

George C. Marshall Foundation, Lexington, Virginia

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UNITED STATES FOREIGN POLICY FOR A POSTWAR RECOVERY PROGRAM

WEDNESDAY, FEBRUARY 11, 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. Bartell J. Jonkman (acting chairman) presiding.

Acting Chairman JONKMAN. Our first witness is Mr. George Weller, foreign correspondent of the Chicago Daily News.

Will you please identify yourself for the record?

STATEMENT OF GEORGE WELLER, FOREIGN CORRESPONDENT OF THE CHICAGO DAILY NEWS

Mr. WELLER. I am a foreign and war correspondent. I have served two foreign services, that of the New York Times, in the Balkans and Europe, and the Chicago Daily News in all the continents of the world except South America. I have lived overseas about 12 years, reporting political and economic affairs.

Gentlemen, these remarks are a criticism of the \$6,800,000,000 plan for 15 months' aid to Europe. These remarks are not an effort to decide whether the European nations want, need, or believe themselves entitled to American aid. They are an effort to determine whether it is in the American nation's interest that American people should be taxed to provide it for them.

ERP hopes that the rebuilding of the industry of western Europe will create a new group of buffer states able to resist the westward push of communism. The bill assumes that communism can be halted by simple restoration of national economies. The notion is plausible but wrong.

Communism today is not a mass movement, though it wishes to be. It is a movement of an elite which is placed into power, not by mass unrest or hunger but by the Soviet Army and the Communist Party. Whether or not there is a mass unrest has little to do with the act of usurping power. It is a question only of who has the guns, tanks, and airplanes in the best position, and treaties to defend them. Russia has the power, the treaties, and a working technique; therefore, communism advances.

Economies of many of the eastern and central European countries now on the Communist assembly lines were hardly scratched by the war. Czechoslovakia, which was hardly touched; Bulgaria, which is almost completely intact; Hungary, hit hard in some urban centers, but not hurt in any fundamental economy whatever; and Rumania,

never fought over, and one of the richest countries of Europe. There was neither hunger nor chaos in any of these countries. The proof of this is that the Russians have been able to extract between \$10,000,000,000 and \$15,000,000,000 from them.

At the committee's request later, if time affords, I shall be glad to explain the Communists' step-by-step procedure for taking over any country, rich or poor, Marshall plan or no Marshall plan.

Building up western Europe's resistance against communism cannot be achieved by any number of American billions. The net effect of ERP is to increase the blackmailing power of the Soviet armies. The power of these armies can be answered only by a very substantial permanent increase of the American deployment of armed power in both Europe and Asia, including permanent bases overseas. The entire structure of wartime agreements needs to be torn down and rebuilt so that it ceases to defraud the American interest, as it does today.

The United States already has been defeated in the peace treaties. Most people think we won the war; we did not. The defeat is being turned into a rout by five arms of Soviet imperialism. They are:

1. The armies of the satellite governments. They are the ones who fought the Nazis and Italians, and have kept their military organizations.

2. The former guerrilla armies, now armies of the Communist Party.

3. The Communist Party.

4. The Soviet Army.

5. The fifth arm, and this is the most neglected and least understood, the Narkomindel or foreign trade monopolies of the Soviet Union, and the monopolies of its satellites. You will observe three or four of these are present wherever communism moves in.

You will find no country being taken over in Europe where the Soviet Army has not been present itself.

How can the Marshall plan check any of these five? It cannot even delay them. It may, indeed, aid them, and I believe it will for reasons I shall later explain.

You may wonder why someone who is against communism would be against the Marshall plan. You have read that the Marshall plan is opposed by the Communist press and the Communist spokesmen throughout the world. Soviet attacks on the Marshall plan have been wholly misunderstood in the United States. These attacks were never intended to keep the plan out of western Europe. They were intended only to insure that the Marshall plan stays out of eastern Europe, Russia's sphere (in her own eyes).

The Soviet Union does not want American governmental dollars to be accepted directly and officially by the satellite governments. They resist a penetration directly from above, where their control is strong at present. For this reason the Russians forced eastern European satellites either to remain outside the Marshall plan or to renounce it after they had joined it.

I went over all this reasoning this summer in Poland and Czechoslovakia with their statesmen.

But trade in eastern Europe is a monopoly of the Communist Party. For this reason, they have already refused our money as coming from above, at a time when the Marshall plan was never represented as anti-Communist.

