Ireland in her struggle for freedom as to break her will to resist dismemberment.

With this double aim Lloyd George, in December, 1919, introduced in the British Commons the measure now known as the Partition Act. When its terms became public they created anger and revulsion. Even the antihome rule Irish Times said on February 1920:

"The bill has not a single friend in either hemisphere, outside Downing Street."

That friendlessness was emphasized later, when the bill came to be discussed and when not a single Irish member of any party voted for it. This all-party antagonism faced Lloyd George with the task of creating conditions in which the hated settlement could be forced on the Irish people. Let us follow the British plan as it developed.

The Irish resistance

After the war, Ireland applied the principle of self-determination of nations to herself. Her elected deputies met in Dublin, set up a National Parliament, and, as a symbol of the indivisibility of Ireland, invited to its sessions the Unionist deputies elected in the northeast. This Parliament in turn elected a government, and Ireland became, by open and democratic processes, a republic. Britain, in the next 2½ years, sought to overthrow that Republic by sheer military might. Instead of granting Ireland the same independence as Belgium, as was promised to the hundreds of thousands of Irishmen who had enlisted for the war (the Irish casualties were twice those of Belgium) the British Government declared the

elected Parliament an unlawful body and recruited and dispatched to Ireland the Black and Tans. This terrorist army was loosed upon the people. Scores of towns were burned and wrecked, industries were smashed up, private residences destroyed for "reprisals," prisons filled with resisters, many captured in action executed, and systematic assassinations carried out, elected leaders being shot in their homes at night.

Help from abroad

When a year of terrorism on this enormous scale was found not to have broken the Irish resistance movement, the British realized that eventually they might have to make peace with leaders so heroically supported by the people. Instead of the desire for independence weakening, it was daily becoming stronger. Vast moral support was given to it by the exiled Irish and their friends throughout the world. In the United States, public opinion was deeply moved by the unequal fight, and American citizens sent generous aid to the insurgent Irish Government. The British Cabinet, despairing of a decision by brute force, resumed more energetically their preparations for the partition of an Ireland which seemed to be successfully shaking itself free.

The British Government elected in 1918, although Lloyd George was Premier, was predominantly Tory. Its sympathies lay mainly with those whom earlier it had encouraged to create a private army and resist in arms an act of Parliament passed by their opponents, the Liberals, and who had even organized mutiny to serve purely party ends. Indeed, the personnel of the Government at this time included some of the very men who had taken part in the armed opposition to the British Parliament.

Pogrom again

It will, therefore, be no surprise to learn that exactly the same methods as the Tories had used on former similar occasions re-appeared as at a given signal. In the summer of 1920, in Derry and Belfast, the principal Unionist newspapers began to publish letters of incitement against the Catholic minorities in both cities in which there was considerable unemployment. These letters became more violent and suggested that members of the minority had no right to employment, that they were keeping work from loyalists, and that action would have to be taken. Soon these incitements were taken up more generally by Unionist speakers, and on July 21, 1920, Catholic workers were set upon in the shipyards and the linen mills. This was the beginning of pogroms of a horrible nature in which many hundreds of Nationalists—men, women and children—were killed and wounded by armed mobs who operated without any but the most ineffectual interference by the British authorities. Scores of thousands were forcibly driven from their homes and hundreds of these homes were then set on fire by the mobs. Week after week, month after month, these scenes disgraced Belfast, Derry and other northern towns. They lasted, indeed, for 2 years. The British police and military could have stopped them in an hour had it not been British policy to incite a sectarian conflict. Such a conflict of Protestant and Catholic might produce the same conditions as in 1886 and 1913-14, now regarded as favorable for putting through the proposal of partition.

An unacceptable bill

The time for completing the proposal was considered ripe in the autumn of 1920. Lloyd George's bill for the better government of Ireland which sundered a unity that has lasted since before the dawn of history was a self-evident maneuver. He was aware that the bill was utterly unacceptable to the mass of the Irish people, who, he stated in a speech about this time, would be satisfied with nothing less than full independence. He was also aware that the Northeastern Unionists, concentrated in two of Ireland's 32 counties, did not want partition.⁸ They were simply opposed to any self-government for Ireland. He made his bill law with no intention of operating it as a whole. He wished to secure the advantage for Britain of a partitioned Ireland before the undaunted assertion of independence by the Irish majority compelled him to negotiate with Ireland's real leaders (whom at this time he was dismissing contemptuously as a "murder gang"). It is of great significance that, when the bill came before the British Parliament in which the Six-County Unionists were fully represented, not one of them took part in the division by which the principle of partition was accepted. Hostile as they had been made to the Irish majority, they could not bring themselves to vote for the dismemberment of their own nation.

⁸ "We never asked for 'partition' and we never wanted it"—Lord Glentoran, former Minister for Agriculture and Unionist chief whip in the Belfast Parliament speaking on October 10, 1946.

Thus began partition. Never sought for by any party in Ireland, never intended by its authors to be anything else but a move in British politics, it committed upon one of the oldest nations in Europe a wrong which, while it lasts, makes true friendship between the two neighboring nations of England and Ireland impossible.

PART II—THE PROBLEM TO BE FACED

Since a Parliament was set up in Belfast all the institutions of State—a Government, a judiciary, a civil service, a police force, etc., have been created. As a result, there has now grown up a vested interest in the maintenance of these institutions and in the continuance of partition on which the Unionist majority think their maintenance depends. Consequently, there is in the Northeast today a party which desires partition. That, as will be clear from what has already been said, is a direct result of British policy. But it poses a problem which all interested in Ireland have now to face.

The facts

That it may be faced in the full light of facts the details of the partitioned area should be understood. The first requisite of an understanding is to know exactly what the area is. This can best be done by observing what it is not. Lloyd George, whose bill partitioned Ireland, was anxious to mislead international opinion on the matter. In fulfilling this task, he accomplished something no geographer had ever attempted. He put the most northerly part of Ireland into "Southern Ireland. He called the six counties which his bill cut off from the body of Ireland Northern Ireland, and the remaining 26 counties Southern Ireland. It is as if the area of York, Westmoreland and Durham were to be called Northern England, and all the rest of England, including Cumberland and Northumberland, Southern England. It is as if Wisconsin, Ohio, New York and Pennsylvania were called the Northern States and all the rest, including Maine, New Hampshire and Michigan, the Southern States." Such nomenclature applied to England or the United States would be absurd. It is no less absurd in regard to Ireland.

The partitioned area is not Northern Ireland. Neither is it the historic province of Ulster which is nine counties. It is a purely arbitrary area without any natural boundaries. Its tortuous border is 270 miles long in a country only 300 miles in length and passes over mountains and across rivers, dividing farms, villages, streets, and even houses in half. Not only does the cut-off area partition Ireland, it partitions Northern Ireland too, the greater part of which is outside the area, and it partitions Ulster, three of whose counties, including Donegal, the largest, are outside the area also. Neither geography nor history justify partition, no physical boundaries exist to explain why six counties were chosen to be separated from the nation whose life of thousands of years they shared.

Not Ulster

The six counties were chosen as the area to be partitioned for one reason only, that it was the greatest extent of country which the concentration of Unionists in Belfast and its contiguous hinterland could out-vote. Sir Edward Carson, the Ulster leader, himself argued against including the three other Ulster counties because, if he did, he told the British Parliament, "You would have no chance of successfully starting a Parliament in Belfast," as there were 260,000 Nationalists in these counties, which, with the 430,000 inside, might outvote the Partitionists. As has been already said, in the last election before the Partition Act was passed, the province of Ulster returned a majority of Nationalists. Had the Partition Act cut away Ulster, it might have immediately voted itself back into Ireland.

The area which was, in fact, chosen is not territorially Unionist. Almost half the cut-off area has Nationalist majorities. The two counties of Tyrone (largest county in the area) and Fermanagh are in the majority Nationalist, so are the old Parliamentary constituencies of South Down and South Armagh which adjoin free Ireland. So also is the second of the only two cities in the area, Derry. There is no question, therefore, of a Unionist homogeneous area to justify partition. Indeed, if four of the six counties, Tyrone, Fermanagh, Derry, and Armagh, were to vote as a unit, the majority would be Nationalist and they would vote themselves into free Ireland.

No racial difference

Nor is the area racially different from the rest of Ireland. The six-county population is predominantly of Gaelic stock, as is Ireland as a whole; even those who were brought from Britain during the plantations to occupy the lands from which the natives were expelled came, in a majority, from areas which had previously been peopled or partially peopled from Ireland.

Again, the partitioned area has no religious unity which would justify separation from the rest of the country. In fact, the most numerous religious group within the area are of the same persuasion as the majority in Ireland, i. e., Catholic, despite the propaganda about the "Protestant North." These are the figures:

Catholics.....	428, 290
Presbyterians.....	390, 931
Church of Ireland.....	345, 474
Methodists.....	55, 135
Others.....	59, 915

Industrial workers

Another excuse given to justify partition is that the six counties are industrial while the rest of Ireland is agricultural. It is not so. The greatest single industry in the Northeast, as in Ireland as a whole, is agriculture in which 164,811 are engaged. The number of industrial workers as shown in the last census of production, published in the official Ulster Year Book, of 1938, was 143,176, while in the same year the number of industrial workers in the rest of Ireland was 166,174. These figures do not mean that the six counties are not more industrialized than the 26 counties, for the difference in area and population has to be kept in mind. But they do mean that agriculture and not manufacturing industry is the six counties' chief occupation. The six counties have at present many more industrial workers than they had before 1939. This is abnormal and is due to the transient effects of war. In fact, the two main industries of the North—shipbuilding and linen—were in the years between the wars so crippled that, in the whole of the so-called United Kingdom, unemployment high everywhere was highest in the six counties, which was officially scheduled as depressed area No. 1. The fictitious prosperity which war brings has momentarily changed that,⁹ but, in the 24 years of the separate existence of this Northeastern state, more than half that period was spent in an almost unbroken industrial slump, due largely to the impossibility of a state so cut off from its natural markets ever being prosperous under normal conditions.

Treatment of minorities

The main effort made to justify partition was based on the grounds that it was necessary to save the Protestant minority in Ireland from persecution at the hands of the Catholic majority. Of all pretenses this is the most dishonest. Nowhere in the whole wide world is a minority better treated than the Protestant minority in the free part of Ireland. It not only shares in every benefit, in every grant, in all public appointments, in the freedom of worship enjoyed by all citizens and groups; it holds a position in the public, economic, political and social life of free Ireland far outstripping that due to it by its numbers. It is so weak in numerical strength (only 6.6 percent of the whole) that its persecution would be easy. In fact, its rights are jealously protected by the State and special arrangements are made to insure, for instance, the continuance of its schools. Of public appointments even of the highest kind—for instance, judgeships, memberships of State Commissions, etc.—it receives an apportionment many times that to which its numbers would entitle it.¹⁰ On December 12, 1945, the Irish Times, organ of this minority, said in its main editorial:

"So far, the Government of Eire has had an exemplary record in religious affairs. It has never discriminated in any way between the sects. * * *

It would be impossible for any Nationalist paper in the Northeast to say that of the six-county government. That government has systematically denied to the Catholic minority, not in this case of one 6 percent, but one of 33 percent, the rights due to it even as ordinary citizens. Its schools are discriminated against, public appointments of importance are virtually denied it (it is estimated that though the Catholics, by their numbers, must supply in the neighborhood of 33 percent of the revenue, their share of public salaries is 4 percent, its electors are disfranchised, it has been the subject of several murderous pogroms.

⁹ The transient nature of the six-county war prosperity is shown by the fact that the latest unemployment returns for the two areas (October 1946) shows the six-county unemployment (1 in 44 of the population) was much greater than in free Ireland (1 in 67).

¹⁰ Since June 1945, the Irish Government has made a series of appointments to boards, committees, etc. The average representation given to the 6.6 percent minority on those bodies was 37 percent.

Prime Ministers lead in bigotry

That this discrimination against the minority and their exclusion from public appointments is no haphazard result of thoughtlessness, but a set policy decided at the highest levels, the following quotations show:

The six counties have had three Prime Ministers since its foundation: Lord Craigavon, Mr. J. M. Andrews, and the present Premier, Sir Basil Brooke. All have openly encouraged the exclusion of the minority from employment either under the subterfuge that they are not loyal or directly. Sir Basil Brooke, the present Premier, said in 1933 (12 years after the State was set up):

"Many in the audience employ Catholics but I have not one about the place."

The previous Premier, Mr. J. M. Andrews, speaking in the same year, said that it had been "alleged against the Government," that there were 28 Catholic porters in the Parliament House.

"I have investigated the matter," he said, "and I find that there are 30 Protestants and only one Roman Catholic there only temporarily."

The first Premier, Lord Craigavon, declared in 1934, "We are a Protestant Parliament and a Protestant state," and later that year said:

"Public appointments are given to men and women who are loyal (i. e., to the Protestant state) to the core."

This practice of discrimination was then already of long standing. The Minister for Agriculture, Sir E. M. Archdale, said 9 years earlier (March, 1925):

"I have 109 officials and so far as I know there are four Roman Catholics, three of whom were civil servants turned over to me, whom I had to take when we began."

The minority was proscribed in 1925, in 1934 and is today.

No political unanimity

From all this it is evident that there are no grounds of racial difference, no grounds of religious unanimity, no grounds of economic divergence, no grounds of economic self-sufficiency, no grounds that religious or political discrimination is exercised in the free part of Ireland to justify partition, just as already shown there are no grounds of history or of historical geography or of physical geography. The only other reason that might be put forward for the separation of this area from Ireland would be the political unanimity of those who inhabit the area. As already indicated, there is no such political unanimity. Politically, as far as can be ascertained from the latest statistics, which, as will later be explained, are not really a sufficient indication of the strength of the minority; the position is:

Total population.....	1, 279, 000
Nationalists.....	428, 000
Others.....	851, 000

The "others" are not a political entity. They are divided into official Unionists—the only vociferous upholders of Partition—Labour supporters and Independents. Before we break up the total of those who are not Nationalists into its component parts it is necessary to describe the electoral system of the area.

Taking the franchise away

That electoral system is surely the world's outstanding example of how a minority may be disfranchised under a democratic facade. In the British act under which the six counties were established as a separate state, proportional representation was decreed to be the system of election. Under proportional representation strong minorities are guaranteed their full representational strength. Not only did the Belfast Government abolish PR as soon as it felt it had the power to do so, but it rearranged the electoral areas not only for elections to Parliament but for elections to all local bodies. The plan on which this rearrangement of constituencies was based was a simple one. It drew electoral areas of the most absurd configuration—one of them crosses a mountain—in order to enclose the greatest possible number of Nationalists and the smallest number of Unionists into one division. To that area was then given one representative. The remaining areas in the neighbourhood were divided into several divisions in which Unionists had an assured majority and to each of these was given one representative.

Unequal value of votes

By this means, 10,000 Unionist votes were given the same electoral power as 20,000 Nationalist votes, and in fact in County Down where every 22,486 Unionists have one member of Parliament, 39,861 Nationalists have no representative, and in County Fermanagh, 32,455 Nationalists can elect only one member but 25,529 Unionists can elect two. This process was carried into the elections for local government authorities down to the smallest town council. Absurdities are so numerous that a choice of examples is difficult. Here are a few: In Tyrone, 73,600 Nationalists get only 11 seats on the county council, the minority of 59,109 get 16. In Dungannon urban district council, 1,959 Nationalists elect 7 members but 1,803 others elect 14. In Castlederg Union area 5,158 Nationalists get 6 seats; 4,990 others elect 16. In the second city of the partitioned area, Derry, 27,062 Nationalists can elect only 8 members on the city council but 18,097 others can elect 12.

Under so glaringly unjust a system it is evident that the minority, knowing beforehand that it cannot elect its due percentage of representatives, gives up hope and it is always a feature of six county parliamentary elections that between a third and a half of all the seats are filled without contests. On a count of heads the Nationalists should be able to secure at least 17 seats in the six-county parliament, and where there are three-cornered contests, a few others. In fact the Nationalists have never been able to secure more than 12.

Opposition poll in Belfast

In the last election, 13 of the official Unionists, 1 Unofficial Unionist and 6 Nationalists, i. e., 38 percent of the House, were returned unopposed, something unique in electoral history. In the contested areas for the remaining 32 seats, out of a total poll of 358,000, the Government polled 186,000 votes, while all shades of the opposition secured 172,000. In Belfast City, the opposition parties polled more heavily than the Government candidates. If those figures were to be applied generally throughout the area, the Unionists would have 27 seats and the opposition 25. In fact, the Unionists have 33 seats and the entire opposition 19.¹¹

The election results are, as has been said, largely decided by the manner in which the constituencies have been gerrymandered, and in consequence, there has never been a change of government in the six-county area in the whole 25 years of partition. The unjust and undemocratic nature of partition is reflected in the complete dishonesty of the electoral system by which it is maintained. Nominally any vote is the equal of any other (the main test of a democratic system), but, in fact, the Unionist vote is in the six counties made the equal of at least two Nationalist votes and in many areas of more. But, even under such a system, the fact emerges that there is far less political unanimity in the six counties than there is in the 26.

The trick is repeated

It has been part of partitionist propaganda that the dismemberment of Ireland was accepted by the whole people and was ratified by Dáil Éireann. As will be obvious from the fact that every party in the 26 counties has in the forefront of its program the abolition of partition, this is not true. Indeed, the putting forward of that plea by the defenders of dismemberment is a reminder of the general trickery that went into the creation of partition. We have shown that, when partition was first mooted, Asquith, and then Lloyd George, tried to get the consent of the Irish parliamentary leaders to the exclusion of the Northeast area from the operation of the home rule bill on the definite ground that the exclusion would be temporary. In 1921, the trick was repeated in a different form on the signatories of the Anglo-Irish Treaty. Article XII of that treaty was so worded as to mean that a plebiscite would be taken of the areas desiring exclusion. Such a plebiscite would have reduced the partition area to two counties which would be so small as to render its continued existence as a separate State impossible. The British Premier and his colleagues persuaded the Irish signatories that, not only was that interpretation of Article XII right, but that, when the time came for the establishment of the boundary commission envisaged in the article, they would back that interpretation with all their influence.

To reunite Ireland

The treaty was thus accepted by those who voted for it as an instrument for the reunion of Ireland. That was how the British wished it to be read to make

¹¹ Figures cited on this page are taken from *The Partition of Ireland: Statement by Northern Nationalists* 1938. See also Fabian Society pamphlet, No. 54, by John Hawkins (London).

sure of its acceptance. When, however, its terms came to be fulfilled—Collins and Griffith, principal signatories of the treaty, now being dead—the British Premier and his colleagues did the very opposite to their promise to the Irish signatories. They threw all their influence publicly behind an interpretation of Article XII which perpetuated partition, thus influencing the boundary Commission (which meanwhile had been set up with two British nominees, and one Irish), not only to declare for the existing boundary, but to seek to add other parts of Irish territory to the separated area.

Under duress

The outburst of Irish anger at this proposal was so great¹² that the British never officially published the Commission's report, but using the threat of publication as duress, forced a compromise upon the then leader of the Irish Government, Mr. Cosgrave, that he would consent to the deletion of article XII from the treaty, thus indirectly stabilizing the existing boundary. The vote in favor of this action in the Irish Parliament was taken on December 10, 1925, while the Republican deputies were still excluded from that chamber. The agreement embodying the deletion of article XII was passed, but only 71 deputies voted for it, which was well less than half of the house of 153 members. On the same day, the Republican members met outside the house and issued the following declaration:

"In the name of the Irish nation and the Irish race, in the name of all who have stood and will yet stand unflinchingly for the sovereign independence of Ireland, we, the duly elected representatives of the Irish people, by our names appended hereto, proclaim and record our unalterable opposition to the partition of our country."

Before the deputies signed this declaration, Mr. de Valéra, addressing them said:

"We deny that any section of our people can give away the sovereignty or alienate any part of this nation's territory. If this generation should be base enough to give them away, the right to win them back remains unimpaired for those to whom the future will bring the opportunity."

The Irish Labour Party also issued a manifesto denouncing the agreement as an "unmitigated betrayal."

Is partition the solution here, too?

All through its short history, from the first moment of its origin as a mere move in a wholly British political game, partition has had as its fruits—trickery, deceptions, pogroms, broken pledges, dishonored treaties, denial of elementary democracy, base injustice to the minority, economic depression and political frustration. By its fruits it stands wholly condemned.

But a problem remains. It is a problem not unknown in other nations; indeed, it is one of the most ordinary problems of national governments—that of a dissenting minority. If every such problem were to be settled by detaching part of the historic nation and attaching it to another country, there would not be a bodily whole nation either in Europe or America. A solution by the partition of its territory would be abhorrent to every right-thinking citizen of any State. In the British general election of 1945, the southern shires voted in majority against Labour. In the United States Presidential election of 1944, 10 States forming a more or less solid block, voted in majority Republican. Is the solution for these minority problems partition? Europe was kept on the verge of war at many international crises after the partition of France in 1870; the attempted partition of the United States caused the terrible Civil War of 1861; World War I was made almost inevitable by the cutting off of Alsace and Lorraine from France; World War II really began in the partitioned territories of Central Europe. Partition is a wrong to which no people seem able to accommodate themselves.

A possible solution

In Ireland, it can be settled entirely peacefully. What is required is an arrangement by which the special political outlook of the minority, concentrated as it is in the northeast, is given just recognition and protection, even to the extent of permitting the area to retain its autonomy, subject to full justice for its own minority. The reunification of the whole territory could then be effected under an all-Ireland parliament in which the minority will naturally have the representation to which its strength in the nation entitles it. Such a solution would

¹² The Irish Independent, principal supporter of the treaty settlement, commenting on this new interpretation, made it clear that those who accepted that settlement did so only because they believed clause XII would undo partition. In an editorial on September 8, 1924, it said: "If it were capable of bearing any other meaning but that placed upon it by Michael Collins, Arthur Griffith and the Irish people it would never have received 5 minutes consideration in this country."

be fair to the minority, just to the nation and in accordance with democratic principles.

Benefited nobody

Partition has benefited neither Britain nor the six counties. For Britain it has meant a crippling loss of prestige throughout the English-speaking world. There the injustice of partition is widely understood because Irishmen, wherever they be, feel the wrong as deeply as those at home, and they enlighten others. In consequence, whenever Britain asserts her concern for liberty in these parts of the world, her sincerity is at once suspect. Men say she wants freedom for others, but she does not grant it to her nearest neighbor. This, indeed, explains the ineffectiveness abroad of much of the British criticism of Ireland's neutrality during the war. Irishmen in Ireland had only to look over the border to know that the high-sounding principles in British war propaganda were not to be applied to them; while those abroad had merely to think of partition to know that a nation dismembered by another nation cannot be reasonably criticized for not fighting on the side of her mutilator.

Weakens Britain

Further, the existence of partition must weaken gravely the effectiveness of British foreign policy. Questions which give rise to international fears as this pamphlet is being written can be shown to have in them a striking similarity to what happened in northeast Ireland—an outside power inciting a minority to revolt against majority rule in order to give to that outside power a special dominant position in that particular piece of territory. How, in face of what has been done and is being perpetuated in Ireland, can Britain object with any effectiveness to what is happening in these areas, vital though those happenings are to British interests? It may be that these questions will be settled satisfactorily to all concerned, but the fact that similar situations will recur points to the necessity for Britain to have clean hands when entering into conference with other powers. While partition lasts, Britain's international position in such disputes cannot be strong.

What the northeast lost

The six counties have lost immeasurably by partition. In the interwar years, as has been mentioned, the economic situation in the partitioned area was so deplorable that subsidies from Britain were required to keep the Government afloat. In the war years, there was definite prosperity in the area, but the six counties had to send enormous sums to Britain—well over £100,000,000 from that small area—as an imperial contribution, thus dispersing the resources out of which the effects of the slump, already beginning, might have been alleviated. Situated as it is, without free access to its natural markets in Ireland, the partitioned area cannot, if the past is any indication, expect prosperity, even in normal times. Because the minority is permanently persecuted in an effort to compel them to accept a permanently inferior position and acquiesce in their separation from their own fellow-countrymen, there are not even the conditions necessary for internal peace and for that respect for governmental authority essential if a community is to be brought through difficult times without dire hardship.

Social services

It is said that, if the 6 counties did rejoin the 26, the standard of living of the average 6-county citizen would be reduced. But there is never any proof brought forward to support this contention. There was far more poverty in the 6 counties in the 17 interwar years, 1923–39, than there was in the 26, and had the 6 counties come into free Ireland before the war, it is free Ireland that must have suffered economically. During and since the war, the British social services have been extended or promised to the six counties, and it is said that, if the six counties were merged in the rest of Ireland now, those social service benefits would be reduced. That is true only superficially. Benefits in the northeast are better in certain social services than in the rest of Ireland.¹³ In others, they are not, and the 26 counties spend generally far more on social services in proportion to the state revenues than is spent in the northeast. And it must never be forgotten that these services are mainly for providing benefits to relieve unemployment and its consequences of sickness and poverty. A healthy economy is the real

¹³ If some of the social service benefits are high in the six counties so is their cost to the individual citizen. In taxes the average family of five paid in 1945: in the six counties, £202, and in free Ireland, £88. The difference (£114) was far more than the difference in social service benefits.

guaranty of individual well-being, not the value of services designed to relieve distress. Such a healthy economy for all Ireland could well be the outcome of reunion and could itself provide the economic basis upon which social services might be brought to any standard that necessity might demand. It is, however, certain that no social services could compensate the six counties for the widespread unemployment and economic depression in which partition expressed itself in the interwar years and looks likely to express itself in the peace period just beginning.

The strategic aspect

Finally, it is said by those opposed to the ending of partition that, were Ireland reunited, Britain could not expect the substantial strategic advantages which were provided by the presence of British naval and military forces in the six-county area during the war. That simply begs the whole question. If partition had been ended before the war broke out, there might have been an entirely new situation. Ireland as an island can be most successfully defended as a unit. As lately as May, 1946, the organ of the pro-British minority in Dublin published a series of articles on Ireland's defense, in which the following occurs:

"At the present day, the old historical injustices which have so often adversely affected the relationships between the British and ourselves have largely lost their force. What does persist is the running sore of partition. Primarily a political question, partition, nevertheless, has its importance on the military side. The defence of such a small island as this must, for effectiveness, be unified. It is not only ridiculous, but also extremely dangerous, for an artificial frontier to split what is essentially a strategic unit. Partition not only endangers the goodwill which should exist between Britain and Ireland, but threatens also the safety of Britain," (Irish Times, May 1, 1946).

During the war, Britain herself recognized the danger of partition, and in many of her war measures, conceived all Ireland as a unit. A reunited Ireland would have been so obviously better able to defend itself against aggression, a free Ireland so obviously ready to accept from Britain all the aid she needed if her own strength were overtaxed, that no aggressor would have sought to attack Ireland, which would then be, as the free part of Ireland partly was, a shield to Britain's flank. Out of that fact alone, Britain would have gained almost all she enjoyed from the occupation of the six counties with the immeasurably greater advantages which just dealing with Ireland would have brought her throughout the world. An Ireland with her recognized freedom to defend, an Ireland whose rights are fully respected by Britain will always be more concerned than any other nation with her nearest neighbor's safety and well-being. That concern, in the long run, is a far more important element in Britain's strength in time of war, as is now being recognized with regard to Egypt and India,¹⁴ than any supposed advantages of an occupation which embitters against her a far-flung race and minimizes grievously her reputation for just dealing, impugns her sincerity and consequently restricts fatally her influence for good in world affairs.

Conclusion

Partition is a wrong that must be righted. It has proved itself to be the source of evil for both parts of Ireland and for Britain herself, and it can with truth be said that nothing good has ever come out of it for any of the three communities affected by it. It can be ended without injustice to the Unionist minority in Ireland; indeed, its undoing may well prove to be the beginning of a new, more fruitful and more influential life than that minority has ever known. In an unpartitioned Ireland, the whole nation can cooperate to make the motherland an example to the world.

Mr. SCATT. I recognize that in a vastly changed world order, there may be some Senator, or some Congressman, with but a few Irish in his constituency, who may say: "Oh well, this is a new strange world we are living in. Other countries are partitioned. Other countries are split apart. Why not Ireland?"

¹⁴ In the British White Paper on India of May, 1946 (Cmd. 6821), partition is emphatically rejected as a solution of the Indian minority problem (Moslems are, like the Unionists in Ireland, about 25 percent of the whole) on the grounds that to set up two states would injure India economically, not solve the minority problem and make more difficult the defense of India. It is particularly pointed out that those in favor of partition asked for areas in majority non-Muslim, and that "every argument that can be used in favor of Pakistan can equally in our view be used in favor of the exclusion of non-Muslim areas from Pakistan." Compare Tyrone and Fermanagh, two counties in majority Nationalist, forcibly included in the partitioned area.

The easy quick answer, Mr. Chairman, is that the very antiquity of Ireland has ingrained the fight of the Irish against the invasion of the English to such an extent that the fight has become an integral part of worth-while Irish character, and in the very nature of things that fight can never end until the invader ceases to encroach upon Irish soil. Until then there can be no permanent peace in the world, Mr. Chairman, because history shows that in generation after generation the Irish in Ireland have adopted every legitimate means just as the American Colonies sought aid from France in the necessarily bloody battle to win independence.

Ireland's background, Ireland's antiquity, merits freedom and independence, Mr. Chairman.

It is not my purpose to unduly spend any of the time of this honorable body, and I suppose that I might, with every fairness, ask this committee to take judicial notice of the antiquity of the Irish. So, for the purpose of the record, let me say merely this:

From more than seven centuries before the birth of Christ, the historians have adduced what they consider as the beginning of indisputably authentic Irish history.

I quickly carry you over more than nine centuries, during which law, and learning, and the arts progressed in Ireland. During those centuries, the land which we now know as England came under the domination of the Romans. Ireland remained with the Irish. During those centuries the world saw a new light, the Man of Galilee was born, and lived, and was crucified.

Two hundred and twenty-seven years after the birth of Christ, there came to the high throne of Ireland, Cormac the son of Art. Cormac gave us the Psalter of Tara, a compilation, mind you, of the then previously enacted and functioning laws of Ireland. No wonder there is pride in the people of Irish blood, Ireland's sons and daughters everywhere.

Merely in passing, and because there is a moral and a lesson to be well drawn from it, may I add that Cormac's father was the son of that Irish King known as Conn of the Hundred Battles. Seventeen centuries later, this battle which we are fighting here today is but another phase of the age-long battle of the Irish, because so long as a single foot of Irish soil remains within the possession or control of the foreign invader, so long will the sons and daughters of Ireland battle for Ireland throughout every country of the civilized world.

Then, two centuries more, and in A. D. 432 St. Patrick comes to Ireland. And Ireland took St. Patrick and Christianity to its warm Irish heart.

I don't have to tell you the story of that. Just let me remind you of the one incident: That of the Irish chieftain who was brought to renounce paganism and to embrace Christianity. St. Patrick stood before him, face to face, and for freedom of hand the saint took his spiked crosier and rammed it down into the soft Irish earth. Then he proceeded with the instructions to the new convert. It was not until he finished, that looking down he saw the ground covered with blood, and found that he had rammed his bishop's crosier right through the foot of the convert chieftain. That chieftain had never winced. He had not shown a sign of pain. And when St. Patrick apologized and asked him why he had not said something, the chieftain merely said that he thought it was part of the ceremony, that the

suffering was just something to bear, a little token of the price of being a Christian.

Maybe there is a lesson in that for the troubled new world of today, Mr. Chairman.

Here we are, preparing to make vast sacrifices of our substance for a supposedly democratic and largely Christian western Europe, Mr. Chairman. And we are told to build high hopes upon that western Europe for our own safety, Mr. Chairman. We are told that it may keep communism out of America, out of our own United States.

I point this honorable committee back to that chieftain who knew how to suffer. I point you back to that little land of Ireland where communism never could show its dirty head. I point you back to that little island of saints and scholars, which, through all of the early centuries and down through the Middle Ages, sent the teachings of Christianity and of democracy to all lands. In spite of her own sufferings at home, Ireland spread the light, Mr. Chairman, and in America's vast new projects of today and tomorrow, whatever form these projects may finally take, you will find no safer, no braver, no truer spot than little Ireland. You will neither find communism in Ireland, nor will you find it among Ireland's sons and daughters in our own land, Mr. Chairman.

But by what rule of logic, by what method of reasoning, can it be held a sensible thing to keep that stronghold of light and of Christian religion, that European outpost of Christianity and of democracy, divided against itself? The answer does not lie in logic or in reason, Mr. Chairman. The answer lies in the stubbornness and in the cupidity of England. Let us examine it:

England has about the same area as our own State of Illinois. But she is overpopulated and she is industrially outmoded. Those are the admissions of her own statesmen and of her own spokesmen. Her density of population is about 715 to the square mile. Even according to the estimates of Mr. Churchill, she must move out about one-third of her population. Probably one-half is nearer to the real picture.

Ireland has about the same area as our own State of Maine. But she is underpopulated, and is industrially underdeveloped. Her population is about 115 to the square mile. Even according to our own Department of State, the 26 counties of Ireland must be a good credit risk. The State Department's report to the Senate committee, Mr. Chairman, is that in the event of advance of moneys as contemplated by the so-called Marshall plan, the advance to the 26 counties would be by the way of loan, whereas the advance to Britain must perforce, and obviously, be very largely by way of grant.

May I divert here, to suggest what must be quite apparent to your learned committee, and that is that no such two classes of money should ever be disbursed from a common or mingled fund. He who approaches the banker to seek a loan upon his credit, approaches that banker with head up, seeking that which he can in honor take and which he expects to pay back. But, he who approaches a donor seeking a gift or grant necessarily comes with hand outstretched, and is in no position to discuss terms. He is a beneficiary. He must listen to and obey the instructions of the donor.

But little Ireland—again as I say of the size of our State of Maine—is burdened by England with two governments, two sets of customs,

an unnatural internal customs border more than 270 miles long; two sets of police; two sets of armed defense forces; two sets of everything from the highest to the lowest.

If the 26 counties, so circumstanced, and as just a part of Ireland, are a worthy credit risk for our taxpayers' moneys, why would not all of Ireland—the Irish Nation—under one sensible government of her people, and with England's needless waste and squandering eliminated, be in very fact an excellent credit risk?

Of course, the real answer is that the division of Ireland is England's plan, it is the age-old continuance of the policy of divide and conquer. What was once the Pale of Dublin has now in economic fact become the Pale of Belfast and of the six agricultural counties which serve that industrial city.

And, of course, the implements by which England maintains the division are subsidy and gerrymander. Again, I refer you to David O'Neill's pamphlet. Or, if you need some more figures, I refer you to Cahir Healy's *Mutilation of a Nation*.

It is true that the gerrymander may be a problem for the Irish in Ireland to handle; but the subsidy is certainly not a thing for us to grant, Mr. Chairman.

Whence come the moneys which the Executive asks you to vote, Mr. Chairman? Answer: From the taxpayers. Well, taxpayers are before you, Mr. Chairman.

Speaking in the representative capacity in which I appear here today, it would be obviously improper for me to express either advocacy of or opposition to the projected legislation which lies before your committee. Each citizen is entitled to his or her own opinion upon the merits or the demerits of the so-called Marshall plan.

But upon one thing I do speak with all the emphasis that is at my command—and I bring to you all of the steadfast earnestness of the multitude of voters who have sent me to appear before you.

I speak, and I protest, and we shall continue to speak and we shall continue to protest from henceforward—against the sending of a single dollar of American taxpayers' money to Britain while the Government at 10 Downing Street persists in the insane division of Ireland. It is beyond successful dispute that England is financing the partition of Ireland with American money. American citizens of Irish blood who are worth their salt are burning with hot indignation over this, Mr. Chairman.

As members of this honorable committee know, this Irish question is no new thing in Washington. But the difference is that it is no longer truly an Irish question. It is an English question.

The Irish in Ireland have demonstrated superb abilities in troubled times to govern themselves.

Our Irish citizenry in the United States have given us of their valor and of their zeal, in peacetime and in wartime, since the foundation of this, our Republic, Mr. Chairman.

In the form and manner provided in the Constitution of the United States they are now bringing their protest to Washington. They have the right to be heard.

They say that England instituted the partition of Ireland under impelling threat of superior force. This is a fact of history, Mr. Chairman. Lloyd George admitted it, and gloried in the fact.

During the period of actual hostilities, and during the first step of reconstruction, our Irish voters have preserved an admirable attitude even when vast sums were being sent to England apparently to be very largely squandered.

But now, Mr. Chairman, what future moneys are to go, if any, are to go avowedly for constructive, and allegedly for American protective, purposes.

If this be so—there should be no waste. We assert that England's subsidy of Irish partition is unadulterated waste. We assert that it is both economic waste and military waste. Obviously a divided Ireland is less effective as a warm friend of the United States of America than would be a united Ireland.

If we are correct in saying that there should be no waste, then it follows that there should be no palpable violation of the democratic principles for which we assert that we are building. England's violation of democratic principles in the six counties of Ireland is open, is adverse and is notorious.

If there should be no waste, there should be no weakening of the geographic and national units which might be expected to be a source of sound defense in the event of armed struggle between conflicting ideologies. England's interference in Ireland is a continuing cause of such weakening. It should not be permitted even to continue; much less should it be financed by the United States of America.

In the United States of America, we give much weight to free elections, Mr. Chairman. I call to your attention the fact that a free election was held yesterday in the 26 counties. But each of the conflicting political parties is in complete agreement with its opponents upon one thing, Mr. Chairman—partition of Ireland must end. That is a major plank in each political platform in Ireland.

Should question arise as to the propriety of what I am today discussing before your honorable committee, and of your action upon it, I call to your committee's attention the fact that this question of propriety was thrashed out before the Committee on Foreign Affairs of the House of Representatives at the third session of the Sixty-fifth Congress almost 30 years ago. I refer to the record of the hearings on House Joint Resolution 357, December 12 and 13, 1918. As a result, that question was affirmatively determined, and the decision was in favor of Ireland's cause. Likewise in the Senate before the Committee on Foreign Relations, Sixty-sixth Congress, first session. The Senate went on record 60 to 1 in favor of Ireland's cause.

Not until by the valor of Ireland's sons, and by the force of public opinion throughout the civilized world was England driven to it, or did England seriously approach the problem of her withdrawal from Ireland. Then, 27 years ago she devised the accursed plan of partition, and drove the 26 counties into a bloody civil war.

Today, Ireland as Ireland is confronted by the enforced secession of 6 counties out of 32. It is the same kind of secession that had to be settled by our own Civil War—but with this added insult: England is actually subsidizing, directly and unashamedly, the entities which constitute the six seceding units in Ireland.

Upon behalf of my people I protest. I say that the United States of America cannot afford to subscribe to such an iniquitous outrage upon human liberty. That is my case, in the merest outline, Mr. Chairman.

May I thank the chairman and the committee for the time and the courtesy extended to me upon this hearing, and may I offer, upon behalf of my colleagues and myself, to furnish any other facts, data, historical or other matter for the record which may be required by the committee or by its chairman.

If I may, I would like the privilege of extending my remarks in the record.

Thank you very much.

Acting Chairman JACKSON. Thank you, Mr. Scott. I am sure, without reference to the merits or demerits of your case, that you have certainly stated your contention forcefully and well.

As is generally the custom of the committee, we will ask the members if they have any questions to ask of you.

Mr. JONKMAN. I have no questions.

Acting Chairman JACKSON. Mr. Richards?

Mr. RICHARDS. I have no questions.

Acting Chairman JACKSON. Mr. Judd?

Mr. JUDD. I have no questions.

Acting Chairman JACKSON. Mr. Javits?

Mr. JAVITS. I have no questions, Mr. Chairman, except to observe that I was in Dublin only last October and visited the Prime Minister, Mr. De Valera, and a number of his ministers and I feel that the witness before us is in the true Irish tradition of ruggedness and conviction.

Mr. SCOTT. Thank you very much.

Acting Chairman JACKSON. Mr. Gordon?

Mr. GORDON. No questions.

Acting Chairman JACKSON. Mr. Lodge?

Mr. LODGE. Mr. Chairman, I would like to say that we in the committee are very pleased not only to have you before us, but we are very pleased to have your Congressman sitting beside you as temporary chairman of the committee. I am one of the many who think that he is doing a particularly fine job down here.

Mr. SCOTT. I am glad to hear that, sir.

Mr. LODGE. I know that what you have submitted to us will receive every consideration by the committee.

Mr. SCOTT. Thank you, sir.

Acting Chairman JACKSON. The temporary chairman also thanks you.

Mr. Mansfield?

Mr. MANSFIELD. Mr. Scott, I want to compliment you on the fine presentation you have made here for the case of Ireland. It is a question that has been shouting for justice for a good many decades, and those of us of Irish descent are well aware of the problem and we hope that something can be done by means of which this unholy and unfair partition of Ireland can be overcome and Eire be once again a united nation.

You mentioned some Irishmen, among them Mitchel, who fought for the South, Duffy, who became Prime Minister of Australia, and Meagher, who was a general in the Union Army. But speaking from a personal point of view, you forgot to add to your dissertation on General Meagher and point out to this committee a fact which I think should be well known, and that is that he was the Governor of the Montana territory.

Mr. SCOTT. That is right, sir. I forgot to tell you that.

Mr. MANSFIELD. And a good Governor.

Mr. SCOTT. That is right.

Mr. MANSFIELD. Now, what has been done in the period since the end of the first war on the part of the Congress of the United States to help in whatever way it could in bringing about the uniting of both Ulster and Eire? Do you recall what actions have been taken by the Congress in that respect?

Mr. SCOTT. I cannot say it was done officially. The resolutions were adopted by the House sometime ago in 1918.

Mr. MANSFIELD. Yes, I understand that there was some action taken in the period following the First World War, but no action has been taken since that time.

Of course we have seen a relatively great Ireland come into being, without much in the way of economic sustenance to back it up. But we do have this perennial question of this division between the north and the south. My next question is this:

On the basis of what evidence you have, would you say that the people of Ulster would, if a vote were taken, show their desire to become a part of Eire?

Mr. SCOTT. Well, if it was a fair plebiscite I think yes, but I would not want it to be handled by Downing Street, London.

Mr. MANSFIELD. I appreciate your viewpoint. I asked you if you had any information which would back up a statement, or a suggestion of that sort.

Mr. SCOTT. I think that a good number of these people are there who have not this religious taint, this fanatical bigotry, which was eliminated from this county, largely, years ago. Those people who were not Catholics because it was economically impractical for them are included. We think it was a plebiscite even in Ulster. We resent that phrase, because a good portion of Ulster, you see, is still in the Ireland area. They only took a part, the six counties.

In other words, they cut off a portion of Ulster in which they thought they would have enough to dominate the entire program.

Mr. MANSFIELD. This is not a matter of religion, is it?

Mr. SCOTT. Not at all. I am glad you raised that question. When this Dublin governor search became organized, Dr. Douglas Hine, a Presbyterian, who was born and lived to become an old man, 80 years of age, was President of Ireland. He was president of that part of Ireland which is 94 percent Catholic.

That will give you the best idea of whether there is religious bigotry. There is religious bigotry in this corner of Ireland, but not in the other part.

My father was a Scotch Presbyterian. But of course my mother handled him. There were not two sides to the Irish question in my house.

There is a little booklet here which is a very distinct and comprehensive review of the whole question in the partition of Ireland. It would do you gentleman a lot of good and enlighten your minds and lift your hearts up to see the facts in the folly of this thing, and you will get some idea why we resent and distrust Downing Street and why I want to see Will Rogers rise from his grave and thank God there is another generation in America.

Mr. MANSFIELD. What I was getting at is the fact that the real basis for the unification of all Ireland would lie in the fact that it would

be a really good economic unit, and would bring a great deal of satisfaction to all Irishmen all over the world.

Mr. SCOTT. That is right.

Mr. MANSFIELD. There is another Irishman waiting to ask some questions, so for the time being I will desist.

Acting Chairman JACKSON. There are some more roots here from the "Auld Sod." Mr. Maloney.

Mr. MALONEY. I regret very much that I was not present at the early part of your statement. If that was as vigorous as the latter part, I certainly missed a great deal. I make the observation, however, that possibly you have gotten a trace of your mother.

Mr. SCOTT. That is right.

Mr. MALONEY. And I do not want to ask any further questions. Thank you.

Mr. SCOTT. Thank you, sir.

Acting Chairman JACKSON. If there are no further questions, on behalf of the committee, I would like to thank you, Mr. Scott, for your contribution to the hearings and I assume you want your other remarks incorporated?

Mr. SCOTT. I think it would be worth your while to read this. I would like to extend the remarks. You have a lot of reading to do. I do not envy your job.

My friend, Hiram Johnson, wanted me to come back to the Senate, but with seven children, I could not afford to be a senator and try to raise a family.

Acting Chairman JACKSON. Thank you very much.

STATEMENT OF JOHN M. COSTELLO, WASHINGTON, D. C.

Mr. COSTELLO. On behalf of the American League for a Unified Ireland, I want to express my appreciation to the committee for the time you have extended to them, and I would like to ask permission for one or two others who are present to make brief statements, possibly 2 or 3 minutes each, and then extend their remarks subsequently in your record, if that may be done.

We have present here a former Congressman, Martin L. Sweeney, from Ohio.

STATEMENT OF HON. MARTIN L. SWEENEY, A FORMER REPRESENTATIVE IN CONGRESS, FROM THE STATE OF OHIO

Mr. SWEENEY. Mr. Chairman and members of the committee. For the record, my name is Martin L. Sweeney. I am a former Congressman from Ohio.

With several other individuals, we appear before your committee as a result of a mandate from an "Irish race convention" held in New York City November 22 and 23, 1947. This convention of over 2,000 delegates from 38 States of the Union met to protest the continuation of a partitioned Ireland. The call for this convention was issued by the Hon. Michael Donohoe of Philadelphia, a former Member of Congress from Pennsylvania. Practically every Irish-American organization in the United States responded to that call and sent delegates to the assembly as a result of the deliberation of the convention.

The American League for an Undivided Ireland, Inc., was organized. The president of this league is the Hon. Joseph Scott, the distinguished attorney from the State of California, and the gentleman who has just so eloquently addressed your committee.

The brochure you have before you briefly explains how the partition of Ireland was accomplished in 1920 by a "shot-gun treaty" which brought into existence two distinct forms of a national government in a country geographically the size of the State of Ohio. The free state government of 26 counties in Ireland functions with its Parliament in Dublin. The British-controlled government of six counties located in northeastern Ireland functions with its Parliament in Belfast. This "Belfast government" has been, since 1920, a source of irritation to the civilized world. By a clever system of gerrymander, the Catholic minority in the six-county area is denied equal representation in the national and local administration of their government. Religious bigotry is rampant in this section of Ireland. Discrimination and the denial of civil liberties to large segments of the population is notorious for its boldness.

Four hundred and twenty-five thousand Catholics in the six-county area pay 33½ percent of the costs of government in that area without fair representation and only 4 percent are allowed to participate in the administration of government affairs. In peacetime, during the past 27 years, as many as 60,000 British soldiers have been quartered in the Belfast sector. During a period of unusual prosperity, this six-county government has sent across the Irish Sea as much as £100,000 to the British Crown. Today the Belfast Parliament depends upon subsidies from the British Empire to maintain its bridgehead in Ireland.

We present these facts to you members of the Foreign Affairs Committee of the House of Representatives as you study the so-called Marshall plan now under consideration by your committee. To say that the British Empire is defunct would be an understatement. Our recent loan of 3,500,000,000 of American dollars to great Britain confirms the fact.

The present Premier of the Ulster Parliament, Sir Basil Brook, in a budgetary request to the British Crown states the need of \$40,000,000—some reports say as high an amount as \$200,000,000—to maintain a bridgehead for the British Government in Ireland. Let's be frank about the situation. It is expected that in the allocation of grants or loans under the Marshall plan, approximately 60 percent will go to the British Empire. The Empire, in turn, will siphon from the funds furnished by the American taxpayers sufficient moneys to meet the budgetary request of Premier Basil Brook. Because we believe this will happen we are here, Mr. Chairman and members of the committee, as American taxpayers to strenuously protest against a grant or loan to Great Britain. Not one red cent should go to Great Britain as long as she continues to play the role of usurper and denies to the people of Ireland the God-given right to the unity the great majority of that ancient land desire.

The British Empire has released its strangle hold on India. It is currently getting out of Palestine. It should be told by Uncle Sam to get out of Ireland before we even consider her an applicant for more American dollars.