Both the satellites and the Soviet Union will be delighted if billions of American dollars flow into their hands through western Europe's purchase of eastern Europe's products. And Communist Europe will expect to buy more cheaply from western Europe goods temporarily subsidized by American dollars. You can see the obvious advantage to the countries of eastern Europe. Thus the Communists in eastern Europe can hardly be hurt by ERP, which sends them dollars by handfuls.

This summer I covered the trial of Nikolai Petkov, a man who was hanged, as you know, in spite of the determined but feeble opposition by ourselves. This is one of the great moral defeats of our postwar policy. I find now that Mr. Dimitrov, the Prime Minister of Bulgaria, is very much in favor of active dollar trade with France, with Britain, and with the United States. He said so. He allows himself to be so quoted. There you see the distinction, ladies and gentlemen. Of course, they are very happy to have the Marshall plan in this form in western Europe. It is a source of dollars.

It is extraordinary to find ERP openly relying on encouraging trade between western Europe and Communist Europe. Why help both if we want to help one resist the other? Having subsidized communism in eastern Europe through UNRRA must we subsidize its foreign trade?

You know, we gave an average to the great Soviet satellites of eastern Europe of about \$400,000,000 per country, usually about \$100,000,000 in industrial aid alone. Having done this through UNRRA must we also subsidize its foreign trade, once we find this foreign trade is an arm of penetration?

It would be ridiculous to do so.

The State Department does not appear to realize that foreign trade to the Soviet Union and its satellites is an arm of political conquest.

Export prices are subordinate to foreign policy in each of these countries. However many American dollars are poured into eastern Europe through western Europe, not a single dollar will be allowed to divert the astute policies of the various Communist ministers of foreign trade who are building a monolithic collective economy, a collective economy of states in Europe, in eastern Europe. If you will look back through the files of the statements of the ministers of foreign trade of each of these countries you will see how, with the full concurrence of the countries, themselves, with their Communist ministers of trade, this block is being created.

Study the economy of Czechoslovakia and you will observe, for example, a trade with the U. S. S. R. now being expanded from 4 up to 18 percent in one year, and the aim is that between 40 and 50 percent of Czechoslovakia's foreign trade shall be in eastern Europe.

The aim is to use this growing international monopoly eventually as a weapon, because the fact is, whether we like it or not, eastern Europe does not depend on western Europe. The East does not need the West. As an economic weapon, the Marshall plan is, therefore, ill-aimed, useless, and out of date.

In its hopes of peace and security the Marshall plan is dangerous. It encourages a false confidence in the American people. When this confidence is dashed, as it will be as soon as the Soviet Union rebuilds her strength, the failure of ERP will increase American isolationism

and the final overthrow of the American strategic responsibility, which was assumed in World War II.

Having stated the over-all error of ERP, I shall touch on only a few of its other shortcomings.

ERP assumes that it is mainly America's part to pay for the rehabilitation of western Europe. Why? Why, for example, should Argentina lend \$175,000,000 worth of beef and wheat to Italy at interest rates from 2.5 to 3.5 percent? Is Argentina more opposed to communism than we are? No. Argentina's cultural attachments to France and Italy are far closer than those of the United States. So why do we give and pay and why does Argentina escape giving and paying?

Furthermore, let us ask the question, Is our money going to pay Argentina's 2.5 to 3.5 percent interest rates, as well as its beef and wheat?

To go on to another weakness, ERP assumes that the markets in the Far East and South America for European industrial products are going to revive. Now, I have been in southeast Asia as a correspondent, and within the last 2 years, the first year after the war, after covering the efforts at peace in China. I know those countries, all the way from China down to Indonesia. This assumption of the lively revival of trade is largely false. Industry in general has been decentralized through the war. These countries have learned to get along without things or to make their own simple requirements of industry. Western Europe is losing its markets. The liberated and semiliberated colonial areas can now meet most of their own industrial needs. Furthermore, native labor makes their prices generally lower than western Europe's prices. The American taxpayer may be willing to pay for this transitory rebuilding of European industry, but the Asiatic consumer is not prepared to buy its products in large quantities.

ERP is attempting to overexpand European industry. Last May and June, when I was in Paris, I found that the industrial recovery in France already—then, after a winter filled with stories of mass panic and chaos in the American public's eye—was up to 93 percent of its prewar quotient, and I believe it is over 100 percent today. Yet, if we continue this policy of overexpanding with our money, no amount of American dollars can turn back the clock to the days of colonial markets or bail out industries which deserve in an economic sense, to die, as for example, Britain's auto industry, which by any practical analytical examination is completely uneconomic.

Moreover, as we all know, ERP promotes inflation, it spreads inflation on a world-wide scale, hurting thus the consumers of all countries, costing us their good will with that rise, and postponing an eventual sound recovery.