Thirty million Irish-Americans are watching the action of your committee and the Congress. We understand these are troublesome days for not only our beloved Republic but the entire world. As Christians who believe in the corporal works of mercy, we are in accord with a policy consistent with our own safety and our own needs in feeding the hungry, in clothing the naked, and in giving shelter to the homeless.

After two world wars in which we lavishly gave of our young blood and our treasure in an effort to make the world safe for democracy, it would be repugnant, to say the least, if we at this late date directly or indirectly lend our financial support to frustrate the legitimate aspirations of the Irish people to be free of alien domination in one section of their country.

You heard our distinguished president, Mr. Joseph Scott, quote Will Rogers' famous statement: "We never lost a war, but we never won a conference." Along with scores of Members of Congress during my public career, I frequently quoted our late beloved American humorist.

We have been a cat's-paw for the British Empire long enough. Twice in a quarter of a century we have pulled her chestnuts from the fire and saved her as a world power. The previous speaker, I am sure, expressed the feelings of most Americans when he said with reference to the "gimme" attitude of our British diplomats after hostilities are over, "The buzzards always take us to the cleaners."

Mr. Chairman, if we seem somewhat emotional in our appeal, I am sure you and your committee will sympathize with us. The long struggle of Ireland through several centuries to be free from British rule is known to every schoolboy.

On last Monday, February 2, I appeared before the Foreign Relations Committee of the Senate. I recalled to the committee that 84 years ago my father, a young Irish lad, landed in New York, driven from his native land because of the unjust, cruel, and vicious social, political, and economic hardships imposed upon him and his kind by an alien government. Millions of other men, women, and children left Ireland for the same reasons. They found asylum in this great new land. They became the hewers of wood and the drawers of water. They thanked God for the blessings of America. They became loyal subjects. In every military crisis in its history, no race has ever surpassed or equaled the contribution of the Irish to the preservation of the United States of America.

I observe, with pride, the presence before your committee today the Honorable Michael A. Feighan, my successor in Congress from the Twentieth Ohio District. His paternal and maternal grandparents, like my father, were born in Ireland. They came to the United States for the same reasons. Their love of Ireland is second only to their love and devotion to the United States.

Our organization extends thanks to Congressman Feighan for his presence and his contribution to this committee.

In conclusion, Mr. Chairman, may I state that negotiations under way in Ireland to abolish partition are sponsored by Catholic and Protestant alike. The struggle for a unified national independence is not a religious one. It is a political struggle, led as it has been in the past in most cases by men of the Protestant faith. When and how partition in Ireland is abolished is a problem solely for the Irish people

themselves. If this Congress gives any American dollars—grant a loan to Great Britain to delay the struggle, it will, in my opinion, be an indignity to the Irish-Americans of the United States and an affront to the American taxpayers.

Mr. Chairman, the national president of the Ancient Order of Hibernians, founded in 1836, by Mr. Michael A. McGrath of Cleveland, Ohio, is unavoidably detained from appearing today before your committee. I respectfully ask that he be permitted to make a statement for the record.

My personal thanks to you, Mr. Chairman, and your committee for the reception and attention you accorded our organization here today.

Acting Chairman JACKSON. Thank you very much, Mr. Sweeney.

I should point out, I think, before we have a minor revolution here in the committee that the distinguished gentleman, Mr. Lodge, is from Connecticut. That branch of the Lodge family immigrated from Massachusetts.

Mr. LODGE. May I say, however, that I am very sensible to your reference and Mr. Scott's reference to Boston, Mass., because I am originally from there and having had a great deal of contact all my life with Americans of Irish descent I have every reason to have not only a high regard but a warm feeling for them.

Mr. SCOTT. Thank you very much.

Mr. COSTELLO. I would like to call for a word from James Cummins who comes from San Francisco and is representing the United Societies of San Francisco, Calif.

STATEMENT OF JAMES CUMMINS, REPRESENTING THE UNITED SOCIETIES OF SAN FRANCISCO, CALIF.

Mr. CUMMINS. I am James Cummins, representing some 52 Irish societies in California. I don't have much to add to the remarks of Mr. Scott or Mr. Sweeney, but I would like merely to repeat that we are particularly interested in this plan that is coming up today.

Our people, we feel, have contributed much to the history and background of this great country, and as taxpayers we feel as though the time has come when we may no longer make a contribution to maintain the border that has been the cause of much bloodshed in the old country.

I do not know that there is anything further.

Mr. COSTELLO. Thank you very much.

Acting Chairman JACKSON. Thank you, sir.

Mr. COSTELLO. The next person we would like to present is Mr. James J. Comerford from New York, president of the United Irish Counties Association of New York, Inc.

Acting Chairman JACKSON. Mr. Comerford.

STATEMENT OF JAMES J. COMERFORD, PRESIDENT, UNITED IRISH COUNTIES ASSOCIATION OF NEW YORK, INC., NEW YORK CITY, N. Y.

Mr. COMERFORD. Mr. Chairman, I am a resident of New York City and have been for 24 years. I am president of the United Irish Counties Association of New York, Inc., an organization composed of 32 fraternal organizations, with a paid-up membership of 70,000 mem-

bers in New York, and having an additional associate membership of 93,000, all of whom are citizens and taxpayers in the State of New York.

Their term of citizenship ranges from 20 years or more, for the majority, and all of them are citizens for at least 10 years.

I personally protest vigorously against any money being given by the United States to Britain, who in turn will give that money to subsidize the government in northeast Ireland, which is not a government elected by the majority of the voters in Ireland.

This is my basis for so doing: I selected this country to live in voluntarily. I have great admiration for this country. I am a close student of American history. I graduated from two universities in this country, and hold degrees from them. Therefore, I present my point from the American point of view.

I believe in the democracy of the United States and in the great principles that it always has held out; and in so doing, I refer to the people of Ireland, where a general election was held in 1918 for 32 counties, in which 80 percent of the people voted for one government. In 1920, 82 percent voted also for one government. I have in mind the entire map of Ireland as one entity; but here despite the registered voters' choice in a free general election under the legal law of the land that country has been cut apart and in two, under two governments, now.

That is not democracy in accordance with the will of the people that we know in the United States. Therefore we are against that, because I cannot say as an American myself today that when we speak about democracy and how it is exercised in other parts of the world that we have shown good faith when we let that condition exist in Ireland, where people showed by their will that they wanted one government in Ireland, not two.

In addition it is not proper to have two governments in Ireland in order to take care of a small minority with one of them. That is not our concept of democracy in America—namely, to have one government for the majority and another government for the minority.

The majority want one government; but despite this a minority is allowed to have one government also. In addition, from the point of view of security, I would say speaking of the American point of view if that boundary is removed in Ireland, it will be one country strategically placed and a wonderful asset in the coming times which are looking not so good at the present time, when the United States may need that land for its own purposes, for matters of defense; for Ireland, if it is satisfied with one government of its own representation, it may be in a better position in the future than in the past during wartime to be more friendly toward the United States in an energetic way.

I protest, on behalf of my organization, the United Irish Counties Association, this money going from American taxpayers to be used by the government in Belfast to perpetuate the slavery of those people in those six counties against the will of the majority of the Irish people.

Acting Chairman JACKSON. Thank you very much.

Mr. COSTELLO. The next person we would like to present is Mr. Cornelius F. Neenan, chairman, organization committee, American League for an Undivided Ireland.

STATEMENT OF CORNELIUS F. NEENAN, CHAIRMAN, ORGANIZATION COMMITTEE, AMERICAN LEAGUE FOR AN UNDIVIDED IRELAND, NEW YORK CITY, N. Y.

Acting Chairman JACKSON. We will be glad to hear from you, Mr. Neenan.

Mr. NEENAN. I am a resident of New York City, an American citizen and taxpayer, and chairman of the organization committee of the American League for an Undivided Ireland. I wish to make my protest along with those other gentlemen who have appeared before your honorable committee.

The partition of Ireland was perpetrated by the British Government through an act of the British Parliament in 1920. At that time I was a member of the Irish Republican Army fighting against the Black and Tans in Ireland for an independent and united Ireland. No Irish member of Parliament either Union or Nationalist, from north or south, voted for that act which divided the Irish nation. It was another milestone in England's century-old policy to divide and conquer Ireland.

Gentlemen of the committee, England is primarily responsible for this unnatural division of the Irish Nation and the British Government continues to subsidize and support it. That brings us to the question of grants and loans to Britain under the European recovery program which is before you for consideration.

With my colleagues who speak for millions of American citizens I protest against any aid to England that will permit her to perpetuate the partition of Ireland.

We oppose any grant or loan to Britain—or the consideration of any grant or loan by our Congress—until Britain clears out of Ireland. That desirable result can be accomplished if our Government will make the necessary and appropriate representations to the British Government. Abolish the partition of Ireland and you will not only secure the reunification of Ireland but you will help to lay the foundation for a lasting peace in Europe.

Acting Chairman JACKSON. Thank you very much, Mr. Neenan.

Mr. COSTELLO. Next we will hear from Mr. John J. Reilly, director, Federation of Irish Societies, Philadelphia, Pa.

STATEMENT OF JOHN J. REILLY, DULY ACCREDITED REPRESENTATIVE OF THE FRIENDLY SONS OF SAINT PATRICK AND THE ANTIPARTITION OF IRELAND LEAGUE OF PENNSYLVANIA, PHILADELPHIA, PA.

Mr. REILLY. Gentlemen and Mr. Chairman, my name is John J. Reilly. I am chairman of the executive committee of the Friendly Sons of St. Patrick of Philadelphia, and duly accredited representative of that society. I am the past national president for 14 years, of the American Association for the Recognition of the Irish Republic.

To add to the opinions of the men who spoke, I would like to point out that in the years before 1914, as the result of a very strong movement for home rule, the British Parliament passed a home-rule bill for all of Ireland, but the First World War interrupted that, and it was not put in operation.

During the debate on home rule in the House of Commons, one of the objections made by the opponents of the home-rule bill was that the islands were too small for two governments, one in London and the other in Dublin. But, because of the emergency and because of the influence in America in favor of Irish freedom during the years 1918-20, the British were forced to give Ireland her freedom, and at that time they cut off the northeastern portion of Ireland so that this could be used as a future bridgehead. As the gentleman who spoke before me indicated, not one single Irish vote was cast in favor of this division of Ireland.

I would like to call the attention of the committee to the fact that the United States Government, and rightly so, is doing a lot of educational work, a lot of foreign broadcasting, to encourage democracy in the other parts of the world. We do not need to do any encouraging of the people in Ireland, north or south, in this respect. They earnestly desire to have a democratic state, but they cannot have it. They want a democracy. There was no need for us to impose that type of government on the Irish people. It is their own selection as was indicated before it was withheld by force from them. Imitation is the best form of flattery. The Irish people are imitating us. Their constitution, which was accepted in 1937, is a duplicate of our Constitution but brought up to date, if you will.

Mr. Chairman, those are the remarks I would like to add to those of the gentlemen who preceded me.

Mr. COSTELLO. Next we would like to call Mr. McNelis of the Federation of Irish Societies in Philadelphia.

Acting Chairman JACKSON. Mr. McNelis?

STATEMENT OF PATRICK J. M'NELIS, PRESIDENT, FEDERATION OF IRISH SOCIETIES, PHILADELPHIA, PA.

Mr. McNELIS. Thank you, Mr. Chairman.

Mr. Chairman and gentlemen of the committee, my name is Patrick J. McNelis. I am president of the Pennsylvania Federation of American Societies for Irish Independence, representing 32 organizations with an aggregate membership in excess of 50,000. I wish to express my appreciation for the courtesy extended in permitting me to appear before your honored committee. Mr. Chairman, as American citizens, we are deeply impressed with the great need for the program you are considering, but as taxpayers we are much concerned as to how the vast sums of money required for the operation of this plan are to be allocated and how they are to be used. It is but natural that after fighting the greatest and costliest war in history to preserve our concepts of the democratic way of life, we should carefully scrutinize the recipients of our aid to see that no part of these funds is to be used to establish, sustain or perpetuate any institution or form of government repugnant to our ideals and against which we did battle. It is a matter of record that in 1920, without the vote of any Irishman, Nationalist or Unionist, the Government of Ireland Act was adopted by the British Parliament, and with the aid of the British military, a Fascist state was set up in northeastern Ireland. It is a matter of record that military law was set up in this statelet in less than 6 months after its establishment and continues to the present. It is a matter of record that just a few months ago

the British Parliament passed a bill extending and implementing the Special Powers Act of 1922 that provides for this military law, and which has since been incorporated into the framework of that Government making it openly and factually—a policed state. It is a matter of record that just recently Sir Basil Brooke, Premier of the Northern Ireland Government admitted that Great Britain subsidizes that state to the amount of \$40,000,000 annually.

We have it on good authority this figure is actually closer to \$200,000,000. It is therefore quite evident that in supporting and sustaining this despotic government Great Britain is spending annually a vast sum of money that could well be used in bracing her own economy. In view of these facts, it would seem quite evident that any funds advanced to Great Britain for aid, would be used in part to maintain the Gestapo institution known as the Northern Ireland Government. As taxpaying Americans who will have to foot the bill for this project, we are interested in seeing that none of these funds is to be used in such a fashion. We submit that in supporting their puppet government in northeastern Ireland, Great Britain has disqualified herself from participation in the European recovery plan, and we demand that before Britain can be eligible to participate in these benefits, she abandon her support of this Fascist state by withdrawing completely all financial and military aid to a government whose principles and record are so repugnant to the American concepts of democracy.

Acting Chairman JACKSON. Thank you, Mr. McNelis.

Mr. COSTELLO. I would like to call Mr. Robert Clarke.

Mr. CLARKE. I have nothing prepared, I yield to the next gentleman.

Mr. COSTELLO. Would it be all right for those who have appeared to extend their remarks?

Acting Chairman JACKSON. That will be all right.

Mr. COSTELLO. Mr. Owen B. Hunt, a prominent official of the State of Pennsylvania.

STATEMENT OF OWEN B. HUNT, PENNSYLVANIA

Mr. HUNT. Mr. Chairman and members of the committee, for the benefit of the record my name is Owen B. Hunt. I came to the United States of America as an immigrant in 1913. I served in the First World War, with the One Hundred and Ninth Infantry, Twenty-eighth Division and participated in six major engagements, from Chateau Thierry to the Argonne.

I served in Governor Earle's cabinet in the Commonwealth of Pennsylvania for 4 years, holding the portfolio of insurance commissioner, and I have been very actively connected with the Irish movement in Philadelphia and Pennsylvania during the last quarter of a century.

To add to what has been said by the people who preceded me, I wish to develop two points. The first is that the present government in the north of Ireland is a police state, whole and entire. We hear a lot of protesting today against police states. The papers are full of it. It has been discussed openly in the House of Representatives, and in the Senate of the United States.

That is what our boys died for on the Normandy beachhead, to break up a police state. Men and women who now live within the con-

finances of the northern Ireland government have no rights at all. The writ of habeas corpus does not exist. People can be taken out of their homes at any hour of the day or night and thrown into prison with no charges of any kind preferred against them, and kept there indefinitely.

That is the basis of a police state.

Therefore, we protest sending money from the United States of America, taxpayers' money, to support such an institution.

The second point I wish to make is in answer to a question that was raised by Congressman Mansfield, as to what the vote might be in the north of Ireland today.

I am very closely connected with this problem. I have been a student of it for a long time. I believe that if a plebiscite were given to the people who reside within the six counties in the north of Ireland, as to whether or not they would wish to leave their present status and come into the Dublin government, the British could only be reasonably sure of carrying two counties, possibly Antrim and Downs.

To prove this contention to your satisfaction, the British Government, within the last 20 years have gerrymandered throughout the north of Ireland, and representatives acting as the agents of the British district, have gerrymandered the districts at least three times.

If they weren't afraid of the residents in the north of Ireland voting themselves into the Dublin Government, why should they gerrymander the districts within the six counties?

I believe if the people were given a free vote in the north of Ireland, they would, by an overwhelming majority vote themselves into the Dublin Government.

Mr. MANSFIELD. What the gentleman has just said exercises the point that I was trying to make, that a majority of the people in Northern Ireland, would, if given the opportunity, join with Eire.

Mr. HUNT. Definitely. They are so much afraid of it that they have to continually gerrymander districts in order to maintain a vote favorable to themselves.

Mr. RICHARDS. Why do not the people in those counties go ahead and have a plebiscite of their own?

Mr. HUNT. How can people have a vote in a police state?

Mr. RICHARDS. They could go ahead and set up an organization and vote, could they not?

Mr. HUNT. They must do that by force, and that we do not advocate at all. They can only give free expression to their will in this direction by physical force. That is not good, because as one of the witnesses that preceded me has said, there are approximately 60,000 British troops there. In addition to that, they are not satisfied with the British troops. They have what they call B specialists. They are organized thugs.

They go around in civilian clothes, and are fully armed, walking into anybody's house at any time of day or night, without any law or written order, to take the people out. They are not satisfied with doing that. They definitely discriminate against the families where they take a man prisoner and throw him in jail. They will prevent the family from either getting relief or employment.

Now, I happen to be very active in the Green Cross. That institution was organized to raise money to take care of and to keep the

bodies and souls of the families together where one member of the family is in prison, not awaiting trial, but they are without any charges of any kind preferred against them in jail, because the police authorities did not like the color of his eyes and hair, or something else.

Mr. RICHARDS. Do they have freedom of speech and freedom of assembly?

Mr. HUNT. Oh, no. They have none of that. If they criticize a public official they are thrown into prison without any charges preferred against them.

Mr. RICHARDS. There is no opposition?

Mr. HUNT. The writ of habeas corpus does not apply. Once a man is incarcerated in prison, he stays there.

I want to emphasize that where the writ of habeas corpus does not run, then you have a police state—complete, whole, and entire.

We have pleaded with them time and again. They sometimes let those fellows out of jail. They do not keep them in there indefinitely, but the last report we had on it through the Green Cross, which is headed by the Bishop of Down and Connor, and he dispenses the money himself to the families, or through his direction and I think there are at the present moment not so many as there were a year ago, but there are 25 or 30 families now that are definitely involved in that case through the six counties.

Mr. RICHARDS. The reason I asked that question is that I understood there were opposition newspapers which could say anything they pleased, as we do in the United States.

Mr. HUNT. The opposition newspapers are negligible. This is a letter we have received from one of our men over there during the last 2 weeks. This is the position:

I could give you hundreds of instances of persons being carried off by RUC as well as the special sectarian B specialists.

I did not see this letter before. One of the men of our committee first handed it to me.

Without their being informed of the charges against them, such people may be kept in custody for just as long as the government thinks well. No court is open to them.

There is no newspaper in charge of the six counties that publishes anything they might term detrimental to the government. They would be immediately suppressed. That is ancient history. There is no question or doubt about that at all. There is no freedom of speech, no freedom of the press, there is a complete police state.

Acting Chairman JACKSON. The chair would like to put one question: Is the position of the organizations represented here today that no funds should be included to England in any case, or that the program should be conditioned to prevent any of the funds being utilized for the purpose of the maintenance of this Irish division?

Mr. SCOTT. Will the chairman let me answer that question?

Our position is that we have a difference of opinion in the committee on the Marshall plan. We simply say to this Committee on Foreign Affairs, and the Congress of the United States, nevertheless we are a unit. If there is any program involved by the proposed legislation here which will divert any money to Belfast, we are opposed to that legislation.

Mr. RICHARDS. Let me ask you this: Do you come here as a representative of the American taxpayers?

Mr. SCOTT. Yes, sir.

Mr. RICHARDS. You say you do not want any of your money used in so-called aid to England or Great Britain. What about the rest of the program? Do you want any money used for that?

Mr. SCOTT. That was not our position, that no money should go to England. We did not say that. We say no money should go to England if any of it is diverted to Belfast.

That is our position.

Mr. JONKMAN. May I ask Mr. Scott one question? These figures have been changed so much, Mr. Scott, these figures involved in this \$6,800,000,000, that I am not sure of what was allotted to Ireland.

I think it was something like \$196,000,000. That is not so material. Does that go to Northern Ireland or Southern Ireland?

Mr. MANSFIELD. That just goes to Eire.

Mr. SWEENEY. We understood that as a loan, to be paid back, not a grant. They could get that through the World Bank or Export-Import Bank. As a matter of fact, this is a matter of record. They did not knock at the door of the Paris Conference.

Mr. MANSFIELD. They came to the Paris Conference freely, and as I understand it any money from Eire, as distinct from the six northern counties would be received from the International Bank or this country and would be in the form of a loan, repaid over a number of years.

Mr. MALONEY. Do you say that that could come from the International Bank?

Mr. SWEENEY. I think the World Bank or Export Import Bank, if they want to make a loan there. They never defaulted on their credit.

Mr. MALONEY. Is that so, or not?

Mr. RICHARDS. If it came from the World Bank, it would not be provided in this legislation.

Mr. MANSFIELD. As far as the World Bank is concerned, it is at the present time in a position to consider loans, but it has not the funds to grant all the loans taken. So I would say that Ireland or Eire would be in a position to apply for a loan there, or to be considered under the Marshall plan and get a loan from this country direct.

Mr. SWEENEY. They have that alternative. They are not foreclosed from borrowing from the World Bank or Export Import Bank.

Mr. RICHARDS. I would like to ask Mr. Sweeney, and I remember pleasantly our association in the House in recent years, provided none of the funds proposed here are used to further the purposes of the Belfast Government, is your group in favor of this legislation?

Mr. SWEENEY. I cannot speak for the group, but I can say this, because of the spirit of the race, being Christians, and Christ-loving people, they believe in the corporeal works of mercy.

They will feed the hungry and clothe the naked, and beyond that I cannot state for them. I don't believe anybody else can. But they are definite on that one problem, that money should not be siphoned off to maintain a bridgehead or form a government in a small state.

Mr. MANSFIELD. In other words, Mr. Sweeney, as far as the Marshall proposal is concerned, the groups here today have an open mind.

Mr. SWEENEY. They are not authorized by this convention to take any stand.

Mr. HUNT. That is right.

Acting Chairman JACKSON. Thank you very much, sir.

Mr. COSTELLO. The next witness is Mr. Charles T. Rice, president, Shamrock Club, New York.

Acting Chairman JACKSON. We will be glad to hear from you, Mr. Rice.

Mr. COSTELLO. Mr. Rice is the national secretary of the American League for an Undivided Ireland, and chairman of the Shamrock Club, New York.

STATEMENT OF CHARLES T. RICE, MEMBER, EXECUTIVE COMMITTEE OF AMERICAN LEAGUE FOR AN UNDIVIDED IRELAND; PRESIDENT, SHAMROCK CLUB, NEW YORK, N. Y.

Mr. RICE. Mr. Chairman and gentlemen of the committee, I desire to make a correction in the characterization of me as national secretary of the American League for an Undivided Ireland. The national secretary of that organization is Mr. James MacDermott of New York City. I am a member of the executive committee of the American League for an Undivided Ireland, and I am also the assistant treasurer of the organization.

I have been a practicing lawyer in New York City for the past 24 years and I am a veteran of World War I, having served in the Three hundred and twenty-fourth Signal Corps Battalion of the United States Army.

Permit me to associate myself in a wholehearted way with the leadership of the American League for an Undivided Ireland, headed by Mr. Joseph Scott of Los Angeles and joined by the members of the American League for an Undivided Ireland and the representatives of the other societies who have addressed you this afternoon.

As a member of the organization and of other Irish and American societies, including my membership in the Shamrock Club of New York of which I am president and of the executive council of the American Irish Historical Society of New York, I am happy to endorse the views that have been put before you by my colleagues today and to support the factual statements that have been submitted for the information and guidance of your committee.

We all appreciate the privilege and courtesy that the members of your committee have extended to us in presenting our views on the important questions now before you. And having regard to your very heavy calendar of business, particularly on this measure under consideration, I will not take up an extended time.

There are a few points which I should like to emphasize however, including some points that have been raised here by Congressman Mansfield of Montana and Congressman Richards of South Carolina.

Permit me to say that Congressman Mansfield has put forward a very cogent and important factor in our consideration of this great question of the partition of Ireland, when he referred to the feasibility of a plebiscite.

From my knowledge of the situation and following the account of the political agitation in Ireland on this question I assert that there is no Irish Nationalist in the south of Ireland and no Irish Nationalist in

the north of Ireland who is unwilling at any moment to have a plebiscite in the democratic way on this question. I have no doubt that should a plebiscite be arranged there will be an overwhelming majority of the people of Ireland in favor of the abolition of partition and the reunification of the Irish nation.

Regarding the very pertinent references that have been made by Congressman Richards on the matter of why the people of northern Ireland do not ask for this plebiscite let me point out that the government of the six counties is actually a police state. In that area a great minority of over 400,000 Irishmen have practically been disenfranchised. If they make any protest the gerrymander machine goes into operation. Since the inception of this government in 1921 there have been no opportunities for the minority party to make its voice felt or to have a plebiscite or a referendum on any important question. To all intents and purposes they are disenfranchised and have no views in public affairs.

In the local administration of any one of the six counties where the views of the majority of the county council might be adverse to the program of the government and order is quickly made liquidating that county council and a commissioner with plenary powers from the government is sent in to administer the affairs of the county, making sure to follow the totalitarian policy of the government. This is only one example of the police powers frequently invoked.

Should a person in opposition to the six-county government policy show vigorous opposition to that policy he may be arrested forthwith and as Mr. Hunt, of Philadelphia, has pointed out the writ of habeas corpus does not run. There is no such thing as trial by jury where any offense may be labeled a political offense by the government. The offender is characterized as a political prisoner and may be held for an interminable length of time without trial.

These are only a few of the items that should be brought to your attention. Religious and political discrimination by the government against a great number of its citizens is the order of the day. Gerrymandering is a favored political weapon of this puppet government. All these intolerable conditions are not only permitted but actually encouraged and supported by the British Government. It is clear that Britain should be called on to terminate her financial support to the partition of Ireland. It is equally clear that we should not be called on to hand out any monies to Britain which will help to perpetuate the partition of Ireland. We desire that not only the peace of Ireland but the peace of western Europe is vitally involved in this situation and that our Government should take immediate steps in our own interest and in the interest of fair play and the democratic way of life to bring about the end of the partition of Ireland. We are opposed to a grant or loan to Britain until she is compelled to withdraw her troops from Ireland and thus permit the unification of Ireland, the establishment of its independence.

I appreciate the time you have extended to us and will ask to be associated with the privilege you have extended to our committee generally to submit statements on behalf of other members of the Irish and American societies of New York who could not be present this afternoon. I thank you again Mr. Jackson and members of your committee for your courtesy and kindness.

Acting Chairman JACKSON. Thank you very much.

Mr. COSTELLO. I do not like to impose too much upon the generosity of the committee, but I have Mr. Richard F. Dalton, a member of the executive committee of the American League for an Undivided Ireland.

STATEMENT OF RICHARD F. DALTON, MEMBER, EXECUTIVE COMMITTEE OF THE AMERICAN LEAGUE FOR AN UNDIVIDED IRELAND, NEW YORK, N. Y.

Mr. DALTON. Mr. Chairman, it is just about 30 years ago, short a few months, since I made my last appearance before a congressional committee of this type.

I would just like to say I have been a businessman since then. There has not been a single Friday in all of that 30 years when I have not had to have the pay roll ready for the men and women who work for me.

Now, I am keenly conscious that over on the left-hand side of each pay-roll check there is a voucher form which appears and which tells how much is withheld for Federal taxes.

I do not have to say to you that the workers are finding that deduction a very considerable burden. But there are deductions which can be taken cheerfully, and there are other deductions which cannot be taken cheerfully.

And if a portion of the deduction of the future is to be a deduction so that Uncle Sam is sending over money to Downing Street, to be siphoned to Belfast, to make good the deficiency which Sir Basil Brooke admits; which the London Economist states is a much greater sum than Sir Basil Brooke states it is; and which we know to be greater than either of them set forth, then the workers, and I think I have a right to speak for some of them after 30 years, the workers are going to be disgruntled and insulted by that deduction which would send money over to continue the economic slavery under which a portion of our people live.

There is one other point. I am keenly conscious of how wonderful you have been in generosity of time to us. I am grateful. At that hearing of 30 years ago, the big question which came up was the propriety of the Congress of the United States acting in a matter such as we had before it then of the right of the people of Ireland to self-determination. The right of the people to self-determination has been withheld from them by force and fraud. I use those words advisedly, and if the committee desires a brief upon it, I will be glad to submit it in extension of these remarks.

That right of self-determination having been withheld, and the Congress of the United States having once determined that they could speak with propriety upon this matter, I say it would be grossly improper for the United States of America to include within the British moneys, whatever way it may go, grant or gift or loan, or gratuity, I say it would be grossly improper to send that money over there to continue undemocratic form of government in a little section of that land which by every rule of right is entitled to self-determination; which has self-determined, which published on Easter morning, 1916, a declaration following our declaration of independence, which set out that it desired to be in fact a Republic, and which in 1937 adopted a constitution modeled upon our own. Which country if permitted

to pursue its destiny would be a bulwark on the shore of western Europe against that thing—I shan't bother to mention it—about which we are all sincerely worrying today.

I close by thanking you very, very kindly, Mr. Chairman, for your great courtesy.

Acting Chairman JACKSON. Thank you very much.

Mr. JAVITS. Could I ask one question of any one of the witnesses?

I would like to know whether or not this question has been taken up with the United Nations or whether you people have done anything to get this question taken up with the United Nations?

Mr. DALTON. I shall say to the Congressman that I would not lift a finger to send this case before the United Nations because I do not believe it is a question which should be the subject of arbitration or of decision by any man, woman, or child, or set of them, outside of the four shores of Ireland.

God placed her there in the Atlantic Ocean. The geographic and national entity was placed there, and such she is bound to be whether by peaceful means or by bloodshed, as they said in Dublin a week ago Sunday.

Mr. JAVITS. Your group feels if there is a plebiscite in all Ireland you would be perfectly satisfied with the outcome?

Mr. DALTON. We feel that very definitely. I may say too, that there is a petition on the way to you which will be signed by hundreds of thousands, and it is asking the United States of America at this time to exercise sanctions in these negotiations which we are having with England, so that the justice which is being sought will be brought about.

Mr. SWEENEY. Does my friend know that Russia has cut the three states so-called from going into the United Nations by veto power?

Mr. JAVITS. Yes. I knew that.

Mr. MANSFIELD. We have with us today one of our colleagues who is very much interested in the question of an undivided Ireland. He has a speech ready, but due to the lateness of the hour, I would like to ask unanimous consent that the Honorable Michael Feighan, of Ohio, be allowed to extend his remarks at this time.

Acting Chairman JACKSON. Without objection, it is so ordered.

(The information referred to is as follows:)

STATEMENT OF HON. MICHAEL A. FEIGHAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. Chairman and members of the committee, it is gratifying to me to have this opportunity to appear before the Foreign Affairs Committee of the House.

I urge this committee to give serious consideration to the testimony presented by the members of the American League for an undivided Ireland. I am certain that after this committee has studied and investigated the arguments presented, it will, on the basis of the findings, arrive at a just decision.

Mr. MALONEY. May I make a suggestion that these gentlemen be given 5 days to extend their remarks in this record?

Acting Chairman JACKSON. Yes. Without objection, that will be done.

Mr. JAVITS. May I say if these gentlemen feel we have been generous to them, I feel I have learned a great deal about a very important subject and I would like to express my appreciation.

Acting Chairman JACKSON. I would like to say, Mr. Scott, and to the rest of you gentlemen, that your presentation has been most

thoughtful and has given us all a great deal to think about. Thank you very much.

Mr. SCOTT. Thank you very much.

Acting Chairman JACKSON. We will adjourn now until Tuesday morning.

(The following communications have been submitted for inclusion in the record:)

STATEMENT OF FORMER CONGRESSMAN MICHAEL DONOHUE, OF PHILADELPHIA

When World War I broke out in August 1914, the home rule for Ireland bill was on the statute book, passed by both houses of Parliament and signed by the King. Its operation was postponed pending the outcome of the war.

Opposition to home rule had been led by Sir Edward Carson, an Irish barrister, who had organized a rebel force called the Ulster Volunteers, imported arms from Germany and fomented a mutiny among some British officers at the Curragh Camp.

Prime Minister Asquith, author of the bill, induced the Irish Nationalist Party to agree, in the interest of harmony, to a temporary exclusion of part of Ulster; his first assurance being that only four of the nine counties would be affected and that the partition would end within 5 years.

War on Germany having been declared, John E. Redmond, leader of the Irish Party did his utmost to have the young men of Ireland join the British forces. His eloquent voice was heard on platforms all over Ireland calling on the people to forget the wrongs of the bitter past now that England was fighting for human rights and particularly for the freedom of small nations. Over 300,000 Irishmen joined the colors, including a brother of Mr. Redmond, William H. K. Redmond, a member of Parliament, who was killed in action at Messines Ridge in Belgium, and Thomas Kettle, a member of Parliament and one of the most gifted men of the Irish Party, who gave his life in the battle of the Somme.

On the basis of unimpeachable records of World War I over 50,000 Irishmen lost their lives in the war, not including any of the thousands from the Dominions of the British Empire, who died in the belief that their sacrifice would mean full freedom for their old home land.

Praise of Ireland's noble stand was on every tongue in England. Sir Edward Grey, the Foreign Secretary, said: "Ireland is the one bright spot on the horizon of Europe and of the world." Chesterton, moralizing on Ireland's forgiveness of the wrongs of past centuries: "England is unworthy to kiss the hem of Ireland's garment."

And yet, in the middle of the war, when Ireland, with implicit faith in Mr. Asquith's pledge that partition was only a temporary expedient, was thus aiding England in her most desperate hour, the new Prime Minister, Lloyd George, was secretly betraying the Asquith pledge, as the following letter shows

MAY 29, 1916.

MY DEAR CARSON: I enclose Greer's draft proposition. We must make it clear that at the end of the provisional period Ulster does not, whether she wills it or not, merge in the rest of Ireland.

Ever sincerely,

D. LLOYD GEORGE.

"Ever sincerely." Was there ever a more subtle piece of duplicity, a more damning example of perfidious statesmanship?

In the face of what has been done in the case of Ireland how can America have faith in the pledges made by British politicians in times of stress?

John E. Redmond died in March 1918, broken in spirit and utterly disillusioned, the Irish Party that he led for almost 20 years practically destroyed. Stephen Gwynn, a member of the party and one of his biographers says: "We had followed Redmond's policy and we shared Redmond's fate. We had done our best to help the British Government and that Government itself defeated us." Carson, the ex-rebel of prewar days, had honor and power and glory thrust upon him. He was raised to the peerage as Lord Carson and made a member of the Cabinet of his "Ever sincerely," D. Lloyd George.

Lloyd George gave as excuse for partition, differences of race and religion. How much more justification would he have had for setting up a separate parliament for his native Wales with its predominantly Celtic population and non-conformist creed, rather than for a minority in a corner of ancient Ireland, whose boundaries are irrevocably fixed by Nature's hand?

STATEMENT OF THOMAS H. BUCKLEY, CHAIRMAN OF THE COMMISSION ON ADMINISTRATION AND FINANCE OF THE COMMONWEALTH OF MASSACHUSETTS

As chairman of the New England Committee of the American League against the Partition of Ireland and speaking in behalf of the half million members of the affiliated New England organizations, it is my sincere belief that the American taxpayer in which class all of our members may claim membership has a deep interest in the program of European recovery. We are steadfastly opposed to the grant of a single dollar raised by American taxation to Great Britain as long as part of the expense of Great Britain consists in the maintenance of a puppet government in the northeastern part of Ireland.

It is apart from the traditions of American liberty that any part of any nation should be dominated against the best interests of all the people of that nation. In Massachusetts where free government in a democratic form first began with the signing of the Mayflower compact the Americans of Irish descent protest vigorously the misuse of American taxpayers' money for such purpose.

It is needless for me to reiterate the contribution made by the men and women of Irish ancestry to the welfare of the New England States. We firmly believe that the maintenance of a forced partition of any part of Ireland defeats the principle for which American taxpayers have contributed in two great world wars so generously of their sons and resources.

STATEMENT OF MICHAEL A. McGRATH, NATIONAL PRESIDENT OF THE ANCIENT ORDER OF HIBERNIANS AND LADIES AUXILIARY IN AMERICA

Gentlemen, my appearance before your committee is in my capacity as the national president of the Ancient Order of Hibernians and Ladies Auxiliary in America.

The Ancient Order of Hibernians was organized in the United States, in June 1836.

It affiliates itself with the American League for an Undivided Ireland, whose national president is the Honorable Joseph Scott, of California, who speaks before you for 30,000,000 men and women of Irish blood by virtue of a mandate from the Irish race convention, held in the city of New York, November 22 and 23, 1947.

We are deeply concerned with the attempt of the British Empire to receive a grant or loan from the United States, under the Marshall plan, that your honorable committee now has under consideration.

Our opposition is primarily directed to a proposed allocation of money which Sir Basil Brooke, Premier of the Ulster Government, who has stated that a minimum sum of \$40,000,000 is necessary to carry on the military and some civic operations, in the northeast six counties of Ireland.

I am certain that your committee, and I believe the people of the United States, are fully aware of the weakened financial structure of the British Empire. The implication of this financial weakness was evident in 1946 when the Congress of the United States approved a loan of \$3,750,000,000 to this same British Empire.

The thousands of men and women enrolled in the membership of the Ancient Order of Hibernians and Ladies Auxiliary, vigorously protest as American taxpayers, the sending of one red cent to the British Empire, for the purpose of maintaining a bridgehead in ancient Ireland, and to delay if possible, the action of the large majority of the inhabitants of that ancient country to abolish the artificial boundary that has existed against all reason since 1920, and was set up by virtue of a shot-gun treaty, reference to which has been made to your committee.

I am sure that your committee is not unmindful of the millions of Irish nationals who immigrated to these United States, who assimilated themselves and played a major part in the establishing of this Republic, and its maintenance down to this present date.

The magnificent contribution of Irish blood in every war in which our Nation has been compelled to engage, is not exceeded by any racial group, with all respect to the splendid contributions made by other groups to preserve our Union. From the time of the Continental Congress down to the present time, the halls of your national legislature has resounded to the many tributes paid to the loyalty and valor of young Irishmen and women to this country of their adoption.

Whatever emotional appeal myself or the various witnesses register in our opposition of the British grant or loan, call it what you may, is understandable from the standpoint of race pride.

The membership of the organization that I have the honor to represent, are Americans first. Their fealty has never been in question and it is as faithful and loyal American citizens and taxpayers, that we are vitally concerned with political, social, economic, and financial welfare of the United States of America.

Men and women of the Irish race everywhere, have always followed the admonition of the Saviour, to feed the hungry, clothe the naked, and give shelter to the homeless. We join with you members of the Congress in the extension of christian charity to all oppressed people everywhere in the world.

This protest that comes from the millions of men and women of Irish lineage in the United States, is one that I respectfully submit to the Congress of the United States. It should be heeded. Before any allocation of money under the Marshall plan to the British Empire, there should be a definite and positive understanding that the American taxpayers' money will not be used in any fashion to thwart or delay the unity that Ireland enjoyed for centuries and which she seeks now to maintain in fact.

I submit this statement for your consideration.

STATEMENT OF JAMES J. COMERFORD, MEMBER, AMERICAN LEAGUE FOR AN UNDIVIDED IRELAND

James J. Comerford, a member of the delegation authorized by the American League for an Undivided Ireland to present the views of that organization at hearings held before the Foreign Affairs Committee, United States House of Representatives, states that besides being a member of the above organization he is president of the United Irish Counties Association of New York, Inc., which is an organization composed of 32 individual fraternal societies having a collective paid-up membership of 70,000 members in New York and having an additional associate membership of 33,000, all of whom are citizens and taxpayers in the State of New York.

Mr. Comerford, speaking for this organization, states that the members of the United Irish Counties Association representing a large body of voters and taxpayers believe that part of their taxes during the past years of 1946 and 1947 as well as in previous years has been used to help advance monetary loans to the Government of Great Britain; and that Britain in turn has used part of this loan to pay the costs for the upkeep of the armed forces which she maintains in the six counties—Antrim, Armagh, Derry, Down, Fermanagh, and Tyrone—in northeast Ireland against the will of the majority of the Irish people; and to pay the maintenance in the city of Belfast in northeast Ireland a government which not only is unable to finance itself but which is known to have never been elected by the consent or vote of the majority of the Irish people.

As citizens and taxpayers of the United States, the members of the United Irish Counties believe that as long as Britain occupies northeast Ireland by force that their tax money, paid by them as American citizens, is being used in northeast Ireland by the British Government for purposes which are not only contrary to the principles of American democracy but which are also alien to the very traditions of American institutions.

The members of the United Irish Counties, many of whom are life-long citizens of the United States and the remainder with citizenship of over 20 years, have proven by their individual records to be loyal and useful citizens and firm believers in the principles and institutions of American democracy. As students of history, they know that for almost 800 years the Irish people in Ireland have constantly and consistently endeavored to gain their full freedom from the political domination of Britain; they know that in modern times—1918 and in 1920—the registered voters of all of Ireland in these two free and legal general elections voted by a majority of 80 percent for complete independence of Ireland from Britain and to have one government only—a republican form of government for all 32 counties of Ireland.

Despite these facts as stated in the preceding paragraphs, there is in existence today as a result of British armed interference in Ireland two governments—one in Dublin elected by the people of 26 counties and serving them only, because Britain through force prevents the people of the six other counties from being

represented or voting for one government for all of Ireland, and another government in Belfast to "govern" the people of the six other counties. Ostensibly this Belfast government is supposed to be the government of the six counties mentioned, but in reality it is only a puppet government designed as an instrument by Britain to prevent the people of all of Ireland to carry out their expressed wish for only one government for all of Ireland.

The members of the United Irish Counties believe that the concept of democracy cannot be strained to this extent; namely:

(1) To have two governments now in Ireland despite the fact that 80 percent of all the voters want only one government for all of Ireland.

(2) To have a puppet government in Belfast financed to a great extent by money contributed by American taxpayers.

(3) To have the British Government use money paid as taxes by Americans for purposes hostile to American ideals, namely, to perpetuate slavery by forcing a government on people against their will.

(4) To have the money paid by American taxpayers used to maintain British armed forces now occupying the six counties of northeast Ireland for the purpose of protecting the interests of the Belfast puppet government and of preventing the Irish people from exercising their democratic rights to have only one government for all their nation.

Because of the use of our money—paid as taxpayers—for the purposes hereinbefore stated, we believe that in accordance with the first amendment of the Constitution of the United States, we as citizens, have a grievance and, consequently, we respectfully present our grievance to the Congress of the United States.

STATEMENT OF JAMES MCGURRIN, PRESIDENT GENERAL OF AMERICAN-IRISH HISTORICAL SOCIETY

History records that in each generation since 1798 the young men of Ireland have had recourse to warfare in order to reassert the right of Ireland to independence.

That independence has not as yet been completely won.

Knowing history it is our duty to use every effort to avert further bloodshed.

Men from O'Neill's country, within the six countries of so-called northern Ireland, have within the past month publicly asserted that unless the issue can be peacefully settled in their time, the young men of the coming generation will again offer blood sacrifice upon the altar of British imperialism.

This is a terrible statement but we have no reason to doubt its sincerity.

With the knowledge afforded by study of history at our command, we have every reason, and we have every Christian duty, to endeavor to avoid such eventuality.

The United States of America is asked to allocate huge sums of American money for the feeding, the clothing, the fertilizing, the seeding, and the equipping of western Europe.

Surely it is our duty to circumscribe any grants to England with conditions which shall assure to us, as Americans, that the harvest of hopefulness and of promise which we are endeavoring to plant shall not be moistened with the blood of young Ireland.

These are serious thoughts, but they spring out of a study of Irish history.

May God guide our legislators so that Columbia's proud position as the patroness of human liberty shall once again be affirmatively evidenced in any action finally taken by our Congress and by our President.

STATEMENT OF MR. JOHN F. O'LOUGHLIN OF ELMHURST, LONG ISLAND, N. Y.

Gentlemen, this statement is made on behalf of a large number of citizens of Greater New York, who, like myself, are opposed to the granting of any further loans or gifts from the Public Treasury of the United States to the British Government as long as it continues to violate the principles annunciated in the four freedoms and in the Atlantic Charter. The pledges contained in those two documents were declared to be the policy of the United States and Britain while the recent great war was being fought. Even at the time, when British statesmen were proclaiming their devotion to and interest in the cause of human rights and

human freedom, those rights and that freedom were openly and brazenly violated in northeastern Ireland, where the imperial Parliament in London had set up a puppet government for the purpose of keeping senseless and godless sectarian hatred alive to serve the British imperialist policy of "divide and conquer."

The partition of Ireland was devised by the British Government to promote hatred and disunity instead of love and concord. The well-defined boundaries which the Creator of the universe set around the ancient Irish Nation were changed by the London Parliament, which passed into law the Partition of Ireland Act, for which not a single representative of an Irish constituency, Nationalist or Unionist, voted.

The Government known officially as the Government of Northern Ireland, which was established in November 1922 has functioned since its inception as a bigoted and fanatical despotism, which has deprived the minority over which it rules of practically every civic right.

That Government could not have continued to exist without the subsidies given to it out of the British Imperial Treasury. In recent years the British Government has been able to pay those subsidies out of the grants and loans which it has received from the United States.

The harm which has been done to Ireland through the gift, mis-called a loan, of nearly \$4,000,000,000 given to Britain by the United States in the recent past cannot be undone, but the Government of the United States, of which the Congress is a part, should not continue to share responsibility for Britain's injustice toward Ireland by giving, through the Marshall plan, other billions of the American taxpayers' money to enable the British Government to support and subsidize the Government of Northern Ireland, in violation of American principles. If the Congress should vote another large gift to Britain, under existing conditions, it will condone her injustice toward Ireland, which millions of American citizens resent and condemn.

When your honorable committee and the House of Representatives and the Senate vote on the Marshall plan they should have an assurance from the British Government that the wrong which has been done to Ireland will be undone and that not another dollar of the American taxpayers' money will be used for the suppression of human rights in northeastern Ireland, or in any other part of the world.

STATEMENT BY JAMES SHALLOO, MEMBER OF EXECUTIVE COMMITTEE, AMERICAN LEAGUE FOR AN UNDIVIDED IRELAND, MEMBER OF IRISH FELLOWSHIP CLUB, AND DIRECTOR OF THE UNITED IRISH SOCIETIES OF CHICAGO, ILL.

In considering the European recovery program which is before your honorable committee for decision, it is important to take into account that a substantial portion of the enormous funds required is earmarked for the British Government either by grant or loan. In a further consideration of this question it is also important to take into account that the Irish Nation was divided and is still divided by the operation of an act of the British Parliament. The partition of Ireland is the responsibility of the British Government which maintains a bridge-head in the six counties of northeast Ireland by the extension of enormous annual subsidies.

As a citizen and taxpayer I desire to register a vigorous protest against any grant or loan to the British Government so long as the partition of Ireland exists. The Irish people have struggled for more than 750 years to maintain their unity and to secure their independence. The partition of Ireland which was inspired and brought into operation by the British Government will continue to be a source of agitation and unrest in Ireland and will militate against the establishment of that peace in western Europe, which we all desire.

I join with my colleagues who have appeared before your honorable committee to register this protest against the intolerable conditions which now exist in Ireland and which bar the way to the reunification and independence of that friendly country. Furthermore, I submit to your honorable committee that the occupation by British armed forces of the six counties of northeast Ireland presents a very dangerous situation and should be terminated without delay. Representations by our Government to the British Government will get results. We are asked to give billions to Britain. Let Britain clear out of Ireland before we consider the grant or loan of one dollar of our money.

1008 FOREIGN POLICY FOR A POST-WAR RECOVERY PROGRAM

STATEMENT OF EDMOND EGAN, PRESIDENT OF THE BRIAN BORU CLUB, NEW YORK CITY

Mr. Chairman and gentlemen, all of the important phases of the question of the partition of Ireland have been ably presented to you by my colleagues at this hearing. For my part I desire to register unqualified approval of the statements that have been made for the record today. I speak for a representative American society, and I also voice the sentiments of a great number of acquaintances and friends who are interested in these problems which are before you for consideration. They are vitally concerned about the extraordinary proposals of the European recovery program. They are, of course, anxious to extend all available assistance to the distressed peoples of Europe.

In the working out of the program familiarly known as the Marshall plan, however, the great majority of our fellow citizens believe that some of the intolerable political conditions in Europe should be rectified. Among these conditions they stress the unnatural division of Ireland which was forced on the Irish people by the British Government. This division of Ireland which resulted in the establishment of a puppet government in the northeast corner of the country has been perpetuated and fostered by the British Government for the past 25 years. Its continued existence depends largely on the enormous annual subsidies paid to it by the British. This puppet government is the most undemocratic in Europe. It discriminates in political and religious affairs against almost half a million of its citizens who have no voice in the government under which they are forced to live. It was brought into operation without the vote of one Irish member of the British Parliament and if a plebiscite were allowed today, there would be an overwhelming majority in favor of putting it out of existence.

We bring this serious situation to your attention and with all the vigor at our command, we ask that this unjustifiable condition be rectified. We maintain that no funds of the United States, either as a gift or a loan, should be put at the disposal of the British Government so long as she maintains and supports the partition of Ireland.

(Whereupon, at 3:40 p. m., the committee adjourned, to reconvene at 10 a. m. Tuesday, February 10, 1948.)

UNITED STATES FOREIGN POLICY FOR A POSTWAR RECOVERY PROGRAM

TUESDAY, FEBRUARY 10, 1948

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

The committee met at 10:15 a. m. in the Foreign Affairs Committee room, United States Capitol, Hon. Charles A. Eaton (chairman) presiding.

Chairman EATON. The committee will come to order.

We are honored this morning in having with us Mr. Lewis H. Brown, who is at the head of the Johns-Manville Corp. and is one of the outstanding businessmen of America.

We are very glad to have him present his statement to us.

STATEMENT OF LEWIS H. BROWN, CHAIRMAN OF THE BOARD, JOHNS-MANVILLE CORP.

Mr. BROWN. I am appearing before the House Foreign Affairs Committee at the request of your chairman.

I am sure that I was asked to appear primarily because Gen. Lucius D. Clay, military governor of Germany, last spring suggested that I spend as much time as possible in Germany for the purpose of writing a report on what should be done to get Germany back on her feet and off the American taxpayer's back as soon as possible.

I was keenly aware of the fact that the German problem was part of the greater European problem. I, therefore, visited Britain, Sweden, Belgium, France, and Switzerland as well as spending the required time in Germany. At the end of the summer I made my report to General Clay. Copies in confidential form were distributed to most of the Members of Congress and to a large number of top officials and executives in this country and abroad. Later, because of demand, it was published in book form in this country under the title, "A Report on Germany." I have here a copy published by Farrar, Straus & Co., which I would like to submit as part of the record for reference.

Also, with your permission, I would like to put into the record for reference a copy of an article that appeared in the November issue of Collier's magazine which is a condensed version of the high spots of A Report on Germany.

(The book was filed with the committee.)

Mr. BROWN. For the record, I have tried to summarize in five pages the essential fundamentals of my viewpoint and conclusions in what I call a basic statement on Germany.

BASIC STATEMENT ON GERMANY

(By Lewis H. Brown)

The war wounds of Germany are very serious. The physical destruction of housing is terrific; probably never in the world's history has there been such a destruction of dwellings. The destruction of the transportation system is very great and includes locomotives, cars, barges, bridges, yards, roundhouses, etc. In the Russian zone wholesale stripping must be added; there is perhaps not a single complete two-way trunk line now east of the Elbe and a great quantity of German rolling stock has disappeared. The destruction of the industrial plant, while very serious, has been exaggerated and about 70 percent is estimated to be restorable. To all this destruction of physical things must be added the under-maintenance of a decade and the destruction of manpower. There is a very great maldistribution of population in western Germany—an excessive proportion of aged and very young and a great shortage of young men in the best working ages due to war deaths, crippling, and prisoners of war, of whom Russia probably still holds several million, regardless of what she says.

These are the war wounds. Terrific as they are, they are not in themselves fatal. The Germans, normally very hard-working and efficient people, could recover from the war wounds quite rapidly if a healthy economic system were in operation.

But there isn't. That is the most important point about Germany. The entire economy is diseased and this prevents the healing of the war wounds. That is why, after 2 years of peace, there is actual deterioration (except very recently, in some sectors) instead of recovery.

The German economy is diseased for the following reasons:

(1) *Its unity has been destroyed.*—First, by the iron curtain which cuts prewar Germany in half. East of the curtain is prewar Germany's food basket, consisting not only of the Russian zone, but what is far more important, the agricultural states mainly taken over by Poland from which the German population has been expelled—East Prussia, Pomerania, Silesia, Posen. From these areas east of the curtain came the bulk of Germany's surplus food, particularly rye for bread, potatoes, vegetables, dairy products, beet sugar, etc., raised mainly on efficiently operated estates and large commercial farms. West of the curtain (and including the sectors we have to feed in Berlin) are the highly urbanized and industrialized American, British, and French zones with 48,000,000 people of whom only about 8,000,000 are farm population which before the war was able to produce about one-half of the food needs of the 40,000,000 nonfarmers. Today, with the shortages of fertilizers, seeds, feed, and farm equipment and parts, the farmers of western Germany are producing much less than half while the former flow of food from food-surplus east to food-deficient west has become a bare trickle. Hence, hunger in the west, people too weak to work hard, low output of coal and steel, and vicious cycles of shortages running through the whole economy. It is as if the factories and cities of our own Northeastern States were cut off from our food-surplus Middle West. We have further destroyed Germany's unity by dividing her into four zones, three of which are in western Germany. We have, moreover, set up 12 *Laender* or States in the western zones each with a German government that creates barriers and red tape.

The net result of all this is that the former free flow of food, materials, men, and money across all Germany is now practically nonexistent, replaced by a dozen barriers to the free flow of trade. This makes for paralysis and economic disease.

(2) *The German economy suffers from politically enforced restriction of output and "plowing under" of physical assets, including human assets.*—Through the Potsdam agreements we restricted Germany's production of steel, machinery, fertilizers, and other producer goods that both she and all Europe desperately need, to absurdly low levels. Only recently have these levels been raised. We embarked on a policy of removal and dismantling of plants that should have been converted to peacetime production so reparations can come out of current output rather than from capital assets. We carried the denazification program to such extremes that a great deal of the best brains of Germany are doing manual work instead of being at the jobs they are best fitted for. These measures, the outgrowth of the Morgenthau philosophy, have, to a considerable extent, "plowed under" the potential production, the plant for production, and the brains of Germany.

(3) *The German economy, because of weak and ineffective money, provides inadequate incentives for people to work, venture, and export.*—There is extreme inflation in Germany, suppressed but effective nevertheless, which has deprived money of its power to operate an economic system. The war quadrupled Germany's money supply. On top of this, Allied occupation military marks were issued in big volume, about 4 billion reichsmarks in the western zones and anywhere between 12 to 18 billions by the Russians, much of which has filtered into the west. At the same time wages and prices have been fixed at practically the 1938 level. These are absurdly low in view of the huge amount of paper money in the country. The effect is that no one (including of course the farmer) wants to part with his goods for money and the wage earner will not give hard work for money. The cost of this attempt to repress an obvious and severe inflation by fixing prices and wages as if the money volume were still at prewar levels, is the wholesale demonetization of money, substitution of a money economy by primitive barter, and a rampant black market. The basic result is that the economic system has lost its mainspring, that is, money for which people will work hard, take risks, and part with their output.

(4) *The German economy suffers from excessive regimentation that paralyzes enterprises.*—When Germany was preparing for war in the Hitler days, an elaborate system of regimentation was devised by Schacht and others to force German economic effort out of normal market channels into production of armaments and later actual war effort. The highly intricate apparatus set up for this purpose, often called Schachtism by Europeans, consists of wage fixing, price fixing, allocation of raw materials, control of distribution of finished goods, licenses to buy, produce, import, and export, etc., etc. We became familiar with this apparatus during the war when it was necessary to divert economic effort into war channels but we demobilized it rapidly after the war as we saw how it strangled initiative and checked the flow of goods into the commercial market.

But in Germany this apparatus has never been demobilized. On the contrary, it has been made far more complex. Under Hitler, there was only one center of economic control and red tape—Berlin. But we have added four zonal occupation governments and 12 German Laender governments, each of them a center of control and red tape.

(5) *The German economy suffers from a severe psychological depression.*—This is as great a barrier to recovery as the physical obstacles as psychology is a reality of the first order. Great numbers of Germans are inhibited from working hard, attempting any venture, or making any plans for the future because they see no hope ahead. There is a psychological complex of "hopelessness," one of the most commonly used words in Germany. What we would call a crisis in confidence (and we all know how important confidence is to get things going) exists in Germany in its severest form.

The basic question therefore is, What should be done? Obviously, we should attack the causes, not the symptoms, of the disease. The five basic causes have been outlined. To restore Germany to health we must combat each cause of disease.

To combat Germany's disunity, we must re-create unity as far as possible. It is no longer possible, without going to war, to restore to Germany the food-surplus areas of the east now held by the Poles and Russians. What is left to us is to operate the British, American, and French zones as a unified economy. This is evidently the intention of the State Department. We must set up a central government, keeping supervisory control for western Germany and we must see to it that all restrictions and barriers to the smooth flow of materials, men and money within this area are promptly and completely removed.

Even with a properly functioning trizonia, western Germany's struggle will be very severe. Let us keep in mind that she has one-third of the population of the United States packed into an area smaller than Illinois and Indiana which together have less than 3 percent of our country's area. When the farmers of western Germany again produced as much as before the war there will be still some 20,000,000 urban dwellers whose entire food supply must be obtained from abroad. Or, putting it another way, western Germany's 8,000,000 farm population, operating at prewar level of output, can only produce half the food required by her 40,000,000 nonfarm dwellers. Hence, we must give her every possible encouragement to export so she can earn foreign exchange to pay for imported food. Otherwise, she will stay on our back for decades. At the same time, we should actively encourage modernization of her agriculture and, in a later phase, emigration of surplus population.

To combat the political restrictions on output and the political "plowing under" we have forced on Germany we must abolish these obstacles immediately and completely. We should let Germany produce to the limit she is capable of, except of course for war purposes. We should stop plant removal and dismantlement forthwith. We should end the denazification trials except for those in category 1; that is, those who were originators of nazism and those against whom incontrovertible evidence exists of crimes against humanity.

To combat inflation and ineffective money we must drastically reduce the existing money volume, insist on a balanced budget for a central German government, create a central bank with powers to effectively control credit, allow wages and prices to rise wherever practicable to levels dictated by the market, assure the Germans of enough food and a certain limited volume of consumer goods through importation and her own manufacture so that money will again be valued as the means that buys desirable goods. We must, further allow the German mark to find its place among foreign currencies.

To combat the regimentation of the German economy we must demobilize, as much as practicable, the apparatus built up by Schacht before and during the war plus the apparatus superimposed on it by the occupation governments and the German Laender governments. We must do so in order to release the enterprise initiative and will to work for which Germany was once famous. We must build in western Germany a European bridgehead for the advance of the private enterprise system, provided the Germans wish it once they are again able to pay their passage. We must end the paper as well as physical barriers that prevent a market economy from functioning. We cannot do it all at one time. In an economy of the severest scarcities such as in present-day Germany, some controls, rationing, allocations, and even price and wage fixing are unavoidable. But we can decontrol step by step, as realities permit, to give free prices and free initiative full opportunity to perform their historic function of increasing production. To freeze controls is to freeze scarcities. As adequate exports are a matter of life and death to the German economy, the German exporter must be given free rein and liberated from all but the most necessary controls to reenter the foreign market and be allowed to keep practically all of the foreign exchange he can earn.

To combat the severe German psychological depression, we must reestablish confidence. The first and most fundamental thing is to give the German confidence that if he is willing to work hard he is reasonably assured of sufficient food for himself and family. The fear of endless hunger with no prospect for a full stomach in sight, is the greatest and severest depressing factor in Germany and applies to every category of manual worker and brain worker alike. We have been shipping a lot of food to Germany. But there are a lot of people there and the food has been just enough to keep them alive, not make them work hard. There is no economy in that whatsoever. It merely results in assuring that the Germans will stay permanently in the American bread line instead of developing sufficient physical vigor and psychological morale to work hard and become self-supporting. We must give the German entrepreneur the opportunity to again make money and take off his mind the dead weight of fear of plant removal, extreme denazification, and excessive nationalization. We must, further, give the Germans confidence that if they work hard and try hard to become peaceful citizens of our western civilization, they will be accepted by it and allowed to run their own affairs, produce whatever they are capable of, short of war materials, enter the world markets like any other nation, participate in the Marshall plan and in the counsels of western Europe as equals, and finally find once again an honored place among the nations.

I had two objectives in going to Germany. One was to determine what could be done to get Germany back into production and off the American taxpayer's back. The other was to determine how to accomplish this objective without ever again exposing the world to a revival of German militarism. This can be done simply and easily by creating a small force of experts, appointed by the three western occupation governments acting as a unity, with full power to supervise the ultimate destination of key materials and prevent any attempt by the Germans to divert or stock-pile them for possible war use. It is moreover time that we weighed the possible resurgence of German militarism in the light of the actual realities as they exist today.

The facts are that no nation in modern history has ever been taught such a lesson as Germany regarding the result of making aggressive war; her power to make war is today nonexistent, and her will to make war is likewise now nonexistent. But even more important, western Germany is, next to Britain, the

greatest food-deficient area in the world. She must import food for 20,000,000 people and with her eastern bread basket gone she must get the bulk of it from overseas. That puts her completely at the mercy of the sea powers—the United States and Britain. She must play ball with them because she has no other choice but starve. It is high time we quit seeing ghosts. Western Germany is economically, and therefore politically and militarily, irretrievably tied to the West.

In order to save your time I would like to read a short summary of this statement simply to refresh your minds on some of the fundamentals involved.

Germany's war wounds would have begun to heal long ago if she had a healthy economic system in operation. She is diseased for the following reasons:

1. Germany's unity has been destroyed. Highly industrialized western Germany with 48,000,000 people is cut off by the iron curtain from eastern Germany which formerly produced most of her surplus food. Insufficient food in the Ruhr is the foundation of the vicious cycle that leads through coal shortage and steel shortage to shortages in every economic sector of Germany and in fact all Europe. Germany's unity was further destroyed by splitting it into four zones.

2. Germany suffers from politically enforced restriction of output and plowing under of its industrial and human assets through the Morgenthau philosophy.

3. Germany's money is too weak to act as incentive to induce people to really work, venture, and export.

4. Germany suffers from excessive regimentation that paralyzes enterprise, including the vitally important exportation of goods.

5. Germany suffers from severe psychological depression. To bring health to Germany's diseased economy we must—

- (1) Operate the three western zones as a unity and remove all barriers that restrict the free flow of goods, men, and money.

- (2) Stop forthwith all restrictions on output, plant removal and dismantlement, and excessive denazification.

- (3) Give Germany effective money by drastically reducing its volume and producing and importing food and essential consumer goods to give it effective buying power.

- (4) Demobilize, as much as is practicable, the elaborate apparatus of regimentation that restricts enterprise.

- (5) Give the Germans hope of a better life ahead if they work hard and cooperate fully.

Given the above program, particularly good money with real purchasing power, the Germans will work hard and surprise the world with the rapidity of their recovery. Our job should be to plant Germany on her feet so she can get to work and solve her problems. But the foundation of everything is food as western Germany is 50 percent food deficient.

I would now like to make a statement of three important conclusions:

1. There is no chance for the Marshall plan to succeed unless Germany is immediately started on the road to recovery.

2. Germany cannot be started on the road to recovery as long as we continue to operate under the Morgenthau philosophy which was embodied in the Yalta and Potsdam agreements and the Joint Chiefs of Staff directive 1067. Congress should specify the broad terms of a new policy to govern western Germany so that the President and

Secretary of Defense can issue new directives for the guidance of our people in Germany.

3. I question the wisdom of a basic policy decision of the President as reported in the press, under which the State Department would take over direct control of the American occupation of Germany on or about July 1, 1948. My main reason for this is that the State Department has always been a policy-making Department. It is not an executive or an administrative organization. Most of the rank and file in it are trained at making policies but not in administration. In facing the Russians in eastern Germany and Berlin and in dealing with the other military governments in the British and French zones, I think we would have been stronger if we had brought about an integrated military government patterned after the SHAEF organization with which we successfully invaded the continent of western Europe.

However, now that the decision has been made to turn over the American zone to the State Department for administration, I think there are several basic points that must be followed if we are to expect success. Among these, in my opinion, are:

1. A new foreign policy of what we are trying to do in Germany must be stated. In my Report on Germany I outline my recommendations on this at length:

2. The three western zones—American, British, and French—must be integrated. Anything short of integration, both economic and political, of western Germany, will leave areas too small to provide for economic self-sufficiency.

3. When the British, American, and French zones are integrated there will be three or four times as many civilian personnel as will be required to operate them. Congress, in making appropriations, should force a great reduction in personnel. What we need is to delegate to the Germans themselves responsibility for running their country and getting their economic machine into operation.

May I reiterate that I think it is impossible to have a successful recovery of western Europe as long as Germany remains a cancer in the belly of western Europe.

We ought not to raise up Germany while leaving western Europe in the economic slough of despondency. But on the other hand, we cannot help western Europe to get on her feet unless Germany is also headed for recovery.

I would like to submit for the record a five-page basic statement on Europe.

(The statement referred to is as follows:)

BASIC STATEMENT ON EUROPE BY LEWIS H. BROWN

Europe's ills are very deep-seated. Physical war destruction is only one of them and is transient and therefore relatively minor. The only effective thing the Marshall plan can do is to help Europe get on her feet so she can begin solving her basic problems. If we try to do the latter for her, we will bankrupt ourselves, probably without accomplishing anything permanent. It is very important that we understand which of Europe's ills are readily curable and which are not.

Europe's curable and relatively transient ills are the following:

- (1) War destruction, far more serious than during World War I, because in the second war the destruction was concentrated most heavily in Europe's industrial heart, Germany. Curable with time.
- (2) Two excessively bad crops in western Europe. Curable, possible this year.
- (3) Inflation, stemming from wartime deficit financing and scarcity of consumer

goods. Sharply aggravated now by price fixing (which prevents mopping up of excessive money in hands of public) and by attempts at excessive capital-goods production in relation to consumer-goods production. Result is devaluation of money, reduced will to work and venture for money, low output per man, artificial manpower shortage, excessive time and effort devoted to black market, etc. A byproduct is the unrealistic official rate of exchange of European currencies in relation to hard currencies. Result is European goods are unreasonably expensive, discouraging exports. Inflation is curable.

(4) "Terms of trade" at present are against western Europe. She must import great quantities of food and raw materials which have risen much more in price since prewar than the manufactured goods she must export to pay for the former. One main reason is the enormous American production boom which consumes vast quantities of food and raw material in United States. Unfavorable "terms of trade" position is curable as sellers' market changes to buyers' and when American boom declines.

Europe's much more basic and less curable ills are the following:

(1) Europe has been split between East and West: Formerly eastern Europe supplied western Europe with great quantities of food and raw material for which the West paid with manufactured goods. Exchange of goods between the two sectors of Europe has been greatly reduced and the reduction threatens to be a permanent feature because of the iron curtain and rising industrialization of the East. The reduction began after First World War. Czarist Russia was huge exporter of food and raw materials in exchange for western Europe's industrial goods. But after revolution in 1917 there was sharp and permanent change. Industrial development of Russia as a closed economy consumed her output of food and raw materials. Although Russia's share of world production increased from 4 percent in 1918 to about 12 percent in 1941, her foreign trade never again reached the figures before the revolution. Now Russia is applying the same process of forced industrialization to all her satellites—eastern Germany, Poland, the Danubian countries, the Balkans. Result will be that western Europe must look abroad for a far greater proportion of food and raw materials than ever before. Situation incurable except by war to force iron curtain back to Russia's 1939 boundaries. Even then, eastern Europe's industrialization can't be halted long. There will of course some exchange of goods between East and West but not enough to secure western Europe sufficient continental food and raw materials.

(2) Europe has practically lost her Asiatic empire: India, Burma, East Indies, French Indo-China—from whence she drew great volume of cheap raw materials and large profits because of low-cost Asiatic labor. Incurable; the day of European imperialism in east Asia is almost over.

(3) Europe has been transformed by two world wars from greatest creditor to greatest debtor area in the world: Formerly the income from foreign investments and other invisible exports (merchant marine, banking, brokerage services) received by west European countries was sufficient to pay for nearly one-quarter of their total imports (chiefly food and raw materials) from the rest of the world. This huge source of income has almost vanished and been replaced by necessity to export to pay debts. Situation probably incurable except in a minor way.

(4) Europe's social and economic system has changed profoundly from a once vigorous capitalism to various degrees of socialism, ranging all the way from iron-handed but relatively effective police-state socialisms in the East to hybrid and not very effective socialisms in the West. Hand in hand with this development has gone destruction of the European middle class, the main instrument of the former vigorous capitalism, by war losses, inflation, revolution, and legislation. Perhaps curable in West, but very doubtful. All eastern Europe is rapidly on its way to purely Russian-type of socialism. Western Europe may make milder form of socialism work effectively with many vestigial remains of capitalism. Governmental venture will replace private venture in major spheres. Enormous bureaucracies and red tape are likely to make Europe less dynamic, economically, than in past.

The function of the Marshall plan should be to help Europe to her feet so she can get to work as rapidly as possible on her curable ills. Marshall plan aid can be used to help restore war-damaged and undermaintained mining, agricultural, and transport plant, especially in such key sectors as the Ruhr and the British coal areas. It can help assure better crops by supplying fertilizers. (It is generally held that 1 ton of nitrogen fertilizer exports is equivalent to shipping 15 tons of food.) It can help check inflation and revalue money by supplying food and a certain amount of other consumer goods and by insisting, as a quid pro quo that currencies be realistically revalued both internally and externally in relation

to the dollar. It can ease the unfavorable terms of trade against Europe by supplying necessary raw materials as well as food.

Marshall plan aid, if sufficient and wisely used, and given reasonably good crops here and in Europe, ought to solve the problem of Europe's curable ills in 4 years or so.

But Marshall plan aid cannot possibly move the iron curtain back and restore the former East-West flow of trade in Europe to its former dimensions. It cannot give Europe back her Asiatic empire. It cannot remake her a great creditor area. And it cannot reestablish capitalism in the American sense. Only Europe herself can do that. We cannot impose our institutions on her.

We should cease to support Europe in a major way after the curable ills are well on their way to being cured. If we nevertheless keep on pouring in our money to try to offset Europe's lost East-West trade, the loss of her empire in Asia, the loss of her creditor position, and the loss of economic dynamism through the decline of private enterprise, we ourselves will encounter such huge losses that we will almost certainly experience a most dangerous inflation in the United States, destruction of our middle class, transformation of our own still vigorous and highly effective capitalism to a government-controlled system, and very likely another war.

Western Europe can only solve her loss of eastern Europe, the Asiatic possessions, and her creditor position by opening up and aggressively developing great new sources of food, raw materials, and economic wealth of all kinds. By opening up our own West we rapidly cured the wounds of our Civil War. The areas in which Europe is most likely to find her opportunity to open up new sources of wealth to heal the wounds of the two world wars are Africa and the Middle East. The latter has half the world's oil underground. The former is almost virgin, immensely rich in natural resources, and practically all of it is under the control of west European countries—Britain, France, Belgium, Portugal. But the economic development of Africa should be a joint west European enterprise in which the Germans, Italians, Dutch, etc., should fully participate.

Western Europe must furthermore open up new sources of wealth at home, through modernization. Compared to the United States her agriculture, mining, industry, and transport are badly antiquated. A customs union is a fundamental requirement in order to obtain a large enough mass consumption area without which mass production and modernization on the American scale are impracticable. But we should not be called upon to supply more than an irreducible minimum of the huge quantities of capital goods needed for the modernization of western Europe except on a commercial basis. To attempt to do the full job through a lend-lease, give-away, basis would be excessively inflationary in the United States.

The 16 west European nations participating in the Marshall plan, together with western Germany, have about 270,000,000 people, technologically much more advanced than eastern Europe. Russia has about 200,000,000 people and her east European satellites another 90,000,000. Western Europe, economically recovered and on the path to modernization and development of the Near East and Africa, should have no trouble holding her own against Russian and Communist imperialism if she acts with a reasonable degree of unity, economically and politically. In that case a new balance of power is established in Europe and a third world war can be postponed for a long time. It is the only hope for the prevention of World War III within a couple of decades. Moreover, a prosperous western Europe will exert a very strong pull on the countries, now Russia's satellites, between the iron curtain and Russia's 1939 boundaries.

The present European recovery plan (Marshall plan) as laid before Congress is based largely—though not wholly uncritically—on the Paris report of the 16 participating European countries. That report is quite unrealistic in many ways. It is based on the thought that by about 1952 western Europe can export enough to pay for its needed imports and at the same time come close to resuming its prewar standard of living. This in turn is based on a proposed volume of new capital formation (plant expansion) in Europe in the next 4 years that is obviously unrealistic. As an American technical publication has pointed out regarding proposed expansion of electric power capacity in Europe, the 16 nations propose to build 22½ million kilowatts of new power capacity in 51 months whereas the United States (with a far more powerful and entirely undestroyed industry) proposes to increase its capacity by only 15 million kilowatts in 60 months.

The Paris report overestimates western Europe's power to expand and modernize its productive capacity because, to a large extent, it ignores "the more basic and less curable ills" which this statement mentions. Granted, nothing is more to be

desired than the modernization of Europe's producing plant. But the fact remains that it cannot be done in 4 years or for that matter in 10 or more years. Excessive "belt tightening" or "austerity" defeats itself after a time and leads to dictatorships.

Moreover, Europe isn't really at all well on the road to carrying out the Paris report plans. It is now heavily exporting capital goods in return for food, raw materials, fuel, etc. Britain, particularly, is exporting so much machinery, steel products, equipment, and other capital goods that she has had to severely reduce her program for domestic capital investment. The French will have to similarly reduce the unrealistic Monnet plan to modernize France. This export of capital goods by western Europe, which so desperately needs it for itself, of course reduces the pace of modernization and therefore the future productivity and standard of living of Europe. It is part of Europe's desperate plight that she requires a huge volume of capital investment at home while, at the same time, the rest of the world demands capital goods from her as payment for the basic necessities of food and raw materials which Europe must import to keep alive and work.

Europe is therefore obviously on the horns of a dilemma. If she is to pay for imported food and raw materials (in contradistinction to being given these by the United States), she must export the goods the overseas world wants—and these are the very capital goods that Europe herself needs for restoration and modernization. What we can do is to give her some of the food, raw materials, and capital goods she needs most desperately. But we can't give her all she needs. That would break us through inflation.

We are compelled to advise her not to try to accomplish too much, to modernize and expand producing capacity over a longer period of time, and to postpone the day when her people can resume the prewar standard of living. We must advise less belt-tightening in the first four years so that extreme austerity will not sharply reduce the will to work, but belt tightening to a reasonable degree over a much longer period of time. In other words, it must be understood that the recovery and modernization of Europe is a generation's job, not a 4-year project.

The object of the Marshall plan should be to get Europe on its feet so it can begin to get busy on a generation-long job while at the same time feeding herself and reasonably satisfying her consumers (who are also her workers) through commercial exchange of goods to as great an extent as possible but at a standard of living considerably below prewar. We have no business guaranteeing Europe her prewar standard of living while she is engaged in heavy capital formation (a process which normally requires belt tightening).

Mr. BROWN. I hope you will permit me to read a brief summary of that basic statement in which I have attempted to give my general viewpoint as to how far we should go in helping Europe.

Some of Europe's ills are transient and readily curable, others are deeply rooted, almost incurable, and must be offset by new long-term developments.

The transient, curable ills are:

1. Two very bad crops. We can help with food and fertilizers until she has a couple of good crops.

2. War destruction. It will be made good in time and we can help by setting Europe on her feet but not by financing the job of restoration.

3. Inflation. Money has lost a lot of its power in Europe to function as the dynamo of the economic system. There is far too much money chasing too little goods. We can help by insisting on drastic reduction of the money volume and by shipping food, a limited supply of consumer goods, and a certain amount of producer goods and raw materials so Europe can produce and transport an increased volume of consumer goods.

4. The terms of trade are at present against western Europe. We can help by supplying some food and raw materials.

The deeply rooted ills are due to the following:

1. Europe has lost its unity.

2. Europe has lost most of its Asiatic empire that formerly supplied large volumes of raw materials at low cost.

3. Europe has been transformed by two world wars from the world's greatest creditor area to the greatest debtor area.

4. Europe's social and economic system has changed profoundly from a once vigorous capitalism to various degrees of socialism, ridden by bureaucracies, and is less dynamic than under her former system.

We should confine ourselves to helping Europe to her feet, so she can get to work on her transient curable ills with some assistance from us in the earlier stages. We should not attempt any solution of Europe's long-term problems. It would be too great a strain on our economy, could produce a virulent inflation here, wreck our middle class, and consequently fundamentally change our social, economic, and ultimately, our political system.

My broadest general conclusion regarding Europe is that our help is essential to get the western countries on their feet, to serve as a rampart against the advance of communism and Russian imperialism.

Let me repeat again so that I may not be misunderstood, I strongly favor trying to get the 270,000,000 people of western Europe on their feet economically because I sincerely believe that this is necessary to create a balance of power that will stop the spread of the iron curtain westward to the North Sea.

But this does not mean, in my mind, that we must saturate the whole length and breadth of western Europe with a downpour of American dollars. We can do Europe more good, with a lot less American money, by concentrating our efforts. Most of the countries of western Europe have already recovered remarkably and will soon be going concerns again. Two countries, however, threaten to take a long time to become going concerns again, western Germany and Britain. Our efforts will have to be concentrated on these two countries which are in any case the most important in Europe.

I question the validity, from our standpoint, of the figures presented to America by the Committee on European Economic Cooperation. Through this report, America has been presented with a bill for the entire deficit balance of trade for the 16 participating countries in Europe.

Congress should accept these reports as broad estimates of the situation—an appraisal of the magnitude of the problem.

We should not accept any part of it until we have an organization that can go into each country, really study the situation in detail and work out specific agreements as to what each country is going to do to help itself, what it is going to do to help other neighboring countries and what residue in concrete physical terms is necessary to make the plan function.

Especially the Administrator of our European recovery program should have an over-all representative in Europe who should work with representatives of all the 17 nations in order to look at western Europe as a whole and decide collectively which things should come first for the recovery of western Europe. Thus, we could avoid a mere scramble with each nation trying to get as much as possible for itself irrespective of the real necessities of the whole. As a matter of fact, some nations need nothing or very little until after certain basic things are underway, and by that time, I think some of them will need nothing.

It is very important that we solve the problem of the type of organization that is going to be set up to undertake the administration of this program. We must set it up so that men of outstanding ability can be enlisted—men who have the experience, the ability, and the capacity to analyze these problems from a realistic standpoint and will negotiate such agreements with our friends in the participating countries as will help them where help is really needed.

On the whole, I think the report of the Brookings Institution on this subject points the way to a solution of the problem.

My only difference with the Brookings report is that I think there should be a policy board, of which the administrator should be a part, whose job would be to study and decide policy. The administrator should be completely responsible for the execution of the policy and for coordination of policy with the Secretary of State and with the President.

I would therefore recommend an amplification of the Brookings report in reference to an advisory committee or board. I would recommend that Congress call this a policy board of directors. It should be made up of the most practical businessmen and bankers that can be induced to devote full time to this activity. They should have varied experience so that collectively the policy board would represent real practical experience in all the varied phases of the problem.

But I think it would be important for Congress to prescribe that policies adopted should be agreed to by a majority of the whole board, which of course includes the single administrator as the head of the policy board.

You will note that whereas the Brookings Institution report stated that the board should be "advisory only to the administrator," I believe that the board with the administrator as chairman should actually collectively determine policy—that is, policy within the limits written into the bill by Congress—but that the administrator should be clearly responsible as the executive officer to carry out policy.

The problem of maintaining a united front on foreign policy in each of the participating countries is one in which I have real sympathy with the Department of State and with our ambassadors and embassies in each of these countries. It is my opinion that this problem is not insoluble. I believe the solution lies in a clear-cut delegation of responsibility and in clear-cut instructions being issued to their respective representatives by the Secretary of State to his ambassadors and by the Administrator for Economic Recovery to his representative in each country. It seems to me that the essence of this whole problem is in getting men of real caliber to undertake the key positions in these activities not only here but in the participating countries. Men of such caliber are not usually concerned with personal aggrandizement.

This leads me to a major point I would like to make on organization. I do not think it is possible to secure, for the salaries that are customarily paid in Government service, the kind of men who can successfully carry out this enormous task. This job is essentially a temporary function. It will last 3 or 5 years and by that time should be disbanded.

The kind of men who are needed are the kind who already have made a success, attained positions of responsibility and high salary. Most

of them have accumulated a retirement status that means more to them than current pay under present taxes.

The important thing from the standpoint of the United States is to get men who will have the ability to analyze problems, see the essentials that need to be done and particularly to avoid doing what should not be done. Such men can save the United States billions of dollars; and from my experience abroad, the type of men that our fellows are going to be up against are outstanding men of great ability and experience and we would make a great mistake, in my opinion, to send "babes in the woods" against those fellows over there.

It is my definite recommendation that in order to get the kind of men necessary to operate on this basis, that Congress should prescribe that key men in this organization, may, at the discretion of the administrator, be borrowed from industry, banking or any other walk of life, pay them a dollar a year salary and permit them to continue to be paid by the organizations from whom they are borrowed. Give these men an expense allowance to cover the added expenses to which they would be put by leaving their present homes and going where necessary to accomplish their task.

I am confident that with the right policy, the right organization and the right men, we will not merely be forced to accept a hurriedly drawn committee report based on the deficit balances of trade but rather a reanalysis by our own people based on the realities, day by day and month by month, changing as they inevitably will, in which the net result should be that we will give away a great deal less than is now being talked about. We will lend and perhaps be repaid for a much bigger percentage than is now contemplated. As the participating countries get on their feet, they themselves will see that they need less help from outside than was contemplated in the dark days of despair in the summer of 1947 when their report was written.

Should Uncle Sam play the part of Santa Claus? I raise this question for the express purpose of clarifying one of the points around which I think the greatest public opposition exists.

Since the threat of the spread of the iron curtain to the west is the same problem as confronted us with Hitler and his Nazi gang, we must as a matter of preservation do what can be done to hold the line hoping that time will bring about changed conditions that will enable us to go ahead with the United Nations in the establishment of some semblance of world peace.

The real problem is to prevent or win World War III.

It is generally agreed by many experts that the best means of prevention is to try to get 270,000,000 people in western Europe on a better economic basis so that people west of the iron curtain eat better than people to the east of it.

I am in favor of trying to do this job.

On the other hand, I sincerely disagree with a good many people to the means and methods to be used to accomplish the ERP objectives upon which we agree.

For example, as I have previously stated, I do not think we should take the committee report of the European nations as a budget for the activity of our new organization on European recovery.

If Congress in their instructions to this new organization said: "Here is the plan which we approve. Your job is to make it effec-

tive," you would commit the new organization before it got started. You would rob it of any bargaining power it might have.

In other words, I do not see any reason why Congress should determine now that \$28,000,000,000 or \$17,000,000,000 is necessary. Nor do I see any sound basis for determining that \$6,800,000,000 is necessary right now.

I don't believe that the American people are in any frame of mind to play Santa Claus. Since the end of the war, we have distributed about \$20,000,000,000 that is rather reminiscent of a world-wide WPA. I think most Americans agree with the objective of what we were trying to do with this \$20,000,000,000. But I think they are not very happy over the way we actually did it.

I think the majority of the American people are in favor of the basic thing we are trying to do under the Marshall plan as it was originally expressed at Harvard. I do not think the American people will carry through to the finish unless the execution and administration in the future is a very great deal different than it has been in the past on the \$20,000,000,000 already spent.

As nearly as I can make out, the State Department program, recommended to Congress, placed about 80 percent of our expenditures as a give-away and about 20 percent as a loan. This statement that I have just made is no doubt an oversimplification. I make it, however, as a means of emphasizing what I think should be done. I think we should, from the standpoint of basic policy, reverse the figures so that 20 percent of our help is emergency give-away and 80 percent loans which are to be paid back.

Now I know the transfer problem, and we know it better than the public. They can't pay in dollars and, if they can't pay in goods or services over a period of years, they should pay now in the currencies of their own country, and we should invest this currency in securities in those countries. Such securities later could be brought to the United States and sold to investors for dollars with which to pay back the original loan from the United States.

The main reason I make this recommendation is not because I think we will be entirely repaid, but because I believe sincerely that once the people in Europe realize that Uncle Sam is not Santa Claus they will themselves revise downward their estimates of what they think the United States of America should supply. This alone might cut their requirements by several billion dollars over a 5-year period.

There has been a great deal of discussion behind the scenes and the press as to whether it is proper for us to attach conditions to the loans we make to the participating countries. This question was being discussed last summer in Europe when I was there at the Embassy in London and with Will Clayton in Geneva and the Foreign Office in Paris and so forth.

I think there are some kinds of conditions that would be improper. But if we are dealing on a business basis then it is perfectly proper to make businesslike conditions in connection with any loan.

In talking to one of the outstanding bankers of Great Britain on this point, I asked him what Britain's practice has been when she served as the banker for the rest of the world. He replied:

Great Britain has been the banker for the world for a couple of hundred years or more and in the loans that we made we never hesitated to stipulate proper conditions for repayment of the loan.

When Switzerland recently loaned France money she stipulated that payment should be made in so many tons of coal and commodities each month.

I think the European participating countries would understand us better and have more confidence in the success of the plan if we approached these problems with the same kind of realism that they themselves use.

In making up our loan to Great Britain, we ought to attach the condition that we will supply Great Britain with food and other necessary supplies in proportion to the extent she exports coal to western Europe. That is Great Britain's job. She ought to be doing it. She did it before the war. Great Britain can get paid for coal exported. We have no chance of being repaid.

I do not, for one moment, maintain that there are not two sides to these problems. All of these problems are complex. In trying to make them understandable, I have deliberately oversimplified them.

But I have done this in order to indicate to you an avenue of approach that ought to be pursued by any organization we set up.

The great problem confronting Congress is how to write into the bill the fundamental requirements necessary for success. If Congress doesn't do it directly, they ought to hold up appropriations until they have, through discussion with the executive branch, brought about the desired end result.

I have tried to touch on some of the high spots of this problem that I think important enough to be brought to your attention. I am at your service in case you wish to ask questions.

I testified at much greater length before the Foreign Relations Committee of the Senate, but here I have tried to hit only the high spots on the assumption it would be for the record and you could get the balance by asking questions.

Chairman EATON. Thank you, Mr. Brown.

As usual you have been most illuminating in the presentation of your views.

Would you tell us why England is in such dire necessity, as compared, for instance, with the others? You named two countries there.

Mr. BROWN. I think England is in very difficult circumstances, because she has 48,000,000 people, which is just about the same size as western Germany, and with her land, she can feed only a portion of them.

There are about 28,000,000 people in Great Britain that cannot be fed by the present productivity of the soil. I think if she changed her agricultural processes she might be able to get that down to perhaps 20,000,000 that she cannot feed.

England has always had to buy food and raw materials from abroad, convert it into manufactured goods, sell those goods abroad or sell services like, for instance, shipping or banking, to pay for the food and raw materials she needs.

The war has cost Britain a great part of her foreign trade. She had to convert to war plants even more than we did. Her foreign trade has been disrupted entirely. The loss of some of her foreign investments and the disruption of some of the trade abroad has put her in a most difficult position.

When the end of the war came and Britain began to convert from wartime manufacturing to peacetime, she thought of course that in

a couple of years or 3 years she could get back where she could buy her food and raw materials with the exports that she manufactured. It was for that reason she borrowed from us \$3,700,000,000.

The fundamental fact, however, is that at the same time she started to reconstruct her industries, she adopted a program of socialism. Instead of putting first things first, she put last things first. She spent a lot of money on housing that perhaps at that time she could not afford. She spent a great amount of money on increased benefits for social security, which were good in themselves, but only if you can afford them.

She tried to maintain a standard of living for people which she could not pay for. She did a good many things that did not consist of putting first things first.

For example, in 1945, I talked to M. Goot, the former Finance Minister of Belgium. That was after VJ-day. I asked him what Belgium proposed to do because we had a factory there. He outlined a program which was very simple. He said the first thing Belgium should have is timbers to fix up the coal mines to dig coal so they could get the power plants operating, so they could get the factories going.

Every one of the 12 steps he outlined was of that simple, fundamental character, where production was the essence of what they were going to have if they were going to eat.

In England they did the opposite.

I think that is unfortunate because the \$3,750,000,000 is gone, they still are not able to make enough exports to buy their food and raw materials. If they do not get help from America they are going to have to cut their per capita consumption of food from 2,700 calories a day to about 1,700. They are in a desperate fix.

However, take, for example, the coal. At the very time they should have been digging coal to their utmost they went to a 5-day week. I think the 5-day week is the right length of week if you can do it and if you can produce enough to pay for it. However, in England they needed desperately to increase their coal production from 200,000,000 tons to 250,000,000 and going to a 5-day week was the wrong thing to do at that time.

Secondly, they failed to offer their miners the right kind of an incentive to dig coal.

I recommend to the people in Great Britain that they offer a blue coupon for every extra ton of coal dug during the week and a red one for every extra ton dug on Saturday. I then said, "Take some of the \$100,000,000 American loan, buy some consumer goods and gadgets, such as the miners' wives and daughters have not seen for 10 years, put it in the cooperative stores, and say to these people, 'With these coupons and your shillings you can buy some of these things, food, clothes or gadgets, and nobody can buy them without these coupons.'"

I said, "Whereas the Government cannot make the miners work at the point of a bayonet, I will guarantee you their wives and daughters will get them to work on Saturday."

Now, Sir Stafford Cripps did not agree with that. He said that was contrary to the long-range socialistic objectives, and they did not want to offer one group of people anything they could not offer everybody. He called it "equality of sacrifice."

I said I thought it would result in equality of misery for all of the

people of Great Britain because unless they could get something to eat, they were going to get awful hungry.

That is the essence. I think we must help Great Britain, but I think it would be silly for us to ship a billion dollars worth of coal to western Europe where we cannot get paid for it.

England has the coal. If she would work 6 days instead of 5 she can increase her production by at least 30,000,000 tons a year and if she offered an incentive she could get back to 250,000,000 tons and with that she could again sell to Europe and get paid for coal in many things she needs.

I think we ought to make the export of coal one of the conditions to Great Britain, as to what she is going to do to help Europe get on its feet.

I would say she could do either one.

If we must both feed England and ship coal to Europe, I think that is more than our share.

I would induce England, by the way in which we stipulate the conditions, that she do her share. I would also do that with other countries. I think we can make those conditions very well, and I think if we are wise in the way we stipulate them, that we can use them as incentives to get a lot more production and that is the only thing that is going to enable Europe to get on her feet.

Chairman EATON. Your idea was to have a much larger proportion of these funds go to England than any other country over there?

Mr. BROWN. No; I would not say that. I would say that probably from my viewpoint the place where the most funds are needed in the beginning is in Germany. Germany has been terribly destroyed. I think it was rather ironical that I, who had helped purchase \$45,000,000,000 worth of guns, tanks, and ammunitions with which to destroy Germany, was asked to go back and make suggestions as to how we could put Humpty Dumpty together again and back on the wall. However, it is plain to me that wholly aside from how we might dislike Germany, that she is the key industrial center, and the Ruhr is the heart of Europe. I think coal production there in the Ruhr is the essence of it. I would use food as an incentive to the miners of Europe to get production up to prewar.

I would do every one of these things, not from the standpoint of trying to do good to others or to save people from starvation but as a cold-blooded method of getting the economic machine working so that these people can support themselves, get off the backs of the American taxpayers, and fit in with our basic, self-interest in the world problem of economic and political strategy that confronts us.

Chairman EATON. What would you say about the deadline of the 1st of April? Supposing we went over that, what would happen?

Mr. BROWN. Well, I think that if we could have functioned last April it would have been better, but I do not think there is any such time element as that which will either make or break us. I think we are making a decision and a very basic decision that is one of the most important we have ever had to make next to the one of actually entering or waging war. I think we will be involved in this problem, not for 1 year or 2 but 5 or 10 years. I think we are entering on a long-term objective which as I stated is either to prevent or win World War III.

I think therefore it is much more important that we get our prin-

ciples and our policies right, than that we get them at any certain time.

I think it would be better to have more interim aid if necessary. I don't see why it is necessary but I would rather have that than to make a mistaken decision in a hurry.

Chairman EATON. You would not inflict the interim-aid problem upon this committee again, because we would certainly cease to exist as human beings.

Mr. BROWN. I would rather do that than make an improper decision. We are making a basic decision and we should get to the realities and get set to handle it properly.

This problem is one of how to get the economic machine working. I do not care how much money you dispense like manna from heaven, you will not get the economic machine working over there. You must do it in an intelligent way.

Chairman EATON. Mr. Jarman.

Mr. JARMAN. Mr. Brown, I wish to thank you for this book. I am looking forward to reading it with a great deal of interest.

Mr. BROWN. Thank you.

Mr. JARMAN. Coal production has improved considerably in England in the last 6 months.

Mr. BROWN. It has improved some.

Mr. JARMAN. Is that due to the imminence of the Marshall plan?

Mr. BROWN. When you say it has improved considerably, let us get that clear: Prior to the war, England produced 250,000,000 tons of coal a year. At the rate they were running this summer they were producing about 180,000,000 tons a year. The improvement since summer has been in the magnitude of about 20,000,000 tons. In other words, they produced just under 200,000,000 tons this year. So when you say it has improved considerably, it is 20,000,000 tons.

Mr. JARMAN. That is not good.

Mr. BROWN. The reason coal production is low in Great Britain is because they made a basic mistake during the war of taking the miners out of the mines and sending them into the armed services. The coal mines in Great Britain for a hundred years have been badly managed. They paid the miners too little, and the working conditions were bad. They were trying to have low-cost coal as a basis of the British economy. That led them to the wrong kind of thinking.

When the miners went into the armed services, a good many of them ate better than they ever did before. When the Government discovered their mistake and asked the miners to leave the services and go back, a great many of them did not want to go back because they were eating better than they ever had in their lives.

Therefore they had a shortage of about 75,000 miners that were unavailable at VJ-day. They did not do much about offering an inducement to get the miners back because their whole idea was the fetish that if they nationalized the mines that would cure the problem, so, in my opinion, they wasted about a year or a year and a half trying to nationalize the mines.

The problem of a great bureaucracy trying to take over and operate thousands of mines was such a problem that they did not cure anything. They made the situation worse. The miners have been terribly disappointed that just because they got nationalization they did not suddenly solve all these problems.

It was only last spring that they went to the 5-day week—the end of April. That also had been one of the things they had tried to obtain and very rightly, for many years, but it was at the wrong time.

The Government then went out and tried to enlist people with mining experience to come back. Up to the time I was there, they were just getting started, and that was in early June, and in August they had about 27,000 miners go back to the mines. That helped the situation. Today they have about 40,000. They are not back to the prewar level of miners yet.

As I told Mr. Bevin, who is a labor leader himself, and a practical fellow, if you give these miners an incentive and give them something they can buy with the money you will have a much better chance of getting them back than you will with oratory.

They have some problems but I think Sir Stafford Cripps feels that in 1948 they will be able to export 6,000,000 tons of coal. That is not very much coal compared to what they could if they worked a 6-day week and gave the miners an incentive.

Mr. JARMAN. They are still on a 5-day week?

Mr. BROWN. They are still on a 5-day week. They have tried to work an extra half hour in some mines during the 5 days. There are some few mines where they give the miners the option of working on Saturday and some few of them work 4 hours on Saturday. The miners say, "What is the use of working? The minute I make more pay they take it away in taxes."

Secondly, all they have is a ration card, and all you can buy with the ration card—you can take about 3 days' pay and since you can't get any more in the stores, they don't see why they should work. They would rather go to a football game.

Unless they get something for their work, they are not going to dig coal, they are no different than you and I.

I do not believe you will get the results unless you give them an incentive.

Mr. JARMAN. Is the objective for next year 210,000,000 tons?

Mr. BROWN. Different ones testify a different amount but as I say, if they get a 5-percent increase for 1948, I should judge that was about what Sir Stafford Cripps' objective is and out of that 10,000,000 he wants to export about 6 and put about 4 more back into the industrial plants of England.

Mr. JARMAN. A 5-percent increase would be 210, would it not?

Mr. BROWN. That is right, about 200 to 210.

Mr. JARMAN. Are we still operating on the Morgenthau plan in Germany?

Mr. BROWN. Yes, the Morgenthau doctrine of trying to convert what is left of Germany into an agricultural nation is the basis of our Yalta and Potsdam agreements and the Directive 1067. While our Government last year issued a new directive, and corrected some few of the things last fall, it was only what they could correct within the basic policy.