I do not wish to have my criticism appear to be a total rejection of all of the principles embodied in ERP. ERP is justified on compassionate grounds in wishing to stem actual hunger or malnutrition in western Europe. This duty is a duty of humanity, properly shared by the United States and all well-fed nations. However, as long as 62 percent of the German farmers give crooked figures on their crop quotas—this figure is from Raymond Daniell of the *New York Times*, who is a very reliable reporter—this duty is not exclusively America's in respect to Germany. How can we, for example, repair the loss of

German farm land to Poland by milking our own people to subsidize the German diet?

These remarks are discussions of one country. I could discuss other countries in similar terms, if there were time.

Courting the good will of Europe through ERP is emotional nonsense, ladies and gentlemen. All the help which is given to Germany is used as very effective anti-American Communist propaganda in Poland and Czechoslovakia. I have a story to illustrate that: This summer I was talking in Poland to a husband and wife who were educated people and very anti-Communist by spirit. I asked them whether the Poles did not feel some sympathy for the humanitarian role which the United States was playing in Europe in feeding the German people. They said, "That is the thing we dislike most about the American foreign policy. In proportion to the extent you wish to help Germany, we sympathize with the point of view of the Communists in this country who attack you for doing so. We see no true humanitarian obligation there."

That is an illustration, ladies and gentlemen, that is is not just Communist propaganda but it is a point of view broadly accepted by people who are actually unsympathetic to Communist propaganda.

All the help given to Germany is used as very effective anti-American Communist propaganda in Poland and Czechoslovakia. American help to Italy is Communist propaganda in Yugoslavia and Albania. Europeans naturally ask, "Why is America giving millions to these former enemies of devastated Europe?" The western European countries are not moved to gratitude—except perhaps, in some measure, Britain.

The State Department says our people must give out of self-interest. However, why should anyone be grateful for what is given out of self-interest? You know, too, that it is often represented that one of the reasons for the Marshall plan is to promote American business, to keep American industries going. I do not find many indications of that profiteering coming to the surface. In all fairness, I find there are American businessmen who are against it. But I believe there is a certain legitimate ground for this criticism, though, of course, nothing like this was the original inspiration of ERP, at least profit to Americans by tax-supported exports was not its original aim.

What is happening, ladies and gentlemen, with the prospective aid of ERP and the Marshall plan is that Europe, like China, is going into business as a professional buffer state. It is going into business in that manner, of being a buffer state between the Soviet armies and ourselves.

Furthermore, American money delays good reforms in Europe and gives governments reasons for postponing them. The three soundest steps in Europe's recovery up to now were the devaluation of the currencies of Italy, first, and France just the other day, and the customs union, Benelux, between Belgium, Holland, and Luxemburg. None of these was accomplished through American intervention; none was an American idea. So economic reform comes from below with reason, from the Europeans, and not from above, with dollars, as an American inspiration.

The helping of France and Holland by the United States is aiding two powers who are engaged in colonial campaigns in the Far East. We have already provided arms and indirect financial aid to these

campaigns to our own prejudice in the eyes of 100,000,000 Asiatics. Through this sort of aid we are losing the masses of people in southeast Asia, as we are losing them in China. Do not be deceived by any attempt to put strings on these moneys and to say that they will not be used for these purposes. They will be. They will be siphoned over and nobody can prevent it.

To continue to give this kind of aid will deepen this moral defeat we are suffering in southeast Asia. Furthermore—another example of helping the people we are trying to beat—the Soviet campaign to represent us as an imperialist power, a natural partner of the imperialist powers of Europe, will be strengthened.

Perhaps it is not part of America's business whether the borrowing countries refuse to have a Socialist government or not. This is what we call the "dilemma of conditions," in Henry Hazlitt's phrase. But socialism, as a self-liquidating economy, remains to prove itself. It is not good statemanship to wring money from Americans on compassionate grounds to support economic experiments, whether they be the bureaucratic socialism of Britain or the state collectivism of Kuomintang China.

ERP is a double invitation to future blackmail. As long as the Soviet armies hold their present advantage, European governments can exploit the Communist menace for more American dollars indefinitely. Look at Greece. Three hundred million dollars almost gone, and they want more. It is gone, without curing the strategic disadvantages and the defects of the treaties which cause it. Thus we buy spurious insurance by installments as protection against Soviet imperialism, without achieving ever a counterprogram.