General Marshall's statement about dismantling plants, that he made yesterday, was fundamentally made because he is tied to the Yalta and Potsdam agreements in his viewpoint, and while Russia has completely thrown them overboard, we are still trying to go along with them.

Irrespective of whether that may have been desirable emotionally

or whether it was the wish of the American people, I think we can say economically you cannot get the German economic machine functioning as long as those basic policies prevent it from functioning. You must get down to fundamentals to get it started again.

That was what I outlined in my report to General Clay last summer. I think it is simple and fundamental. We went down one road, we got ourselves out on a limb, and then Russia prevented the unification of Germany and prevented even the Morgenthau doctrine from functioning.

Here we are across the fence with one part on one side and one on the other, with Russia pulling one leg and the economic forces the other, and we are in a most difficult dilemma.

I say in spite of some of the niceties we better get off the fence, take Germany and integrate it, in the western part, and get it on its feet. You cannot make the Marshall plan work unless you do.

Mr. JARMAN. I thoroughly agree with that position.

Now you said that if we did certain things they might revise their needs downward. I believe you meant the other countries.

Mr. BROWN. That is right.

Mr. JARMAN. We have revised the Paris report down considerably, have we not?

Mr. BROWN. Yes.

When I was in Geneva in July, I had breakfast with Will Clayton and he had just gotten the preliminary report on the Paris Conference. I went over it with him then and I said immediately, "That is a summary of their needs as they look at it, predicated upon their going about vastly increasing their durable goods industries."

It included France doubling her steel industry.

The only method through which they could approach the problem from their standpoint is to say, "If we can do all these things, and considering what we can import and what we can export, you have a deficit balance of trade."

They added up the deficit balance of trade for the 16 nations and presented the bill to Uncle Sam.

I said to Will Clayton that I did not think that could be a budget which we could accept or which would work. I said that was a market survey, if you will, of the magnitude of the problem as they see it.

I was in these countries where these conversations were going on. Most of their basic premise was that we were going to do this by grants-in-aid, lend-lease, or gifts. I think if we accept that report as the budget for our organization we are going to be undertaking something which I think is too big a problem for America to undertake. I think it is the wrong approach. I think they are sincere in the magnitude of the problem but their plan involves building electric power plants at a rate faster than we ever built them in America.

I don't think they can do it as a practical matter and I don't see why we should pay for it if they did.

In other words, if we change our premise and say, "We accept this report as the broad basis of what you think is the problem," and then send an administrator and organization to get them together as a whole and say, "Now, let's get down to brass tacks. We will take your proposal but we want to see what are the essentials," I think you will find some of these countries will need no help at all.

I can't see why Ireland would need help and I can't see why Belgium and Denmark should.

I do not see why Sweden and Norway need so much help at this time. Certainly Switzerland does not.

I talked to some of the top men in Switzerland who were bankers and on boards of directors in corporations in Italy and they said, "If Italy had a good wheat crop, she would be three-quarters of the way out of the woods," and they felt that in 2 years Italy should be on her feet.

France is almost entirely a problem of money, which is now being taken care of to some extent. The other situation is the wheat crop and conditions in Europe show a promising wheat crop which may change the picture somewhat in France.

When it comes to some other things in this report, such as doubling the steel industry, I think France has a legitimate right to try to double it but I don't see why our Congress should appropriate money to do it. It is a profitable industry. It should be able to sell goods at a profit and be able to amortize its cost. I told M. Chauval, head of the Economic Foreign Office, on this subject, that I saw no reason why industrial people should not put up part of the money and the French Government put up part of the money. I saw no reason why the International Bank should not make a part of the loan. It is something the International Bank is supposed to do.

If we have to take 5 percent of the balance in order to get the program going from appropriations from the ERP, I don't see why we should not be paid in francs and with these francs buy French industrial securities, and bring them back here and dispose of them when Europe has been restored and there is greater confidence in the country.

Mr. JARMAN. I cannot conceive making any grant to Switzerland.

Mr. BROWN. That was being talked about when I was over there but I do not think it is in the statement.

Mr. JARMAN. Isn't it well to have those countries in on this co-operative effort?

Mr. BROWN. Yes, but you do not have to bribe them. They are just as much interested in stopping the spread of the curtain as we are.

Mr. JARMAN. I imagine Switzerland can also contribute.

Mr. BROWN. Yes, and so can these other countries. However, I think we should put first things first and they should be incorporated in our agreements with each country and with all 16 countries. When it comes to what should be done first, we need incentives in the Ruhr to get coal dug; we need incentives to get coal dug in England.

We need wheat in France for 1 year; we need wheat in Italy for this crop season.

You can make a list of 10 or 15 things that are vitally essential to get this thing going. A lot of these other problems will be a long time in working out.

Mr. JARMAN. That report that you looked over with Mr. Clayton at breakfast, what was the amount of that?

Mr. BROWN. It was up around \$28,000,000,000, and then they and we reduced it to \$17,000,000,000.

From my standpoint I think it is a mistake to accept any such figure as though we had a budget worked out and that we knew just what we were going to do.

If I were a Member of Congress and could, I would appropriate \$3,000,000,000 or \$4,000,000,000, not with the idea that that was enough but that that is something to start with. I would get my organization set up, which I think is the most important thing. I would get the policies prescribed and I would go to work.

It would probably take 6 months to get men and the organization going. It would be a year before your operation gets really going as it should. Our experience in the war tells us that. You cannot create organizations like this overnight. I think the important thing is to decide whether we are going to try to do this job; second, what policies we are going to follow; third, what kind of organization we will have; fourth, the kind of men we will have in it; and then appropriate some money.

I think it is unfortunate that we said we had to have \$6,800,000,000 or some other figure as though that was a mathematically correct amount, as in the case of running a department of the United States Government. I do not think it can be substantiated on that basis.

Mr. JAVITS. However, you could not start out with no statement of figures at all, could you?

Mr. BROWN. We asked for some idea of what they thought the problem was, and they did. We know something of the outside limits, as to what it is. However, I am sure that if we operate this properly when we end up, 5, 6, or 7 years from now, it will cost us less than these statements we are talking about because they were made in the darkest days of 1947. Already recovery is changing the picture in some places and I am sure that if we have practical realists in charge of this operation and we take it step by step as we go along, we will accomplish our objective with a lot less money than we are talking about now or they were talking about last summer.

Mr. JARMAN. Thank you very much.

Chairman EATON. We have another witness coming, but Mrs. Bolton, do you have any questions?

Mrs. BOLTON. I am very deeply interested in your picture of the situation as you see it.

You say it will take so long to get an organization together, and then we will not get going for a year. What will happen in the meantime?

Mr. BROWN. I think with what organization you have, you will make a few fundamental policy decisions and take a little action on some fundamental necessities, such as wheat for France. Those decisions are relatively easy to arrive at. You know the necessities; you can appraise them and the method of distributing wheat in France is already organized. The French Government buys a million bushels of wheat, they sell it to the millers, who grind it into flour, the bakers get it and make bread, which they sell to the people.

France can pay for a million bushels on that basis. You can take action on those. I think that is what can be done. Taking first things first, they will take the emergency action.

Mrs. BOLTON. The situation in Austria would be very acute.

Mr. BROWN. I think you will have some further emergency action and it will be more or less a continuance of the emergency type of relief in the beginning but I know the problem of getting men and analyzing these things, as far as some of the longer-range problems are concerned, it will take more time.

Mrs. BOLTON. In the matter of banks and loaning, you say you want to reverse the ratios. I understand that Mr. McCoy has made the statement that the bank has some money and that they do not propose to make any loans under that program.

Mr. BROWN. I don't believe Mr. McCloy said he did not propose to make any. I think he said he did not propose to make any fuzzy loans, or that he did not propose to use it for relief loans. In other words, the International Bank is limited to making sound loans that cover a longer period of years than most commercial banks can loan, and in places where the risk is greater than normal bank loans would cover. That was his purpose.

I believe if you get the rest of this thing organized in the right way that the International Bank will be able to sell additional securities, to make additional loans of the proper kind.

Now the kind they could make would be the kind where they were increasing the steel capacity of France. That is a profitable industry.

Mrs. BOLTON. At that point, you spoke of the steel capacity of France being increased. Where does France get her raw materials?

Mr. BROWN. France could only increase her capacity, in case the integrated organization of western Germany had the power to assure France of a long-term coke supply.

In Germany before the war, Germany had 20,000,000 tons of steel a year capacity. France had 6,000,000 tons capacity and, of course, when the war came she found herself at a great disadvantage.

We destroyed about 6,000,000 tons of Germany's steel capacity by bombing. That left her with a possible 14,000,000. She is operating at 3,000,000 tons now and in a year or two, given some kind of a program as suggested, could get to 6,000,000. That would put her about level with France, but with the possibility of going to say, 12,000,000 tons in the course of several years, 5, 6, 7, 8, or 9 years.

France wants to double her capacity from 6,000,000 to 12,000,000 tons. She has the iron ore to do it but she needs the coke supply. She wants international assurance of a coke supply. I think we can give it to her under an integrated western Germany operation.

Mrs. BOLTON. Do you think we can insure getting British coal into western Germany?

Mr. BROWN. I do not think Britain needs to be urged to send coal into Germany. If Britain supplied the rest of western Europe with coal, we could declare a moratorium for a year on the coal exported from Germany. Germany exports about 12,000,000 tons now.

Mrs. BOLTON. Would you recommend having Britain supply western Europe before she exports anywhere else?

Mr. BROWN. I believe she will export to western Europe in good proportion.

Mrs. BOLTON. Thank you very much.

Chairman EATON. Mr. Merrow.

Mr. MERROW. Mr. Brown, on page 8 of your statement, you said that you favor getting 270,000,000 people of western Europe on their feet, because it was necessary to create a balance of power that would stop the spread of the iron curtain westward.

Then on page 12 you said that the spread of the iron curtain to the west is the same problem as confronted us with Hitler and his Nazi gang.

Mr. BROWN. That is right.

Mr. MERROW. My question is this: If we go along with this program, get these countries on their feet economically, how will they be able, after that is done, to resist the Soviet Union from a military point of view any better than they are today?

Mr. BROWN. I think the problem there is first, economic. If you get these people to have enough to eat, west of the curtain, so that they have hope, if you give them some backing, as we can with the Marshall plan, so that their leadership will have the courage to risk their lives in conducting this fight, I think you will solidify those countries, and with their industrial potential built up, western Europe would have more steel capacity than Russia.

I think Russia, who wants to spread, just as the Nazi gang did, will look at what happened to Germany in two wars and will not be very anxious to start a third one. I believe that Russia has military power today to spread to the west if she wanted to take the long-term risk. I do not think we could stop her. I do not think when you get 270,000,000 people there, that purely from the standpoint of the number of men under arms, that it will be enough to stop them, but I believe it will be a great moral deterrent to prevent Russia from spreading westward and I think as that develops some of the satellite states that are now under the iron curtain may wiggle out and get to the west. That is the hope.

I do not believe you can get a balance of power, only in armed men, but I think you can in terms of economic might, moral courage, and the type of united front that makes it dangerous for someone to start something of this kind.

Mr. MERROW. It is hard for me to see how this is going to be a great moral deterrent, because certainly in the period of 4 years, even though their capacity to produce steel has increased, they will not be in a position to destroy the Soviet Union in a military way.

I use 4 years, because the Marshall plan is for 4 years, and the President's Air Policy Commission has set 1953 as "A" day or "Atom day," and it occurs to me that the countries will be greater prizes for Soviet aggression at that time than they are at the present time and if we go along with this program without being fully prepared, proceeding on another program of foreign policy, we would be throwing our money away in this program.

Mr. BROWN. You say if we go along without being prepared. I think we must be prepared in the right way, as the first premise of our foreign policy.

Let me put it to you the other way. Let us say we must choose one or the other, and we choose to be prepared, would you like to have the 270,000,000 people in western Europe in economic chaos, and taken over by Russia without her necessity of going to war, and then if we had to start defending ourselves, what is our strategic position?

I would rather, if we can do it at a realistic cost, to have that 270,000,000 people on our side. They may not be able to defy Russia but I would rather have them on our side with some hope, and the starting point of some allies, than I would be willing to do without them.

Mr. MERROW. If we go along with this program, without, for instance, air supremacy, or an all-powerful air force, then we are making a tremendous mistake.

Mr. BROWN. I agree with you.

Mr. MERROW. In the next 4 years, it will take from \$12,000,000,000 to \$16,000,000,000 to make us the first air power in the world. I think first it is preparedness and an effort to improve these countries to prevent the spreading of the iron curtain. I think the giving of aid would stop the movement of the iron curtain but there is another principle in Russian foreign policy and that is military aggression and I believe if we do not prepare ourselves, and particularly in the air as well as other ways, how are we going to accomplish our objectives, because these nations can be seized overnight after they have been enriched.

Mr. BROWN. I agree with you. I think your first premise is a powerful means of defense and I would put air at the top of the list. But out of the \$11,000,000,000 we are spending for military defense, from my experience as an adviser to the Chief of Ordnance during the war, I would go through it and try to save some of the money we are spending on idle manpower drilling with antiquated small arms in order to concentrate spending on research, atomic warfare, air warfare, and the type of preparedness that can meet the war of the future and not the war of the past.

There is no question in my mind but what there is no substitute for our own military preparedness of the right kind. However, I say the Marshall plan supplements it, it gives us 270,000,000 people in western Europe I would rather have with us than against us and more than that you must have some bases if you are going to make use of your air power in your atomic war.

Now, you have been on these committees and I do not want to talk too much about the bases from which to deliver the message to Garcia. You know what I mean and you better think ahead of where you are going to have bases and whether it is better to keep them now than to be compelled to recapture them later.

Mr. MERROW. I am glad to hear you say that.

I have just one thing more.

In order to get this 70-group program in 1952, we should appropriate during the remainder of this fiscal year, \$500,000,000 for the Air Force and \$6,000,000,000 for each fiscal year thereafter, to get that 70-group program with the proper reserves.

Do you not think it would be much wiser to scale down the proposed appropriation for the Marshall plan and put it into that Air Force so we would have that force to protect the investment we are making here in western Europe over the same period of time?

Mr. BROWN. I have not studied in detail the proposal for the air forces of 70 groups so I could not express an opinion on that and I do not know how much should be taken out of our other military appropriations. I would certainly like to indicate the desire to scale down our expenditures for aid to Europe to accomplish the realistic objectives in the Marshall plan.

I say I do not think it will take as much money as \$17,000,000,000 and I would start on that premise. I think that goes along with your premise that some of this could be utilized for something else.

Mr. MERROW. I am glad to have your opinion on that.

You certainly stated the Russian situation very realistically, and being in complete agreement with a strong air force is very helpful

because in my opinion that is the only thing that will prevent this Third World War of which you spoke.

Mr. BROWN. Are there any other questions?

Mr. RICHARDS. Mr. Chairman, I did not hear the greater part of the testimony of the witness and I therefore will not ask any questions but I shall read his testimony with great interest.

Chairman EATON. I am sorry you were not here, Mr. Richards, because it was one of the most instructive and fundamental bits of testimony that we have had, I think.

Mr. JAVITS. Mr. Brown, I noticed in the last sentence of your statement entitled "Basic Statement on Europe," you say:

It is high time we quit seeing ghosts. Western Germany is economically, and therefore politically and militarily, irretrievably tied to the West.

Now, do I understand it to be the fundamental basis of your thinking on this whole problem, that that point is a fact?

Mr. BROWN. I would say so.

Mr. JAVITS. Would therefore all your thinking have to change if that proved not to be a fact?

Mr. BROWN. Do you mean if Russia actually moved in and took western Germany?

Mr. JAVITS. If all western Germany chose to ally itself with Russia?

Mr. BROWN. Yes. I think such a basic premise would require a reappraisal of the situation.

Mr. JAVITS. Being a prudent businessman and having served with the Army, would you say we should have an alternate plan? In other words, we should not go all-out on the theory that your thesis of western Germany as a buffer against the U. S. S. R. is alone correct?

Mr. BROWN. I think if your basic premise basically changes you must reappraise the situation and have a second plan. To the extent you can do that in advance, that is fine.

Mr. JAVITS. I think we agree on that, sir.

Now, is it a fact that it has been charged right along by many people that German aggression in World War II was at least to some extent the result of rebuilding after World War I, first with the aid of United States loans, and second with the aid of investments by United States private investors in Germany?

Mr. BROWN. I think there was a minor portion of that. I remember some buildings in Germany that were built with American loans but I would say that over the period of some 20 years it was a rather minor factor in building her war machine.

Mr. JAVITS. Did we do anything in that intervening period, once the turbulence of the immediate postwar was over, to suppress German industrial activity?

Mr. BROWN. No, I don't think we did.

Mr. JAVITS. And the end result was World War II.

Mr. BROWN. I don't know whether you would say that was the end result. It was primarily a result of the rise of Hitler. If Hitler had not come up, the mere fact that we did not make loans or repress industry, you wouldn't have had a war. I had a company in Germany and I went there in 1931, and I watched Hitler coming up and I decided to get our company out of Germany. We got out of there 1 month after Hitler came in with the last of our marks in the lining of the raincoat of our manager when he came out. I went into England

and said, "If Britain and France don't do something with three or four divisions to bump this Hitler off, you are going to have World War II."

I do not think it flows from our loans or reconstruction under the Dawes plan or whatnot, nor to the fact that we did not replace industry. I think you have there one of those fellows like Napoleon, a product of the times that furnished the leadership and I don't think you would have had what we had if you hadn't had that leadership.

Mr. JAVITS. Is it not a fact that Hitler won an election by the vote of the German people?

Mr. BROWN. He won several of them.

Mr. JAVITS. He won it in 1933. He did not seize power.

Mr. BROWN. That is right.

Mr. JAVITS. Germany made war with steel, not with Hitler alone, and there was industrial capacity in Germany with which she made this great war.

Mr. BROWN. There was before World War I.

Mr. JAVITS. Before the time came to make this great war, World War II, they had the industrial capacity.

Suppose we rebuild Germany as you suggest, and they again have great industrial capacity—let us say 12,500,000 tons of steel or whatever the top objective is, and then they thumb their nose at us and say, "Now that we have all this we will take up with the Russians and we will finally lick the world; something we have not been able to do on two previous tries, but we think we can do it now," then where are we?

Mr. BROWN. I started my report with the basic premise that one of the things we had to do was prevent the rearming of Germany and I outlined a program of how we could prevent Germany becoming a military nation.

Without going into the details of that now, I say in the absence of Russia taking over by military might, I think we could control and prevent Germany from just thumbing her nose at us. However, if Russia takes over by military might, then the basic premise upon which I operated disappears. If Russia begins to march to the North Sea and puts air-borne troops in the capitals of Europe and whatnot, then our basic situation changes and we have a different problem.

Mr. JAVITS. Is not your basic situation changed also if the Communists win an election in western Germany just as Hitler won an election in 1933?

Mr. BROWN. I would not say that is the case. I would say there are various degrees of socialism and communism, and I doubt very much whether there could be enough power in either France or Germany, for the Communists to take over.

Mr. JAVITS. I want to give you an anecdote which leads me to think you are not right.

Along with certain members of the Herter committee I went to a coal mine outside of Essen, and we interviewed, together with the management, I think nine members of the workers' committee, and of those nine members—think of it, in the presence of American Congressmen, about eight of us—of those nine workers, seven stated directly that they were Communists. They just said so. This was one of the biggest coal mines in the Ruhr.

Now, that sort of gave me and some of my colleagues a rather cold bath, because if we are going to rebuild Germany, in accordance with the ideas you have, and then we are going to find that Germany's national outlet for its heavy industry is Russia with its enormous granary and its hold on eastern Germany, then we will really be up against a combination that we will not be able to beat, and of course we hope it will never be necessary to figure this way, as we were able to beat the Axis in World War II.

Mr. BROWN. However, I do not believe nine miners is a criterion of the situation. I think you can go into some of the mines in Pennsylvania and find nine Communists right there.

Mr. JAVITS. There were some 3,000 workers in the mine, and the nine were their spokesmen.

Mr. BROWN. You can find them in the automobile unions in Detroit.

Mr. JAVITS. They just came out and said boldly that they were Communists.

Mr. BROWN. Our people said that France would not bring the French zone into an integrated plan of western Europe and the reason was the French Communists had too much power politically in France. That was one of the basic premises I had presented to me when I was in Germany, and I had to go into France to find out.

I sent an international labor leader I had known who had talked to the labor leaders in France. When I talked to M. Chauval of the Foreign Office in France, I told him I thought we ought to start our conversation with a fundamental statement about the Communist power and that was that while 6,000,000 people had voted the Communist ticket in the last elections in France, the Communist leader of the French Communist Party himself said he only had 450,000 Communists he could count on and that if they started marching he doubted if he could get more than 300,000 or 400,000; therefore they could make some trouble in France, they might cause the Government to fall, but they could not take over power in France, that the rest of these people were Frenchmen first and Communists second.

I cite that because in my interview with mine managers and labor leaders—and I got in a room alone with these people, and an interpreter, when I talked to them, and it is my impression sincerely that they are so afraid of the Russians taking over that there are very few people in Germany that would like to have it.

They might like to be Communists or Socialists on their own in Germany but they do not want to be taken over by Russia. I do not believe they are going to unless it is done by force. Therefore I agreed with your statement that if Russia moves in by force, then the basic premise changes.

Mr. JAVITS. My statement was twofold, Mr. Brown; first, that Russia was capable of moving in by force; and second, that western Germany was capable of voting Communist and accomplishing the same result.

Mr. BROWN. I think she could but I do not believe she will. I do not believe Russia will move in by force for 3 or 4 or 5 years. I could be wrong on both of those points and you could be right, and then we would have to change the premise.

Mr. JAVITS. If we strengthen German heavy industry are we not

contributing to that danger? It may be what the businessmen call a business risk but are we not contributing to that danger?

Mr. BROWN. What is your alternative? Your alternative is to do nothing and then what do you contribute to the danger? I say the danger is greater to have the economy of Germany fail to function, to have the rest of Europe and the Marshall plan fail and have the people eat less and have starvation and chaos. I think there is a much greater risk of having that happen.

It is much more likely that Russia can take over by indirect means and not be forced to go to military means. I am sure there is a risk but I think it is the lesser of two risks. We are on the horns of two dilemmas where the risk is great and you must take the best judgment as to which risk is less.

Mr. JAVITS. Did you not say western Europe lacked consumer goods?

Mr. BROWN. That is temporarily true. That is the reason the money will not function.

Mr. JAVITS. You mention consumer goods as an incentive?

Mr. BROWN. That is right.

Mr. JAVITS. Suppose the impetus in western Germany were given to consumer goods rather than heavy industry?

Mr. BROWN. If you read my report you will find one of the first things I recommended was additional food supplies brought into the 85 stores of the mining region in the Ruhr and the offering to the miners themselves, coupons for food for themselves and families, that would give them a real incentive to dig coal.

I talked to seven mine managers and the leaders of some of the workmen's committees and I am quite sure that that kind of consumer-goods incentive applied at that particular point would get coal production up faster and within 15 percent of prewar within 6 months and I think that would then be the means by which you get power plants running and with the power plants running not 15 percent but 50 or 60, you get factories going.

Mr. JAVITS. Germany used to export, according to the figures in your book, and they are pretty generally accepted figures, somewhere in the area of 40,000,000 to 45,000,000 tons of coal a year, in a normal prewar year.

Mr. BROWN. Yes, in 1937 she exported about 52,000,000 tons.

Mr. JAVITS. So if she got up to within 15 percent of that production she would be exporting in the area of 40,000,000 tons a year?

Mr. BROWN. Yes, except that you have quite a bit of that coal—these total German figures include parts of Germany now under Poland and Russia, and I do not know what those total figures were in the eastern portion. This is not all from the western portion.

The quantity of coal from the east, which is the Soviet brown coal used for heating, I think ran into quite a bit of tonnage, whereas the coking coal from the Ruhr, which went into France, Belgium, and some of the other countries, had a higher value but not so much tonnage.

Mr. JAVITS. Now materially increased exports of coal from the Ruhr would also serve to take the Germans off the backs of the American taxpayers, would it not?

Mr. BROWN. Yes, and I do not for a moment suggest that Germany should not resume her exports along with Britain, to the other coun-

tries of Western Europe. I say if we declare a moratorium for as much as a year, this 12,000,000 tons that Germany is now exporting, is a means of getting factories going, then you can get steel for the railroads and then you can get machinery made to fix up other factories.

It is a temporary thing I recommend but certainly Germany should again export coal as soon as she gets rolling.

Mr. JAVITS. Would it not be a good hedge, however, to build up this French steel production, even if we had to finance it?

Mr. BROWN. One of the things I discussed with the Foreign Office in France was that I thought we would agree to doubling their production. The only question I make is why we should appropriate money from Congress to do it. I say, perhaps take the last 10 percent of it.

Yes; I think it is a good hedge to build up that steel capacity in Belgium and France. You cannot do it, however, unless you have enough military control of an integrated western Germany so that you can assure them of a coke supply, do not forget that.

Mr. JAVITS. Thank you so much.

Chairman EATON. Thank you, Mr. Brown.

LET'S GET GERMANY OFF OUR BACK

By Lewis H. Brown, chairman of the board, Johns-Manville Corp.

(Here is presented the viewpoint of an American industrialist who made a special study of Germany at the request of United States occupation authorities. Mr. Brown's report, of which this article is a condensation, has been presented to President Truman, the State Department and the War Department. The full report in book form will be published shortly by Farrar and Straus)

Knowing that I had acted as a consultant to Lt. Gen. Levin H. Campbell, Chief of Ordnance, from May 1942 to the end of the war, and learning that I was coming to Europe on a business trip, Gen. Lucius D. Clay suggested that I spend as much time as possible in Germany to get first-hand information as a basis for a report on what should be done to get German industry on its feet and off the back of the American taxpayer as soon as possible.

My approach to this problem has been from the standpoint of an industrialist's attempt to analyze the problem of a bankrupt company and to determine the simple common-sense fundamentals necessary to get the wheels of production turning, and the company on a profitable basis as soon as possible.

Germany is today bankrupt, and western Europe is threatened with bankruptcy. The comparison with a bankrupt industrial company is perhaps applicable. This approach to the problem may, therefore, have merit. The real problem is to bring about the economic reconstruction of western Europe as a whole.

My one regret is that, in dealing with a subject so controversial, there is bound to be disagreement with any course of action recommended. From the enemies of the American way of life, I have no hope of securing agreement. From our friends who abhor all forms of totalitarianism, with its concentration camps inseparable from a police state, I hope for tolerance and ultimate understanding of the imperative need for getting together on a plan of action under which we may minimize the threat to western civilization and preserve its priceless freedoms.

Not even a beginning can be made to a solution of the problem of western Europe unless we Americans recognize and admit that the Morgenthau philosophy (calling for the break-up of Germany into a series of subsistence farms), as dictated by President Roosevelt in Quebec, the Yalta and Potsdam agreements, is predicated on fallacies and has made impossible the accomplishment of the very objectives which we all considered imperative.

We must also recognize that the four-power division of Germany, in view of the attitude of Russia, can never succeed. We must therefore accept the present partition of Germany as an accomplished fact at least for the present. This means that in the American, British, and French zones in western Germany are

48,000,000 people who cannot provide more than 50 percent of their food requirements.

In my opinion nothing can be accomplished in either Germany or western Europe under the Marshall plan unless we in America announce with the utmost clarity an entirely new policy for the revival of Germany which is at present the cancer in the body politic of western Europe. That new policy must deal with four aspects of the problem:

(1) *Organization*.—We must set up an organization to deal with this problem just as we set up an organization under General Eisenhower and SHAEF to deal with the problem of the invasion of Europe.

(2) We must give new hope to Germany and western Europe.

(3) We must use food in order to force the production of coal in both Great Britain and Germany and use coal as a dynamic means to get industry going so that with exports they can buy raw materials and food.

(4) *Repayment*.—We must provide in advance for a practical means of repayment if we expect to be repaid.

Under such a policy our first objective should be to prevent restoration of military power in Germany.

To do this, we must completely abandon the Morgenthau philosophy in favor of a plan that from a practical standpoint can be maintained for 50 years or more.

Germany's Army general staff and munitions plants and war materials industries have already been destroyed under the program originally outlined by the United States General Staff. This called for (1) the destruction of plants and dismantling and transference of these plants under reparations, (2) destruction of the airplane industry of Germany and the prevention of the future development of airplane manufacture, and (3) an inspection and control system small enough to be maintained for 50 years by the Allied governments.

German militarism is dead, and the foregoing measures, if put into execution, will keep it dead. It is time we quit fighting ghosts and got on with the real business of getting Germany back on her feet.

Once it is determined that we must have an entirely new policy for western Germany and western Europe, it will be necessary immediately to visualize a new organization designed to see that the objectives of policy are obtained. We can no longer delay action.

General Marshall expressed the hope that in the November conference (of foreign ministers) the Russians, having obtained their objectives of satellite buffer States, might be willing to agree to the unification of Germany. Few people in Europe with whom I have talked have any such hope. My own belief is that such chance is so small that we should not waste the intervening months but should prepare now for a plan of action based on the assumption that the Russians will not agree to unification at the conference.

Under the recent consolidation of the British and American zones, considerable progress has been made. But we are still faced with the basic fact that there are two administrations, two interpretations of policy, and two methods of making policy effective. The French, of course, have so far failed to join in any unification.

INVASION PATTERN ADVOCATED

The problem of getting effective action that will assure the carrying out of a restatement of policy is similar to the problem confronting the Allies when they were planning the invasion of western Europe. The decision then was to designate a joint commander. General Eisenhower was selected. Under his great leadership and with the backing of the chiefs of state and the Joint Chiefs of Staff, General Eisenhower built a pattern of integration and coordination in the SHAEF staff that assured the success of the invasion operation.

When the Allied troops were battering their way to Berlin and the problem of how Germany was to be administered was under discussion, General Eisenhower advocated the use of the Allied SHAEF pattern for the administration of the American, British, and French zones, believing that only through this demonstrated method of coordination and cooperation could effective action be secured. General Eisenhower was overruled by his commander in chief—President Roosevelt. The resulting quadripartite division has multiplied immeasurably the great difficulties of the past 2 years.

It is my recommendation that Congress, as a condition of appropriating funds for the backing of the Marshall plan, instruct the executive departments of our Government to secure the agreement of Great Britain and France to a consolidation of the three zones under the same pattern of organization that resulted in the

victorious invasion of western Europe by the Allied armies, and that General Eisenhower, as a last service to his country before his retirement, be asked to return to Europe to reestablish quickly this pattern of organization and put at the head of it an American—Gen. Lucius D. Clay—who is demonstrating a great capacity and great knowledge of both the economic and industrial requirements of this undertaking.

Lt. Gen. Sir Brian Robertson, who holds a similar position in the British zone, should be General Clay's chief deputy, and a representative of France should also be designated as a deputy. Similar integration should take place throughout the organization in consolidating the three zones, putting at the top in each category the man best able to secure the desired results irrespective of nationality.

On the one hand, General Eisenhower should build an integrated and coordinated military organization of occupation for the three western zones in Germany, bringing together the military forces of America, Great Britain, and France to be supplemented later by additions from other members of the United Nations.

On the other hand, General Eisenhower should use his great prestige in Europe to help bring together an integrated and coordinated civilian economic organization to deal with the economic control of western Germany under a policy that would place upon the Germans the responsibility for the administration of their own political and economic destiny.

At the same time this coordinated pattern of organization is being developed in western Germany, its civilian economic counterpart should be in the process of development for western Europe as a means of making sure that the objectives under the Marshall plan will be attained, and that any appropriations made by the American Congress to implement the Marshall plan will not be dissipated or frittered away in side-line activities that have no bearing on the primary and vitally necessary objectives.

CIVILIAN STATUS PREFERABLE

In building this broader organization for western Europe, General Eisenhower should act in a civilian capacity for whatever time is required before taking over his new duties as head of Columbia University.

Given such an organization, our new policy and directive from Congress should require that we first attack the psychological problem of Germany.

As I see it, during the past 2 years Germany has been like a mule which in hauling a heavy cart has fallen down in the mud. Both the Americans and the British have come along, unstrapped the shafts of the cart from the harness, and pulled it back, leaving the mule still lying in the mud. Both the Americans and the British have then themselves got into the shafts of the cart and attempted to pull the load. This is an impossible task.

What we should do is to give the mule enough food while he is still lying down to get some of his strength back, put the shafts back into the harness, hold out the inducement of a large bag of oats in order to give the mule an incentive to get up, and then with a vigorous push from behind get the mule on his feet and make it clear that it is the duty and the responsibility of the mule to pull the cart out of the mud. It will, of course, be necessary to help and perhaps even push, but it is vitally necessary that the German people pull in the interests of their own salvation.

This can be done by the following program, each part of which presents many problems and difficulties but none of which is impossible of attainment.

The program for giving Germany new hope is:

I

Declare an end to the reparations of capital goods. That is, discontinue the practice of moving whole factories out of Germany and into other countries as a part of the reparations due them.

II

Bring to an immediate and early end the process of denazification except for the 80,000 top Nazis. Today the German industrialist is debarred, through the extreme denazification program, from access to the best brains of Germany, and therefore suffers from a severe shortage of technical, supervisory, and executive help.

III

Permit the Germans to export by quickly untying the shackles that now bind their hands and feet. These take the form of regulations prohibiting barter and the making of contracts with foreign business firms. Also, I recommend that the

International Bank should provide for loans of foreign currency with which German industrial firms may buy raw materials and send out salesmen and engineers to secure export business. Also, we should eliminate the regulations remaining from Nazi autarchy and "Schachtism," the red tape and bureaucracy of the German Landerats (provincial governments) and the regulations of the American and British military governments that prevent exports.

The system of "Schachtism" strangles private enterprise with controls and red tape. It comprises the system of price control, wage control, profit control, exchange control, foreign-trade control, rationing, quotas, priorities allocations, special licenses required for even the most minor transactions, red tape, and paper work barriers at a thousand points to that free flow of materials, men and money which constitutes the very life of healthy trade and a vigorous economy.

Practically the whole apparatus of Schachtism is intact in Germany and has been multiplied many times by the fragmentation of Germany into four zones and twelve Länder (provinces) west of the iron curtain. Instead of one center of "Schachtism" in Berlin as in Nazi days, we have 16 little centers.

IV

Invite the Germans to take part in the Marshall plan discussions on the needs of Germany.

V

Proceed with the establishment of a central government for western Germany. Simply to hold an election to permit the German people to select their first central government by popular vote, in my opinion, would be a great mistake. The German people are not yet ready. I would therefore recommend that the central government be established by having the economic councils that are now representative of the German states, and the officials of the Landerats come together in a convention to which should also be sent representatives elected to represent the church, the legal profession, and industry. This convention could select personnel to fill the first offices of the central government, but the heads of the military government should have a veto power on these selections. We should also make provision for the approval of this government at a later date by popular elections.

VI

Abandon the Morgenthau concept of a banking system patterned after the Federal Reserve System in America and institute a central bank for western Germany patterned after the central banks of the other countries of Europe.

VII

Provide a new currency for Germany as soon as a central government with a balanced budget is in effect, a central bank functioning, and sufficient consumers' goods available to give a new currency purchasing power.

HARD WORK CAN CONQUER DESPAIR

Once a policy along these lines is announced, even though it may take months to carry it out, a revolutionary change in the psychology of the Germans will take place and much of their hopelessness will disappear. The German people will go to work again.

Once that is done, we will have made the first effective step to stop the spread of Communism west of the iron curtain.

Given a new policy, new organization, and new hope in western Germany, it is possible to begin to use food not as a means of relief but as an instrument and an incentive to get production going again.

If food is provided to Germany or western Europe only on a relief basis, then it is merely pouring dollars down a bottomless rat hole with no hope of eventually getting either Germany or the other countries off the back of the American taxpayer.

On the other hand, food can be used as a means of getting these countries eventually to stand on their own feet, fully capable of repaying the loans to America providing America will accept repayment in physical goods.

Let us see why the German has so little incentive to work. First, remember that on an average, the Germans are living on a diet of 1,200 calories a day. That is one-half of the diet of the people of Britain and one-third of the diet of the

people in America. No one can do heavy work and produce on a diet of 1,200 calories.

There is more to the problem, however. An exceptionally able young German technician, with a family of wife and one child, gets 300 marks a month take-home pay after social-security deductions. He has a No. 2 ration card entitling him to 2,000 calories per day, his wife a No. 3 card entitling her to 1,550 calories (not much over half required to maintain vigorous health), and his child somewhat less but with a child's supplementary ration of milk and fats. In total, say, about 5,000 calories per day for the family.

If they manage to obtain on the ration cards all the food that produces the 5,000 calories per day they can remain alive though not in vigor or health, and the food will cost them amazingly little. Bought at the stores at the legally fixed low prices on the ration cards, it will cost about 45 marks for the month.

SHORTAGES NULLIFY RATION CARDS

But in practice the full amount of food stated on the ration card will be unavailable for weeks and months at a stretch. There are always periods when there is not butter or margarine, no meat or fish, very little or even no potatoes. In a section of the Ruhr, very recently, potatoes, the biggest item in the German worker's diet next to bread, were unobtainable on the ration cards for almost 4 weeks.

In practice, therefore, this family is able to obtain less than three-quarters of the food and calories called for by the ration cards. That gives them less than half of the calories nutritionists say are necessary for health and vigor. Moreover, their diet becomes enormously unbalanced. Fats, proteins, and protective foods generally being just the items that are most frequently unavailable, they live excessively on bread.

With an enormous void in their stomachs, husband and wife will try to buy more food in the black market. But there prices are so high that the amount of their monthly pay check left over after fixed charges are met will not be enough to buy a single day's food.

Thus each day it becomes more apparent to the German worker than earning money by working hard at his regular job is not the way to get food. That discovery is fatal to production. The way to get food is to sell some personal possession at black-market prices or take it out to a farmer and barter it directly for food at the black-market price level. Hence selling or bartering goods already in excess becomes far more important than working hard producing new goods for pay in reichmarks. And that also is fatal to production.

Because of this situation, I have recommended that dietary experts work out a 5-year plan for the German people proceeding gradually from a 1,300-calorie diet to 2,600 calories, but with special supplementary food incentive diets for specialized groups starting with the underground miners in the Ruhr. I have recommended that under the Marshall plan this basic 5-year diet be guaranteed by the other nations, mainly, the United States, on a declining basis—100 percent the first year, 80 percent the second year, 60 percent, 40 percent, and 20 percent. For a 5-year period this declining guarantee for food would cost about \$2,000,000,000.

If, as suggested above, we make it possible for the Germans to export, they must then rebuild their productive capacity and their exports fast enough to make up the difference in this declining food guaranty. By the end of 5 years they must export twice as much per capita as before the war if they are to buy sufficient food. If they wish to have more than a 2,400-calorie diet, they must produce and export more.

Let's take a closer look at how this would work. The first step in using food as a means of getting production would be to send to Germany meats and other special energy foods and put them in the 75 colliery stores in the Ruhr area.

The Ruhr miners are now producing 220,000 tons of coal a day. There are about 260,000 miners in the Ruhr. Thus over-all output per man per day is about nine-tenth of 1 ton. In prewar it was 1.6 tons per man per day. For a good many reasons they may not be able for some years to do more than 1.35 tons. But, if the latter figure could be attained, it would mean a 50 percent increase in coal, or a total of about 345,000 tons per day. This would mean 35,000,000 tons more per year for Germany, and with that a dynamic German industry would get going.

The problem is how to get it. First, bring back more rapidly the former German Ruhr miners who are prisoners of war working in the French mines where their output is very low. Second, offer each underground Ruhr miner (of whom

there are about 170,000) coupons for extra tons of coal produced so that for 50 percent increase in production he could get 75 percent increase in food for himself and his family.

The annual production of the Ruhr is going at the rate of 66,000,000 tons. The new plan would provide an annual production by the end of 1948 of 99,000,000 tons. But, immediately such an increase in production is promised, it is apparent that the transportation system of Germany cannot haul it away from the mines. This is due basically to the severe bombing of the transportation system during the war.

TOO LONG A HAUL FOR RUHR COAL

Intensive study of this problem indicates that the real difficulty is that we are attempting to export 10,000,000 tons of coal from Germany to Russia, France, Switzerland, Holland, Italy, Belgium, and other countries of western Europe by an unnaturally long rail haul. This ties up railway equipment that is already grievously short.

Moreover, each country securing coal from Germany in cars that have been repaired by the military governments keeps the good cars and sends back cars that are in bad repair. This contributes to the vicious cycle.

The fundamental fact is that in the years before the war coal was supplied by boat from Great Britain to the large ports of Europe. Not only was Great Britain the largest supplier of coal in western Europe, but coal was the basis of her diplomatic power.

The fact that Great Britain is no longer exporting coal to western Europe is one of the biggest contributing factors to the dollar shortage with which she is now struggling—attempting to overcome this problem by resorting to austerity, nationalism, and socialism.

In the meantime, no progress has been made in western Germany in the past year in the restoration of the industrial production. Municipal power plants that supply thousands of small plants have been operating at a small percentage of capacity due to a shortage of coal.

If a moratorium could be declared for 1 year to 15 months on the shipment of these 10,000,000 tons of coal out of Germany, a revolutionary dynamic would be inserted into the whole picture of western Germany and western Europe. If these 10,000,000 tons of coal now exported from Germany could be used for a year or 15 months within Germany, the restoration of not only Germany but of western Europe could be assured.

The only way, however, that this moratorium on the export of coal from Germany can take place is for the countries of western Europe to be again supplied by coal from Great Britain.

The leaders of all factions in Great Britain recognize that coal is the very crux of their recovery problem. Yet because the coal industry and the coal miners have presented such a critical problem for so many years, the leaders of Great Britain are reluctant to face this issue. They are trying everything except offering direct incentives to get the miners to dig the coal again in the quantities that they produced in the years before the war.

LABOR GOVERNMENT DODGES ISSUE

For 2 years the Labor government has been avoiding the main issue of the necessity of digging and exporting coal, while using the proceeds of the American loan to buy food supplies that could have been bought in part, at least, with coal if they had gone to work and dug it.

The simple fact is that more and more austerity, while necessary, now only tends to push Great Britain further down in a depression cycle. Austerity cannot take the place of production. As long as Great Britain does not dig and export coal, more loans are simply continuing Great Britain on the American dole, and the British people do not like or want that.

Fifty million tons of coal exported from Great Britain at current obtainable prices would help close the gap that now exists between Britain's imports and exports. It would go a long way toward curing the dollar shortage that is now the crux of the crisis in Great Britain. With coal, Britain could buy a portion of her food and raw material requirements.

Great Britain has the coal. She has the barges with which to haul it. She has the miners with whom to dig the coal. The miners themselves, I am assured, would dig the coal if they were given incentives. They can be given such incen-

tives. But offering the miner added incentives to produce extra coal would, of course, be contrary to the socialistic conception of equality. But if the Socialists continue to insist on an equality of misery they are going to have an increasing amount of misery.

The "soft Socialist" states of western Europe, including England, are frankly experiments, almost certain to evolve into something else, as they rest on the false assumption that men will work hard without either strong compulsions or strong incentives. Thus, in England, the new crisis measures contemplate (or profess to contemplate) sharply increased production and 40 percent more exports than before the war, while at the same time offering the people less food, less consumers' goods, and less forms of enjoyment. In other words, the British state demands more production but offers less inducements.

Can America afford to underwrite these Socialist states that have neither the inducements nor the disciplines of the well-tried capitalist system nor the iron disciplines of the police state?

If we do, what may happen may well be that we will be pouring our money into a sink that has no bottom. This report has taken one sector, the coal industry, and recommended increased production through the real incentive of increased food and consumers' goods tied directly to output. Should we not insist that American economic support of European states be based on the establishment of an economic system that rests on hard work resulting from genuine incentives tied to output and backed up by a discipline that ties the very possession of a food ration card to output?

It seems to me that we face two alternatives in Europe: The soft Socialist states will either go through crisis after crisis, each requiring new controls and new compulsions, to the full length of the police state, finally replacing the enormously weakened money incentive almost entirely with physical compulsions, thereby reverting wholly to serfdom and slavery; or—goaded by American pressure, if we are wise—they will, step by step as fast as realities permit, drastically alter and deflate the enormous and complicated system of rationing, allocations, controls, etc., and revert to capitalistic incentives even though the terminology remains socialistic. Thus Russia, faced with low output, introduced "Stakhanovism," which is none other than the good old capitalistic piece-rate system and smells the same even though called a Communist rose.

But to get back to particulars, the fact remains that if America must supply an added loan to Great Britain or help through the Marshall plan in the way of food and raw materials to alleviate Great Britain's crisis, then Britain's contribution to the Marshall plan and recovery of western Europe should be to dig and export coal and to postpone further nationalization of industry until she can accomplish it at her own expense and not at the expense of the American taxpayer.

When I went into Germany to study the problem of German recovery. I expected that the answer would be found in Germany. But as my studies developed, it became amazingly clear that the crux of the recovery problem of Germany and western Europe lay in the digging and exporting of coal by Great Britain.

It is also perfectly clear that America cannot continue indefinitely its relief loans to Europe. Yet we must take prompt and vigorous action to prevent the spread of communism west of the iron curtain; and the only way to do this is to help western Europe and Great Britain to get industrial production going and the standard of living rising.

Without question in Germany, and perhaps in Great Britain, it will be necessary to make additional supplies of food available on a declining basis. But this food supply should be made available only on condition that it be used as an incentive to get production going and not merely for relief. It is my definite recommendation that the American Congress stipulate some such plan as this as a condition for the appropriation of funds for the Marshall plan.

FACTS KEPT FROM BRITISH PEOPLE

Even if Great Britain digs and exports coal as outlined, she will still need some additional loans to buy supplementary food and raw materials. In my opinion, the people of Great Britain have not yet been told the truth about the extent of the austerity program required if there is no additional help forthcoming for Great Britain under the Marshall plan.

It is not in the basic interests of America or of the world that Great Britain should be permitted to fall or, under excessive austerity, to delay her economic recovery.

But it is also clear that unless Great Britain is willing to dig and export coal as her contribution to the recovery of western Europe under the Marshall plan, further loans and help from America would not accomplish the objective of recovery.

Even if the cost is several billion dollars a year for the next 5 years in the form of loans, I believe that if these loans are intelligently made, not as relief but as an incentive to get production, that they can be repaid.

Repayment should not be expected until after 5 years, during which western Europe would have a chance to get on a self-supporting basis.

The problem of repayment of these loans to America presents the same transfer problem that confronted us in World War I and World War II. But there is and can be a difference.

Some of the loans required under this program can be made from the International Bank and can be repaid to the International Bank. Some of the loans can be made by private investment bankers and repaid through the normal channels of foreign trade over future years.

But the bulk of these loans will have to be repaid through the transfer of physical goods from other countries to America.

The reduction of tariff walls would go a long way to make possible the repayment of these loans. So far, the program has not accomplished a great deal.

Our Congress might consider a new plan to permit a generalized quota of imports, duty free, up to 10 percent of the physical quantities of the production of any American industry now having a protective or prohibitive tariff.

WOULD NOT INJURE OUR ECONOMY

Over a period of years, such a moderate importation would not be destructive of either American industry or American labor, and over a long period of years would permit the repayment of these loans advanced now for reconstruction.

Another method of repayment that should be considered by the American Congress is to make some of these loans for the reconstruction of Europe through our Export-Import Bank and then accept payment in the years to come in the kind of goods that can be used in our own relief programs. This would minimize the taxes levied internally to meet relief requirements.

In effect it would mean paying out American credit now to bring relief to western Europe and Great Britain and later accepting goods manufactured in Europe that could be used for relief work in the United States.

To stop the march of communism beyond the iron curtain may require another 5 years of intelligent and constructive help from America. But this help should be made as an incentive to production—as a means of helping people to help themselves through an organization, small but competent, capable of seeing that the basic principles are followed and the desired results obtained. It should have sufficient authority as to details so that they can meet changing requirements that will inevitably develop under a 5-year program of this kind.

RUSSIA'S POLICY: WAIT AND HOPE

The inevitable question arises as to what Russia will do in the face of such a constructive plan of action for the reconstruction of western Europe. It is my considered opinion that Russia will not go to war. Her policy is to wait, hoping that America will fail to take action or that England will not dig coal or that France and the other countries of western Europe will fail to get together on a plan of action.