While the Red Army squeezes, the various Communist parties can sabotage by striking the industrial effort of any nation where they are already powerful enough to be a menace. Our missionary dollars go wasted. For example, the last big French strike cost \$1,400,000,000 in production. Ask yourselves, ladies and gentlemen, how much of that loss was ours?

Until we find counterweapons, not against strikes but against Communist imperialism, we can be exploited by Communist unionists legally as easily as we are exploited today by bridge-blowing Communist guerrillas in Greece. They throw in \$1,500,000 to build a bridge and a small package of TNT makes us \$1,500,000 poorer.

Looking at as a whole, the ERP is the dying phase of an American postwar policy which originated in World War II, while the fighting was still going on. This policy may be called "Retreat and Pay." The retreating began with the strategic withdrawals at Tehran and Yalta—never confided to the American Congress. Paying began with the United States footing 72 percent of the cost of UNRRA, and thereby underwriting the new Communist states in eastern Europe as well as helping to rebuild western Europe. The postwar loans, the gifts and the gift-loans, have demonstrated the failure of farming out foreign policy to other governments and other economies. To continue this same policy invites further failure.

Now, I realize that ERP is supported by many honest citizens, legislators, and editors who are moved by compassion for Europe and a wish, and a genuine and meritorious wish, to stem the advance of communism. But ERP cannot accomplish permanently its objectives.

What America needs is not ERP but a new foreign program to

amend its strategic defeat in eastern Europe and the Far East. A plan of economic aid, much smaller and much sounder than ERP, has a legitimate place in such a program, providing the military and strategic essentials are attained first.

However, this program must be reasoned out as a whole and it cannot be purchased with dollars and commodities.

Acting Chairman JONKMAN. Mr. Jarman, have you any questions?

Mr. JARMAN. I would like for you to elaborate a little bit on this new foreign policy you propose in the last paragraph there.

Mr. WELLER. We will take first a plank from ERP. That is the obligation of compassion, and the obligation to stem hunger and malnutrition. This should be the first point—a relief program, American administered, not passing through foreign governments. A foreign government that did not wish to accept American aid, American administered, would not receive aid.

For the second point, a building up of American power in Germany, in Trieste, and in the Far East, so as to correct our present disadvantageous bargaining position. It is impossible to bargain unless there is equality of bargaining power on the part of the two parties. We do not have that equality because the fundamental disparity is in military power today. Therefore these forces must be built up with a provision, of course, that they will be reduced when and if the Soviet forces are withdrawn from the countries they now occupy.

However, to leave it at that would leave the campaign of Communist imperialism successful in eastern Europe and in Manchuria, where I witnessed the taking over from the Russian Army of power by the Communist Chinese Army. To do that would be to leave this pattern in existence. That is not satisfactory. America's frontiers of security now extend to China and extend to eastern Europe.

As long as we leave these satellite belts as they are, with no compensating belt on our own part, we will be in the position of weakness, even if the two armies, Soviet and American, are withdrawn.

Therefore, there must be a program of permanent American bases overseas, as permanent as these Communist governments in eastern Europe and in China. This is what is called an invidious balance-of-power policy, but to accept anything less is to accept the continuation of this unrecognized defeat from which we now suffer.

As for rebuilding Europe, I believe that this should be left to direct investment on the part of American capital. I believe that the normal conditions of investment capital should be observed. I do not believe in asking the American people, through their Government, because it is impossible to examine these things equitably, on a sound basis, to make any such investment through the legislatures.

Therefore, let me say, sir, that the fundamental overlying policy of this new program would be an aim to correct our strategic defeat in the war, and then to subsume below that an economic program of aid.

Mr. JARMAN. You spoke of an American investment. Is there much prospect of American investment in Europe now?

Mr. WELLER. As long as we give it away it will never be borrowed. Do I answer your question?

Mr. JARMAN. You answered it as far as the European countries are concerned, but what I had in mind, is the American businessman willing to invest?

Mr. WELLER. I should think so. The real test of the program is to ask an American businessman about this. What will he say? He will say, "I do not wish to invest unless this military disadvantage of communism is corrected." Naturally, he does not want to lose his investment.

If you begin by correcting that you will create the normal condition of military security which is necessary.

Mr. JARMAN. You think that these bases you recommend will correct that?

Mr. WELLER. Yes, sir. You will remember that I said as well that there should be a building up of American power in Germany and Trieste, in the Far East, to correct the present military inferiority.