If we fail to integrate our action as we did for the invasion of western Europe, it is my opinion that Russia will realize her hopes—that we fail in western Europe and that this failure will bring about an economic depression of severe proportions not only in western Europe and the British Empire but in the United States as well. The cost of such a recession will, in my opinion, be greater in the end than the cost of preventing it.

I do not know whether we have the collective intelligence or the will to act promptly enough to minimize such a recession. But I believe that our only hope of avoiding these consequences is for the leaders of our Government and the committees of Congress to act with the utmost promptness in developing a plan that can be submitted to a special session of Congress this fall.

We will include in the record a statement by Dr. Ronald Bridges. (The statement referred to is as follows:)

STATEMENT ON EUROPEAN RECOVERY PROGRAM

(Submitted to House Committee on Foreign Affairs by Dr. Ronald Bridges representing the Council for Social Action of the Congregational-Christian Churches)

I am Ronald Bridges, president of the Pacific School of Religion in Berkeley, Calif., an interdenominational graduate school for the ministry. My appearance here is at the request of the Council for Social Action, an agency of the Congregational-Christian Churches. The views I express are my own but they may be found to reflect the views of a very large number of people in the Christian churches of the United States.

First I commend Secretary Marshall and others responsible for the conception of the European recovery program. In a dark time it has given confidence abroad and at home—confidence in our capacity to deal greatly with a great issue.

I commend the conduct of these hearings and the combination of courage, vision, and common sense which evidently animates you who have been obliged to take leadership in bringing ERP to execution.

The Federal Council of Churches has prepared a statement on the European recovery program. It is a good statement, and I am happy to endorse it. The Council for Social Action which I represent had a part in the framing of this document and concurs in it. I ask permission to append to my remarks the original statement of the Council for Social Action, which preceded that of the Federal council, and was, I think, the first to be adopted by any major church agency in the country.

I will not repeat the testimony of these two documents; rather I would address myself to one aspect of the European recovery program: The motivation of the program and the manner of expressing that motivation.

As I read my history, I find that no other great and numerous people have ever acted toward other people in distress as generously and from such humane impulses as we have. Disease, disaster, and dramatic misfortune anywhere in the world have always laid hold of the American conscience. Since so much and such various help has been given, a person of simple mind would think that we must naturally be esteemed and loved the world around, invulnerable in our friendships. The blunt truth is that we are not at all secure in our friendships and that many of the people whom we have helped are acutely hostile toward us. Our well-meant good works and good will have resulted in an amazing amount of ill-will and suspicion—ill-will and suspicion which has been exploited very cleverly. One doesn't have to be very keen to see that we have got to do better this time. The American people are ready, I think, to finance the European recovery program; but if having done so, they find that they have humiliated those whom they tried to help and evoked fresh distrust and suspicion, the whole program will have been fantastically futile. Furthermore, if this humiliation and distrust are successfully exploited by enemies of democracy to produce chaos and war, the American people will know a new and a desperate fury.

In my role here I feel justified in speaking to this sober problem. The Congress will appropriate reasonably, ungrudgingly, I am sure. The type of administration is a vital matter, too. On both these points you have the evidence, the facts, and are in a better position to judge than are most of us on the outside. Beyond presenting the foregoing support for ERP in general, I want to speak, now, to the philosophy of the plan.

We are confronted with a fearful threat to democracy; and cherishing our democratic institutions, wishing others to enjoy them as we do, it is natural that we should want to promote democracy, defend it, propagate it. But democracy is not a virus with which people can be inoculated, a benign-appearing disease with which we can infect people. It is a state of health which must be cultivated—a state of mind that proceeds from the healthy comfortable condition of man. Communism can be forced on people too weak to resist it—not democracy. Communism can be finagled, maneuvered, and imposed by coups. Democracy has to grow organically. People cannot be starved into democratic ways or frightened. They cannot be bargained or threatened into being democratic. If we try any of these tactics or give the appearance of trying them, we damage our own cause terribly.

Nobody is so smart that he cannot be manipulated at times—nor so dumb that he doesn't resent it profoundly when he catches on.

The ERP will pay off in economic and democratic benefits, I truly believe. But if we set up the program and administer it with a cold eye on these benefits to ourselves, it will fail of its high purpose and the very benefits hoped for. Nor is this program to be conceived as giving us the right to speak our piece. This is no superradio program with a democratic commercial—not even a singing commercial.

We are not out for the purchase of global affection. Purchased love is notoriously short lived. We want and need the support of our brother nations. But it can't be bought. And it doesn't come because we do something for them. Affection and respect develop when you do things together. That is the genius of the European recovery program.

Arrogance is the manner of one who is temporarily sitting pretty. The truth is that no one in the world is sitting pretty, but the United States appears to be. The arrogant point of view is that we don't need France, Luxemburg, Denmark. We do. The painful narrative of history teaches that Athens needed Boeotia and Sparta—that Rome needed Palestine. All countries need all other countries—all people, all other people. The interdependence of man is no fancy—not processed, homogenized man, but just man—the son of God.

In short, I see a great hope in the ERP and so do most Christian people. We know that so huge a plan cannot be put in action without some waste—we hope not too much. We know that every good program advantages some scoundrels who are having a lucky season, but we will try not to be too disturbed if a few of them cash in. Some prodigals are being welcomed into this program—and there are always fathead protests when the fatted calf is killed for a prodigal.

The legislation remains to be written, the amount set, the administration set up. Church people and church agencies take a calculated risk when they support such a program at this stage. But there is a greater risk in standing aloof and withholding encouragement from legislators who are trying to find a way out.

We who believe in Christian democracy support such a plan as the European recovery program because it is Christian democracy. That is the kind of thing you have to do if you would live your principles and your faith.

A CALL TO THE CHURCHES FOR FULL AND ACTIVE SUPPORT OF THE EUROPEAN RECOVERY PROGRAM (MARSHALL PLAN)

The people of Europe are fighting hunger, cold, disease, and discouragement. They face the imminent danger of economic collapse, chaos and the spread of totalitarianism. They cannot win back their strength without our help.

Conscience and human decency demand that we share our abundance. Unless American food, tools, machinery, and raw materials are sent at once, there is little hope that Europe can regain her economic and spiritual balance. Other nations have their part in the program of European recovery. But upon us—American citizens—falls the greatest responsibility.

We support prompt emergency aid to Europe to meet immediate needs for food and fuel.

We support the Marshall plan because, in response to an American proposal, it is the plan and pledge of 16 European nations that they will undertake a program of massive self-help, a great increase in production and in economic cooperation. This European recovery program can only be achieved with the help of the United States and other nations.

We support the Marshall plan because it is a practical method of rendering definite help to desperate peoples, of using justly the great national wealth we hold in stewardship to God, of giving courageous leadership in the building of world community.

We support the Marshall plan although we regret that Russia actively opposes it, thereby making it impossible to deal in the near future with the European problem as a whole. Since it is the hope of the 16 nations that the nonparticipating countries will cooperate at a later stage, we urge that our Government hold the door open for such future cooperation.

We support the Marshall plan because we believe it will give the participating nations of Europe a real opportunity to create strong and free governments of their own choosing. We oppose any moves of our own Government which would impose a particular economic or political pattern as a condition for receiving aid.

The temporary sacrifices required of us are not great.

We believe that we must practice thrift with new determination, voluntarily saving everything we can in personal and family use of food and other necessities.

We believe that our efforts to render aid abroad must be undergirded by policies and programs of full agricultural and industrial production within our own country. Farmers, industrial leadership, labor, and government must all share the responsibility for such policies and programs.

We believe that we should limit sharply our natural desires for more profits, wages and salaries, and other income.

We believe that we must protect the people of our Nation by lowering prices and fairly distributing the essentials of life. Specifically, we support such programs of Government control of our economy as may be necessary, including price control and rationing.

We appeal to all religious people to give active support to the prompt adoption, by Congress, of the Marshall plan—both immediate emergency aid and the full 4-year recovery program.

We appeal to religious people to give increased support to the voluntary programs of the churches and welfare agencies for relief and reconstruction overseas.

Finally, we appeal to church people as a measure of justice and equity to support such programs of Government control of our economy as may be necessary, including price control and rationing.—Issued by the Council for Social Action.

NOVEMBER 1, 1947.

Chairman EATON. Our next witness is not here at this time so we will adjourn until 2 o'clock.

(Whereupon at 11:45 a. m., the committee adjourned, to reconvene at 2 p. m. the same day.)

AFTERNOON SESSION

(The committee reconvened at 2:15 p. m., following the noon recess.)

Acting Chairman BOLTON. The committee will come to order. We have as our first witness this afternoon, a representative of the League of Women Voters.

STATEMENT OF MRS. KATHRYN H. STONE, FIRST VICE PRESIDENT OF THE LEAGUE OF WOMEN VOTERS OF THE UNITED STATES

Mrs. STONE. I am speaking today for a group of women citizens who deeply desire the enactment of the European recovery program, and who earnestly hope that the United States will act soon and adequately.

The League of Women Voters views the proposed program with the perspective of 28 years of study and action in the field of government. During these years we have quite consciously tried to take our share of responsibility for national decisions in international relations. We have approached the consideration of the European recovery program with a fund of principles of good government, and particularly with citizen experience in evaluating international economic relationships and the bearing which they have upon world stability.

Our realization of the importance of economic foundations of peace dates back to the midtwenties when "economic agreements in the interest of peace" was written into our program for active support.

The League of Women Voters has long held that a sound foreign policy depends upon consistent, long-range thought and action. We have urged the acceptance by the United States of its full share of responsibility for strengthening the United Nations. Especially important, it seems to us, was the establishment of sound economic institutions within the United Nations framework. Accordingly, we have supported the development of the Economic and Social Council. We

worked for the setting up of the International Bank and the International Monetary Fund. We want to see the International Trade Organization come into being.

The league has realized that the United States, as the world's most productive nation, bears a further responsibility. Accordingly, we have maintained the position that "economic assistance by the United States is required to hasten reconstruction and to stabilize the economies of war-torn nations." Earlier estimates of the size of this task were all too low. We must renew our effort if we are to achieve a sound economic basis for the peace.

These considerations have been discussed by our members. Last spring, before the European recovery program was projected, we had scheduled a series of area conferences on problems of world trade to be held in September and October. These conferences were held on schedule, but without exception they became, through the desires of the participants, discussions of the European recovery program. At Dallas, Portland, Minneapolis, Columbus, New York City, Atlanta, Kansas City, and Washington, the European recovery program was considered in relation to the other problems confronting our Nation. Literally hundreds of local meetings are being held in the 550 communities where there are leagues. The concern of our members, I can confidently assure you, is deep and earnest. They are urging full action, as rapidly as it is possible to develop a sound program.

Your committee has already heard explanation of the reasons why a European recovery program is in the best long-range national interest as well as in the interest of world construction. The league recognizes the humanitarian reasons and the ancient cultural ties; we are deeply concerned with the preservation of free institutions; we take realistic appraisal of the political environment of the world today; above all, we seek the long-range goal of world stability and peace. We do not wish to take your time reiterating in detail the fuller expression of these arguments for undertaking the European recovery program. Instead, we should like to call your attention to three particular aspects of the program with which the league is especially concerned:

1. Use of international machinery: The league proposes that the international machinery be used to the fullest in carrying out the European recovery program. The heart of the program—and one of the cardinal points on which its success or failure will hinge—is economic cooperation among the 16 nations. The more effective this cooperation, the faster will be the progress of European reconstruction; without it, there is little hope for recovery.

A solid foundation has been laid in the work of the CEEC—the Committee of European Economic Cooperation. This is the groundwork on which to build. Our Government should encourage the continued existence of the CEEC throughout the period of the European recovery program, to follow through the program agreed upon, to review and revise it as needed, and to initiate new projects of cooperation. The CEEC should serve as the focal point for the gradual integration of the economies of the 16 nations.

While recognizing that the administration of the European recovery program through the United Nations is not feasible at this time, the league is anxious to see the maximum use of United Nations machinery in carrying out the program.

In many instances cooperation is already progressing under the

auspices of the United Nations. The International Bank and Fund, the Food and Agriculture Organization, the International Labor Organization, and the Commissions of the Economic and Social Council—particularly the Economic Commission for Europe—are all concerned with various phases of the problem and can make valuable contributions. Their research staffs have gathered much of the data necessary to make reconstruction plans. They have set up the machinery and have gained experience in dealing with the problems. It is practical, as well as sound support for the United Nations, to take advantage of their facilities. The European Coal Organization has had a notable record in allocating scarce coal supplies among European countries. Its functions have now been taken over by the Coal Committee of the Economic Commission for Europe. Also within the Commission are a Transport Committee, which has recently worked out an agreement to reduce some of the barriers to highway traffic between various European nations; and the Timber Committee, which is following through on the recommendation of the International Timber Conference held last summer. Another outstanding example of economic cooperation has been the allocation of foodstuffs by the International Emergency Food Council, now a part of the Food and Agriculture Organization.

Many of these agencies include countries of eastern Europe which are not participating in the European recovery program. Since the resumption of trade between East and West is a major factor in the reconstruction of the 16 nations, cooperation between eastern and western Europe will serve the interests of the recovery program and should be encouraged as much as possible.

The 16 nations have indicated their desire to use United Nations agencies whenever possible. It is up to the United States to encourage this development, and to allow for the use of European recovery program funds by the United Nations, whenever its agencies are able to carry out portions of the program.

2. Best use of resources: The League is particularly concerned to see that United States resources are put to the best use where they can contribute the most to European recovery. We should like to suggest for your consideration two tests of the effectiveness of United States aid.

The first is the test of performance—the tangible progress toward recovery. The United States should require that the 16 nations make the efforts they have promised in production, in cooperation, and in stabilizing their finances. Through the power of review, and of annual appropriations, we retain the right to pass on these efforts. Our continued aid should be dependent on their continued progress. We would defeat our own purposes, were we to make our aid contingent upon the 16 nations reaching certain goals on specified dates. Recovery depends on too many unpredictable factors; it cannot be forecast to the ton of coal or to the bushel of grain.

There is also the test of observation—following through on the actual use of the resources we provide. The recipient nations must make it possible for observers to see where the European recovery program resources are being used. The United States should have officials in Europe whose task it is to report these facts back to the Government and the citizens of the United States. We suggest that it is appropriate for the CEEC to have its own observers who would

be extremely helpful to the United States representatives. The objective surveillance of Europeans by Europeans who are representatives of the CEEC could do much to lessen any odium attached to inspection. Knowing European habits and methods of carrying on industry, the CEEC inspectors could make a unique and important contribution.

As a citizen organization, we enter a request for clear and concise reports of the progress of the program.

3. Administration: The European recovery program will be, above all else, a focal point of United States foreign policy. The Constitution of the United States makes the President responsible for the conduct of foreign policy. He, in turn, relies upon his deputy, the Secretary of State. It is particularly important that the United States speak with one voice and that the European recovery program representatives abroad be integrated with the regular embassy staffs.

The League of Women Voters believes that a special agency, with a single administrator directly responsible to the President, should be created. In matters of foreign policy, the administrator should be subject to the direction of the Secretary of State. Aspects of European recovery program which can be handled by already existing agencies of government should be so handled. The administrator should have a small, flexible organization staffed by the most highly qualified personnel it is possible to assemble.

Never in peacetime has there been so much reason to bring to bear the best managerial skill from both government and private business. Never has efficiency been so needed. The League of Women Voters has always stood, not for circumventing government, but for making it efficient. Great good could flow from a fresh and thorough attempt to reach a new level of performance in the administration of the United States contribution to European recovery.

The League would also like to point out two dangers which we fear may handicap the program and make it something less than the effective instrument we want to have.

I began by mentioning our concern that action be adequate, and soon. The committee has heard much discussion of the proposed \$6,800,000,000 figure for the first year and a quarter of the program. To the League, there is nothing immutable about this figure. We believe that the estimates have been made and justified with care, but it is for the Congress to consider these estimates and determine upon an adequate figure. We suggest, however, a lesson which businessmen know well. When you are raising new capital to reorganize a business, you make sure your capital will be adequate. It is less of a risk if it is adequate. Insufficient funds invite makeshift methods and often lead to failure.

The League is also concerned with some of the conditions which the Congress may consider attaching to the European recovery program. A fundamental fact of the European recovery program is that, while United States goods are essential, the United States cannot perform the job. It must be done by the 16 nations. The program is theirs, not ours, and it is they who will carry it out.

It would hinder rather than help European recovery if the United States should attempt to regulate the domestic affairs of the 16 nations. We must deal with them as we would be dealt by were we in their situation. We must respect the prerogatives of independent

states. As long as the European peoples themselves, through freely elected representatives, determine their own courses of action, they are exercising the democratic process which we support. One of the objectives of the program is to enable these nations to continue as self-respecting, self-governing members of the world community. Forcing them to be subservient to the United States would defeat the goal we seek.

In conclusion, the League would like to focus attention once more on the long-range significance and the order of magnitude of the European recovery program. In fighting a major war, or in piecing together a shattered world we must rise to our full stature.

Bold strokes are needed. The United States is capable of making them.

Acting Chairman BOLTON. Thank you, Mrs. Stone. We certainly appreciate this very interesting statement you have made.

There may be some questions the committee would like to ask you. Mr. Jarman.

Mr. JARMAN. I do not believe I could possibly more thoroughly agree with every word of a statement than I do with yours, and consequently I do not have much to ask you.

Mrs. STONE. We certainly like to hear that, Mr. Jarman.

Mr. JARMAN. You are the only witness we have had here for some time with whom I have not disagreed in some respect. However, I do not disagree with anything you have said.

Mrs. STONE. Thank you, Mr. Jarman.

Acting Chairman BOLTON. Mr. Richards.

Mr. RICHARDS. I just want to congratulate you on your very fine statement. We appreciate your coming here and hope you will come more often.

Acting Chairman BOLTON. Mrs. Stone, I am not going to be so easy on you.

Mrs. STONE. Very well.

Acting Chairman BOLTON. You speak of our free institutions. In doing that, have you had any thought of controlled currencies, and whether we are going to urge those countries to free their currencies or whether we expect them to stabilize by controls? Have you people given any thought to that kind of thing?

Mrs. STONE. Yes, we have. We recognize some controls will be necessary. We hope that the 16 nations cooperatively will come to agree on methods and procedures among themselves.

There is no doubt that our advice will be sought, actually, particularly on some of these monetary matters, and it will be a very fine line to draw between advice against a background of principal and intervention. It will be very difficult to draw.

Acting Chairman BOLTON. Have you thought through to the goal of what we might dream of as possible again in the matter of currencies and the standards of them, whether we would do best to move toward a return of the gold standard?

Mrs. STONE. No; I have no position on that and the League has no position. I believe that is getting a little beyond the depth of our citizen's organization, not that we do not have experts who are interested in that, but we try to confine our stand to the ideas of the membership as a whole.

Acting Chairman BOLTON. You speak of international machinery being used to the fullest degree possible. To what machinery do you refer?

Mrs. STONE. We tried to enumerate some of these things to make that explicit. Some of them seem quite minor, perhaps. Perhaps the Timber Committee would be considered a small thing, but it operates within the grounds of an important raw material. And this is the plan which is being worked out for transport between eight or nine countries, making it possible for trucks to go across international boundaries, quite freely, among those countries who signed the agreement. That seems quite important.

Acting Chairman BOLTON. Do you feel that should be written into the legislation or is it a matter of administration?

Mrs. STONE. It is already in the proposed legislation in that it is permitted to use ERP funds for jobs that can be done through the United Nations.

Acting Chairman BOLTON. You are simply enumerating some of the things for our information?

Mrs. STONE. That is right.

Acting Chairman BOLTON. I think that is very helpful.

With regard to the people who are going to administer this, it will be, of course, a temporary job, about 5 years at the outside or maybe a little longer. How are we going to get the right type of people? They must be top-notch people, must they not, with backgrounds, judgment and so on? What would you suggest as a method to pry them loose from what they may be doing and get them to accept a position of this kind?

Mrs. STONE. I believe public opinion is already doing part of that job for you.

Yesterday, I had lunch with a very competent woman who has a good deal of experience in administration. She was personally feeling the challenge of ERP, and even though she was satisfied completely with her position, she felt the great urge again to get in and contribute to that temporary problem and program.

I think also of some of the men I know from Chicago and perhaps you remember some of the very fine men who came in here in the early years of the war—I am thinking of one as well qualified in the field of housing as any one individual, with one of the great Chicago real-estate firms, and I am sure he could be recruited on this program. In other words, I think they see the larger patriotic appeal that this has, and its importance to our long-term welfare.

Acting Chairman BOLTON. You bring in something that is always of interest to me. You would feel that there might be quite a number of very well-equipped, experienced, trained, and able women who might be put into this?

Mrs. STONE. I do, indeed.

Acting Chairman BOLTON. Thank you very much.

Mr. MALONEY. May I ask one question, if you are through with the witness?

Acting Chairman BOLTON. Yes, indeed.

Mr. MALONEY. You state that these 16 countries should stabilize their finances, and keep to the various promises they have given. Later on, you state that we should not attempt to regulate domestic

affairs. Are those statements contradictory or can you line them up together?

Mrs. STONE. Before you came in, I said there must be a very fine line between the advice which we must give and what we are to require, and that we should hope that the CEEC would develop among the 16 nations themselves, a good deal of the strength necessary to cope with that thing.

There is no doubt but what we must be very watchful there of the situation.

Mr. MALONEY. Do you not think the countries will feel we are interfering with their internal affairs by demanding that their currency be readjusted, and mentioning various things we do want to take place?

Mrs. STONE. Probably, to some extent. This appeals to me as one of the greatest challenges to human relations we have ever embarked on, if not the greatest.

Mr. MALONEY. It is a little dangerous, though?

Mrs. STONE. It is.

Mr. MALONEY. Thank you.

Acting Chairman BOLTON. I wanted to read you the resolution with which we started our work in this committee on this subject:

That the committee proceed with hearings on United States Foreign Policy for a Postwar Recovery Program and the first step be consideration of proposals for a European recovery program, including H. R. 4840 and H. R. 4859 and similar measures.

I do that because from time to time we want to remind ourselves that this is not a matter of just Europe or the United States, it is a matter of world recovery, and it is not only world recovery but it is the building of a new world, which is a very different thing again which I believe you women have a lot to do with.

Mrs. STONE. I think we as an organization with long experience in the field of international relations would like to congratulate your committee on that approach.

Acting Chairman BOLTON. If there are no more questions, we take this opportunity to thank you very much for being with us, Mrs. Stone.

Mrs. STONE. Thank you.

Acting Chairman BOLTON. Our next witness is another Mrs. Stone, Mrs. Margaret F. Stone, Chairman of Legislation of the National Women's Trade Union League of America.

STATEMENT OF MRS. MARGARET F. STONE, CHAIRMAN OF LEGISLATION, NATIONAL WOMEN'S TRADE UNION LEAGUE OF AMERICA, 317 MACHINISTS BUILDING, WASHINGTON 1, D. C.

Mrs. STONE. The League is strongly behind the European recovery program for a very simple but a very compelling reason; we have learned that the United States cannot prosper when there is want and chaos in other parts of the world, particularly in those parts with which we normally carry on the great bulk of our foreign trade. Over the years our League members have come to understand that a free flow of trade between our country and the countries abroad, particularly the industrial nations of Europe, has a direct bearing on our own

standard of living here in the United States, and even on our national security.

The object of the plan is, of course, to make the 16 European nations that have already signified their intention of helping themselves and of cooperating with one another, self-supporting, and so we feel that it is all-important to give enough aid to achieve this object. The United States will be pouring money and goods down a rat hole if we give only enough for relief, and fall short of the amount necessary for rehabilitation. The League would urge, therefore, that the full amount of \$6,800,000,000 be authorized for the first 15 months, since this figure was arrived at after long and careful study, and its fundamental soundness shown by the fact that it was closely approximated in two separate estimates carefully made, one by the State Department and the other by the Harriman committee.

While our members do not pretend to be experts on administrative details, the League has taken a definite stand on one or two specific points. We do not favor a Government corporation, but prefer a single administrator responsible directly to the President, but whose actions on matters affecting foreign policy would be subject to the control and direction of the Secretary of State. We believe also that the legislation as finally written should provide for a close tie-up between the representatives of the program abroad and our ambassadors in the countries receiving aid.

A second important point that we cannot stress too strongly is our belief that the United States should not interfere in the domestic affairs of the participating countries. Therefore, we should oppose and do oppose a provision in the proposed legislation that all commodities should be paid for. It will be utterly impossible for these countries to get back on a self-supporting basis—and our purpose will thus be defeated—if, in the course of the next 4 years, we saddle them with a new load of debt. Any financial plan that is workable must be based on each country's ability to pay. There will have to be outright grants for some, loans for others, and perhaps a mixture of both for some. Also, and most important, the holding by the United States of vast sums of local currency of various European countries would inevitably lead to United States interference in the economic and perhaps even in the political life of those countries. We are unalterably opposed to that. We would prefer a plan whereby each country receiving aid would put into a special account the equivalent in local currency of goods and services received by them as a grant, and would use this money for productive purposes and to help stabilize the currency in ways which might be specified in an agreement entered into by the United States and each of these countries.

The National Women's Trade Union League has strongly supported the United Nations and its various organs, and we should like to see written into any foreign rehabilitation legislation a definite statement of United States intention to cooperate in every possible way with the United Nations and its affiliated agencies. Naturally, all of the agreements mentioned above between the United States and the European countries should be registered with the United Nations as required by the Charter.

The matter of time is critical. Prompt action on this legislation is essential to make success of the program possible. Emergency aid has been provided up to April 1, and any delay beyond that date in

appropriating the necessary funds would greatly increase the cost of the program and greatly lessen its chances of achieving the desired goal.

Finally, we look upon the European recovery program not merely as a matter of self-preservation, but as a creative ideal containing the first ray of hope for establishing unity in Europe and eventually bringing about the conditions of peace for which we have been looking in vain since the end of the war.

Acting Chairman BOLTON. We are particularly happy this afternoon to have our ranking Republican back with us, Mr. Chipfield. He slipped on the ice and shattered his elbow. The last time he came up from the hospital to vote, he was in rather bad condition. It is good to have him back.

Mr. CHIPFIELD. Thank you, Madam Chairman.

Acting Chairman BOLTON. Mr. Chipfield.

Mr. CHIPFIELD. You would not feel, would you, that efforts on our part, and on the part of the 16 participating countries, to assist them to stabilize their currencies, so that there would be international exchange of currencies, would be in any way interfering with the domestic affairs of their sovereignty, would you?

Mrs. STONE. No; I should not, Mr. Chipfield, and the 16 nations have signified their willingness and interest in stabilizing their currencies. That should be in the agreement.

Mr. CHIPFIELD. It seemed so to me, because if we do not arrange for stabilization of the currencies and exchange of international currencies, we can bring these countries back to an economic standard of perhaps 1938 or even above and still they would require continued aid. It is just like giving a person blood transfusions without finding the cause of the hemorrhage. Unless we concentrate on that point, so when we are through we will have this international exchange and there will be exports and imports flowing normally, I think the plan would fail.

I for one would like to see more emphasis put on that angle of it. For example, would you agree with me on this: We might get Greece up to an economic standard that was prewar or above, but if the currency was wrong or it was not stabilized and there was no means of exchange, we would be no better off unless we continue to give supplies to them. I believe that is one of the vital problems this committee and the Congress is faced with.

Acting Chairman BOLTON. Will the gentleman yield?

Mr. CHIPFIELD. Certainly.

Acting Chairman BOLTON. You suggest, then, that we may be involved in a reconsideration of some of the World Bank and monetary provisions which do peg the currencies and forbid certain action on the part of those countries, and from which some of them transgressed.

Mr. CHIPFIELD. You will remember we have had this subject with us since the Hoover administration. We had the International Conference on the subject. We had the Bretton Woods agreement and so forth. I wonder if we are not looking through the wrong end of the telescope. When we give this reconstruction help, will they maintain this position without additional help? We talk about a general recovery plan without concentrating on one particular thing that will make them self-sufficient after we give aid. I have been thinking about that situation, and at the proper time, I would like to

have the members of this committee discuss that phase of it. I believe that is the nub of the situation.

I understand you want this program to be adequate. Otherwise you might feel it would be not worth while, it being just relief and not rehabilitation.

I should not suggest trying to pin you down to any suggested breakdown of these amounts that make up the 6.8 billion dollars, but I know we have had little in the way of break-down furnished. In the case of Iceland, we have a figure of \$13,000,000, and for Belgium and Luxemburg, \$323,000,000. Those are the figures given to us.

I wonder if under the Export-Import Bank, if we could not get some money to Iceland. I wonder how essential it is to give grants-in-aid or even loans under a plan of this kind to a country like Portugal. I was in Luxemburg and in Belgium. I saw the extent of recovery there. There was no unemployment.

Just because they are all in the club, here, and are asking for something is not reason to give it to them, unless it is justified. I think a very important thing for this committee to do is screen these requests and see if they are justified.

I do not believe there would be any objection toward our committee doing that and even cut the amount down if it was justified.

Would you agree with that, Mrs. Stone?

Mrs. STONE. I feel it is very important to give enough money to get the countries on their feet and not just enough for food and relief. I am not a financial expert, and I am not an expert in any field.

Mr. CHIPERFIELD. I did not mean to pin you down to any particular figure. I was using those as illustrations, only.

For example here is what we are up against as a committee: First, we have an amount for food that is necessary to carry on, just as relief. They then break it down into special categories. Here is tobacco. For the first 15 months under the 6.8 billion dollars they are asking \$264,883,000 for tobacco. I had the privilege of talking to a man who was just back from Greece. He tells me one of the principal crops in Greece is tobacco; that they usually had a market for tobacco in Germany, which does not exist, now; that there is a surplus crop of tobacco in Greece and also a surplus in Italy.

Now I think this committee should certainly try to find out, in order to rehabilitate these 16 countries, whether we should spend for the first 15 months, that figure for tobacco.

Acting Chairman BOLTON. I am wondering whether that would be spent for Greek tobacco, or not, and then that tobacco used where it should be used, allowing the Greeks to get the dollars?

Mr. CHIPERFIELD. I was wondering the same thing and was hoping perhaps it could come from the other countries and give us something in return. It would be a three-way proposition.

I do not say tobacco is not one of the essential things.

There is also a figure here for meat of \$227,388,000. Mr. Anderson says the only thing we are going to send over there is horse meat. That is an awful lot of horse meat.

Mr. MALONEY. Will the gentleman yield at that point?

Mr. CHIPERFIELD. Yes.

Mr. MALONEY. When we were in Germany and many of the countries of Europe, there was a surplus of meat.

Mr. CHIPERFIELD. Mr. Maloney, we had testimony here that there is more beef on the hoof in France than prewar.

Those are things we should examine.

We have here \$609,000,000 listed as "Other imports."

If we had an appropriation for a city council or something, and they had "Miscellaneous" in it, amounting to \$600,000,000, you would want to find out something about it, would you not; so when they say to us, "Take it or leave it," I want to find out if this is justified without trying to scrimp or pinch. I think we have a solemn duty here to do a good job, not only in screening this, as far as the requirements are concerned, but you must take into consideration our own availabilities in short supply.

Unless we do that, I do not think we are doing our job. When you come in and say, "You must give them 6.8 billion dollars without taking into consideration those factors," I am wondering if we are not taking too much on good faith. That is what worries me.

No one wants to keep food from hungry people. However, the interim aid bill was to feed people until we could consider this plan. However, there was \$184,000,000 for coal included, not to warm people, but to take care of the French industries. There was \$10,000,000 for France for the International Bank fund. There was \$20,000,000 in there to service the French debt. Therefore, I say it is a complicated question. I thank you very kindly.

Acting Chairman BOLTON. Mr. Richards.

Mr. RICHARDS. I have no questions, Madam Chairman. I do want to say, Mrs. Stone, your statement was very fine and very well thought out.

Acting Chairman BOLTON. Mr. Maloney.

Mr. MALONEY. Mrs. Stone, I am very much interested in what the American people are thinking of this plan. I would like to ask you about your league. How many women do you represent?

Mrs. STONE. I always hesitate to say.

Mr. MALONEY. Give it to me in round figures.

Mrs. STONE. I suppose I represent, really, the 25,000 women in the actual local leagues we have over the country. We have many affiliated unions with women members which brings the number of women who get our literature up to over 1,000,000, but I do not represent that 1,000,000 women. I represent the 25,000 that are in our local leagues in various parts of the country.

Mr. MALONEY. How was this statement endorsed by the women of that league?

Mrs. STONE. We had our convention in May. That was before Secretary Marshall made his famous speech and the plan was evolved. As soon as Secretary Marshall had made his speech, and very soon after that, we sent a letter around to our executive board members who are authorized by the organization to act for them in between our triennial conventions. We had a unanimous vote by our nine board members to support the Marshall plan.

Mr. MALONEY. Did the 25,000 women vote that way or was that just the nine members of the board?

Mrs. STONE. After the board has voted to put anything on our legislative program, that goes out to all of the local leagues, and they are asked to read it at their next meeting. That is done and the leagues then either send in an indorsement or objection to having it

on the program. Therefore, we know that a majority of our members do approve, although individual members may not, of course. They have had an opportunity to send in objections and have not done so.

Mr. MALONEY. Thank you very much.

Acting Chairman BOLTON. I would like to put Mr. Chipfield's question in just a little different way, if I may. We are all deeply concerned with our responsibility to the taxpayers, and we are quite certain that such groups as yours and in fact all women's groups, are interested in that, because women object very materially to debts and borrowings and things of that kind. I think we are perhaps more inclined to keep within budgets.

Mr. MALONEY. You may know some women, Mrs. Bolton, but there are others who are not so inclined.

Acting Chairman BOLTON. I am thinking of women's colleges and so on. Their record is very high for having no debts.

If, as Mr. Chipfield suggested, in our studies of the break-down figures which of course we must and are making, if we find there are ways by which the same results can be had at very much less than the 6.8 billion dollars, certainly you and your organizations would have no objection to our being rather insistent on having it done that way, would you?

Mrs. STONE. No; I am sure I would not.

Acting Chairman BOLTON. The goal will always be before us.

Mrs. STONE. Yes.

Acting Chairman BOLTON. Mr. Jarman.

Mr. JARMAN. Madam Chairman, I do not know whether my attitude toward this proposal is right or not. If it is, to me, these two witnesses this afternoon have provided as encouraging testimony as I have received. They impressed me equally well. To me it is outstanding that the women of this country, or at least those represented by the two ladies who have addressed us, and I imagine they represent a cross section, are far ahead in their thinking, I believe, either of the people in general, or of the Congress. That is, if I am right, the women of this country are evidently far ahead of the thinking of either the people or the Congress.

I agree thoroughly with your statement regarding a careful study having been made by two commissions. While I agree with my colleagues, we should find out all we can about it, at the same time I give those people who made that study, who are also officials of this Government, credit, not only for ability, but for conscientious representation of the best interests of this country, just as we Members of Congress try to do.

Acting Chairman BOLTON. These figures were gathered last summer?

Mr. JARMAN. Yes.

Acting Chairman BOLTON. After all, there has been a good deal which has gone on in those countries. Italy has devaluated the lira and so has France her medium of exchange. So much has happened that it may well be that there is a difference.

Mr. JARMAN. That is right, including the fact that prices are 10 or 15 percent higher.

I also thoroughly agree with your statement that time is of the essence in this matter; that it would be unfortunate for us, even at the expense of appropriating \$1,000,000 too much by not going into

too many details, for us to fail to pass this legislation in time for it to reasonably serve its purpose. However, there is one saving clause of which I hope we will not think too much, either this committee, the House generally or the Senate, and that is the authorization for the RFC to authorize something when the legislation is passed.

Acting Chairman BOLTON. Thank you very much, Mrs. Stone.

We will next hear from Mrs. Mabel Newcomer, a member of the national board of the AAUW.

**STATEMENT OF MABEL NEWCOMER, PROFESSOR OF ECONOMICS,
VASSAR COLLEGE, AND MEMBER OF NATIONAL BOARD OF
THE AMERICAN ASSOCIATION OF UNIVERSITY WOMEN**

Miss NEWCOMER. I appear before this committee to urge, in behalf of the American Association of University Women, immediate action to put into effect the European recovery program.

The American Association of University Women today has a membership of approximately 98,000 women college graduates—homemakers, teachers, and other professional women. The association is organized in every State of the United States in 1,028 local branches.

The association has long been on record in support of international cooperation, fully recognizing that such cooperation requires decisive action as need arises. In 1947, at its national biennial convention, the association voted to support "measures to promote international economic cooperation and reconstruction" and "measures to promote international rehabilitation, including international cooperation for relief in the postwar emergency." The association also voted full support of the United Nations; support of the ITO; international cooperation to encourage the production, distribution, and consumption of food to raise the standard of living and nutritional level of peoples everywhere; and continued support of reciprocal trade agreements.

In accord with the above convention action, the American Association of University Women, following its authorized procedures, supports the basic principles of H. R. 4840.

It is believed that the present situation in western Europe is critical; that without prompt and substantial aid from the United States the future peace of the world is seriously threatened. Extreme poverty tends to create unrest. It was no accident that brought the Nazis into power in a period of prolonged depression.

Need for aid: The need for aid in western Europe is clear. Some countries have restored production to, or almost to, prewar levels. But prewar production does not mean prewar standards of living, since there has been a substantial increase in the population of this area. In addition, there has been a lag in repairs and replacements, and heavy losses in overseas investments. England and the Netherlands, in particular, have suffered from this. Moreover, some countries are still far below prewar production. This is notably true of western Germany whose coal and steel production are the key to recovery of western Europe.

The first need is for food. Western Europe has long been a food-importing area, and the fact that most of the agricultural surpluses of eastern Europe are no longer available to the west together with

the shortage of fertilizer, makes this area more than ever dependent on the Western Hemisphere. My own first-hand information is limited to Germany, where I spent 10 months last year, but it was clear from all that I saw and heard that food rations in Germany were, and still are, wholly inadequate for health and physical efficiency. Only through increased rations can coal production and industrial production as a whole be substantially increased.

Fuel and clothing are likewise needed merely to maintain a relief program. But the problem is not just a problem of relief. It is, I believe, generally accepted that a recovery program is essential. A relief program would prove a continuing burden to the United States, whereas a recovery program should make western Europe self-supporting again. This will not only relieve us from the support of a gigantic and permanent relief program, it will restore our best foreign markets. In the prewar period, more than one-third of our exports went to this area. And, more than this, it will allay some of the unrest which threatens our future peace.

Essentials of European recovery program: (1) If the European recovery program is to achieve its purpose the United States must provide, first of all, adequate funds. The initial \$6,800,000,000 for the first 15 months proposed by H. R. 4840 is none too large, judging from the findings of the Harriman committee and others who have examined the problem carefully. I recognize that it difficult to estimate such needs with any accuracy. The necessary data are difficult to obtain, and crop failures and other contingencies cannot be foreseen. As an economist, however, I am aware that inadequate funds are sometimes more wasteful than excess funds. Business failures often result from too little initial capital. With appropriate controls, excess funds need not be spent wastefully, or at all; whereas inadequate funds can block the program completely. In this case, inadequate funds will at best only finance a relief program which would leave us with a continuing burden. At worst, this might encourage new Fascist or Communist dictatorships.

(2) It is important not only to provide an adequate initial appropriation, but to give some assurance that the program will be supported over a period of years. And, since both adequacy and economy require continuous adjustment to changing conditions, it is important that a flexible and responsible administration be set up, such as that provided for in H. R. 4840.

(3) It is believed that it would be false economy to attempt to specify in any detail the way in which the money is to be spent. As conditions change and the plan develops, limitations that may appear reasonable with our present knowledge might later prove to be serious obstacles to the success of the plan. For this reason the amount of discretion provided in H. R. 4840 appears to be desirable.

(4) It is important, also, that some steps be taken to insure that the benefiting countries use the funds as intended and themselves make every effort to restore production. The original work of the Committee of European Economic Cooperation gives some hope that this will be done. But continued production effort, stabilization of finances, and cooperation among the nations concerned are all essential to the success of the plan. Checks on our part should be possible, through continuous review and suggestion, with, of course, the power to withhold funds when there is serious misuse of our aid. It is

equally important, however, that we do not interfere needlessly. The success of the plan depends on European initiative and cooperation, and this cannot be achieved if we use this aid as a club. If countries included in the program find it necessary to carry socialization of industry further, our European recovery program should not stand in the way of such a decision. As long as this does not retard industrial recovery or prevent the development of democratic government, it is compatible with the basic purposes of the program. Tangible industrial recovery will be the best test of wise use of funds.

(5) Another factor that is important to consider is the extent to which the aid takes the form of loans. It seems probable that not only the amounts provided for relief, but also part of the recovery funds, should be outright grants rather than loans. If European investments were good risks in the business sense, private financing would take care of the problem. We cannot afford to repeat our experience with the debts of the First World War. We collected only ill will in consequence of our demands for payment, which did not contribute to international peace. The ability of European countries to pay after this war will certainly be much less than it was after the First World War.

(6) Finally, it is essential that the way be left open to cooperate with existing international agencies whenever possible. It is recognized that with the present disagreement between the great powers, to put the European recovery program in the hands of the United Nations at this time would only create a new deadlock which would neither strengthen the United Nations nor promote European recovery.

However, the problem of European industrial recovery is of international concern, and the United Nations and related international organizations should be given the opportunity to take responsibility for it whenever this is practicable.

Relation of the European recovery program to the domestic economy: It is recognized that an expanded program of European aid puts an additional strain on our domestic economy at a time when there are few unused productive resources. Yet we, as well as Europe, stand to gain by the European recovery program. It is our investment in peace and prosperity. We can well afford to spend \$5,000,000,000 a year, or even \$10,000,000,000, to get western Europe on a self-sustaining basis again. During the war, we spent approximately \$100,000,000,000 a year for destructive purposes. If we could afford \$100,000,000,000 for war, we certainly can afford to spend 5 or 10 billion dollars today for peace.

It is for these reasons that the American Association of University Women is supporting a European recovery program, and specifically H. R. 4840. We believe that it is the first essential for future peace. And we believe that it is of the greatest urgency.

Acting Chairman BOLTON. Thank you, Miss Newcomer.

Mr. CHIPERFIELD. You mentioned in your statement several reasons why it would be necessary to bring the economy of western Europe up beyond the 1938 or prewar level. Is there not an additional reason that makes that necessary?

Before World War II, these 16 participating countries received about one-fourth of their income, or 25 percent of it, from investments abroad—ships' services and invisible assets which are now either

liquidated or reduced considerably in amount. For that reason, do we not have to bring these countries beyond a 1938 level, to make up for that loss of income?

Miss NEWCOMER. Yes; they must balance their exports now.

Mr. CHIPERFIELD. Thank you very much.

Acting Chairman BOLTON. Mr. Jarman.

Mr. JARMAN. Madam Chairman, I think you had better bring more lady witnesses here. I think we need some to counterbalance some of the testimony of the men.

But for these hearings, I would have been in Alabama this week to address a State conference or convention of your organization, Miss. Newcomer. I am very sorry that circumstances prevented my being there, but I think this is sufficiently important for my not having gone.

You said the relief would prove to be a continuing burden to the United States. You also said that inadequate funds are worse than excessive funds. I am fearful that, if any consequential reduction occurs, we will reduce it to a relief program only; and that would just simply be an indefinite proposition which, as you say, would be most wasteful because of concluding it in 4 or 5 years as we hope; if the American standard of humanitarianism remains as it is, I am afraid it would be an indefinite proposition. I believe that is one of the great arguments for authorizing approximately this amount, even if we appropriate a little too much.

Mr. CHIPERFIELD. Madam Chairman, we are fortunate in having an expert here on economic affairs. I would like to have her comment, if she would be kind enough, about the necessity of the stabilization of the currencies and bringing about this international exchange.

Do you feel that that is one of the things necessary to be done, besides general recovery, in order to have a permanent recovery that will not require aid continually?

Miss NEWCOMER. I feel that is extremely important. I have always hoped that the machinery set up at Bretton Woods would do that job.

Mr. CHIPERFIELD. For some reason they seem to be holding off until they find out the effect of this program. I do not say that critically, but I just do not understand why they do not take some action to bring about the recovery that we all desire.

Miss NEWCOMER. I think the two probably have to go together.

Mr. CHIPERFIELD. I think probably so.

Thank you very much.

Acting Chairman BOLTON. Mr. Javits.

Mr. JAVITS. Miss Newcomer, have you any ideas for us, how we might go about checking this amount of \$6,800,000,000? What would you do to really pry into it and find out if it is justified?

You know we have the right to raise it, too, if it is inadequate.

Miss NEWCOMER. I think just the kind of investigating committees that have been working on it will suffice.

It is my feeling that you will never be sure, because the thing changes so continually, and the important thing is to have essential controls and the essential flexibility in the administration so that, as conditions develop and as more information is made available, adjustments can be made. I do not see any possibility of knowing now exactly what sum is going to be needed.

Mr. JAVITS. Do I gather, then, that your statement on page 3 under item 4 is your position:

Checks on our part should be possible through continuous review and suggestion with, of course—

and I emphasize this next clause—

the power to withhold funds when there is serious misuse of our aid.

Now, do you consider the power to withhold funds to be the major policy decision possible under the administration of this program?

Miss NEWCOMER. I think it should be used only in extreme cases. I think it is important to give them the benefit of the doubt.

Mr. JAVITS. Do you feel we should entrust any administrator with the power to withhold funds, or should we reserve that right only to the President?

Miss NEWCOMER. I believe reserving funds for the whole nation or a whole nation, or withholding them for an entire nation, that should be the President's decision.

Mr. JAVITS. Do you feel that would be a matter of the highest foreign policy?

Miss NEWCOMER. I am not an expert in the field of administration, but I should think so.

Mr. JAVITS. Do you feel that residual power to withhold would constitute interference with the affairs of these countries who are parties to the program?

Miss NEWCOMER. I see no possibility of it not interfering to some extent in the affairs of other nations. As Miss Stone said, it is a fine line.

Mr. JAVITS. But it would not be a coercive interference? You do not believe it would be? I refer to the power to withhold.

Miss NEWCOMER. I agree. Let me put it this way: The interference probably would be coercive under certain conditions. It might be inevitable. I am speaking only for myself now. I would not say that you can never interfere. I think it is awfully important not to interfere unless the purposes of the aid program itself are obviously not being carried out.

Mr. JAVITS. Your very next sentence says:

It is equally important, however, that we do not interfere needlessly.

Miss NEWCOMER. That is right.

Mr. JAVITS. Would you say that the power to withhold is not needless interference?

Miss NEWCOMER. It depends on how it is used. Suppose you got a dictatorship which was using these funds for armaments or something of that sort; obviously that is a misuse of the whole foreign-aid program.

What I did say here, I think, is that the test should be whether they are going ahead with production and support the purposes of the program.

Mr. JAVITS. Could we agree that you would not give the power to withhold to any lesser authority than the President or the Congress? You would not give it to an Administrator?

Miss NEWCOMER. Not for a nation as a whole.

Mr. JAVITS. Thank you very much.

Acting Chairman BOLTON. You notice, of course, that Mr. Javits gives evidence of his legal training and capacity.

Mr. MALONEY.

Mr. MALONEY. Miss Newcomer, you mentioned that any change of a government to socialism should not affect this plan, or affect our giving or making contributions to that country.

In England, the socializing of the coal industry has caused an increase in the cost of coal production, and a vast increase in the cost of coal production.

Would that lead you to believe we should stop aid to a country that embraced the Socialist form of government and took over government ownership of various industries that would increase their cost of production?

Miss NEWCOMER. Yes. I believe we have no right to say that. I do not believe you can always prove that it is more expensive.

Mr. MALONEY. I think you will find the figures on the coal production in England have increased greatly since the mines have been socialized.

Miss NEWCOMER. That is for a short period. That is not final evidence. Always a new administration has difficulties.

Mr. MALONEY. The overhead, I understand, has considerably increased.

Miss NEWCOMER. I think if you find gross inefficiency, so that the aims of this program are being interfered with, you are in a position to do something about it.

Mr. MALONEY. That brings us to the point of interfering with the internal factors of a country and their sovereignty, does it not?

Miss NEWCOMER. I think as soon as you put any strings on this at all, you have done that. It is a matter of reasonable interference, and that is where you have a fine line.

Mr. MALONEY. Do you believe that the governments of these countries will for a period of years, say a period of 4 years, subject themselves to interference with their own sovereignty? I ask that as a practical question.

Miss NEWCOMER. Do you mean would they accept this?

Mr. MALONEY. I believe they will probably accept it in the beginning, but after a short period of time, there may be new members of the cabinet or the government who will dislike their sovereignty being interfered with in this manner and will object to the plan. What is your thought on that?

Miss NEWCOMER. I do not see that you need to have interference any more than one business enterprise interferes with another when a loan is made. There are certain strings tied to that loan. This happens, perhaps, to be a gift, but you can tie strings to it in the same way you do a loan.

Now the other party to the contract does not have to accept that.

The only point we wish to make, here, is that we should not set up in advance the criteria which will determine whether we give them money or not.

Mr. MALONEY. That will be a bilateral agreement?

Miss NEWCOMER. Yes, but we will not dictate that they may not socialize on the chance that it is inefficient.

If in the long run it turns out to be clearly inefficient and they are

not getting the increase in production, which is our aim, then that is something else.

Mr. MALONEY. I feel it to be rather different than a contractual relationship between two parties, because you can void the contract and each go your separate ways. However, in this, it is a government involved and the good will of a government involved and it is vastly different than just a contractual agreement.

Acting Chairman BOLTON. Though it is government agreement, still the understanding in the beginning is that those accepting these agreements for grants in aid or loans do so on the basis of certain stipulated things, and therefore it would not surprise them. If they violate one of those, the relief is stopped.

Mr. MALONEY. There will then be an unfriendly feeling between that country and our own country.

Acting Chairman BOLTON. That unfriendly feeling may be on our part, that they had not lived up to the thing they agreed to.

Mr. MALONEY. I do not like to see that appeasing relationship develop if we can help it.

Acting Chairman BOLTON. If there is any danger of considering this an appeasement measure, we better not touch it, because this is not an appeasement measure, this is a rebuilding of the self-respect of a nation.

Mr. MALONEY. "Appeasement" may not have been quite the right term, but, taking our past experience, we would do almost anything to avoid rupture with a country.

Acting Chairman BOLTON. We hope this will be a result of the knowledge we have gained out of unfortunate past experience.

Mr. MALONEY. I hope we do gain from that experience.

Thank you.

Acting Chairman BOLTON. Thank you very much, Mrs. Newcomer. I am very proud of all three of you and am happy to have had the privilege of being in the chair this afternoon.

Mr. JARMAN. I would like to comment on what a very able as well as charming chairman we have had today.

Acting Chairman BOLTON. The gentleman may not be from Ireland, but he can always be depended upon.

The following communications and statements, being six in number, have been submitted for the record and will be included in the record at this point.

(The documents referred to are as follows:)

INGOLDSBY, COLES & WRIGHT,
Washington 5, D. C., February 9, 1948.

HON. CHARLES EATON,
Chairman, Committee on Foreign Affairs, House of Representatives,
Washington 25, D. C.

MY DEAR MR. EATON: During the February 4 meeting of the Committee on Foreign Affairs, Mr. William Davies received the committee's permission to file a brief for the record on behalf of the Foreign Freight Forwarders and Brokers Association and its affiliated organizations. For your information, a copy of that brief is enclosed.

Many thanks to you and to the committee for the courtesy which has been shown us.

Sincerely,

MARVIN J. COLES.

BRIEF SUBMITTED BY MARVIN J. COLES REPRESENTING THE FOREIGN FREIGHT FORWARDERS AND BROKERS ASSOCIATION OF NEW YORK AND AFFILIATED ORGANIZATIONS

Freight forwarders are the connecting link between our domestic and foreign transportation systems. To explain the functions performed by these freight forwarders, let me give you an actual example of the work they do. Suppose that farm machinery, or any other product, is sold or given to any European country. That machinery is probably manufactured somewhere in the Midwest. The manufacturer places it aboard a train for shipment to the seaboard, consigned to his forwarder or other port representative. On arrival at the port, arrangements must be made for shipping space aboard a seagoing vessel, bills of lading and consular invoices must be prepared, our Government's requirements must be fulfilled, marine insurance must be arranged, and the cargo has to be physically moved from the railhead to the ship's hold. To handle these jobs, ocean freight forwarding firms exist in every major port city and have performed these functions for many generations. Without them, our foreign commerce would have great difficulty in moving.

At the outset, let me add that we are here talking only of the ocean freight forwarders, sometimes referred to as the "foreign freight forwarders," although they are American citizens, because they ship exports to foreign destinations. Let me emphasize, moreover, that all of the freight forwarders' functions are performed in this country. Let me also point out that, in the port of New York alone, these freight forwarding firms employ over 10,000 people. Perhaps the best evidence of the value of their work is that for many many years, almost all large exporters have relied upon their services for the movement of their export cargoes. In brief, their function is to supervise export movements through all United States ports, including the preparation of all documents and Government permits, the arrangement for physical movement of the cargo to the ship, the arrangement of shipping space and the general chaperonage of the cargo in its movements to the sea. In general, they act as the agents of the shipper in performing functions which that shipper otherwise would be required to perform himself, and also perform services for the ocean carrier.

Legislation now pending before this committee for the relief and rehabilitation of the countries of Europe is presently of overwhelming interest to our ocean freight forwarders. While this program means life to many of the people of Europe, its improper administration could mean economic death to our freight forwarding industry. During the coming few years, it is probable that relief cargoes will constitute the major part of all export shipments from this country to Europe. Estimates which I have seen hypothesize that they will make up, directly and indirectly, about 80 percent of all export shipments. Dollar shortages, I am told, are so severe that almost all said foreign purchases will be from these relief funds.

If these relief cargoes are handled through ordinary channels, freight forwarders have no fears and ask no favors. But actions in recent years by our own Government agencies and the agencies of foreign governments in the handling of previous Government cargoes sent abroad, have led to the fear that the handling of relief supplies may put our commercial freight forwarders out of business. The primary fear of the freight forwarders is that under the relief program either a Government agency, or agents of the foreign nation recipients, will handle the actual forwarding of relief cargoes. In our fear we see the possibility of the Army transportation service or another Government agency taking over forwarding functions for all foreign relief cargoes, as they have for shipments to the occupied areas, and even to some unoccupied areas such as Greece, if relief supplies are shipped directly by our Government. If the European relief program provides a system of credits whereby the foreign nations can do their own purchasing in this country, our worry is that, as they did early in the war, the recipient nations will establish their own purchasing missions and handle the forwarding of their purchases through their own forwarding organizations. May I add that these fears are not mere witches' tales. On the contrary, experience with the large-scale movement of Government cargoes during the recent war indicated that they are very real. Our fears are intense because their realization would mean that many freight forwarders would be ruined financially.

Early in the recent war, the extent to which the Army expanded its forwarding activities and the prevalence of foreign nations forwarding missions in this country resulted in serious economic loss to the American ocean freight forwarders. In order to prevent their being driven from the business which they had built up over many years, the forwarders appealed to Congress. After thorough hearings, the Congress decided that their position was just: in the so-called Bland Freight

Forwarding Act, codified as section 217 of the Merchant Marine Act of 1936, as amended, Congress provided that lend-lease and other nonmilitary government cargoes should be shipped through the facilities of commercial freight forwarders such as those I here represent.

May I add that this remedy to the forwarders was given not only on the theory that they should be protected against an unfair type of competition in an abnormal export situation, but also because it was found by Congress that the welfare of the postwar American merchant marine and our postwar foreign commerce required the maintenance of our private freight forwarding industry. The Freight Forwarding Act was not a mere wartime measure, but remains upon our statute books and is still the expression of congressional policy concerning the importance and the utilization of our private freight forwarding industry in the postwar as well as wartime period.

As I previously mentioned, the Freight Forwarding Act contains a separate sentence providing that lend-lease shipments should be included with its coverage. Under that clause, a large proportion of commercial type lend-lease shipments were made through our private freight forwarders. I have been informed by Government people who were close to this program that the service provided by the freight forwarders was not only more efficient and more expeditious than that which had been provided by the Army and by the foreign government freight forwarding agencies, but also that its cost to the taxpayers of this country had been less. It seems to me obvious that if the relief cargoes shipped under the bill now pending before this committee are similarly serviced by private freight forwarders, they, too, can be handled more cheaply and more efficiently than by any other method. It stands to reason that the long existence experienced private enterprise forwarders who have met the competition of each other and who have for generations provided a service which large-scale shippers have deemed more economical to use than to set up their own forwarding organization is the best possible proof that use of private forwarders will be both cheaper and more efficient than for our Government or the recipient governments to set up their own freight forwarding organizations. Moreover, use of these private freight forwarders will be in keeping with the American tradition and will tend to preserve the private enterprise system which is the basis of our economic and social life and which the relief program is designed to preserve throughout western Europe.

One thing I should like to point out most clearly is that the cost to the Government for utilizing freight forwarders is extremely small and considerably less than if the services were to be performed by Government agencies. Revenues paid the freight forwarders come from two sources. First are forwarding fees, paid by the shipper for particular services such as preparing necessary documents. Normally these range from a few pennies to but a few dollars. The second source of revenue of the forwarders comes from what is known as brokerage, and is paid without any cost to the shipper. In return for arranging shipping space and the other services which he performs, the freight forwarder receives from the shipping company $1\frac{1}{4}$ percent of the freight revenue paid by the cargo. For example, if the Government were to make shipment of a commodity which paid the ship company a freight charge of \$1,000, the freight forwarder would receive \$12.50 from the ship-operating company. Parenthetically, I might add that ship rates are in no way affected by this brokerage but are set by general supply-and-demand conditions. If the Government were to set up its own forwarding organization, its costs would necessarily be far greater than the amounts which it would pay to the private forwarders to perform the necessary forwarding functions for cargoes shipped under this bill.

I think that neither you gentlemen nor the majority of thinking Government administrative personnel desire to substitute Government forwarders, either our own or foreign government agencies, for our private-enterprise forwarding system. As recently as 1942, the Congress in the Freight Forwarding Act expressed its opinion that private forwarding should be preserved and was necessary to our foreign commerce. In discussion on the interim aid bill, Members of both Houses of Congress made similar statements on the floor that private-enterprise freight forwarders should be used to handle Government relief shipments. The Maritime Commission has stated that it will, in fulfillment of its duties under the Freight Forwarding Act, urge other Government agencies to use private freight-forwarding facilities. Most important, the State Department has stated in writing that it is its policy to use private freight-forwarding facilities to handle Government relief shipments wherever practicable.

We appear before this committee today to urge one thing. That is that either this legislation or its legislative history clearly indicate the congressional intent

that private freight forwarding be used to handle Government relief cargoes. This can, in my opinion, be accomplished in either of two ways. First would be by actual amendment to the pending bill which could read along the following lines:

"The term 'water-borne export and import foreign commerce of the United States' as used in section 217 of the Merchant Marine Act of 1936, as amended (56 Stat. 171), shall be deemed to include all export shipments from the United States made pursuant to provisions of this Act."

If such a clause were to be added, it would clearly demonstrate the congressional intent that these supplies, as were the lend-lease shipments, should be serviced by private forwarders.

In the event that the committee deems it unwise to burden the pending legislation with a clause to this effect, I think that the same result can be obtained through a clear statement in the committee's report on this bill that it is their intention that private freight-forwarding facilities be used to service these relief cargoes. If this alternative is deemed more advisable, may I suggest something along the following lines:

"Authority is given in the bill for the transportation of relief supplies to the recipient nations. While the authority to transport these relief supplies is broad, it is the intention of your committee that normal private freight-forwarding channels be used to service relief cargoes and that these cargoes should be handled in accord with the provisions of section 217 of the Merchant Marine Act of 1936. It is your committee's view that use of private freight forwarders to handle these cargoes would not only be less expensive to the Government but that it is necessary to insure the preservation of our freight-forwarding industry for service to our post-relief-program foreign commerce."

Whichever alternative the committee deems the more advisable, I urge upon them to make it clear that private freight-forwarding facilities shall be used to handle these relief cargoes. In the absence of such a congressional mandate, the freight forwarders must continue fearful that forwarding by Government agencies or by the missions of the recipient nations will destroy their long-established enterprises. Not only would this be of personal detriment to the forwarders concerned, but it would also be detrimental to the postrelief program foreign commerce and merchant marine of America. For if the handling of these relief supplies results in putting the freight forwarders to the wall, the ultimate result in the normal commercial period to follow would be to put a serious impediment on the smooth flow of our future export commerce. I urge upon you gentlemen the desirability and necessity of clearly expressing your intention to preserve the private ocean-freight-forwarding industry by requiring its use to handle shipment to be made under the pending bill.

WOMEN'S ACTION COMMITTEE FOR LASTING PEACE,
New York 22, N. Y., February 9, 1948.

HON. CHARLES A. EATON,
Chairman, Foreign Affairs Committee,
House Office Building, Washington, D. C.

DEAR MR. EATON: Under date of January 22 the Women's Action Committee for Lasting Peace wrote to your committee asking that a representative be heard on the European recovery program. The letter was acknowledged, but we have heard nothing further.

We are therefore writing to send you a statement of our position on this measure and ask that it be included in the records of the hearings.

Hoping that this may be done,

Sincerely yours,

VIRA WHITEHOUSE,
Mrs. NORMAN DER. WHITEHOUSE,
National President.

STATEMENT ON THE EUROPEAN RECOVERY PROGRAM

The Women's Action Committee for Lasting Peace considers that the European recovery program is the most important matter to come before Congress during the postwar period. It can have the same decisive effect on reconstruction toward a permanent peace that lend-lease had as the economic spearhead for victory.

The European recovery program was conceived with vision and has been worked out on the basis of comprehensive planning and careful calculation on both sides of the Atlantic. We expect Congress to approach the matter in the same constructive spirit.

We urge that the European recovery program should immediately become the subject of informed Nation-wide discussion. The United States cannot afford to submit it to the pitfalls and delays of election-year wrangling.

The Women's Action Committee for Lasting Peace wishes particularly to stress the following points:

1. ERP must be carried out on a scale which will make it a genuine recovery program, thereby avoiding the recurring necessity for relief.

(a) Congress must act promptly before the situation in Europe becomes worse and therefore more difficult to handle.

(b) Appropriations must be sufficiently large to achieve the purpose. Half measures, or even 90 percent measures, will not suffice.

(c) The plan must remain comprehensive. The nations of Europe must have assurance of continuity in aid over the 4-year period.

2. The administrative machinery for the program should be as simple as possible. Flexible administration is important, particularly in view of the fact that the situation in Europe will not remain static.

3. While precautions should be taken to provide for the most effective development of the program and to guard against misuse of our aid to Europe, Congress should not attempt to legislate an intricate set of rules for ERP. The nations of Europe should not be forced into humiliating strait-jackets as the price of ERP. The program should remain dynamic. As problems develop they should be worked out on the basis of consultation.

4. The ERP agreements to be negotiated between the United States and the 16 European cooperating nations should be drawn up within the framework of generally agreed principles. Every effort should be made to encourage an integration of European economy. Allocation estimates should be made either through the UN Economic Commission for Europe, or by some machinery set up by the cooperating nations.

5. In carrying out the program the revival of German industry is essential, but this revival must be correlated with the needs of the rest of Europe. The Ruhr should be brought under international control to prevent the revival of its war potential.

6. In order to avoid inflationary pressures on our own resources, ERP funds should be used to purchase materials in Latin America or elsewhere when such materials are in short supply in this country. However, these purchases should not be made at exorbitant prices.

7. In order that the most effective use be made of our resources and productive capacities in view of national and world shortages, domestic controls should be set up to prevent further inflation and to insure a sufficient distribution of scarce materials. These should include a revival of rationing, either at the commodity level or, if necessary, at the consumer level, and of price control of key commodities.

NATIONAL RETAIL FARM EQUIPMENT ASSOCIATION,
St. Louis 1, Mo., February 5, 1948.

HON. CHARLES A. EATON,
House Foreign Affairs Committee, House Office Building,
Washington 25, D. C.

DEAR CONGRESSMAN EATON: Here is a one-page condensation of testimony which vitally concerns a very important man, your American farmer-constituent.

My testimony, which was heard by Senator Vandenberg's Senate Foreign Relations Committee February 3, stated in brief:

(1) Too much power farm machinery sent to Europe under ERP will work serious hardships on the American farmer.

(2) It will not do the job for European agriculture that is intended.

(3) The outline plan of the National Retail Farm Equipment Association (17,000 farm equipment dealers Nation-wide) to collect, recondition, and export horse-drawn equipment, which is obsolete here, to Europe's needy farmers.

I believe reading the attached page, or the attached complete testimony (6 minutes reading time) will be worth the valuable time you spend.

Yours very sincerely,

PAUL M. MILLIKEN, *Executive Secretary.*

"We propose to use the manpower and facilities of our 17,000 (farm equipment) dealer members throughout the Nation to comb the farms for usable horse-drawn equipment, bring it in to the dealers' repair shops, thoroughly recondition it and make it available for shipment abroad," if the idea should be accepted by the agency designated by Congress to administer the European recovery program, Paul M. Mulliken, executive secretary of the National Retail Farm Equipment Association, told members of Senator Arthur H. Vandenberg's Senate Foreign Relations Committee February 3.

Stating that: "We believe that it is an unsound practice to attempt to completely mechanize western Europe agriculture overnight," because of the relative smallness of the average farm and the problems European farmers would have with power farm machinery, Mulliken offered details of a plan to collect horse-drawn machinery.

"We made a small-scale survey in December (1947) to dealers in 45 States which showed that there are ample quantities of most horse-drawn machines * * *"

Mulliken pointed out United States Department of Commerce figures which show tremendous increases in the amount of equipment sent to the 16 countries in 1946 and the first 5 months of 1947. These countries will be short of fuel, trained operators, skilled mechanics, and adequate service facilities to handle large amounts of power equipment.

"The western European small acreage farmer who never needed, wanted, or expected complete mechanization of his few acres should not be provided United States equipment now at the expense of American farmers whose 1948 acreage goals set by the United States Department of Agriculture are substantially higher than 1947," he concluded.

(Copy of complete testimony attached.)

STATEMENT ON FARM MACHINERY REQUIREMENTS UNDER THE EUROPEAN RECOVERY PROGRAM, BY THE NATIONAL RETAIL FARM EQUIPMENT ASSOCIATION

My name is Paul M. Mulliken. I am executive secretary of the National Retail Farm Equipment Association composed of 17,146 farm equipment retailers located in rural communities throughout the United States.

My purpose in appearing before the committee is to extend the offer of assistance of these dealers in providing a portion of the farm machinery requirements of the European recovery program. The proposal we are making would provide this assistance without impact to American agriculture.

No group is more aware of the value of farm mechanization to the agriculture of a nation than the farm equipment dealer-members of our organization who do business exclusively with farmers. We also recognize fully the need for farm machinery in western Europe. However, we believe that farming conditions in western Europe vary greatly from those prevailing in the United States, due largely to the size of the individual farms.

For example, in France the average farm consists of only 24 acres, while in Texas, which has relatively the same total area, the average size farm is 329 acres. In the Netherlands 90 percent of all farms are under 50 acres in size and 50 percent of them are less than 10 acres.

Sweden has a total of 420,000 farms but 120,000 of them consist of less than 5 acres; 270,000 have between 5 and 50 acres. Thus, 93 percent of the total of the farms in Sweden are smaller than 50 acres in size.

In the whole of the United Kingdom the average amount of all cropland per farm is less than 35 acres.

Only one-fifth of the area of Greece is under cultivation. The 6,000,000 acres of farm land are split up into nearly 1,000,000 farms with less than 7 acres on the average. Only 13 percent of all farms consist of more than 12½ acres.

In Italy only one-tenth of the land is arable. The average size of Italian farms is less than 16 acres. In 1939 there were 8,756,858 persons engaged in agriculture. It is rather obvious that with less than 2 acres of farm land per person engaged in farming there is not much need for power farm equipment.

You will note that reference has been made to 6 of the 16 European nations but these are the ones most frequently referred to in discussions of agriculture requirements under the European recovery program. It is not inconsistent to believe that agricultural conditions are comparable in the other 10 countries involved.

It should be most readily apparent that modern power farm equipment such as is currently being built by our factories would be neither practical nor feasible

on farms comprising 5, 24, or even 35 acres where the individual fields would be still smaller. The knowledge of farmers' needs possessed by the farm equipment retailers of the United States convinces us that exporting huge quantities of tractors, combines, pick-up balers, and other power farm equipment to Europe is unsound. Even if ample supplies of fuel were available, there would be a shortage of trained operators, skilled mechanics, and adequate service facilities. This was proven in innumerable instances under the United Nations Relief and Rehabilitation program.

We believe that it is an unsound practice to attempt to completely mechanize western European agriculture overnight. Farm mechanization must be a progressive movement just as it has been here in the United States. We began to use power farming methods before World War I and haven't yet completed the job after more than a third of a century.

Mr. Chairman and members of the committee, it seems to us in the retail farm equipment industry that there is a way whereby the small acreage farmers in these devastated countries could be greatly assisted in their recovery efforts. We believe that their greatest immediate need is for the horse- or animal-drawn type of farm machines. We are aware that farm machinery manufacturers here in the United States are building very small quantities of this type of equipment. Most of the long-line manufacturers (including Allis-Chalmers, B. F. Avery & Sons, J. I. Case, John Deere, Dearborn Motors, Harry Ferguson, International Harvester, Massey Harris, Minneapolis-Moline and Oliver) have either discontinued altogether the production of horse-drawn machines or make so little of it that the amount is negligible. We are not at all certain that the jigs, dies and other fabricating equipment is still available—we are confident that their production lines are not intact.

To reestablish production and assembly lines in these plants would undoubtedly be extremely costly and perhaps uneconomical. To build large quantities of new horse-drawn farm machines would divert great amounts of steel and other critical materials in addition to requiring man-hours of labor and plant facilities that are so sorely needed for the production of power farm equipment for the American farmers.

It is highly essential that our farmers be supplied with new machines if they are to continue to produce the foods, fats and fiber urgently needed here at home and throughout the world. I am sure that every Member of the Congress who represents a rural area is fully aware of the acute shortages that exist here in the farm machinery supply.

As executive secretary of the National Retail Farm Equipment Association, I am here to offer the assistance of our membership to the agency that the Congress may designate to administer the European recovery program. We believe that there is a way whereby the greater part of the farm machinery needs of European farmers can be met without materially diminishing the supply of new power equipment for our own American farmers. We know that there are sizeable quantities of good, usable—but not needed—items of horse-drawn machines to be found on the farms of the Nation. Much of this equipment is reasonably new. It was retained by the farmer as stand-by equipment when he mechanized his farming operations.

In order that we might be certain of our facts, we made a small scale survey in December. Letters were written to some 250 representative dealers in 45 States. Replies were received from 213 dealers coming from 44 States. (We have no information about conditions in Arizona, Nevada, New Mexico, or Wyoming.) We asked dealers to advise us (1) if there was any usable machinery on the farms in their trade territories; (2) if farmers would dispose of it at a fair price; and (3) if the dealers would be willing to cooperate in collecting it, reconditioning it and making it available for export. From the replies received, we are convinced that there are ample quantities of most horse-drawn machines (except fertilizer distributors), although the supply is not uniformly distributed over the country. Many dealers report that they have discussed this proposal with their farmer customers and invariably the farmers are most enthusiastic.

We propose to use the manpower and facilities of our 17,000 dealer members throughout the Nation to comb the farms for usable horse-drawn equipment, bring it in to the dealers repair shops, thoroughly recondition it and make it available for shipment abroad. This is as far as we could proceed since retailers do not have the knowledge or facilities needed to engage in export work.

Our members have engaged in this type of endeavor on two previous occasions. In the fall of 1942 and through 1943 when there was an extreme shortage of quality scrap iron, we were requested by the Salvage Division of the War Production

Board to collect worn-out, broken-down farm machinery for the scrap dealers to help increase the supply of steel so highly essential in successfully prosecuting the war. The unprecedented achievements of the dealers in this effort are clearly shown in the records of the Salvage Division and will forever reflect credit upon our industry.

In 1944 a representative of the Agricultural Commission of the Mexican Government came to Washington seeking permission to buy a quantity of horse-drawn farm machinery for his country. Even at that time our factories were not building any appreciable amount of that type of farm equipment. Due to shortages of raw materials and manpower, our industry was subject to WPB limitation orders. It was quickly decided that no new machinery could be supplied to our friendly neighbor on the south but General Acosta was directed to go to St. Louis to see if the National Retail Farm Equipment Association could assist in any way. I am happy to tell the committee that we procured for the Mexican Government all of the horse-drawn machinery that they wanted, and we did it without retarding food production here in any respect.

It does not seem appropriate at this time to attempt to develop further the details of this proposal. If the idea should be accepted, I can assure you of the complete cooperation of our associations in formulating and executing the dealer's part in the program.

In closing I would like to make reference to farm machinery exports since the end of the war, particularly because I believe the situation needs clarification.

In this connection, I refer you to an article captioned "Analyzing farm equipment exports" reprinted from the February 1948 issue of Farm Equipment Retailing, a reprint of which is attached hereto.

As stated in that article, there is a general impression in this country (except among farmers and implement men) that there has been little or no farm equipment exported to the 16 countries to be considered under the provisions of the European recovery program, and yet, the export figures compiled by the United States Department of Commerce show tremendous increases in the amount of equipment sent to these countries in 1946 and the first 5 months of 1947; no doubt due to large shipments under UNRRA.

We believe that a study of the analysis will lead members of this committee to the conclusion that the western European small acreage farmer who never needed, wanted, nor expected complete mechanization of his few acres should not be provided United States equipment now at the expense of American farmers whose 1948 acreage goals set by the United States Department of Agriculture are substantially higher than 1947.

ANALYZING FARM EQUIPMENT EXPORTS

There is a general impression in this country (except among farmers and implement men) that there has been little or no farm equipment exported to the 16 countries to be considered under the provisions of the Marshall plan, and yet, the export figures compiled by the United States Department of Commerce show tremendous increases in the amount of equipment sent to these countries in 1946 and the first 5 months of 1947; no doubt due to large shipments under UNRRA.

To illustrate, by far the greatest export increases went to Russia and Russian-dominated countries—Austria, Czechoslovakia, Poland and Yugoslavia—although other countries, France included, received substantial increases.

When Poland was free—and spending her own dollars—back in 1938—she imported only \$32,000 worth of farm machinery and implements from this country. But in 1946 United States manufacturers, under UNRRA, were obliged to ship \$2,291,000 of farm equipment, a percentage increase of 7,060 percent over 1938. And for the first 5 months of 1947, until controls were removed from exports, Poland received \$3,000,000 in farm equipment from the United States or a percentage increase over all of 1938 of 9,275 percent.

Czechoslovakia managed to get along on \$110,000 worth of United States farm machinery production in 1938 but required \$1,329,000 worth in 1946, a percentage increase over 1938 of 1,108.2 percent and in the first 5 months of last year received \$1,133,000 worth, a percentage increase over 1938 totals of 930 percent.

Yugoslavia did with a mere \$24,000 worth of United States farm equipment in 1938 but received \$2,183,000 worth in 1946, 9,000 percent more than 1938. In the first 5 months of last year Yugoslavia had received farm equipment from the United States valued at \$991,000, an increase of 4,029.2 percent over 1938.

Russia, whose tractor plants were reported destroyed during the war, needed

\$147,000 worth of equipment in 1938 but received \$1,618,000 worth in 1946, a percentage increase over 1938 of 1,000.1 percent. In the first 5 months of 1947 Russia received \$2,324,000 worth of equipment for an increase of 1,487.7 percent over 1938.

The United Kingdom during 1938 purchased \$3,496,000 worth of farm equipment from the United States and in 1946 this was increased to only \$3,972,000 or 8.5 percent more equipment. For the first 5 months of 1947, slightly more, \$3,967,000 worth, was purchased which amounted to 13.5 percent more than 1938. Unlike western European countries, Great Britain seems to have been able to manufacture much of its own equipment.

France received \$1,386,000 worth of farm equipment in 1938, \$11,754,000 worth in 1946 for an increase of 748.05 percent. In the first 5 months of 1947 France received equipment valued at \$8,522,000, or a percentage increase over 1938 of 514.8 percent. France is one of the 16 nations under the Marshall plan set to receive a large amount of aid.

North American countries during the first 5 months of last year received a 124.8 percent increase in United States farm equipment over the amount they received in 1938; South American countries received approximately the same amount as in 1938; African countries received an increase of 27.3 percent. European countries 155.1 percent more; Asia and Oceania countries an increase of 7 percent.

Figures are not available from the Bureau of Census on exports made after May 1947, when controls were lifted, but these were probably much less after the expiration of the UNRRA program.

For comparative purposes the year 1938 was chosen (1) because it was the last year when world-wide peace reigned and (2) farm equipment exports from this country were greater in 1938 than they had been in a score of years.

Since almost 100 percent of all farm equipment exported since 1945 to the above-mentioned countries should be presumed to be in operative condition, it is obvious that farm equipment export needs called for by the Marshall plan should take into consideration the existence in these countries of this huge amount of equipment.

There is a question in the minds of many farm equipment men as to how and on what basis the needs of ERP were determined. For instance there is considerable variance in United States export statistics relating to farm equipment—even in the same Government bureaus and departments.

The Bureau of the Census, United States Department of Commerce, reports farm equipment exports of \$69,578,000 in 1944, while the United States Statistical Abstract, published by the same United States Department of Commerce reports (p. 901, 1946 ed.) that exports of tractors and agricultural implements in 1944 amounted to \$166,608,000, a difference of \$97,030,000. It may be assumed that the larger figure includes shipments under UNRRA and possibly crawler-type tractors.

In another example the United States Bureau of Commerce reports exports of tractors and agricultural implements in 1946 of \$85,142,000. However, the Bureau of Foreign Commerce and Navigation, in the same United States Department of Commerce, reports that exports for the calendar year 1946 amounted to \$157,559,000, another difference of \$72,417,000. In this case also the larger figures include shipments to Canada as well as shipments under UNRRA.

Some of these differences may be explainable by the fact that the Bureau of the Census figures are not based on shippers' export declarations at point of export but rather upon reports received from manufacturing companies. "Therefore," states the Bureau of the Census, "the statistics are limited in their reliability by the extent to which the manufacturer knows that the farm equipment shipped from his plant will be actually exported."

On the other hand, the export figures of the Bureau of Foreign Commerce and Navigation are based on actual shipping declarations (f. a. s.) and include UNRRA shipments for the periods mentioned.

A more specific analysis of these statistics will certainly be helpful in the consideration of the Marshall plan. The western European small-acreage farmer who never needed, wanted, or expected complete mechanization of his few acres should not be provided United States equipment now at the expense of American farmers whose 1948 average goals set by the United States Department of Agriculture are substantially higher than 1947.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., February 7, 1948.

Hon. CHARLES A. EATON,
Chairman, Foreign Affairs Committee,
House of Representatives, Washington, D. C.

DEAR DOC: The other day I spoke with you concerning that article in the Atlantic Monthly under the title "Working Our Dollars Abroad," which in brief is a plan to insure American capital of the convertibility of foreign currencies into American dollars to cover plant investment, depreciation, and dividends.

The administration bill before your committee now carries a provision in broad language to carry this idea into effect.

Quite a number of businessmen ready to invest abroad have talked to me about it. In addition thereto I wish you could find time to examine the letter of Charles Will Wright which is attached. You will probably not find time to read the other material but you will note from his letter that Robert Garner, vice president of the World Bank, is also interested. I hope you can put this in your file and have it handy when you get to this item in the bill. I shall be deeply grateful.

Sincerely,

EVERETT M. DIRKSEN.

2540 MASSACHUSETTS AVE. NW,
Washington, D. C., February 5, 1948.

Hon. EVERETT M. DIRKSEN,
House Office Building, Washington, D. C.

MY DEAR CONGRESSMAN DIRKSEN: I have read with great interest your excellent article "Working Our Dollars Abroad" in the Atlantic. You have presented a clear picture of what should be done to encourage American private capital to enter this rather risky field of investment. I spent a few months in France, Italy, and Greece last spring and brought back some well worth while mining projects which would increase the output of lead-zinc, and manganese ores, but for the reasons you give, none of our mining companies were willing to risk investment in Europe. However, if their investment is properly safeguarded as you suggest they would consider such investment.

A few weeks ago, I discussed a plan with Robert Garner, vice president of the World Bank, by which the local governments would agree to make the payment in dollars of all net profits due American investors from the operation of approved projects and in case of confiscation the local government would give full compensation to the American investors in dollars at the rate of exchange at the time of investment. Such an agreement between the American investors and the local government would then be presented to the World Bank for indorsement. Mr. Garner is studying the proposal. To further encourage American investors, the local government should agree to exempt from import duty all machinery and supplies required to carry out the projects for a period of three years. I would be glad to discuss this matter with you at your convenience and the importance of sending a few technical men from interested industries to start the ground-work in working out details of projects that will need European recovery program aid.

Yours sincerely,

C. W. WRIGHT.

A LONG-RANGE PRACTICAL PLAN FOR THE RELIEF, REHABILITATION AND INDUSTRIALIZATION OF THE WORLD BY THE AMERICAN PEOPLE

During the lifetime of this generation, the population of the world has increased by hundreds of millions. During the same period, the nations of the world have stupidly fought two devastating World Wars and thereby destroyed or disorganized thousands of billions of dollars' worth of wealth and wealth-producing facilities.

The result of this destruction and disorganization is the loss by almost countless millions of people of employment, security, hope and religion. This in turn, has given us disillusionment, poverty, hunger, disease, crime and all of the isms, including communism.

Today, the people in the United States, through the operation and production of our free-enterprise system, enjoy a standard of living of which there is no equal nor has any other way of life ever produced a near equal. As part of the price of

continuing individual, political and economic freedom, we must help the other people of this world to help themselves.

The people of the world are already divided into two broad divisions: Those under communistic control without personal, political, or economic freedom, and the rest of the people of the world including the citizens of the United States. This division in itself adds to the economic woes of the people by making it impossible to treat the whole world as an economic unit. We must make economic adjustments in the free part of the world and certainly not make it worse in our long-range plan, by subdividing it into western Europe, China, Latin America, Philippine Islands, India, etc.

During World War II the American people collectively were the deciding factor in liquidating fascism and nazism. In so doing, we apparently built something worse—communism. If our free-enterprise system is to solve the economic problems of the world, particularly and initially including western Europe, let us not build something worse—statism.

It is really unfair to the people of Europe or elsewhere when they are in economic trouble to force them to adopt statism. By all means, we should make a set-up so that they may adopt our way of life—the American system of free competitive enterprise which, through production has given the American people with less than 6 percent of the world's population, one-half of the wealth of the world; resulting in both the highest standard of living the world has ever seen and our ability and inclination, at the same time, to give relief and aid to the rest of the world on a scale heretofore undreamed of.

The presently envisioned Marshall plan was apparently born in Paris with the aid of political representatives only from 16 western European nations, although it deals in matters involving practical production and distribution, for which they were not fitted or trained. Any American businessman, with knowledge of the facts, can tell you that the proposed Marshall plan figures for deliveries covering, for example, electrical power generating equipment and steel-mill equipment for 1948 and 1949 and probably even 1950, are absurd.

The estimated total cost of the Marshall plan as now presented is approximately \$20,000,000,000 covering relief, rehabilitation, and industrialization to the planners' liking. The planners apparently believe that by spending this amount of money, we will in some mysterious way save them in our interest from embracing communism.

In the great majority of cases, the recipient governments, under the proposed Marshall plan will use the machinery to further the socialization of industry and to the definite detriment of private enterprise. It will provide the knock-out blow for many of the remaining private enterprise die-hards, for the governments will have new plants with relatively small capital investment and operating tax-free. Private enterprise faced with this competition will soon capitulate.

The planners do not contemplate giving the American taxpayer possible relief by the benefited countries agreeing to give the United States a certain percentage of any favorable trade balance, which any one of them may develop during the next 20 to 40 years. The one thing we can be sure of in this life is change, but some people believe that our present relative economic position will continue indefinitely.

The crowning fallacy of the whole plan is the assumption that with American machinery, the European governments can duplicate private American production. Of at least equal importance to the machinery are American business management, methods, engineering, processes, designs, distribution, research, etc. (commonly called know-how), plus the free competitive system with personal rewards for the skillful and the talented.

Machines without know-how had better be left at home. Know-how does not come in a package. Even if it did, the oil refineries, the steel mills, the tire factories, the artificial fertilizer plants, the chemical plants, the electrical manufacturing industries, the automotive industries, etc., need a continuous stimulus from ever-increasing improvements, developments, and research. The Marshall planners, to date, have not even thought about this.

The Marshall planners are trying to convince our free competitive enterprise system to, in part, liquidate or hamstring itself to solve Europe's economic problems by building up state-owned enterprises in Europe. Accordingly, as an alternate, the following is offered for consideration:

THREE PROBLEMS

Under this alternate plan, the relief of destitute people in Europe or elsewhere in the world; the rehabilitation of essential industries and services destroyed or disorganized by World War II; and the helping of other countries to create wealth

through industrialization will be separated and considered and handled as they should be, as three separate and distinct problems.

Relief

If certain segments of the free populations of the world are really in need of food and fuel and clothing to survive the coming winter in reasonable comfort, and if their governments are unable to take care of them, let the facts be presented and the American people will do their part. Controls, however, should be established so that never again will we duplicate mistakes made by UNRRA with governments allowed to use gifts from America for political control or economic gain.

Successful relief like successful industrialization requires experienced administrative personnel. Accordingly, all gifts for relief should be administered by an experienced agency, such as the Red Cross, Salvation Army, or Catholic charities. Moreover, we should insist that a substantial percentage of not less than 25 percent of the food, clothes, and fuel given by the American people, should be given to the needy people of the recipient countries. In connection with the balance, acceptable assurances should be given that in no cases, will relief material given to a foreign government be sold to the consuming public at higher than the prevailing retail prices in the United States.

Rehabilitation

It is really surprising how little industry, outside of Germany and Japan, was actually destroyed during World War II. The real problem of rehabilitation is not carrying out new industrial developments but rather—

1. Rehabilitation of the farms including fertilizer, farm implements, seeds, and breeding stock.
2. Rehabilitation of the transport systems, particularly including railroads and the establishment of maintenance and repair shops.
3. Rehabilitation of their fuel producing and distributing facilities.
4. Rehabilitation of currencies so that when people are paid, it really represents work.
5. Rehabilitation of Germany and Japan so that these countries may take their rightful places, politically and economically, in the family of the nations of the world.

The rehabilitation of currencies is something which should be handled by the International Monetary Fund, for which it was expressly organized and set up. The rehabilitation of Germany and Japan should properly be handled by the Department of State and involves the signing of equitable peace treaties and the establishment of democratic governments acceptable and responsible to their people and to the world.

The rehabilitation of farms, transport, and fuel supplies is something that could properly be handled on a grant-in-aid basis. At the same time, as the American people are going to pay the bill and the American people wish to further the American way of life rather than some form of "ism," controls should be established so that materials for rehabilitation, although given to benefited countries, will not be sold to the ultimate user at higher than prevailing retail prices in the United States. Moreover, in connection with the rehabilitation of farms in particular, some reasonable percentage of the materials should be given to farmers without funds.

Industrialization

When it comes to helping other countries to create wealth through production, we must take a long-term view; we must zealously guard the American taxpayer's money; we must consider the possibility of the United States some day having an adverse trade balance; we must remember that while Europe, including England, is suffering from a devastating war, they are suffering equally economically, because the days are gone forever when the rest of the world is satisfied to send them their raw materials for processing and for resale back to them—the rest of the world has built and continues to build their own wealth-producing industries; we must remember that there are now two worlds and that western Europe is always subject to seizure by the Soviet, if it were made sufficiently attractive for them to do so; and, above all else, we must act internationally to protect the American system of free competitive enterprise and not use up our substance to build state-owned industries abroad.

I recommend that we immediately drop the idea of giving western Europe 10 or 15 to 20 billion dollars worth of machinery and equipment with which to build state-owned industries. In place of this, I suggest that a board representing government, industry, finance, labor, and shipping under the chairmanship of an

American Under Secretary of State be established with powers to consider and approve projects anywhere in the world outside of the United States of America, by American private enterprise with its managerial and manufacturing and distribution know-how, and up to a total estimated value of say, 20 billion dollars.

This board should be given authority so that once it has considered and approved a project—

(a) The American Government guarantees that in the event an approved foreign property is confiscated or otherwise taken over by foreign government, any time during a 25-year period, the American investors will at that time be reimbursed by the American Government with the equity in the property becoming the property of the American Government.

(b) The American Government guarantees for a 25-year period, that if the property makes money, the American investors will receive sufficient dollar exchange to pay dividends in dollars annually up to 3 percent of the dollar investment.

(c) License agreements covering American know-how, must be separately approved by the board but once approved, the American Government for the life of the license agreement, but not exceeding 25 years, guarantees sufficient dollar exchange to service the agreement.

(d) To encourage this American "risk capital" or "dynamic capital" to go abroad and create wealth through production and spread the gospel of the benefits of the American way of life, all dividends received by American investors from approved projects will, for a 25-year period, be free of United States income tax.

Foreign currencies which may be received from time to time, by the United States Government in making dollars available for dividends or for know-how, as covered under (b) and (c) will be used in the foreign countries for running the American Embassy or other United States Government activities.

If this plan is adopted it will provide many advantages, including:

1. It will remove the barrier of fear which for years has held back private American capital from going abroad. Private capital always seeks safety. Previous experience with confiscation and inability to bring even reasonable earnings home in the form of dollars will be eliminated. Accordingly, we may anticipate new ventures in great number being undertaken, either 100 percent American or preferably, by mixed corporations.

2. It will strengthen the American way of life and the American system of free competitive enterprise around the world including the United States.

3. If the American people are to support a cold war this plan will give us a goal—free, competitive enterprise in the free part of the world—worthy of sacrifice to win and not an end result of socialism, nationalism, statism, sovietism, or totalitarianism in any form.

4. It will cost the American people far less than original outright gifts for the interest and amortization of the cost of the gifts would be far greater than the American taxpayer's exposure under this guaranty plan. It is even to be noted that making dividends income-tax free, causes no loss to our Treasury Department when compared to the contemplated Marshall plan, under which the goods will be given away which means obviously, no dividends.

5. It will insure competent management, and know-how going with our machines to the mutual benefit of benefited foreign countries, their industries, their labor, the American taxpayer, and the American investor.

6. It will insure an orderly and economic world development as populations shift, as they must, to countries which are surplus food producers.

7. In the event that our relative economic position changes, the American people will have private enterprise properties, around the world which could be a lifesaver to this country. The British people for example, are now literally eating the railroads that they owned in the Argentine by swapping them for beef. Such a swap would not be possible if they had given the railroads to the Argentine in the first place or if they held a batch of worthless I O U's or defaulted bonds.

8. The American aid would be for the free part of the world generally, but initially, could be directed by the board to aid largely western Europe.

9. Instead of being directed by a few men of political prominence our aid to the world would be directed by thousands of American businessmen, able and experienced, in the ramifications and intricacies of their particular part of the program.

10. It will insure greater imports into the United States because the American firms with foreign investments will be seeking countless ways and means of increasing their income. Moreover, these companies know how to sell in the

United States, which apparently most foreign countries and companies do not understand. In addition, we may be sure that such imports will supplement and add to our standard of living rather than to tear it down as may be the case if imports are made under governmental decree.

WILLIAM E. KNOX, *New York 5, N. Y.*

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REJUVENATING EUROPEAN MINING

HOW THE MARSHALL PLAN MAY HELP EUROPE'S MINES AND MITIGATE U. S. SHORTAGES

(By Charles Will Wright, consultant on foreign mines: member, AIME)

Mineral production in almost all European countries suffered a sharp setback because of the war. Plants were damaged, transportation facilities disrupted, and labor dispersed and demoralized. Since the war, due to lack of confidence and economic stability, there has been little incentive to rebuild and expand the mineral industries even though a big demand at high prices exists for mineral products.

Most mining and metallurgical companies in Europe hesitate to invest their capital because of the tendency toward nationalizing industry, high taxes, and low output of labor, as well as the deficiency of mine supplies and equipment within their countries. In short, they do not have faith in the future, and for these same reasons and fears most of the mining companies in America will not risk capital investment in Europe.

In Europe, including the United Kingdom, free enterprise has been losing ground and as a result the foundation of their economic welfare is being undermined. American mining interests willing to take the initiative could help in counteracting this influence if a way were found for them to cooperate with the European producer without too great a risk.

Before the war ended, Russia had already started rebuilding and developing the mineral industries not only in her own territory but also in those countries within her sphere of influence. Thus the potential of the so-called Eastern bloc is rapidly increasing.

In the mining districts of western Europe are many attractive ventures which, with our technical knowledge, modern machinery, and with market contracts for their products, could be developed into important producers. Such inducements would go a long way toward encouraging the local mine operator to expand his activities.

Interesting proposals

In recent months articles have been written by economists, industrialists, bankers, and government officials proposing various methods of aiding Europe, as well as our own economic welfare, through the Marshall Plan. All have merit, particularly those favoring the building up of industrial production through private enterprise rather than by governmental agencies.

An outstanding article is that of W. Averell Harriman, Secretary of Commerce, *We Must Import to Live*, published in the *Saturday Evening Post* of May 17. In reference to the metal industries he states, "How long can we maintain the kind of industrial economy we now have on the basis of the dwindling reserves of minerals and metals we now possess." As an example he cites lead. "We are gravely short of lead although we are producing more lead than any other nation in the world. Our lead reserves have been depleted and despite special price inducements to make it profitable to operate marginal lead deposits, we find it impossible to equal our former records."

Henry Ford II, in the *Ford News Bureau* of September 29, 1947, states:

"We ought to assist other nations to increase their productive capacities by exporting to the top of our ability the necessary tools, material, and know-how. But it is also important that we try to make it clear to the entire world that the shortest and surest way to real production efficiency is that of a free people, working for their own best interests."

Another excellent article is that by Winthrop W. Aldrich, president of the Chase National Bank, on "American Interest in European Reconstruction." In it he states:

"While no one can guarantee further developments, all experience teaches that

obstacles are overcome by faith and courage reinforced by competent organization and the will to succeed. A determined effort on our part will enable the peoples of western Europe to become self-supporting in reasonably short order. Moreover, if our Government gives vigorous support to reconstruction, the costs of additional aid can be held to a minimum, in that American private enterprise will be induced to add its own capacities to the task of reconstruction. Direct participation by American business will infuse new life into private enterprise of western Europe, which is the essential basis of increased production, trade, well-being, and political stability."

Mr. Aldrich proposes the establishment of a Government corporation—the United States Corporation for European Reconstruction—and states:

"The corporation should endeavor to encourage direct investment by American firms and corporations in the plants and industrial equipment of western Europe. Direct investment, the 'partnership basis of private capital,' will, I am sure, take place on a substantial scale if the investment of such American funds is given nondiscriminatory treatment and adequate safeguard by foreign law and above all, if the American investor is convinced that there is a reasonable prospect of continued world political stability and security over a long period of time. In the long run, direct private investments will make the most contribution to European recovery and reconstruction with minimum expenditure, accompanied as they are by managerial skill and know-how of American business."

The World Bank issued copies of a recent speech by Robert Garner, executive vice president, who states the position of the World Bank as follows:

"The bank cannot supply the funds for all requirements; it can only be a trail blazer attempting to meet urgent and critical needs in the hope that in increasing degree private capital and industry will step into the picture. Without better technology, without full use of the best know-how in every line, Europe may not be able to reach an acceptable level of productivity nor to produce goods at costs which will be competitive in the markets of the world. However, the capital and know-how will not be available unless favorable conditions exist."

At the annual meeting of the AIME I presented a paper entitled "Problems and Procedures in Acquiring Foreign Mining Properties." This was accompanied by charts showing the large extent to which the United States has in the last 5 years been dependent on imports of 32 different minerals, ores, and metals. We imported from 80 to 100 percent of 21 of these mineral products to meet our requirements and from 30 to 60 percent of the other products. Granted, these were war years, but as our peacetime uses for mineral products are constantly expanding, the wartime consumption of yesterday may well be the peacetime requirements of tomorrow. Therefore, with the increase in industrial production our needs for certain minerals from foreign sources are bound to increase in the near future. In my article I made the following statement:

"The future position of the United States in foreign sources of mineral supply depends upon early action by our mining companies in acquiring a strong foothold in the countries still open to us before other nations get control of these available mineral resources. The statistical tables indicate our increasing dependence upon foreign sources of strategic mineral supply and the need for our Government to support strongly those companies that are willing to risk investment in foreign countries. The demands for majority control formerly insisted upon by United States companies investing in a foreign mining enterprise are no longer practicable because of the political tendency favoring local control in the exploitation of local mineral resources. It is therefore better to combine with local interests in such enterprises, retaining the management and sales agencies for the products in exchange for the capital required for the mine developments, operations, and for the purchase of necessary machinery. Such cooperative partnerships are now being carried out successfully by some of the large mining companies and they are protected against adverse political developments and excessive taxation."