Let me say, concerning the basis, perhaps the net effect would be to restore multiparty government in Europe. We do not know that these satellite governments will last forever; they have come in largely because of the retreat of American foreign policy. They may not last forever. If democratic and parliamentary government should be restored in Europe, if the present control by the Comintern through the Chinese Communist Party of Manchuria, the wealthiest part of China, should be corrected, and the Communist Party would return to a minor place among the parties, then these bases would have served their purpose, could be dismantled and withdrawn. They are the answer only to the present conditions. If they correct the condition, the bases could be dismantled.

Mr. JARMAN. What progress has communism made toward the domination of new parts of Europe since the passage of the Greek-Turkish bill?

Mr. WELLER. From the Soviet point of view, this is a period of consolidation. We are liable to see few advances now in terms of taking over new territory. What the Soviets have accomplished is, they are managing to milk us of the millions of dollars with a force not even supported by them to any very great extent, of 15,000 guerillas. I was in Thrace covering this fighting in September. Fifteen thousand guerillas in Greece are forcing us to support an army of 150,000 Greeks, a permanent distortion in the military sense of the Greek economy.

This policy, transposed as it will be eventually, to Germany, when the prepared Soviet Army moves in, will continue to cause this endless leakage on our part. At the same time, besides milking us by this very successful policy, they are carrying on a campaign of "peace," which means that they are busy consolidating their position, eliminating the opposition, in all the countries between Poland and in Bulgaria, and in consolidating their position in China.

Now, the reason for the "peace" offensive is a sort of moral disarmament of us. The moment, of course, is not at hand for taking over new territories at all. Although I have had no time to trace the process of taking over each of these eastern European countries, I pointed out to you that none of them were taken over without the Soviet Army being present. That happens in all cases.

Take Poland and Czechoslovakia, for example.

You might say that these are not occupied countries, but they are in a true sense, because they lie between two great Soviet forces. By our consent to the peace treaties there are Soviet forces in Hungary and there are Soviet forces in Rumania.

Now, the role of these Soviet forces is explained in Lenin's pamphlet on Reformism and the tactics of taking over a government. This means that the Soviet Army is there and is what Lenin calls the "army of reserve." It is the army that determines that the revolution never goes backward. It may not push it forward rapidly, but it keeps it going slowly in the same direction.

For an example of that, look at Poland today. They have knocked out one by one all the parties. They have brought now the Peasant Party into the Government, and now they are working on the Church. It is a campaign, as a soldier would say, of reduction in little.

Mr. JONKMAN. Mr. Chiperfield, have you a question?

Mr. CHIPERFIELD. Mr. Weller, I regret I did not hear the first part of your statement.

I fully realize that the Marshall plan is directed mainly to the assistance and rehabilitation of western Europe. However, as you know there have been requests sent up to the Congress for additional aid to China. Now, does it make sense to you that we follow a policy in China which has permitted Russia to go into Manchuria and into Korea and strip those countries of billions of dollars worth of assets? I think the foreign correspondent for the New York Times in his book, *Reconquest*, estimated that the Russians had taken out of Manchuria something like six billion or seven billion dollars.

Now, does it make sense that we permit a policy like that to be followed, and then spend a few billions trying to replace what we have allowed to be taken out of those countries?

Mr. WELLER. Indeed, Mr. Chiperfield, of course it does not. I was in Manchuria myself and was taken into custody by the Chinese Communists when Changchun fell and witnessed the entire procedure of taking over. It is completely misunderstood by the American public.

It would take some time to explain to you the treaty ramifications and the clever way the Soviets beat us and beat us shamefully there.

Mr. CHIPERFIELD. Mr. Weller, did not this really happen in a sense: The Big Three just put a gun to China's head and said, "Go over to Russia and accept the terms we have agreed on"?

Mr. WELLER. Yes, sir; and, if I may be allowed to add to the foreign program that the gentleman from Alabama asked me about, I would say that another plank in that program should be the submission to the American Congress of the executive agreements of Tehran and Yalta to find whether it is really the sense of the American people that these should be upheld. In the case of Yalta, ladies and gentlemen, this was one of the worst defeats we have ever received—far greater than a defeat costing us 100,000 men.

May I have time to explain that, sir?

Mr. JONKMAN. Yes.

Mr. WELLER. If you will look at the Treaty of Yalta, you will see what we actually won was the Japanese-Russian war. We won back for a power that had never fought in the Pacific all it had lost in a previous war. We fought 4 years to cross the Pacific, and then we returned to Russia all she had lost to the Japanese.

Mr. CHIPERFIELD. Mr. Weller, we returned to Russia what she lost in 1904; is that correct?