The most concrete and definite proposals are those submitted by the House Select Committee on Foreign Aid, known as the Herter committee, which tie in European mineral production with the Marshall plan and the stock-piling program. Let me quote from the preliminary report dated November 22, 1947:

"In principle this country is already committed to a program for stock-piling strategic materials on a large scale. Congress passed the National Resources Protection Act in July 1946, with an initial authorization of \$200,000,000, only part of which has been appropriated. Although almost 2 years have elapsed since legislation was adopted for the acquisition of such stock piles, progress has been slow owing to the heavy demands of civilian industry in the reconversion

period. For instance, consumption of nonferrous metals in the United States not only has absorbed the entire available domestic production but also has required relatively heavy imports. In addition, stocks held by the Government at the end of the war have been drawn on to meet civilian needs.

"Under present conditions, therefore, large stock piles can be accumulated only by expanding total world production.

"If, therefore, consumption continues at a high rate, it is clear that stock piles can be accumulated only by importing metals.

"Because production of strategic metals and minerals in western Europe is considerably less than the over-all requirements of that area, western Europe itself can make little contribution on the stock pile. If, however, the colonial territories controlled by the countries of western Europe are included, a respectable total can be shown.

"Therefore, the ideal arrangement would be for the colonial governments involved to undertake a firm commitment to supply a stated tonnage annually for a period of several years—10 to 20 years being an ideal period for assuring a normal return on capital without either undue profit to the producer or unwise use of scarce equipment for developing and exploiting mining properties.

"If the United States agrees to take such a stated annual tonnage, the colonial governments could then in turn make similar agreements with the individual producers. Presumably it would be necessary to establish a minimum price for each material and provide for fluctuations in line with market trends generally.

"Provided that necessary safeguards are established, there is no question that, in the mineral field at least, American capital is available to take over or supplement European investments in many colonial areas.

"Thus far in 1947 the United States has imported, either as ore or as metal, a net monthly average, after allowing for re-export, of 20,000 tons of copper, 23,000 tons of zinc, and 16,000 tons of lead. On the assumption that the volume of business activity in the United States persists at its present levels, this country will continue to import these metals on about the same scale, since domestic mine production is for all purposes running at full capacity."

It is apparent from these proposals and other published articles that there is a widespread feeling that now is the opportune time for our Government, backed by our industrialists, to cooperate in the development of foreign mineral resources and thus prepare the field for private industry, in cooperation with the managerial and technical experience of American companies, to take over in the near future

THE APPROACH

The Herter committee is to be complimented for having presented such a clear picture of the situation relative to the mining industries and our stock-piling needs. But a lot still remains to be done before the objectives can be accomplished and it is now necessary to work out the mechanics in order to get the program under way without too great a delay. Let us analyze the Herter proposals by considering the following questions:

(1) Will the local governments be able to make long-term commitments for deliveries with the local private producers at prices that will be acceptable to the United States Munitions Board, as this is the only agency that has the authority to direct stock-pile purchases by the Treasury?

Governments and private industry often do not agree on terms, and other countries may be ready to step in and offer higher prices for the products, or the local market prices may be higher than those we may offer. The answer would be to authorize the granting of United States dollar credits against future delivery of mineral products at the prevailing local market prices.

(2) Are the mines in position as to ore reserves and plant capacities to increase their present output?

Some may be, but many used up their developed reserves during the war and now find it difficult to get mine supplies and equipment to maintain their present output so they will need help for new mine developments and plant equipment.

(3) In making long-term agreements for stock-pile purposes, will our Government be obliged to ask for bids from the various producing countries on quantities and prices for their products and have to deal with the lowest bidder?

As such action would delay purchases it would be better if our Government were to make purchases through authorized agents of the large United States consumers who deal directly with the local producers rather than dealing through the local governments. However such purchase contracts should be approved by the local governments and properly safeguarded.

(4) Will there not be demands upon our manufacturers for machinery and equipment which may be impractical for their operations?

This was the case in large orders for coal-mining machinery by both the British and Russian Governments. Unwise orders can be eliminated if a competent American mining engineer with proper authority is attached to the local government agency which is supposed to control the amount of aid to be granted to such projects.

(5) What assurance can American capital, both private and governmental, have from our Government or from the country in which capital is to be invested, that its share of the products and profits may be returned to the United States?

American capital will insist upon more backing by our Government than it has had in the past, when foreign governments have confiscated their holdings, applied discriminating exchange regulations, high export taxes, and production controls. Also the foreign governments that want American capital and technique must adjust their mining laws, tariffs, taxes, cartels, and exchange regulations to encourage our investment in their country.

BACKGROUND EXPERIENCE

Before making suggestions as to how to proceed to get early action on the Marshall plan and the ways it can help to increase mineral production in Europe, I should mention my background experience and recent contacts in Europe.

I was in charge of mining operations in Italy for 18 years, joined the Bureau of Mines as chief of the mining division in 1927, and from 1935 to 1940 was chief foreign minerals specialist throughout Europe. I returned there in 1945 for 6 months to make a resurvey of the European mineral industries. I was, therefore, able to see the "before and after" effects of the war on the mining industries in Germany, Spain, France, Italy, Greece, and England. In 1945 I discussed with the mine managers their needs for future operations, and reported on these to our embassies in each country and to Army headquarters in Paris, Frankfurt, and Rome. This spring I made another 3-month trip to France, Italy, and Greece and met the directors of many mining companies, producers of products required by our industries. They are all looking to America for the necessary dollars to purchase our up-to-date mining machinery and for our engineers to aid them in introducing methods to increase output per man-shift and reduce losses. They are well aware that American mining companies are the world's leaders in large-scale mining operations and they are anxious to make cooperative agreements with them. The directors I saw represented the owners of lead-zinc mines in northern Africa, Spain, Italy, Greece, and Turkey; mercury mines in Italy; manganese and cobalt mines in Morocco; bauxite and chromite mines in Greece; chromite mines in Turkey; and potash mines in France. During the past few months some of the mining men I met in France and Greece have called upon me in New York presenting again their problems, but I could give them little encouragement. Also the owner of important mercury mines in Italy writes that he wishes to make a long-term contract with United States consumers who will advance dollars for the purchase of plant equipment for his mine. The mine owners in Europe have plenty of local currency to defray all costs for installation and operating expense, and some are ready to enter into agreements on a 50-50 basis with American companies in the future exploitation of their properties.

In view of the necessity for having an assured supply of these minerals for our industrialists, every effort should be made, not only to follow up these contacts but to make new ones, and thus help to get the mines and metallurgical plants in Europe in full capacity production and to build up exports of these products to the United States in exchange for financial and technical aid.

HOW TO INITIATE EARLY ACTION

All will agree that early action either by our Government or by private industry is urgent. Since private capital naturally hesitates to invest in Europe under present conditions, it will be necessary to initiate such action through the Marshall plan.

The European mining and metallurgical industries, including coal, potash, phosphate, bauxite, and other mineral products, need new machinery and spare parts for their plants and transportation facilities now out of repair. Replacements were not available during the war and are now difficult to obtain locally and then only at black-market prices. Both the managements and the workmen are doing all they can to maintain production with available materials, and through their governments they are begging us for dollar credits in order to pay

for their new machinery and replacements. Since last March, however, our Government has been sitting on the sidelines, discussing whether such aid to foreign industrial reconstruction by the introduction of our modern methods and machines will not build up competition on world markets or deprive our own industries of the machines and supplies they may need, cause a political reaction in the United States, or cause adverse propaganda in the Soviet Union. One may, however, be encouraged by the readiness with which the stop-gap loans to France and Italy were approved by Congress, for this may mean that action on additional aid is to be accelerated.

Two Federal agencies, the Export-Import Bank and the International Bank for Reconstruction and Development, were organized to meet emergencies abroad if presented with reports properly documented to justify the emergency and the amount desired. Congress, however, may decide to establish a new agency or corporation to handle aid to Europe.

During World War II, the Reconstruction Finance Corporation and the Defense Plant Corporation employed a staff of engineers as well as the engineers of mining companies, to report on mining projects presented to them. A similar set-up could now be organized for Europe. In each European country, where aid is to be given to the mining industries, it would be advisable to have (1) an American mining engineer empowered to approve the projects attached to the local governmental agency authorized to grant aid, and (2) an advisory board of consulting engineers, including competent local engineers and those in the local mines departments. This group would be authorized to select those mines which, because of their products and reserves, may be worthy of further development, and to request all available reports and maps from the mine owner wishing financial and technical aid. The engineers of the organization should visit the properties, sample the deposits, evaluate the risks involved, and prepare a final report for approval of the American engineer and consideration by the local governmental agency. This advisory board within the organization would get in contact with the local governmental departments to establish the necessary safeguards for the investment of American capital in the approved projects. Probably the final report on a property would recommend that, in order to make it a profitable operation, the mine might require (1) extensive underground development work, (2) a new concentrating plant, (3) a new ropeway, road, or railway to facilitate transportation, or (4) a smelter or plant to produce a commercial product from the raw material mined. Detailed plans and cost estimates for the plants and the anticipated results should be prepared and presented as a supplement to the report.

Besides making direct loans on a business basis, this agency could be authorized to make long-term contracts for delivery of equipment and services against future delivery of products, our Government reserving the right to sell the products on other markets besides the United States or to place them in our stock piles.

CONCLUSIONS

The Marshall plan can be the real incentive toward increased mineral production in western Europe if funds are made available without too much delay for mining projects which, after proper investigation, warrant investment. The National Resources Security Board has the authority to instruct any of our governmental agencies to initiate action. Advisory boards, made up of our leading mining industrialists, members of the Department of Commerce, and directors of the Bureau of Mines and Geological Survey, have also been established to help decide where and how aid should be given. But before much can be done in Europe, local advisory boards made up of the mining industrialists and heads of the mining bureaus should be established in each country to help decide which projects should have priority and how the aid should be handled. This, of course, should be done through the banks on a business basis and the preliminary work should be in progress now.

To exercise the necessary control of expenditures it is essential that competent engineers be selected, if possible by the aid of the American mining companies, and attached to the offices in Europe that are to administer the aid under the Marshall plan. It is also essential that the requests for aid come from the local mining companies and that full use be made of their technical staffs in the preparation of the reports and the carrying out of the projects. Once the initiative is taken to get the mining industries into full capacity production, American mining companies will probably then be ready to cooperate with the owners in their efforts to increase the output as well as the profits from their mines and smelters. If investments by our American companies or Government are properly safeguarded

this will be a big help in the expansion of the free enterprise system in Europe as opposed to governmental control.

As the time element is vital it is important that a small staff be appointed and sent to Europe in advance to start on the groundwork in the establishment of local advisory boards in each of the countries and to initiate the preparation of projects that will need our material, technical, and financial aid.

In conclusion may I suggest that we have less discussion by committees and more action by our Government; and not wait for Congress to pass the Marshall plan appropriations before starting the necessary groundwork to be done prior to the granting of loans to the mining industries in Europe. The products of these industries are among the few which will give us a tangible return in exchange for the tons of coal, petroleum, food, fertilizer, and machinery we are exporting to them. The channeling of financial, technical, and material aid as indicated is the most practical way to help Europe help herself.

Few American mining men are so well-qualified as Will Wright to speak with a knowledge born of experience about the mineral deposits of western Europe. A total of nearly 25 years either engaged in producing from European mines or in their examination has given Mr. Wright a clear picture of the condition and extent of western European mines and mineral reserves. • Interim aid to the extent of nearly \$600,000,000 has been granted for immediate European relief pending fuller consideration of the Marshall plan. In some measure a portion of what relief we extend to Europe can be repaid by their production of minerals that we require. Mr. Wright prescribes the establishment of a Government corporation authorized to grant aid to European mining companies as a means of revitalizing their mines and directing the mineral production into proper channels.

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PROBLEMS AND PROCEDURE IN ACQUIRING FOREIGN MINING PROPERTIES

By Charles Will Wright, mineral consultant, Mines, Inc.; member, AIME

The author has been actively engaged in foreign mining investigations since July 1935 when he relinquished his post as chief of the mining division of the Bureau of Mines. For the next 3 years he was making mineral surveys in various European countries, also acting as mineral adviser to various consular offices. More recently he has been in the Foreign Service of the Department of State, making mineral surveys in Latin-American countries. He was born in Marquette, Mich., May 15, 1879, studied 4 years at Heidelberg and Freiberg in Germany, got bachelor of science and mechanical engineering degrees from the Michigan College of Mines, and spent the 6 years following 1903 with the Geological Survey. From 1909 to 1928 he was first chief engineer and later general manager of lead-zinc, fluorspar, and copper mines in Sardinia and northern Italy. Returning to the United States he went with the Bureau of Mines.

Although the United States has long led all other countries in both the production and consumption of mineral products, the trend seems definitely toward an increasing dependence upon foreign sources of supply. This is not to take the position that we are either a have or a have-not nation. For years we shall continue to secure a large proportion of our needed minerals from our own mines, but we must face the fact that this century has seen a more thorough and intense development of the mineral resources of the United States and a greater depletion of its irreplaceable mineral reserves than has occurred in most other countries. An audit of our mineral production given in the attached charts discloses the extent of our deficiencies. Because of these facts, low-cost foreign sources offer a promising field for the investment of a portion of our mining capital and an opportunity to obtain for the United States a greater supply of strategic metals and minerals. However, to reach this end, the industrialist investing in the foreign field must have the full cooperation and strong backing of the Federal Government and the involved Federal agencies.

The geographical areas of the world are more closely knit together by the time-distance factor than ever before. Former inaccessible regions have lost their remoteness and are now open to the modern prospector by the use of the jeep and the helicopter. Mineral exploitation in the foreign field takes considerable initiative and involves high risks but our mining companies should be willing to take these risks before other nations seize the opportunity to obtain foreign mineral rights and deposits, thus precluding United States industries from acquiring an interest in such sources.

Several outstanding articles have appeared in the last year or two on our mineral supplies and needs. Mining and Metallurgy, for instance, has published Principles of Foreign Mineral Policy of the United States, by C. K. Leith; Post war Demand and Supply of Minerals, by Harvey S. Mudd; and The Mineral Position of the United States and the Outlook for the Future, by Elmer Pehrson. Other excellent articles have been published in the Engineering and Mining Journal, Economic Geology, and The World Report. Some or all of these papers might well be read as background for the discussion that follows. My remarks

will be directed to the investor or industrialist who hesitates to risk his capital in the foreign field, and also to companies engaged in mining or smelting in the United States who may be thinking of expanding their operations abroad.

The accompanying charts show the large extent to which the United States has in the last 5 years been dependent on imports for 32 different minerals, ores, and metals. Granted, these were war years when our consumption was greater than normal, but our peacetime uses of mineral products are constantly expanding, and the wartime consumption of yesterday may well be the peacetime requirements of tomorrow. Therefore our need of minerals from foreign sources is unlikely to lessen, or if so, only temporarily. So it is in the world beyond our borders that we must look for a large proportion of our needs even though development at home fully lives up to our hopes.

The outside world is not the world we knew early in the century when trade did not have the hindrances it has had in the last decade or two. Political and economic barriers have been set up, which should have the early attention of the United Nations. Also, some countries are seeking to limit foreign mineral developments for their own purposes, or to make things more difficult for the United States. For instance, according to an article in the Washington Evening Star of January 7, 1947, it is well known by the Foreign Service officers of the State Department that the Moscow-sponsored Communist leaders are opposed to any open-door policy permitting the United States to develop foreign sources for its mineral requirements. Factual reports indicate that propaganda has been organized in countries possessing raw materials essential to our industrial progress, with the objective of depriving the United States of basic materials in the event of a crisis. Agents are at work, particularly in Latin-American countries, encouraging them to nationalize their mineral industries, and to increase taxes on production from United States-controlled companies. Although such attempts will eventually react against the economy and interests of these countries, they may, in the meantime, have a serious effect upon our foreign interests. For these reasons it is logical that our foreign policy should give effective support to our mining interests abroad, as does that of Great Britain, and should see that we are given an equal chance in foreign mineral development.

If, therefore, we acknowledge that development of foreign deposits by United States capital is desirable, and in the interest not only of ourselves but also of the countries in which the capital will be spent; and if we assume that the United Nations and our own State Department will assure fair treatment to all in world mineral investment and trade; then a few remarks on the procedure involved in foreign mineral investment may be in order.

Two sources of foreign mineral supply may be mentioned. The first is production from old mines. If the modern methods which we have developed in this country were fully utilized, some mines not now being worked could be made profitable, and the output of others currently producing could be much expanded. The second is potential production from new, or still undeveloped mining districts, where modern methods of exploration can be applied and where transportation is now a serious problem.

The industrialist requiring a particular mineral product should first have a summarized survey made with geologic and economic studies of the principal producing areas based on data available in the United States. These studies will decide which sources are in the best positions economically and politically to supply his needs at the lowest cost. The industrialist should also have the names of the operators of the mines or deposits within these areas and find out whether they require capital for mine developments or plants. However, rather than sink his capital in mine developments and mine plants, the industrialist may prefer to advance capital against future deliveries on a long-term contract. In any case, reliable information should be obtained through the local banks and a close check-up made by the American Foreign Service officers on the integrity and ability of the mine owner or owners to meet commitments.

GEOLOGICAL APPROACH

In many instances considerable geological information and geological maps to accompany the preliminary report on the areas of interest can be obtained in the United States. Therefore the geological possibilities of an area can be determined before sending out a field party and this information can be used to plan the field work. Knowledge of the local geology is particularly important with reference to metalliferous deposits, as some metals are found along certain mineral zones or horizons in sedimentary rocks of a specific geological age and composition. (Tables showing the association of the metals and minerals with rocks of various origin and age may be found in economic geology textbooks. The position of the

		Domestic production	Imports for consumption	Per cent imported	Tariff
Antimony	41-45 1945	3,937 1,934	24,913 23,930	87 89	Ore free, metal 2¢ per lb
Asbestos 1000 tons	41-45 1945	13 14	411 374	97 96	Unmanufactured free
Beryllium ore	41-45 1945	278 29	2,908 1,201	92 97	Ore free
Chromite 1000 tons	41-45 1945	69 14	919 915	93 97	Free
Cobalt	41-45 1945	380 (EST.) 359 (EST.)	2,621 2,395	88 88	Ore free
Columbium ore	41-45 1945	1 1	1,355 2,139	99+ 99+	Ore free
Corundum	41-45 1945		5,961 6,244	100 100	Ore free
Graphite	41-45 1945	6,969 4,888	33,418 36,132	83 88	Amorphous 5%, lump 15%, flake 30%
Industrial diamonds 1000 carats	41-45 1945		11,769 10,793	100 100	Free
Manganese ore 1000 tons	41-45 1945	183 182	1,433 1,311	89 89	½¢ lb Mn content

Mica	41-45 1945	1,170 649	2,708 5,839	87 90	Value 15¢ per lb or below, 4¢ per lb; value above 15¢ per lb, 4¢ lb + 25% ad. val.
Monazite	41-45 1945		2,752 549	100 100	Free
Nickel 1000 tons	41-45 1945		119 173	99 99	2½¢ lb. alloy + metal 25%; matte, oxide free
Platinum 1000 oz	41-45 1945	27 27	345 555	93 95	Free
Quartz	41-45 1945		2,367 565	99+ 99+	Free
Rutile	41-45 1945	4,773 7,179	10,355 10,602	68 60	Free
Strontium ore	41-45 1945	4,424 2,884	8,209 3,691	65 57	Ore free
Tantalum ore	41-45 1945		336 315	99 99	Ore free
Tin	41-45 1945		18,393 47,003	99 100	Free
Tungsten	41-45 1945	4,203 2,696	6,814 2,387	62 47	50¢ per lb W content + 50% ad. val.
Zirconium ore	41-45 1945		28,321 26,470	99+ 99+	Ore free

Table 1. Ratio of imports for consumption to domestic production. More than half of U. S. requirements are imported. (In tons of 2000 lb. except where indicated. Statistics from Bureau of Mines Minerals Yearbooks.)

deposits at or near and sometimes in intrusive rock masses is also indicative. The ore may follow certain rock strata, a vein system, shear zones, or other structural lines of weakness and fault planes may often interrupt the continuity of a deposit. A study of these and other geological features, such as mineral alterations in the surrounding rocks, may indicate the chance of finding new deposits or extensions of known deposits and whether it is worth while to extend explorations within an area. Geological studies of abandoned properties as well as of operating mines have often resulted in opening up large reserves of additional ore and thus giving new life to the enterprise. Geophysical surveys in collaboration with geological studies have also been of value in the discovery of important buried deposits.

In almost every part of the world, geological provinces are found which prospectively are ore-bearing but which have been given only cursory attention because of their remoteness. Transportation methods today allow such remote areas to be accessible either for the exploration or the development of mineral deposits. The first step in studying such an area whether it be in Siam, China, Netherland Indies, or Ethiopia, is to collect all available topographical, geological, and mineral maps, sketches, and descriptions as well as private engineers' reports. The logical sources of such information are books on ore deposits, mining journals, and magazines at the United States Geological Survey and Bureau of Mines, the Department of Commerce, the Library of Congress, the State Department, and the files of private engineers. This information also may be obtained directly from the Government bureaus of the countries which govern the area.

The next step is to find to whom the exploration concessions were given in the past and whether, within the area, exclusive concessions for a reasonable period of years may be obtained from the local governments. The Foreign Service officers of our State Department are equipped to help get this information and to supply data on the transportation systems, climate, vegetation, health conditions, and other pertinent data.

After the necessary information has been acquired, permission from the local authorities to send an exploratory party into a given area must be obtained. The next step is to select an engineer and geologist experienced in making such surveys. When topographic conditions permit, the preferable means of transport is a jeep with a trailer fitted with sampling and testing equipment. Assistants who know the country and language can usually be obtained locally to act as guides and interpreters.

INVESTIGATIONS IN OLD MINING DISTRICTS

The technique of acquiring a lease of a mine of a substantial interest in a mining company in an old mining district requires caution so as not to alert competition with established local companies, or especially between our own companies. Whether the property is an old mine in Egypt or Eritrea, or in the Gold Coast or Greece, where operations had to be suspended either because of low metal prices or wars, the first essential is to unearth maps and any data relative to the ore deposits, its geological features, including possible ore reserves and grade, past production, methods, and costs; also methods of transportation and markets. The question of ownership follows and it is important to know how to get in contact with the owners so they will not have impossible pretensions when they know that United States capital may be interested. An agreement with the owners or an option is necessary before sending an engineer to make a report, and this option should be for a period long enough to permit a careful study of the mines, including sampling of the deposits and testing of the ores by flotation or other methods. This option may be for an outright purchase, for a one-half interest, or for a long-term lease on a royalty basis. In case of a shareholding company, an option to purchase a block of the shares may be the simplest solution. An engineer sent from the United States should see the State Department officer in Washington in charge of the political desk of the country he is to visit and ask to have the respective Embassy or Legation advised of his visit. He could get his passport and visa from the consular services at the same time.

If the engineer's report is favorable and results of the ore tests are satisfactory, the next problem is to negotiate some satisfactory agreement with the owners for the future operation of the mine, if not already arranged in the preliminary terms. The terms of such an agreement may vary from an outright purchase for cash to a long-term lease on a royalty basis plus a managerial contract with no cash payment involved. The terms will also depend upon the risk involved because of the political situation, taxes, and exchange regulations of the country. Where these are unfavorable, a United States company might better arrange a sales contract for the products together with the managerial contract, and an

agreement may be made to lend the dollars through the banks to the owners for the purchase of mine plants and supplies and for operating expenses, provided the local exchange commission approves the repayment in dollars to the United States company from eventual sales of the product. In some countries special permits regarding exchange operations may be obtained. An option to purchase shares up to 50 percent may also be added to the agreement. The negotiator for the purchaser as well as the owner must remember that open dealing is the foundation of confidence and that all information relating to the property ought to be freely and confidentially shared. Terms of mutual confidence will thus gradually be established which will help to make the undertaking a profitable cooperative undertaking.



		 Domestic production	 Imports for consumption	Percent imported	Tariff
Aluminum 1000 tons	41-45	605	141	19	3¢ per lb
	1945	496	339	41	
Arsenic	41-45	30,561	13,174	30	Free
	1945	24,349	13,149	35	
Bauxite 1000 tons	41-45	3,702	1,059	22	\$1 per ton
	1945	1,099	828	43	
Copper 1000 tons	41-45	993	775	44	4¢ per lb
	1945	773	853	53	
Fluorspar 1000 tons	41-45	375	35	9	Met. grade \$7.50 per ton Chem. grade \$5.00 per ton
	1945	324	103	24	
Ilmenite 1000 tons	41-45	178	116	40	Free
	1945	309	210	41	
Lead 1000 tons	41-45	442	378	46	Ore $\frac{3}{4}$ ¢ per lb. Pb; metal $\frac{1}{16}$ ¢
	1945	391	311	44	
Mercury flasks	41-45	43,229	36,531	46	25¢ per lb
	1945	30,617	68,673	70	
Pyrites 1000 tons	41-45	824	290	26	Free
	1945	809	209	21	
Vanadium	41-45	2,102	958	31	Ore free
	1945	1,402	775	34	
Zinc 1000 tons	41-45	718	483	40	Ore $\frac{3}{4}$ ¢ per lb Zn, metal $\frac{7}{8}$ ¢
	1945	614	435	41	

TABLE 2.—Ratio of imports for consumption to domestic production. Less than half of United States requirements are imported. (In tons of 2,000 lb. except where indicated.)

OUTSTANDING POSITIONS OF UNITED STATES

During the past decade the mining companies in the United States have made great progress (1) in the field of exploration for ore deposits by the application of new geophysical and geological methods; (2) in mining by the use of diamond drills in place of rock drills; (3) by using conveyor belts and shakers to replace tramming ore in mine cars; (4) in ore-treatment methods such as sink-float to

rough out waste rock, and by improved ball mills, flotation processes, and flotation reagents which reduce mineral losses and operating costs; and (5) in the field of metallurgy through improved practice in producing metals and alloys.

Many opportunities exist in the foreign field to reestablish profitable operations by application of these modern methods to mines with important reserves of low-grade ore and tailing dumps. Foreign mine owners, because of this knowledge and the experience of our engineers, are generally anxious to have United States mining companies manage and financially assist in the development and operation of their properties.

The taxes and finance of many foreign countries are dependent upon those in power and frequently this results in insecurity to foreign investors. The United States investor wants security as to the title of ownership, and specific data on taxes and on the possibility of getting his capital investment and profits out of the country. The labor laws and labor-union restrictions must also be under constant investigation and study. The investor must have assurance that his investment will not be endangered by political changes.

About the only logical procedure to follow to obtain recent information on these subjects is through the Foreign Service officers of our State Department. Much of the information may be found in the reports by these officers under each country and may be reviewed at the State Department, in the Foreign Minerals Division of the Bureau of Mines, and at the Department of Commerce. Where additional information is desired it may frequently be obtained through the State Department from the Foreign Service officers (commercial or labor attachés) in the countries in question. The "Statesman Yearbook," published in London summarizes some of this information for most foreign countries.

The future position of the United States in foreign sources of mineral supply depends upon early action by our mining companies in acquiring a strong foothold in the countries still open to us before other nations get control of these available mineral resources. The statistical tables indicate our increasing dependence upon foreign sources of strategic mineral supply and the need for our Government to support strongly those companies that are willing to risk investment in foreign countries. The demands for majority control formerly made by United States companies investing in a foreign mining enterprise are no longer practicable because of the political tendency favoring local control in the exploitation of local mineral resources. It is therefore better to combine with local interests in such enterprises, retaining the management and sales agencies for the products in exchange for the capital required for the mine developments, operations, and for the purchase of necessary machinery. Such cooperative partnerships are now being carried out successfully by some of the large mining companies and they are thus protected against adverse political developments and excessive taxation. Mining companies with excess profits, willing to invest in exploration and development of promising mining ventures, could do so advantageously for themselves, for the foreign country, and for the United States.

Another suggestion which may benefit companies entering certain foreign fields is to combine their interests rather than to bid against each other in obtaining a property. Frequently a foreign mine owner is given an opportunity to promote competition and so obtain an exaggerated price for his property. Competition and duplication of effort could be eliminated in part if mining companies were to cooperate on a well-planned program for acquiring properties abroad. Such cooperation would include an efficient organization for the preliminary research work already outlined and a possible division of interests by metal or territory. By such united effort, United States mining companies would be in a stronger position to play a constructive part in building up foreign sources of mineral products required by our industries. They would also help to establish economic welfare in the mineral producing countries and indirectly help this confused world to combat present abnormal conditions.

RÉSUMÉ OF THE AMERICAN MINING SCENE FOR 1947 AND FUTURE PROSPECTS

(By Charles Will Wright)

FOREWORD

The following notes constitute an attempt to answer a letter from John Dorsh, editor of the Mining World, requesting that I give to its readers a brief summary of the present position of the United States and suggestions as to the future outlook of our mineral industries with attention to the political and economic sides as well

as to development and operation. I am neither a politician nor an economist but as a mining engineer I find much confusion from the political point of view in facing the facts about our mineral resources and a lack of Government policy regarding our future mineral supplies. This situation is discouraging to our large consumers as well as to the large mineral producers who are anxious to expand developments and operations of their mining interests both within the United States and in the foreign field so as to meet our industrial needs.

Our mineral supply

Our industrialists know that the future welfare of the United States depends upon an adequate supply of minerals obtained both domestically and abroad. The extent to which we are depending or will depend on foreign sources of mineral supply is a matter of considerable controversy, essentially political. The war demand for metals and minerals made us realize our deficiencies in many of the essential raw mineral products and how hard it was, regardless of cost, to obtain them from foreign sources. Under the Strategic Minerals Act of 1939, hundreds of millions of dollars of taxpayers' money were spent by our Geological Survey and Bureau of Mines in exploratory work on marginal deposits within the United States, Cuba, Mexico, and other Latin-American countries and more millions were loaned by the Defense Plant Corporation and the Reconstruction Finance Corporation for development and plant construction. The poor results and the liquidation of these plants and enterprises at a small fraction of their cost is well known. Nevertheless much data were acquired by our Government agencies and private industry relative to our rather serious position in respect to domestic sources of strategic minerals.

Although the United States has for many decades led all other countries in both production and consumption of mineral products, the trend seems to be definitely toward an increasing dependence upon foreign sources of supply. This is not taking the position that we are either a have or have-not nation. For decades we shall continue to secure a large proportion of our needed minerals from our own mines, but we must face the fact that this century has seen a more thorough and intense development and depletion of our irreplaceable mineral reserves than most other countries have suffered.

An audit of the mineral position of the United States is clearly presented by the staffs of the Bureau of Mines and the Geological Survey as an appendix to the United States Senate public document, *Investigations of National Resources*, issued in December 1947. This report includes graphs showing United States production, consumption, and imports from 1910 to 1945. These should be studied carefully, particularly by those with isolationist tendencies who still believe that our mineral resources are adequate if only greater effort were made to develop them.

The important ferrous minerals

United States iron ore production was more than doubled from 1939 (51,732,000 tons) to 1942 (105,526,000 tons) due to demands by our war industries, 80 percent of which was supplied by the iron mines in the Lake Superior district. Present known iron-ore reserves, averaging 50 percent or better in iron content, in the Lake Superior district are about 1,800,000,000 tons while in the Southwestern States there are an estimated 2,000,000,000 tons of ore averaging 35 percent iron content. There are also an estimated 60,000,000,000 tons of potential reserves represented by the taconites in the Lake Superior district. Although the United States is virtually self-sufficient in iron ore, the high-grade deposits are rapidly being depleted and the problem of beneficiating the taconites is now being intensified. Research effort is being concentrated on methods to separate the magnetic and nonmagnetic as well as the coarse and fine grained taconites which contain from 10 to 30 percent iron and in some areas as much as 40 percent. From these ores a concentrate with 50 to 60 percent iron content is made and this product is sintered for reduction in the blast furnace. The interest in these ores as a future source of iron is so great that the Oliver Iron Co. is reported to have started on a \$35,000,000 project to carry out a thorough investigation of the taconites on a large scale. The Pickands-Mather and other companies are also working on this problem.

In the foreign field some 16 years ago the Bethlehem Steel Co. started the exploitation of the El Tofo deposits in Chile, which supplied their furnances at Sparrows Point, Md., with about 1,600,000 tons annually before the war. Shipments were suspended during the war but have now been resumed. The Iron Mines Co. of Venezuela a subsidiary of Bethlehem Steel Co. has developed the large iron-ore deposits with reserves estimated at 60,000,000 tons with 60 percent

iron content, at El Pao in Venezuela and completed a 35-mile railway also a highway from the mine to the river port of San Felix on the Oronoco. At San Felix construction of warehouses, machine shops, and loading bins are also being completed. The ore will be shipped in barges to a deep water reloading station at Cristobol Colon on the south coast of Paris Peninsular and thence to the United States. An annual output of 2,000,000 tons is anticipated. Of particular interest are the extensive deposits in the State of Mato Grosso in Brazil near the port of Urucum on the Paraguay River. The United States Geological Survey have estimated the reserves at 1,310,000,000 tons, containing 55 percent iron and 20 percent silica with selective beds containing 64 percent iron. The Bethlehem Steel Co. is now prospecting these deposits. Rather than ship the ore, plans for blast furnaces to produce pig iron locally are being studied. The ore is of high-grade Bessemer quality. Important are also the Labrador iron-ore deposits now being developed by the Hollinger Mining Co. and the M. A. Hanna Co. Past explorations along a 90-mile band of pre-cambrian schists have revealed large bodies of high-grade hematite adjacent to the Quebec-Labrador boundary north of Lake Petitsikapore. The Labrador Mining & Exploration Co. did the original work from 1936 to 1939. Known reserves are said to be over 100,000,000 tons with several times this amount of potential reserves. The remoteness of the area some 300 miles inland as well as the severe climatic conditions are handicaps to profitable operations. Nevertheless the construction of the railway is being pushed and plant construction has started. Still another important iron-ore belt is that in the northern Province of Sierra Leone in West Africa now being exploited by the Sierra Leone Development Co., Ltd. In this belt are the Marampa deposits, 52 miles by railway to the port of Papel, from which a million tons a year were being shipped before the war to England, and the Tonkolili deposits 100 miles to the northeast. The known ore reserves of these deposits are said to be well over 100,000,000 tons, of high-grade Bessemer ore.

Imports of metallurgical and chemical grade manganese ore during 1947 totaled about 1,700,000 short tons while domestic production was expected to be about 150,000 tons. No substantial change is expected in production and imports during the next few years. The principal foreign sources are India, the Gold Coast, South Africa, Russia, and Brazil. The largest known deposits in the Americas are those at Urucum in the State of Mato Grosso, Brazil, with measured reserves of 4,500,000 tons and 11,500,000 tons of indicated reserves containing 46 percent manganese and 11 percent iron. Most imports are now limited by shipping and docking facilities in the exporting countries. Within the United States are several large deposits of low-grade noncommercial manganese ore which with improved technology and higher prices could replace our imports in part.

Domestic mines supply about 40 percent of our industries tungsten requirements estimated at about 9,000 tons. The balance is imported from Bolivia, Brazil, Argentina, Mexico, Peru, southern Rhodesia, and Spain. China was formerly our main source of supply but virtually all of its present output is going to Russia. Unless new discoveries are made in the United States a decline in domestic output is anticipated.

Although domestic reserves of vanadium ores are not large new low-grade deposits are being explored and a potential supply of byproduct vanadium could be made available through technical developments now being carried on. The United States may thus be self-sufficient in this important steel-alloy metal.

The United States, the largest world consumer of chromite, has no significant commercial reserves of this ore and is almost wholly dependent on foreign sources of supply. With the growth in alloy-steel production, our domestic requirements will doubtless increase. Imports of chromite including all grades, from 1940 to 1947, averaged about 800,000 tons. Practically all of the metallurgical grade came from the Eastern Hemisphere.

Although wholly dependent on foreign sources for our nickel supply our industrial requirements can always be imported from Canada.

The United States is the world's principal producer of molybdenum. Domestic production is about 3,000 tons annually and 40 percent of this is recovered as a byproduct at the copper mines. Our annual consumption is estimated at 2,000 tons.

Some of the nonferrous metals

Our domestic production capacity of aluminum is in excess of current consumption, but in 1946 and 1947 we imported about one-half of our bauxite requirements from Dutch Guiana. The United States has very small reserves of grade I bauxite (59 percent Al_2O_3 and 6 percent SiO_2) used exclusively for the production

of aluminum and the reserves of grade II (52 percent Al_2O_3 and 10 percent SiO_2) are small relative to our long-term requirements. It is therefore important to increase imports and reserve our domestic reserves for emergency needs. During the war period, from 1939 to 1943, bauxite production from domestic mines jumped from 500,000 tons to over 6,000,000 tons and the production of aluminum from 200,000 tons to 900,000 tons, or 45 percent of world production.

Domestic reserves of antimony are exceedingly small and are chiefly a byproduct in the production of other metals. Our consumption requirements for 1947 to 1948 are estimated at from 30,000 to 40,000 tons of which 12 percent will come from domestic ores, 40 percent from import and 48 percent from secondary sources. Unless we can resume imports from China, our main prewar source, we may have to depend heavily upon Bolivia and Mexico for this metal.

Output of copper from domestic mines estimated at 900,000 tons in 1947 will fall short of anticipated needs by about a million tons. The outlook is for a decrease in output during the next few years. Imports have supplied over 50 percent of our copper requirements since 1945 and we may have to import a greater percentage in the future. In view of this, our copper imports for stock piling should be increased.

The situation in our primary lead supply is more serious. During the past 4 years we have depended upon imports, amounting to 400,000 tons a year, for about one-half of our requirements but due to the world shortage it is becoming more difficult to acquire lead from foreign sources even at present higher prices. Secondary lead is supplying an increasing tonnage of requirements. Our annual requirements during the next few years are estimated at 1,200,000 tons. Recent discoveries in the Broken Hill district, Australia, are reported to have contributed largely to the world's lead-ore reserves.

In 1938 the United States was self-sufficient in the production of zinc, the output being about a half million tons. Although production rose to an average of 700,000 tons from 1940 to '46, imports rose from zero in 1938 to an average of over 400,000 tons from 1940 to '46. For the next few years our annual consumption requirements are estimated to be about 880,000 tons and about one-third of this will have to be imported in the form of concentrates. There is at present an excess capacity for the production of zinc metal in the United States.

Among the light metals magnesium production and fabricating capacity in the United States vastly exceeds current needs. Our reserves are unlimited as sea-water is the main source. The rated annual capacity of domestic sea-water plants is 54,000 short tons while current domestic requirements for this metal are estimated about 10,000 short tons a year. Production costs at these plants are reported to be the lowest in the world and the exportation of this metal is now being considered.

Tin, one of the most strategic of metals is derived entirely from foreign sources and imported both as metal and in concentrates, the latter being reduced to metal at the Government owned tin smelter in Texas. In 1946 this plant produced 43,000 tons of tin largely from Bolivian concentrates. Tin imports before the war came almost entirely from British Malaya but during the war imports were built up from Belgian Congo. As the placer mines in the Far East are rehabilitated imports from this source will be increased. Domestic annual requirements are estimated at 95,000 tons during the next few years. Due to the continued shortage of tin, war time controls have been maintained on its distribution to United States consumers.

The domestic mercury mines made production records during the war when the market price was about \$200 a flask, but with present price at \$80 a flask most of the mines have had to suspend operations. There are large stocks of mercury in both Italy and Spain estimated at over 100,000 flasks. The average grade of mercury ore mined in Italy is about 2 percent and Spain is well over 4 percent, while an ore averaging 0.3 percent is considered good in this country. Domestic consumption during the next few years is estimated between 25,000 and 30,000 flasks.

Advances in methods of mineral exploration and mining

There are vast areas within our borders still to be explored but new discoveries by the prospector's pick are becoming scarce as most surface showings have been mapped either by our Geological Survey or the mining companies within the areas of mineral occurrence. The United States therefore has a more thorough knowledge of its mineral resources and of efficient low cost methods of production than most foreign countries. However, there are many hidden sources of metals as well as oil still to be discovered which will add largely to our present mineral reserves. The Geological Survey is carrying on detailed investigations of several

of the important areas in the search for ferrous and nonferrous mineral deposits. This work of course will add valuable information in the form of geological maps and structure sections useful in the search for new ore bodies.

During 1947 outstanding progress has been made in methods of geophysical exploration, particularly in the results obtained by the air-borne magnetometer. This instrument which was developed during the war by the Navy, the Geological Survey and the Gulf Oil Co., has been largely responsible for the discovery of new ore bodies in both the Sudbury and Lake Lynn districts in Ontario, the extensive ilmenite deposits in Quebec and the Lubeck oil fields in Alberta. The Aero Service Corp. of Philadelphia has done most of this work on a contract basis and they are now completing an oil survey of the Bahamas, also of certain areas of metalliferous deposits in South and West Africa. In making such a survey the planes are flown at about 5,000 feet along lines a mile or more apart and a continuous record of the anomalies obtained. In areas which show marked attractions an additional survey is made from a height of about 500 feet. Trained geologists are employed to interpret the results. In general, there has been an expansion in the use of geophysical methods as a guide in the discovery of metalliferous deposits more particularly in the foreign field than in the United States. One of the reasons why geophysical exploration has not been used in the United States to find our hidden mineral deposits within most of the States and on our public domain are the local mining laws which limit the areas of exploration as well as the minerals that may be exploited. In Canada, however, the mining laws are more liberal and give prospecting rights to much greater areas and for all mineral products.

In the field of mining the use of diamond drills for holes up to 100 feet or more are being used to replace the air drill at a number of the larger mines in the United States and Canada where the mining method used and the ore-body permits their use. Although the actual drilling cost per foot drilled is greater than with the air drill the advantage lies in the greater safety and less fatigue to the workmen. At certain mines the change from air drills to diamond drills has resulted in a greater output per man-shift and a reduction in costs.

During 1947 the drill steel manufacturers have introduced detachable bits with insets of tungsten carbide for the cutting edges. Among these are the Intersoll Rand Co. which make the Carset jackbit and the Joy Manufacturing Co. which makes the Sulmet bits. The great advantage of these bits is greater drilling speed, longer holes without change of bits in the hardest rock, negligible gage wear thus permitting smaller diameter holes and a reduction of bit reconditioning.

Ore treatment technique

Outstanding in the field of ore treatment is the research work of the experimental stations of the Bureau of Mines, those of the mining companies, our technical institutions and the American Cyanamid Co. New flotation reagents have been discovered which by differential flotation will yield high recoveries of oxides such as cassiterite and quartz, of carbonates such as cerussite and smithsonite and silicates such as feldspar, beryl, etc. Of particular interest in ore concentration by gravity has been the expansion of the heavy media process which uses an emulsion of ferrosilicon to float out the waste from iron ores and nonferrous ores. About 15,000,000 tons a year of material above 10 mesh are treated annually by this method using cones of large capacity. A new method the DSM developed at the Dutch State Mines for the treatment of coal is now being introduced by the American Cyanamid Co. This process also uses an emulsion of ferrosilicon in a centrifugal machine and treats material from 10 mesh down to 100 mesh. This has been successful in the treatment of coals and active interest is being taken in its application to metal ores.

Another important development is the Humphery spiral for the treatment of fines under 10 mesh to plus 200 mesh. A battery of these spirals with a daily capacity of 7,500 tons was built for the Titanium Alloy Manufacturing Co. at Jacksonville, Fla., by the Humphery Gold Mining Co. of Denver. At this plant ancient beach sands containing from 3 to 10 percent heavy minerals are treated and a concentrate averaging 58 percent heavy minerals made up of ilmenite, zircon, monazite and rutile is obtained. These minerals are separated by magnetic and electrostatic methods. Another installation has been added to the 4,000-ton-capacity mill at the McIntyre mine at Sanford Lake in the Adirondacks where the fines containing magnetite and ilmenite are being concentrated successfully. These spirals which are stationary have a daily capacity of 50 tons per double unit and they are used to rough out waste from ores that are to be treated by flotation or other concentrating methods. Operating costs at Jacksonville

are given at 5 cents a ton treated, the major expense being for power used for pumping.

Active interest is being shown in the Dorreo Fluosolids process for roasting of pyritic concentrates or the calcination of limestone. This process is described in the December issue of Chemical Engineering. The roaster consists of a vertical furnace in which a rising current of preheated air or gas is introduced through a perforated plate on the bottom of the furnace. There are no moving mechanical parts as in the Wedge roaster and other calcining furnaces. The material to be roasted is introduced through a pipe on the side and near the bottom of the furnace and the roasted product is discharged through a pipe near the middle of the furnace. The pyritic concentrates are kept in a suspended state by a strong rising current of hot air or gas but not hot enough to fuse the sulphides while roasting. The fine dust is carried off with the gasses and caught in a cyclone separator. The process is continuous and appears to have many advantages over other types of roasting furnace.

Stockpiling

Until world peace becomes a reality the United States must continue to prepare for emergencies as victory or defeat will hinge upon the amounts of critically needed strategic materials available. Our deficiencies in many of the vital raw minerals and increasing dependence upon imports has been presented in the report Mineral Position of the United States by the USGS and the Bureau of Mines, previously mentioned, the report by the Harriman Committee on European Recovery and Foreign Aid, part III, and in my article Problems and Procedure in Acquiring Foreign Mining Properties in the March 1947 issue of Mining and Metallurgy. In this latter article are graphs showing our average annual production and imports of 31 strategic minerals based on Bureau of Mines statistics from 1941 to 1945. The ratios of imports for consumption to domestic production for the 5-year period were as follows:

	<i>Percent imported</i>		<i>Percent imported</i>
More than 50 percent imported:		Less than 50 percent imported:	
Antimony.....	87	Aluminum.....	19
Asbestos.....	97	Arsenic.....	30
Beryllium ore.....	92	Bauxite.....	22
Chromite.....	93	Copper.....	44
Cobalt.....	88	Fluorspar.....	9
Columbium ore.....	99	Ilmenite.....	40
Corundum.....	100	Lead.....	46
Graphite.....	83	Mercury.....	46
Industrial diamonds.....	100	Pyrites.....	26
Manganese ore.....	89	Vanadium.....	31
Mica.....	87	Zinc.....	40
Monazite.....	100		
Nickel.....	99		
Platinum.....	93		
Quartz Crystals.....	99		
Rutile.....	68		
Strontium ore.....	65		
Tantalum ore.....	99		
Tin.....	99		
Tungsten.....	62		
Zirconium.....	99		

Many of these products such as tin, manganese ore, chromite, cobalt, mercury, graphite, industrial diamonds, mica, etc. must be transported across the oceans, requiring a few million tons of shipping space annually. During the war not only these sources of mineral supply were cut off but also shipments of bauxite from British and Dutch Guiana as well as the iron ore from Chile were almost shut off by the Nazi submarines. It is therefore vital that a greater effort be made to expand our foreign purchases now rather than be obliged to pay higher prices later and take the chance of being deprived of these foreign sources of supply. Proposals have been made to acquire minerals for stock piling from the European countries and their colonies in partial payment for loans under the European recovery program but as yet nothing has been decided. Estimates by the Harriman committee show a total annual value of \$223,200,000 in strategic and critical minerals available with comparatively small increases in production from the

Marshall plan countries. This total is compared with \$17,200,000 a year in value of mineral products now being received from the Marshall plan countries.

An appropriation of \$100,000,000 for stock piling of strategic minerals was made for the fiscal year of 1948 and recommendations to more than triple this amount for 1949 have been made. However unless substantial aid is given by way of machinery and "know how" to expand production of these minerals at the foreign mines there won't be much increase in the present output that will be available for export to the United States for stock piling.

Tariff reductions

United States tariff rates have been reduced from 15 to 50 percent on a number of the key minerals and metals that we import and in which we are deficient. The trade and tariff agreements among the United Nations was recently signed at Geneva and took effect January 1, 1948. This does not mean that there will be any great increase in either mineral imports or exports as supplies for export to the USA are not available in the foreign countries nor is there much that foreign countries can purchase from the United States due to their lack of dollars. The reductions however have created a more favorable trade situation which will be mutually beneficial as normal conditions gradually return. Examples of the tariff reductions are manganese ore from one-half to one-fourth cent a pound; tungsten in ore or concentrates from 50 to 38 cents a pound; nickel from $2\frac{1}{2}$ to $1\frac{1}{4}$ cents a pound; antimony from 2 to 1 cents a pound; copper excise tax from 4 to 2 cents a pound; cadmium from $7\frac{1}{2}$ to $3\frac{1}{4}$ cents a pound; zinc ore from 1.2 to 0.75 cents a pound and on the metal from 1.4 to 0.875 cents a pound; and bauxite from \$1 to 50 cents a ton.