Mr. WELLER. Precisely, sir. Then we went further than that. Take the case of the Kurile Islands. Our naval air arm bombed the

islands repeatedly throughout the war. No Navy man or anyone who saw the communiqués failed to realize that the Kuriles meant something to us. We paid American lives to strike them. What did we do with the Kuriles at Yalta? We gave them to Russia. We gave to Russia an island group in population alone, ladies and gentlemen, greater than the whole of the Pacific Islands which we have taken only under mandate.

Why did we do that? It is because of the deceptive map like this (pointing to mercatorial map on wall)?

Here are the Kuriles up here. They look very remote from the United States, way up in the corner there. Down here is Saipan and here is Guam, which we are making our advance base. Does it not look as though these are more important to us than the Kuriles? But the map is deceptive, ladies and gentlemen. The base that we have bombed here in the Kuriles is actually 1,000 miles or more east of Guam.

Now, if you told the American people that they had given away at Yalta a base 1,000 miles nearer the United States than Guam, a base that is between Guam and Honolulu you can imagine the howl that would come up. Yet, that is precisely what we have done through lack of understanding of strategy. You can fly from this base we gave Russia to our coast in 4 hours less than you can to Guam, and it is not as though we did not understand what this was about, because when the Japanese fleet attacked us at Pearl Harbor they were up in these very fog-bound islands up here. That was where they hid themselves before they made this strike, down through the fogs and mists here on Pearl Harbor, and remained concealed.

We have a double demonstration, first, by Pearl Harbor, itself, and then by having continually to bomb this place of the importance of this group of islands. Yet we gave them away.

Mr. CHIPERFIELD. Mr. Weller, you will recall that we were told there were no secret agreements at Yalta.

Mr. WELLER. Yes, sir; but we must be perhaps a little charitable. Even the Secretary of State at that time, Mr. Byrnes, confessed that he was in ignorance of what occurred there, even though he was there personally. That is with reference to the Kurile Islands.

Mr. CHIPERFIELD. You were in Manchuria and you have seen how the Russians had taken over title to the large industries in that country. You know that there is a great potential wealth so far as agriculture is concerned. You know the transportation systems that are dominated by Russia, and why? Because Russia fought 6 days in that war.

If you will tell the committee what is happening in Manchuria, so far as industry is concerned and its relation with the Russians, we will appreciate it.

Mr. WELLER. I think the country is entirely stripped. We could not believe this had happened before we went in. We did not believe that an Allied country could be so stripped by the Russians, and I treated the Chinese Nationalist stories with a great deal of caution because I was afraid they might be propaganda, but they were facts.

Mr. CHIPERFIELD. Was the same thing true of Korea?

Mr. WELLER. I tried to go with Mr. Pauley north through the lines into northern Korea, but could not, so I am in no position to say.

However, the facts gathered by both Mr. Pauley and by our

American Army, with abundant material from refugees from northern Korea, shows it has been stripped as well.

I would like to make one more point about this Russian thing, which is not generally understood, one of the exquisite ironies of our duping in this Yalta thing: Can anyone imagine anything more beautiful than that the country which is by dogma anti-imperialist, the Soviet Union, should use a country which it represents as imperialist, the United States, to achieve its own objectives in regaining its own empire? Can a more beautiful political irony than that be imagined?

Furthermore, can it be imagined that any irony could exceed the fact that Britain herself withdrew from this area? Mr. Churchill refused to identify himself with this agreement. Only our President agreed to Soviet advantages from China. Finally, the last and most exquisite irony to me, throughout the war we were devoted to the principle of breaking down the ports in China which has been under foreign domination. We were anti-imperialist. We induced the French to give up ports, we gave up our extraterritorial rights in Shanghai, we induced the British to give up most of theirs, except for Hongkong, which they do not classify as an extraterritorial, and all this in the name of freeing China. Then, what did we create? A new system of treaty ports, given to the Soviet Union, Dairen and Port Arthur. We stripped down all imperialism and presented to the Soviet Union with legitimate title, with our signature on it, a new system of Russian treaty ports.

Does that make sense?

Mr. CHIPERFIELD. We hope, if we are lucky, to get equal rights in those ports with Russia?

Mr. WELLER. I am afraid I do not share that feeling, Mr. Chiperfield.

Mr. JAVITS. Mr. Chairman, I was not here, I am sorry to say, when the gentleman testified. I have no questions.

Acting Chairman JONKMAN. Are there any further questions?

Mr. CHIPERFIELD. I have some further questions.

Do you think dollars will save the world from communism?

Mr. WELLER. Dollars, if applied to strategic purposes, sir, may do so.

Mr. CHIPERFIELD. Suppose under this Marshall plan you were able to bring about recovery in western Europe to prewar or even a higher standard than prewar. If we allow these governments to peg prices, keep up trade barriers, and not standardize their currencies, and make it possible for international exchange so that imports and exports will flow normally, there can be no true recovery, can there?

Mr. WELLER. There cannot, sir. Europe is devoted to the principle of cartels.

Mr. CHIPERFIELD. You can build up these countries to an economic standard but unless you correct some of these ills that are preventing the flow of goods, and so on, it is just like giving blood transfusions to a patient without finding the cause of the hemorrhage; is that not correct?

Mr. WELLER. Precisely. First, the strategic uncertainty must be corrected. Second, these changes must be made as they have been made in some degree by the European nations, voluntarily on their own initiative, and not as an article of import by the United States.

Mr. CHIPERFIELD. That is all.

Acting Chairman JONKMAN. Are there any further questions?

Mr. JARMAN. The cause of this trouble in Europe is well known, is it not? Did not the war cause the present situation in Europe, largely?

Mr. WELLER. Did the war cause the present situation?

Mr. JARMAN. I was just following up the question of Mr. Chipfield regarding transfusions.

Mr. WELLER. The gentleman's question was a condition contrary to the fact. By that I mean, I said, "Suppose" this recovery were to occur. This recovery will not occur in this form and I find myself unable to discuss a recovery which I deny will take place.

Mr. JARMAN. However, I say the main trouble in Europe today results from perhaps both World Wars, but especially the last one?

Mr. WELLER. Yes, sir; they are the same war.

Mr. JARMAN. Largely that is it, is it not?

Mr. WELLER. The latter war is the more painful; yes, sir.

Mr. JARMAN. Thank you.

Acting Chairman JONKMAN. Thank you very much, Mr. Weller for coming here. We have found your views helpful, and we appreciate your coming.

Mr. WELLER. Thank you, sir, for your courtesy.

Acting Chairman JONKMAN. Our next witness is Mrs. J. L. Blair Buck, who appears as president of the General Federation of Women's Clubs.

STATEMENT OF MRS. J. L. BLAIR BUCK, PRESIDENT, GENERAL FEDERATION OF WOMEN'S CLUBS

Mrs. BUCK. I appear before your committee today as the president of the General Federation of Women's Clubs, a national organization of some 3,000,000 women who have officially expressed their approval of the Marshall plan for European recovery. I come to plead for prompt enactment of an aid to Europe program along the lines outlined by President Truman, Secretary of State Marshall, and H. R. 4840.

The General Federation of Women's Clubs has had as a first interest the building and maintenance of peace in the world. We have supported efforts to promote international cooperation in political, economic, and social fields through advocacy of the United Nations and such specialized agencies as FAO, IRO, UNESCO, and the proposed World Health and International Trade Organizations. We believe that the cause of peace will be advanced by the European recovery program which seeks to help the nations of western Europe rebuild their shattered economies. Stable economic conditions are a prerequisite to the restoration of strong, democratic governments in this important area. Such governments will bulwark peace.

We further believe that the European recovery program is vital to the welfare and security of the United States. If western Europe, the traditional bastion of free institutions across the seas, is forced through economic exigencies to accept totalitarian government the position of this country will be precarious indeed. We cannot afford not to aid the 16 nations which have entered into a cooperative venture with us to restore their economies so that they can remain free, independent, and capable of resisting any pressure which may be brought against them. The risk involved for us in undertaking a

European recovery program is small compared to the risk we run should we refuse to do so.

It would be presumptuous for me, a layman, to attempt to discuss the details of so vast and complex a program. I do, however, feel justified in emphasizing the importance of not jeopardizing its chances for success by undue delay, by curtailment, or by the imposition of conditions which would place too heavy a burden on the recipient countries, or be distasteful to them as sovereign nations.

Failure to make aid available by April 1, when it is estimated the interim-aid funds will be exhausted, will be a step backward in the hard road we are traveling. Therefore, I hope the Congress will act as quickly as possible in authorizing the long-range program.

Reduction in the amount of the aid recommended might seriously cripple the effectiveness of the program. I am willing to accept the word of Secretary Marshall, based largely on the Harriman committee report, that 6.8 billion dollars is the minimum necessary to launch a real recovery job. This figure was arrived at after months of painstaking analysis of the needs of the cooperating nations.