The Marshall plan

There are several governmental and congressional committees studying ways and means to make the European recovery program a success and bills have been prepared for congressional action which are now under discussion. Just how far they will go in aiding the mineral industries abroad is still a question. The Marshall plan can be the real incentive to the mine operators in western Europe and the colonies to increase mineral production if funds are made available without too much delay for mining projects which after proper investigation warrant investment. The Export-Import Bank and the International Bank for Reconstruction and Development were organized to meet emergencies abroad if reports are presented to them on projects properly documented to justify the emergency and the amount of loan desired. Inasmuch as such loans must be guaranteed by the local governments they will probably be used to purchase our modern machines and technical "know how" in order to further their state-owned projects to the definite detriment of private enterprise or they may be used for projects owned by private industrialists who have the necessary political backing.

If Marshall plan funds for aid to the mining industries could be made available for projects controlled by private industry which need our technical aid and modern machines and in which private American capital could participate on a business basis this would go far toward building up the mineral production, local employment and the economy of the countries to be aided. Such loans could also be made against deliveries of mineral products and thus would eventually be repaid. If through the Marshall plan administration arrangements with the individual governments could be made to safeguard American investors against confiscation of the property or business in which they invest and be certain of getting their profits out of the country in dollars many would be willing to invest in foreign mining projects. Such investments by private enterprise rather than through loans to foreign governments will insure greater imports of strategic minerals into the United States as American firms will be seeking to build up production as rapidly as possible in order to get dollar credits through exports and thus repay their investment. Proposals to guarantee private capital investments by Americans in productive enterprises in Europe and their colonies are being considered by Congress.

The necessary control of the ways our Government funds are to be used to aid the mining industries in Europe and in the colonies could be made by competent mining engineers attached to the offices in Europe which are to administer the aid under the Marshall plan. Many mining projects will doubtless be presented to these offices which will have to be screened and estimated costs and machinery requirements carefully checked. As the time element is vital in Europe it is important to initiate the necessary groundwork with the aid of the mining bureaus and mining companies in each country in the preparation of mining projects, and in particular those on strategic minerals, that will need our financial, material, and technical aid.

THE NATIONAL FEDERATION OF BUSINESS AND
PROFESSIONAL WOMEN'S CLUBS, INC.,
1917 I Street, NW., February 9, 1948.

HON. CHARLES A. EATON,
Chairman, House Foreign Affairs Committee,
House Office Building, Washington, D. C.

DEAR MR. EATON: Attached please find statement of the National Federation of Business and Professional Women's Clubs, Inc., in support of the European recovery program.

We should appreciate having this included in the record of the hearings.

Thank you for your courtesy in this matter.

Respectfully,

HELEN G. IRWIN,
Legislation Chairman.

STATEMENT REGARDING A EUROPEAN RECOVERY PROGRAM

The National Federation of Business and Professional Women's Clubs, Inc., is an organization of 120,000 women actively employed in business and the professions. These women, engaged in such varied fields of activity, represent a cross section of public opinion which has cut across the lines of individual interest and is crystallized into the objectives of this organization.

The national federation has long been interested in problems of international scope, recognizing that its membership's progress, stability, and security depend on the solution of world economic and social problems. Being cognizant of their responsibilities as United States citizens, they are also aware of the necessity of a world citizenry, and feel that one is contingent on the other.

Therefore, they took early initiative in urging the formation of an international organization; were represented at the San Francisco Conference; supported the United Nations Charter, and have urged the acceptance of United States membership in such organizations as have been established within the United Nations. At its biennial convention in Cleveland, July 1946, the creation of a full-time staff position was authorized so that the federation would have a representative constantly at the United Nations who would keep the organization fully informed as to developments at its sessions.

The membership has been constantly supplied with up-to-date information on the plan for European recovery and therefore can bring to this committee a considered statement of its opinion.

The legislative item under which we support a program for European recovery reads in part as follows: "Support of a foreign policy embracing international social development, economic and financial stability." First, we are interested in utilizing to a maximum degree such organs and agencies of the United Nations as are practical and expedient with a view to increasing integration. We realize the necessity of safeguarding our domestic economy, and the long view dictates that it may be necessary to do so by sacrifice. We believe that the citizens are prepared to do so if they are fully informed as to the need and confident of the administration of the plan. We have confidence in the Norse, Harriman, Krug, and Brookings Institution reports, and appreciate their objective nonpolitical viewpoint.

We agree with Senator Thomas that our relationship with these 16 European countries should be that of a banker to an honest creditor, instead of the pawnbroker to the old fellow who comes in with his overcoat. We believe that sufficient funds must be appropriated to enable a recovery job to be done, and would resist a policy of further outlay of funds that could be only temporary relief. We do not presume to state what this amount should be, but believe periodic and reevaluation of the variable factors should determine increases and decreases. We believe in businesslike safeguards for funds and material which we supply, but as believers in freedom for nations as well as individuals, we believe that the nations should be unfettered in applying the program to their own economies.

We have the expectancy of a foreign policy that will be forward-looking in its general plan, but that must evolve with events of the coming years.

Our support is therefore dependent upon the utilization of wise judgment in the administration, and we are impressed with the importance of honest procurements, and the necessity of being kept informed as to progress.

Our national president, Miss Sally Butler, is serving as a member of the Stimson committee on the Marshall plan and our international relations chairmen, throughout the 2,000 communities in the 48 States in which we are organized, have taken the lead in securing signatures for the petitions requesting this program.

Because of the nature of the membership of our organization, we bring to this problem a realistic viewpoint and a businesslike attitude. Having weighed the risks involved, we feel there is no alternative to a dynamic program for European recovery.

HON. CHARLES A. EATON,
*Chairman, Foreign Affairs Committee,
 House of Representatives, Washington, D. C.*

HONORABLE SIR: My name is William C. Ash. My office address is 90 West Street, New York 6, N. Y. I am appearing at this committee hearing on the emergency relief program on behalf of the National Organization of Masters, Mates and Pilots of America, which is an organization of licensed deck officers, including masters, serving aboard American vessels.

I am a national vice president of this organization and authorized to speak on behalf of its entire membership of over 15,000 men. I have been going to sea for upwards of 23 years, in all deck ratings, and I have been a master for nearly 10 years.

At the outset I would like to say emphatically that our organization favors the Marshall plan in all its humanitarian purposes and its intent to simultaneously aid in effecting economic stability even in our own country. There is, however, one specific part of the Marshall plan which we earnestly request be given your serious attention with the purpose of altering and changing it.

That section of the plan to which we are in opposition is encompassed in sections VII and VIII of the emergency relief program which relates to shipping and the proposed transfer of American vessels to foreign flag operation. The witness could present voluminous statistics which would effectively disprove claims made by our own State Department as to the tremendous savings it could effect if instituted and the tremendous financial benefits to both the recipient nations and ourselves that would be gained thereby. The witness will not attempt to do this as others have ably done so and it is not our desire to be repetitious. He will, however, speak of some general but important factors which are self-evident and should receive your sincere consideration.

When, at the request of our Honorable Secretary of State, representatives of 16 foreign nations met in Paris to draft the basis of their requests, the representative from Great Britain, Sir Percy Rogers, proposed that the United States give approximately 3,000,000 tons of American ships to these various nations as one of the means of helping to restore their economy. Such a transfer propounds a question and an important one and that is, How will these bankrupt countries benefit by having the utilization of these vessels if distributed to them under the terms of this plan? The plain truth is that even though we have already transferred to them more than 1,000 ships of all kinds and substantially assisted in the rehabilitation of their merchant marine, the results as far as tending to prove our good intents and purposes to the European nations has been almost negligible. Proof of this is self-evident in the recent disorders in the various countries that have suffered from Communist disruptions.

The statisticians which I have previously mentioned prove that everyone of these nations without exception have already achieved their prewar tonnage of deep draft vessels and many of them have exceeded it. The propounder of the plan for transferring our vessels is himself a representative of British shipping interests. They are perfectly willing for us to give our ships away, but is his country, as the second largest merchant marine fleet owner of the world, willing to do the same thing? The answer is an emphatic no. She places many restrictions on the sale or transfer of any of her ships to other European nations and where she has control of ports and port regulations, the cost of operation of foreign flag vessels shows a decided increase to the foreign nations with preferential treatment to their own flag vessels. A recent press release in the New York Times indicates that exports from Great Britain in the year of 1947 were 8 percent higher than they were in the year of 1938 which was the peak year for most European nations prior to their entrance into World War II.

Our own Maritime Commission can cite instances to you of American vessels transferred to foreign registry where, at the expense of American taxpayers, American vessels were delivered to them in ports in their own country before they took title and that the American seamen who were sent with the vessel to deliver it were repatriated to this country at the expense of the American taxpayer and then left to seek employment in a rapidly diminishing field.

If our purpose is to aid in the rehabilitation of the vast majority of the European

peoples, then the transferring of American ships to help accomplish this will be negligible in its results. You are surely aware that the powerful shipping interests of the European nations are in the hands of very few people and they are the ones, the European capitalists, who will primarily and principally benefit and not large masses of people who need work and an opportunity to produce.

It is alleged by the proponents of this plan that such transfer of shipping is for the sole purpose of increasing the purchasing power of these foreign nations.

If the wages of European ships crews are considered purchasing power, then this premise should be dismissed as negligible and uncontrollable. Since foreign ships often remain away from their home countries for periods of a year or longer, the greater portion of their earnings are of necessity spent in other countries. It is a matter of record that the crew of one American ship spends more money in a foreign port in a week than the crew of a European ship will send back home in 3 months. So, the unalterable fact remains that the real purchasing power of European countries lies not in their selling their shipping services to us but in what we buy from them and by the investments and earnings made by their nationals in this country. Before the war when there was considerably less money in circulation than now, Italians in America sent back to Italy approximately \$100,000,000 annually; Germans and Poles an equivalent amount, and the Greeks approximately \$25,000,000. All the other nationals in this country followed this same pattern. Add to these figures the extravagant spending of the American tourists abroad which amounted to about \$500,000,000 annually and ask yourself of what significance is shipping as a factor in aid, economy, and purchasing power.

So much for the foreign aspect of the shipping program. But what about the domestic angle? How will this affect our own shipping? How will it affect our own economy and what will the actual saving to the American taxpayer be? The fact remains that no American honestly believes that we will ever receive this money in return and hope only to receive it in good will, peaceful pursuits of international trade, and exchange of ideas and relations. Even if some of it should find its way back to us as repaid loans, we will be cheated out of a great deal of it by bookkeeping chicanery for charges for services under reversed lend-lease. Furthermore, the total cost to the American taxpayer of the whole shipping program would be less than 2 percent of the total expected cost of the entire Marshall plan.

A further effect of this shipping program would be the loss of jobs for nearly 25,000 American seamen, of whom a great part would be the officers that I represent. Prior to and during the war when there was a real shipping emergency, thousands of fine young Americans were attracted to the merchant marine on the promise of a future and a career in the finest merchant marine in the world. Not by any stretching of the imagination can it be said that this promise has been kept. On the contrary, impediments, restrictions, and problems have been thrown into the laps of the whole shipping industry where some American operators took refuge and transferred their vessels to foreign-flag operations resulting in the loss of many jobs and a serious unemployment situation for thousands of American seamen. The transfers of the vessels under this proposed plan would be many more nails in the coffin of the American merchant marine. Please do not let this happen.

It is also important to consider that at the present time every one of the foreign nations which we propose to aid is engaged in an ambitious and energetic shipbuilding program of their own. Not one of them has indicated that they will in any way cut down or curtail this program. Even at the present moment they have contracted for 15½ million tons of shipping to be built in their own yards with funds and materials provided principally by us. In the meantime, our own shipbuilding industry is at a point dangerously near complete extinction. We have had several bitter lessons by allowing this to happen and it looks as though we are proceeding merrily on our way to do the same thing again.

So, not only are we delinquent in a progressive shipbuilding program of our own to maintain our country as a first-rate maritime nation, but we are assisting these other countries to build vast modern fleets of vessels at our expense while we are slowly but surely starving our own American merchant marine to extinction. We should not let this happen.

One amazing fact regarding this whole program stands out very sharply and still remains completely unexplained by the proponents of the plan. Why should the American shipping industry be the only one in the whole plan which should be singled out for such drastic replacement by foreign labor? Why has not our State Department requested that foreign labor be brought here to grow their own grain or dig their own coal? They know how absurd such a premise would be.

When they destroy the jobs of so many Americans presently employed in this industry? Is it because our State Department takes the position that the demise of our shipping industry is inevitable and so why not now? It is earnestly requested that our Congress do not permit this to happen.

The witness has not mentioned the importance of our American merchant marine as an adjunct to our national defense. He feels that the relative importance of the merchant marine in the "first line of defense" was very apparent during the last war. Should we allow our merchant marine to continue to deteriorate at the expense of our national defense? The answer is certainly not and we ask the good Members of Congress to see that it doesn't happen.

It is requested that the following two important points be given your earnest consideration:

1. No funds under the Marshall plan to be used for the transfer, charter, purchase, or hire by foreign nations for foreign-flag operation of any American vessel.
2. That a minimum of 65 percent of all cargoes originating anywhere in the world under this emergency relief program be carried in American-flag vessels. You will note that we ask only 65 percent and there is a reason for this. Public Law No. 17 of the Seventy-third Congress provided that 100 percent of all cargoes purchased with funds loaned by our Government must be carried in our bottoms. However, we overlook this and state without equivocation that we, as seafaring men, were in a position to see how the merchant marine of the foreign nations who were our allies suffered depletion as a result of the war. We were, therefore, entirely in favor of the rehabilitation of the merchant marine of our foreign allies and we still feel that in addition to their own ingenuity and commercial enterprise they should continue to receive substantial amounts of American relief cargoes in order to assist in effecting this rehabilitation.

Some Members of Congress have already stated that it is their sincere hope that the large bulk of these cargoes will be carried in American bottoms, but it has been our bitter experience that hope is not enough. We ask the Congress to guarantee it by legislation before we are completely out of business. It has been our bitter experience that our own State Department have been, perhaps inadvertently, the worst enemies of an American merchant marine. A former Under Secretary of State only recently made a statement that we do not need an American merchant marine. Proof of the State Department's position on the American merchant marine is indicated by the figures showing the vast amount of savings that would be made by giving the foreign nations 500 additional ships. These have been proved factually untrue. Even the report of the Secretary of Commerce the Honorable Averill Harriman and his committee indicated this. Yet the Harriman report was completely ditched in the preparation of the emergency relief program. We, therefore, do not wish to live in hopes. We ask that the Congress guarantee by legislation that we can live and exist as Americans and not on hopes.

In conclusion, the witness wishes to state that he has the greatest respect for our plenipotentiaries, ambassadors, ministers, and consuls and the good work most of them are doing, but he still believes that the best ambassador of good will to any foreign country is an American ship, manned by American officers and crew, delivering American goods to needy peoples.

Respectfully submitted.

CAPTAIN WILLIAM C. ASH,
*Vice President, National Organization of
Masters, Mates, and Pilots of America.*

WASHINGTON, D. C., February 9, 1948.

DEPARTMENT OF STATE

FEBRUARY 9, 1948.

No. 100

Text of letter to Senator Arthur H. Vandenberg from Secretary George C. Marshall regarding German reparation program, and the Department's memorandum on the subject:

FEBRUARY 4, 1948.

DEAR SENATOR VANDENBERG: You will recall that during December you indicated the intention of going fully into the German reparation and dismantling program in connection with the consideration of the European recovery program by the Senate Foreign Relations Committee. Since that time, the Departments of State and of the Army have submitted to the Congress and to your committee

a considerable amount of information on this subject. During the course of my testimony before your committee on January 8, I made a number of statements in which I pointed out certain of the reasons in favor of continuing the dismantling program, and indicated that further information and data would be furnished in the near future. Various Army witnesses, including Secretary Royall and Under Secretary Draper, have testified at length before your committee in support of the dismantling and reparation program, and especially with reference to the more technical aspects of the program, including its effects upon the German economy.

On January 24, Mr. Lovett forwarded to you a copy of the memorandum prepared by the Departments of State and of the Army in reply to the questions contained in House Resolution 365. This resolution called for answers to 11 questions concerning the dismantling program, and the replies (together with the six attachments) went into considerable detail. I understand that the Speaker of the House of Representatives read Mr. Lovett's covering letter of January 24 before the House. It was pointed out in this letter that through both diplomatic channels and through the Office of Military Government (U. S.), the British and French Governments have been asked to supply detailed information with regard to the status of the dismantling program in their respective areas of occupation. Although representatives of these Governments have given us assurances that they will make every effort to furnish the requested information, we are still awaiting receipt of detailed replies.

I believe that there are certain very compelling reasons in favor of the reparation program which may not be fully understood by the Congress, notwithstanding the quite extensive information which has been made available to the Congress through your committee and otherwise. For this reason I am submitting to you herewith a further memorandum in which an effort is made to summarize the principal points which are involved. I believe that the information and arguments contained in this memorandum will be of use to your committee, and it occurs to me that you and other members of the Senate may deem it appropriate to employ this material in any further discussions of the program which may take place. With this thought in mind I am forwarding to you under separate cover additional copies of this memorandum.

I should also like to bring to your attention the fact that the British and French Governments are understood to be opposed to modification of the present dismantling program. We know that they feel themselves justly entitled to and are most anxious to receive delivery of their share of the plants which have been selected for dismantling and of the reciprocal deliveries of commodities which the Soviets are obligated to make to the West. If all dismantling should be halted in our zone, this would be interpreted as the abandonment of the reparation program as far as the United States is concerned. The probable result of such action would be that the United States would find itself in sole opposition to the demands of the other 17 members of the IARA group of nations, and would probably be faced with renewed demands for extensive reparation out of current production. The principles for which we have contended so vigorously would thus be placed in jeopardy. Instead of being able to dispose of the reparations problem in short time and at relatively little cost we will be thrown back into a situation similar to that which followed in the wake of World War I, with general disagreement and long drawnout wrangling among the victorious allies, and particularly those nations in western Europe among which unity of purpose and feeling is essential for European recovery.

For the foregoing reasons, as well as the unfortunate political consequences within Germany which our officials there have declared would result from a temporary halt of dismantling should it later be decided to resume dismantling, General Clay has not been instructed to discontinue dismantling. No further allocations by the Allied Control Authority have been made, however, since the current congressional inquiry was begun. At the same time an investigation is being made to ascertain whether or not certain of the plants scheduled for dismantling would be better able to contribute to the world supply of critical items if retained in Germany, particularly those plants to which attention was called in the report of the Herter committee.

As you are aware, because of Soviet breaches of the Potsdam agreement we are seeking adequate arrangements with the British regarding further reparation deliveries to the East. These discussions are continuing, and in the meanwhile all deliveries from the United States zone to the U. S. S. R. (and Poland) have been stopped except for the remnants of three plants which were largely dismantled and delivered before the last meeting of the Council of Foreign Ministers.

After consulting your office, I am taking the liberty of furnishing copies of this

letter and memorandum to the chairmen of the Appropriations Committee of the Senate and the Foreign Affairs and Appropriations Committee of the House of Representatives in view of the interest which these committees have taken in the reparation and dismantling program.

Faithfully yours,

G. C. MARSHALL.

FEBRUARY 2, 1948.

THE GERMAN REPARATION PROGRAM

In recent weeks, while the major proposals of the Euro-recovery program have been under continuous congressional and public discussion, there has been widespread criticism directed to the question of the compatibility with that program of the present German reparation settlement. It has been argued that the dismantling and transfer of German plants blocks the industrial recovery of Germany, and is the major factor preventing the great industries of the Ruhr from contributing to European reconstruction. The conclusion is drawn that the dismantling program increases the burden on the United States, and the costs which must be borne by the American taxpayer. It is asserted that the transferred plants are of small value to the recipient countries, and that, in any case, the major beneficiaries are countries which are unfriendly to the United States.

A more limited opposition is addressed to the question of certain plants on the dismantling lists which appear to be technically capable of producing items, such as sheet and strip steel, and large diameter pipe, which are in short supply throughout the world because of lack of producing capacity. It is argued that it would be to the advantage of all nations concerned to keep such plants in Germany, and to assign them top priorities in supplies of coal, manpower, and other scarce factors of production, rather than to undergo the loss of production time involved in their dismantling and transfer.

In response to these criticisms a fundamental reexamination of all the considerations involved, both economic and political, has been undertaken by the Department of State. The conclusion has been reached that the German reparation program should be continued in its present form, and that such continuance will aid, not hamper, the economic recovery of Europe. Such continuance will, furthermore, leave to the German people adequate resources to enable them to develop a decent standard of life, and to contribute through industrial exports to European recovery. The major considerations which led the Department to adopt this conclusion are summarized in the following paragraphs. The question of whether certain of the plants on the dismantling list would be better able to contribute to the world supply of critically short items if retained in Germany is now being investigated.

POLITICAL CONSIDERATIONS

The need for a final settlement of the German reparation question

The obligation of the aggressor to pay the maximum reparation compatible with economic and political realities is incontestable. The failure after the First World War to arrive at a realistic solution of this problem cost American taxpayers and private investors hundreds of millions of dollars, seriously disrupted European and world trade throughout the interwar period, and gave rise to constant frictions in international political relations.

From this unhappy experience it could be concluded that any reparation settlement, to be satisfactory, should be realistically based on capacity to pay, should be carried to final completion within a relatively short period, and yet should be accepted as equitable by all concerned. It was such a settlement that the United States Government consistently sought from the time when planning for the post-surrender treatment of Germany was begun. Without such a settlement, it was certain that the time when Germany could enter into normal economic and political relations with the rest of the European community would be seriously delayed, and it was probable that American taxpayers and investors would once again find that they had paid the German reparation bill.

The character of existing reparation agreements

The Potsdam agreement embodies the basic features of a reparation settlement satisfactory to the United States. It very specifically lays down the principle that the German reparation bill must be kept within the bounds of Germany's capacity to pay, and recognized the necessity for a definitive settlement to be

carried through within a few years. It takes into account the fears of European countries of a resurgence of German aggression, and yet lays the ground for the establishment of a unified, peaceful, and economically viable Germany capable of self-support.

Providing all parties hereto undertook its implementation in a sincere spirit of cooperation, the Potsdam agreement provided the basis for a definitive settlement of the reparation shares of the Soviet Union and Poland on the one hand, and of all other countries entitled to reparation from Germany on the other. The Paris agreement on reparation, which was negotiated in Paris during the last 2 months of 1945, represented the practical acceptance by these other countries of the Potsdam reparation settlement. These 18 countries in effect accepted the principle of Germany's capacity to pay, and agreed among themselves as to their relative shares in a total volume of German reparation assets which at that time was unknown. Such a reparation settlement is unprecedented in history; and in view of the greatly reduced volume of capital equipment being made available under the revised levels of industry, its continued acceptance is even more remarkable.

The degree to which the United States Government is committed under present reparation agreements

There can be no doubt that the signatories of the Paris reparation agreement regard the United States as being fully committed thereby to carry out the reparation provisions of Potsdam. There are no legal grounds in international law to justify the conclusion that the Paris agreement is no longer internationally binding.

It is, of course, true that in cases where circumstances have substantially changed since the date of signature of an international agreement, and where the majority of the signatories to the agreement concur in the view that the agreement requires modification in the light of such changed circumstances, renegotiation has frequently been undertaken. As pointed out elsewhere, however, the majority of the signatories to the Paris agreement on reparation feel strongly that the implementation of the agreement should be continued; and that, indeed, the action taken to date has been too dilatory and limited.

As is well known, the Soviet Union has refused to follow in practice the principles of German self-support and capacity to pay, and of economic unity, laid down in the Potsdam agreement. Unless it is willing to live up to all the terms of this agreement, it cannot properly claim that only those clauses wholly favorable to it should be carried out. As has been announced, the Department of State is now seeking adequate arrangements with the British regarding further reparation deliveries to the East. So far as the United States zone in Germany is concerned, only the remnants of three plants, dismantling and shipping of which has already progressed very far prior to the last Council of Foreign Ministers, are now in process to the delivery to the U. S. S. R.

It remains true, however, that the Potsdam agreement embodies the basic features of a reparation settlement satisfactory to the United States, and one which is probably as advantageous to Germany as is compatible with Germany's obligations. This being so, it would obviously be unwise to abandon the Potsdam reparation settlement merely by reason of Soviet malfeasance.

The present attitude of European countries

The attitude of the members of the Inter-Allied Reparation Agency toward the dismantling program has been most recently indicated by a resolution of the Assembly, transmitted in November 1947, to the Council of Foreign Ministers. The resolution protested the delays in dismantling and shipment of German plants, and requested the Council to seek measures to speed up the program. A similar resolution has been presented to the Council in October 1946.

The eagerness with which the members of the Agency have sought to secure such German plants and equipment as have been made available to them is ample evidence of the importance which they attach to these plants for purposes of their own economic reconstruction. Apart, however, from the contribution of the reparation program to their own economic reconstruction, these countries regard the program as a symbol of an attitude toward Germany's past actions and toward their own future, the abandonment of which would cause the greatest concern. To argue that the United States has already, through contributions to European relief, "more than paid for these plants," would seem to them to represent a callous disregard for the moral issues at stake, and for the superior rights of the victims

over the aggressor. This attitude also tends wrongly to identify German and American interests.

From a purely practical standpoint, it is the attitudes of Britain and France, in whose occupation zones in Germany are located the great majority of the plants remaining to be dismantled, that are of most importance. The British have very strongly expressed the view that they regard themselves as bound by the Paris reparation agreement to carry out the dismantling program. The French, although they have not been directly approached at this time, are known to hold similar views. In addition, the French have already protested against the present bizonal level of industry on the grounds that in certain fields of industry it permits the retention of so great a German capacity as to threaten their own security. The Department of State considers that it would be inconsistent with national policy to attempt to coerce the British and French into taking action which they would regard as a breach of their international commitments, and as an injury to their own material interests and to those of the entire European community.

ECONOMIC CONSIDERATIONS

The character of the bizonal level of industry

When it became clear that the U. S. S. R. had no immediate intention, except on its own terms, of putting into effect the economic arrangements envisioned under the Potsdam agreement as necessary for the creation of a viable German economy, the American and British Governments took the decision to merge their zones economically. An open invitation to other zones to join the merger was maintained. The two Governments continued to feel, however, that the general lines of the reparation settlement embodied in the Potsdam agreement were correct ones, and instructions were given to the two zone commanders to prepare a revised level of industry for the bizonal areas as a basis for the carrying out of that settlement. These instructions were given in March 1947, after the Council of Foreign Ministers met at Moscow.

By that time some 18 months' experience had given a clearer insight into the problems of German economic recovery. The general dollar crisis in western Europe had not yet become apparent in its full intensity, although serious difficulties had already appeared. In working on the revised level of industry the American and British authorities in Germany had fully in mind the necessity of providing the basis for a German economy with the resources and flexibility essential not only for its own recovery, but also for the fullest contribution within its power to general European recovery.

Negotiations proceeded over several months, and it was not until August 29, 1947, that the revised level of industry was finally announced. The general effect of the revised level of industry is to permit the retention in the bizonal area of sufficient industrial capacity to produce approximately the same volume of output as was produced in 1936.

1936 was a year of considerable prosperity in Germany and one in which the German standard of living was one of the highest in the world. Not only was the standard of living high in that year, but in addition the Nazi Government found it possible to devote large resources to the construction of the autobahns, of massive public buildings and Nazi brown houses, and to armaments production.

In 1936 the bizonal area exported, in terms of current prices, roughly 1.75 billion dollars' worth of industrial products. The revised level of industry provides the basis for a volume of exports some 15 percent larger than this.

It should be emphasized in addition, that the revised level in no way constitutes a permanent strait-jacket on the German economy. Within the resources left to them, the Germans are free to develop their economy and standard of living to the fullest extent made possible by their enterprise and hard work. Such permanent restriction as may be necessary for reasons of security will be contained in the final peace arrangements. In the meantime, the occupation of Germany will continue.

It is well to recall that, on the basis of the resources available to them in 1936, the Germans established a formidable war machine. Had these resources been devoted to peaceful purposes, the German standard of living could have been greatly raised above its already high level.

It is, of course, true that the population in the bizonal area will be considerably higher than in 1936, and that the volume of industrial output per capita will therefore be lower. Taking into account, however, the fact that resources will no longer be devoted to war purposes, it is considered that full opportunity remains for the development of a decent standard of life.

The level of industry presently contemplated in the French zone is believed to be rather lower, on a relative basis, than that for the bizonal area. Industrial capacity in that area is, however, a relatively small fraction of the total in the three western zones. Even if present French plans are carried out in their entirety, therefore, it is not believed that they will materially reduce the capacity of western Germany as a whole.

The selection of individual plants for removal

The selection of individual plants for removal was carried out with a view to retaining in Germany the most economically located plants and those best able to contribute to the export program, while at the same time minimizing the local and temporary effects of dismantling. The concentration of production in the plants remaining is expected to improve efficiency in management and in the use of labor, fuel, and raw materials. It should be noted that these lists were drawn up during the period between the end of August 1947 and the middle of October, and that the general character of European and world needs, and especially of the needs for specific critical commodities, were well known at this time.

At the time of publication of the list of plants to be dismantled, on October 16, the responsible German authorities were invited to submit suggested amendments. No amendments were submitted in the case of the American list. Some 30 or 40 amendments were suggested for the list of plants in the British zone. Many of these amendments were accepted, and others are still under consideration.

The relation of German production to the European recovery program

The present level of industrial production in the bizonal area is roughly one-third of the capacity scheduled for retention under the revised level of industry. Even this level has been achieved only after more than 2 years of grinding effort to break the complex log-jam of shortages which is blocking German production—food, coal, raw materials, housing, manpower, transport, etc. In no single branch of industry does production now equal or even approach retained capacity. In no branch of industry will the removal of capacity now scheduled for dismantling materially affect the output of that industry over the next 4 or 5 years.

In the light of the above facts it is clear that the real problem of bringing about German recovery, and therefore of enabling Germany to contribute to European recovery, is to increase German production. Even were present German production doubled, it would still be one-third lower than is technically possible on the basis of the revised level of industry.

Many suggestions have been put forward in the press and in pamphlets as to possible means of increasing German industrial output to the point where all existing capacity, including that scheduled for dismantling, could be fully utilized. It has been urged, for example, that more coal should be shipped from the United States in order to permit the retention in Germany of a greater proportion of German coal production, thereby affording the basis for a greater German industrial output. This suggestion ignores the fact that coal is now being stock-piled at German mines because of inability to transport it to manufacturing plants. It ignores the fact that skilled manpower for making immediate use of greatly increased quantities of coal is simply not available. Other panaceas offered can be shown, upon detailed analysis, to fail equally to take into account the hard facts of economic life in Germany today.

Industrial recovery in Germany is necessarily a slow process, which can only proceed in a reasonably balanced fashion, with advances in one particular branch of industry providing the essential basis for equivalent advances in other branches. To superimpose overriding priorities for production of particular items would be to invite collapse in other segments of production. To attempt to inject supplies of fuel and raw materials into the economy at a rate faster than can be effectively utilized under existing circumstances would engender waste and misuse. In view of world shortages today, such action would be untenable.

In conclusion, it is important to note that in their discussions of the possible German contribution to European recovery, the bizonal authorities did not find themselves in any way limited by the restrictions imposed under the revised level of industry. Their estimates of possible German production, and of possible German exports to countries participating in the European recovery program represented the maximum deemed feasible under existing and expected conditions in Germany, taking into account the needs both of Germany and of Europe.

Even under present programing, it is estimated that within 4 or 5 years Germany may have a substantial export surplus in its trade relations with other countries participating in the European recovery program. By 1952 total exports from the bizonal area to these countries are estimated to be in the neighborhood of \$2,000,000,000 with a surplus of exports over imports of around a quarter of a billion dollars. To divert food, coal, and raw materials from other countries to Germany with the result of increasing this surplus would be difficult to defend either on political or on economic grounds. Such diversion would be certain to lend ammunition to the Communist propaganda that the United States favors the rebuilding of a powerful Germany over the reconstruction of Germany's victims.

The economic feasibility of transferring German plants

Ample evidence of the economic feasibility of dismantling and transferring industrial equipment is to be found both in earlier American experience and in the experience of the Inter-Allied Reparation Agency. The War Assets Administration, for example, has been realizing about 50 percent of war-inflated acquisition costs on sales of second-hand general purpose machinery. 80 percent of the equipment sold by them has been dismantled and transferred to new sites. Demand for many types of equipment offered by them is far in excess of supply. European countries have been paying good prices for this machinery despite the fact that it must be transported across the Atlantic and converted to the metric system before it can be utilized.

The OFLC has promptly disposed of virtually all of the German equipment secured by the United States through the Inter-Allied Reparation Agency. Most recently, for example, a chemicals plant was sold to an American firm for \$103,000, although its 1938 replacement cost in Germany was estimated at only about \$135,000. The Permanente Metals Corp. has purchased a German aluminum foil rolling mill for \$203,000, and is now engaged in dismantling and packing it. Customs duties must be paid also and both these plants must be moved across Atlantic, reerected in this country, and adapted to the American system of measurement. Nevertheless, in the opinion of experienced American businessmen these are sound commercial transactions.

Equipment from the Hensoldt optical plant has been reerected in the Netherlands to replace equipment looted by the Germans. Machinery from the Kugelfischer ball-bearing plant will help to replace both British and French plant extensively damaged during the war. It is clear that both the Governments concerned and the business firms which purchase the equipment from their Governments, regard the dismantling program as both practicable and profitable.

In many cases Germany represents the only possible source for securing industrial equipment within a reasonable period. Furthermore, the German equipment can be procured under the reparation program without expenditure of scarce dollars, and is in most cases more readily adaptable to European plants than is American machinery. Since the plants cannot presently be used in Germany, their present economic value there is so low as to be negligible in relation to their value to recipient countries. It is too seldom remembered that at the end of the war Germany had virtually as many machine tools as the United States.

Reciprocal deliveries

Under the Potsdam Agreement, the Soviet Union was required to make the Western Powers so-called reciprocal deliveries of foodstuffs, potash, coal and other commodities in return for three-fifths of the capital equipment delivered to them from the western zones of Germany, i. e., in return for 15 of the 25 percent of total removals from the western zones to which they were entitled. Such reciprocal deliveries were to be spread over a period of 5 years, whereas the capital removal program was to be completed within 2 years.

Under present plans total capital removals from the western zones would probably amount in 1938 values to approximately 1 billion reichmarks, of which the Soviet share would be RM250,000,000. In return for this removed plant RM150,000,000 worth of reciprocal deliveries would be required from the U. S. S. R. Since roughly RM100,000,000 worth of capital equipment has already been delivered to the Soviet Union, while reciprocal deliveries are only now about to begin, the theoretical debts on both sides are now roughly equal.

In other words, the U. S. S. R. owes to the Western Powers RM 150,000,000 worth of coal, food and other commodities, and an equivalent value in deliveries of capital equipment is theoretically owed to the Soviet Union. The extremely urgent demands for commodities in western Europe and the disproportionately great increase in world prices of commodities over capital equipment since 1938, tend to make this possible exchange advantageous to the member nations of the Inter-Allied Reparation Agency.

CONCLUSIONS

Analysis of Germany's economic situation shows beyond question that the revised level of industry, and the dismantling program based on it, have no present effect on Germany's ability to produce and to export nor has the revised level been found an obstacle to planning the maximum feasible contribution by Germany to the general European recovery program. It provides for the retention in the bizonal area of sufficient industrial capacity to provide the basis for development of a reasonable standard of living, and of a volume of industrial exports greater than prevailed in 1936.

The dismantling and removal of German plants, therefore, represents a transfer of capacity which would otherwise remain idle in Germany to countries which, because of more adequate supplies of manpower, housing, transport and other scarce factors of production, and because they enjoy more stable monetary and administrative organizations, can make good use of them. Transferred German plants are already contributing to the economic recovery of other European countries, and may be expected to reduce the cost of the American contribution to European aid. To a considerable extent recipient nations have no other available source of supply for meeting their requirement for much needed industrial expansion.

The reparation settlement embodied in the Potsdam and Paris Reparation Agreements, of which the dismantling program represents the concrete implementation, is one which accords with the best interests both of the United States and, recognizing its obligations, of Germany. It is a settlement to which genuinely friendly European countries, including both Great Britain and France, regard the United States as being fully committed, and one which represents to them the symbol of an attitude toward Germany's past actions and toward their own future, the abandonment of which would cause them the greatest concern.

DEPARTMENT OF STATE,
February 9, 1948.
No. 101

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\$522,000,000 FOREIGN AID PROGRAM TARGET SUPPLY AND SHIPPING PLAN

The Department of State today announced a target supply and shipping prospectus for the \$522,000,000 United States foreign aid program to France, Austria, and Italy (Public Law 389).

The prospectus, outlining a commodity and dollar break-down of total projected procurement and costs for each country, allots \$284,000,000 to France, \$57,000,000 to Austria, and \$181,000,000 to Italy.

Some adjustments may have to be made within the over-all target amounts as the program progresses.

A short statement on an incentive goods program is attached at the end of the release.

1106 FOREIGN POLICY FOR A POST-WAR RECOVERY PROGRAM

The French target program, including partial programs previously approved in amount of \$119,819,000 under dates December 23, January 9, and January 29, follows:

Product	Quantity, long tons	Estimated freight at shipside value in thousands	Estimated shipping in thousands	Estimated freight at shipside and shipping in thousands
Cereals.....	775,673	\$93,792	\$7,782	\$101,574
Fats and oils.....	63,636	¹ 20,000	(²)	20,000
Dairy products.....	6,013	3,500	(²)	3,500
Potatoes.....	35,000	450	525	975
Dried fruit (prunes).....	5,000	785	150	935
Dried eggs.....	200	179	8	187
Coal:				
United States.....	3,800,000	40,280	38,000	78,280
Ruhr.....	1,000,000			16,000
Fertilizer:				
United States.....	37,000	2,200	820	3,020
Canada.....	28,900	1,800	638	2,438
Chile.....	62,065			2,729
Pesticides (sulfur).....	17,000	340	160	
Petroleum products:				
United States.....	140,500	³ 5,400	1,705	7,105
Off-shore.....	812,000	15,050	7,770	⁴ 24,895
Cotton and other fibers.....	28,000	19,500	500	20,000
Medical supplies.....				1,000
Reserve.....				862
Total.....				284,000

¹ Final detailed composition of fats and oils program not yet determined, but will not exceed \$20,000,000 in total.

² Freight will be paid by the French Government on a nonreimbursable basis.

³ Subject to adjustment downward after determination of final quantities to come from United States sources.

⁴ Includes reserve of \$2,075,000 for petroleum products not yet specified.

The following is a summary of the program for France recommended above using the commodity categories specified in Public Law 389. The summary includes estimated cost of commodity and of shipping:

Item	Estimated freight at shipside and shipping value	Percent of total
Food.....	\$127,171,000	44.78
Fuel (coal only).....	94,280,000	33.20
Petroleum and petroleum products.....	32,000,000	11.27
Fibers (mostly cotton).....	20,000,000	7.04
Fertilizer.....	8,187,000	2.88
Pesticides (sulfur).....	500,000	.18
Medical supplies.....	1,000,000	.35
Reserve.....	862,000	.30
Total.....	284,000,000	100.00

In general, the recommended French program covers shipments during the period December 1947 (to the extent such shipments were delivered on and after December 17, 1947, the date of enactment of Public Law 389) through March 1948, except for the cereals allocation for April which will be shipped in that month.

Other comments on the French program are as follows:

Some measure of the contribution of the food portion of the recommended French program is indicated by the fact that after eliminating the April allocation of cereals, the program provides an average of 829 calories per day for a 3-month period to each of the estimated 29,500,000 nonfarm population of metropolitan France. The Office of Foreign Agricultural Relations, United States Department of Agriculture, estimates that indigenous production will provide approximately 1,300 calories per day for the nonfarm population.

Petroleum products to the maximum extent possible will be procured outside

the United States. No aviation gasoline is included. At the present time it may be assumed that the quantities of petroleum and petroleum products to be supplied from the United States are available.

The \$862,000 shown as a reserve is intended principally for additional quantities of dairy products and fats and oils. Some part of the reserve may also be used for incentive goods.

The Austrian target program, including partial programs previously approved in amount of \$33,399,000 on December 23, 1947, and January 9, 1948, follow:

Product	Quantity (long tons)	Estimated (freight at shipside) cost	Estimated shipping	Estimated (freight at shipside and shipping) cost
Food:				
Cereals (wheat equivalent).....	148,000	\$17,608,698	\$2,400,790	\$20,009,488
Soya flour.....	3,000	553,292	69,450	622,742
Rice.....	4,000	985,600	63,600	1,049,200
Rolled oats.....	3,000	512,534	112,890	625,424
Beans.....	16,000	3,957,934	536,160	4,494,094
Lard.....	3,000	1,948,800	111,960	2,060,760
Peanuts (United States surplus).....	7,000	2,494,296	190,050	2,684,346
Copra (Philippines).....	9,524	3,047,680	285,720	3,333,400
Sugar, raw (Cuba).....	17,000	1,538,432	291,650	1,829,982
Prunes (United States surplus).....	2,500	287,800	92,875	380,675
Raisins (United States surplus).....	2,500	287,800	92,875	380,675
Eggs, dried (United States surplus).....	1,000	904,960	41,730	946,690
Coal (off-shore):				
Ruhr.....	501,000			7,014,000
Poland, Czech, Saar, and other European.....	219,000			3,286,000
Fertilizer (off-shore).....	50,000			2,000,000
Seeds:				
United States.....	660	3,212,870	373,500	3,586,370
Off-shore.....	660			314,750
Miscellaneous:				
Pesticides.....	1,864	389,800	93,200	483,000
Medical supplies.....				1,016,000
Fatty acids.....	300	244,000	11,130	255,130
Agricultural machinery, spare parts.....				100,000
Reserve.....				537,004
Total.....				57,000,000

2. The following is a summary of the Austrian program recommended above using the commodity categories specified in Public Law 389. The summary includes estimated cost of commodity and of shipping:

Item	Estimated cost-and- freight cost	Percent of total
Food.....	\$38,418,000	67.40
Fuel (coal only).....	10,290,000	18.05
Seed.....	3,901,000	6.86
Fertilizer.....	2,000,000	3.50
Medical supplies.....	1,271,000	2.23
Pesticides.....	483,000	.85
Incentive goods.....	100,000	.26
Reserve.....	537,000	.85
Total.....	57,000,000	100.00

The Austrian program in general covers the same shipment period as the French program, from December 17, 1947, through March 1948, except for the cereals allocation for April which will be shipped in April, 1948.

Other comments on the Austrian program are as follows:

Sugar.—The Austrian Government has agreed to accept and process raw sugar in Austria. This action permits supply of an additional amount of sugar, stated by the Austrian Government and the commanding general, United States forces in Austria, as urgently needed, without increasing the amount of funds required.

Fuel.—No coal is being supplied from the United States as Austrian coal requirements can be met from European sources at a lower unit cost. The proposed program covers Ruhr, Saar, and Czechoslovakian coal for January, February,

and March, and Polish coal for February, March, and April. April Polish coal must be paid for on or before March 20, 1948.

Petroleum and petroleum products.—No petroleum and petroleum products are included in the program. Such import POL products as are required are being purchased by the Austrian Government.

Pesticides.—As a result of having secured British agreement to supply the major portion of the required pesticides, anticipated expenditures for these items have been materially reduced.

Incentive goods.—The Austrian Government is most desirous of receiving certain agricultural machinery spare parts as incentive goods. These parts can be secured from Bizonal Germany prior to March 31, 1948.

Reserve.—This reserve is set up to cover a possible increase in commodity and shipping costs and certain anticipated administrative charges which might be presented by the Department of the Army and for other contingencies.

A cable from the commanding general, United States forces in Austria, states that 199 billion calories of import food is required for each 28-day ration period to support a 1,800-caloric ration in Austria. As an indication of its importance to Austria, the proposed food program will provide 772 billion calories or approximately the total import food required for four ration periods.

The target program for Italy, including partial programs previously approved for Italy totaling \$93,403,000 under dates of December 23, 1947, January 9 and 29, 1948, is as follows:

Product	Estimated			
	Quantity (long tons)	Freight at shipside cost	Shipping cost	Cost-and- freight cost
Food:				
Cereals.....	641,000	\$76,393,000	\$10,749,000	\$87,142,000
Soya flour.....	12,000	2,213,000	252,000	2,465,000
Pulses (beans).....	17,500	4,329,000	671,000	5,000,000
Dairy products.....	6,000	1,900,000	200,000	2,100,000
Dried eggs.....	1,500	1,344,000	60,000	1,404,000
Rolled oats.....	6,000	1,035,000	165,000	1,200,000
Macaroni.....	10,000	2,432,000	568,000	3,000,000
Sugar (raw Cuba).....	28,000	2,661,000	539,000	3,200,000
Potatoes.....	28,000	364,000	840,000	1,204,000
Coal:				
United States.....	1,800,000	18,900,000	17,100,000	36,000,000
Ruhr.....	500,000			8,000,000
Petroleum and petroleum products:				
United States.....	23,102	1,850,000	471,000	2,321,000
Off-shore.....	473,683	8,038,000	4,641,000	12,679,000
Fertilizer: United States phosphate rocks.....	70,000			1,000,000
Medical supplies.....				1,800,000
Pesticides.....				200,000
Reserve.....				12,285,000
Total.....				181,000,000

The following is a summary of the Italian program recommended above using the commodity categories specified in Public Law 389. The summary includes estimated cost of commodity and of shipping:

Product	Estimated cost-and- freight cost	Percent of total
Food.....	\$106,715,000	58.96
Coal.....	44,000,000	24.31
Petroleum and petroleum products.....	15,000,000	8.29
Medical supplies.....	1,800,000	.99
Fertilizer.....	1,000,000	.55
Pesticides.....	200,000	.11
Reserve.....	12,285,000	6.79
Total.....	181,000,000	100.00

In general, the recommended Italian program covers shipments January 1, through March 1948 with the following exceptions: (a) Deliveries in Italy of Ruhr coal and petroleum, oil, and lubricants on and after December 17, 1947, these being items not covered under the United States foreign-relief program under Public Law 84; and (b) cereals and possibly coal to be shipped during April 1948.

Other comments on the Italian program are as follows:

Petroleum and petroleum products.—Supplies proposed to be shipped from the United States are confined to lubricants. The United States is practically the only source of supply for such products. No aviation gasoline is included in the program.

Fertilizer.—A considerably larger program for fertilizer was originally requested by Italy, but the reduction in available funds made it necessary to confine the request to a quantity of phosphate rocks to be shipped from the United States not to exceed \$1,000,000 cost-and-freight cost.

Medical supplies.—The recommended program of \$1,800,000 is primarily for the procurement of streptomycin, penicillin, DDT, and certain miscellaneous products such as insulin, liver extract, and dried plasma.

Reserve.—The reserve includes the \$12,000,000 being held pending final decision as to distribution of these funds among several critically needed items, including additional coal, fertilizers, sugar and dairy products, and for blister copper used in making pesticides. The balance of the reserve is held for possible use in an incentive-goods program or for other contingencies.

Some measure of the contribution of the food portion of the recommended program is indicated by the fact that after eliminating the April allocation of cereals the program provides approximately 600 to 650 calories per day for a 3-month period to each of the estimated 35,000,000 nonproducers. It is estimated that indigenous production will provide approximately 1,300 to 1,400 calories per day including wine for nonproducers.

The statement on incentive-goods programs is as follows:

The State Department is now considering incentive goods programs of a very limited nature to be carried out in Austria, France, and Italy as authorized under the interim-aid legislation. Because of the reduction of \$75,000,000 made by Congress in the administration's request for \$597,000,000 for interim aid, most of the \$522,000,000 finally appropriated must be used for essential fuel and food items to these three countries, and only a small amount can be made available to carry out incentive-goods programs. Plans for small incentive-goods programs in these three countries under the interim-aid legislation should be completed within the next 2 weeks.

Acting Chairman BOLTON. There being nothing further to come before the committee at this time, the committee will reconvene again tomorrow morning at 10 a. m.

(Thereupon, at 3:30 p. m., the committee adjourned to reconvene at 10 a. m., Wednesday, February 11, 1948.)