I note that the only really expert testimony from outside the executive branch—that of Mr. McCoy of the International Bank—supports this minimum requirement as a “tight fit.” In the long run, inadequate aid will be a disadvantage to the United States which seeks as the return on its investment the recovery of western Europe. Continuation of mere relief—all that could be expected from reduced appropriations—is a costly, endless, and uneconomic course to follow. Besides food and fuel for the immediate emergency, machinery and tools and transport are needed to bring Europe to productive self-support, and funds must be provided in advance for placement of orders for such equipment.

It also seems important to me that the terms of the aid be kept sufficiently flexible so that grants can be made to those nations whose economies will be further strained by the necessity of paying off a huge foreign debt. Ability to pay should be the basic consideration in determining the nature of the aid to be rendered. What we should seek is a self-supporting Europe, not one paralyzed by debt.

In addition to humanitarianism, a main purpose of the European recovery program is to help rebuild strong, democratic governments in western Europe. The United States should be very careful not to undermine the strength of these governments by interfering in their internal affairs. We must constantly bear in mind that the nations we seek to help have a great tradition of freedom similar to our own. They are sensitive and proud as we would be under reversed circumstances. The program will succeed only if it is based on mutual respect and cooperation.

As regards the administration of the program, the suggestions contained in the Brookings Institution report appear to fulfill the requirements of sound business administration and, at the same time, provide for the proper relationship between the President and his Secretary of State and the Administrator.

Mr. Chairman, the European recovery program outlined by Secretary Marshall fulfills the broad essentials of a constructive aid program. The importance of its speedy enactment, in view of the present world situation, outshadows all other considerations. The future peace of the world may well depend upon it.

Acting Chairman JONKMAN. Thank you.

Merely to clarify the record, are you speaking for yourself, or are you speaking for the General Federation of Women's Clubs?

Mrs. BUCK. I speak for the General Federation of Women's Clubs. I speak on the basis of resolutions adopted by the whole federation. The federation at its annual convention adopted a resolution definitely in support of the Marshall plan, or the European recovery program.

Acting Chairman JONKMAN. Thank you.

Mr. Jarman, have you any questions?

Mr. JARMAN. I have just one question, Mr. Chairman.

Mrs. Buck, yesterday we had a lady witness, in fact three lady witnesses, and their general testimony coincided very closely with yours.

The expression of the opinion of their organizations by their respective representatives was practically the same as that of your organization. When one of them finished I made the statement to her that I did not think I could possibly more thoroughly agree with her position, and the same applies to you.

I added, to Mrs. Bolton, who was one of our distinguished lady members who was present at the time, that I thought we had better bring more lady witnesses here, and I am glad you came along today.

I told her this, that if I was right in my opinion of this thing, this testimony indicated that the ladies of the United States were very far ahead of the people in general, and of the Congress in their thinking on this subject, and I am just repeating what I said yesterday.

Mrs. BUCK. We appreciate hearing that very much.

Mr. JARMAN. Thank you very much for your testimony.

Acting Chairman JONKMAN. Mr. Chipfield.

Mr. CHIPERFIELD. From your statement I would understand that your organization is in full agreement with the foreign policy as now carried out by President Truman?

Mrs. BUCK. We stand firmly behind the Marshall plan. That is the extent of my statement right now.

Mr. CHIPERFIELD. You have also indicated that you are, of course, behind the United Nations and the FAO?

Mrs. BUCK. We are strongly behind the United Nations.

Mr. CHIPERFIELD. Have you any disagreement with the policies of our President, or our former President, over the last 10 years?

Mrs. BUCK. Personally, I have.

Mr. CHIPERFIELD. How about your organization?

Mrs. BUCK. The organization does not take a political stand under any circumstances. We have definitely been in favor, for instance, of the Voice of America Program. We have taken a stand on that. We have taken stands on certain programs of that sort, but as far as a whole general policy is concerned, no.

Mr. CHIPERFIELD. Have you been against any administration foreign policy?

Mrs. BUCK. I think our resolutions are drawn in a positive form, always.

Mr. CHIPERFIELD. I do not criticize you at all, but I just wondered if your organization had gone along all the way with the program as outlined for our foreign policy.

Mrs. BUCK. I would not be sure, but whenever we make a resolution it has been a positive one. We do have great arguments.

Perhaps you realize the fact that so far as the displaced persons were concerned last spring, we, in our convention, reversed our decision, so it is on thinking we are doing this, and on information.

Mr. CHIPERFIELD. I appreciate it, and I am very happy you made your statement. Thank you very much.

Acting Chairman JONKMAN. Mrs. Douglas.

Mrs. DOUGLAS. We are very happy to have you with us today, Mrs. Buck.

May I compliment the federation on the very fine statement that you made.

I take it, that you would not be in agreement, nor would the federation be in agreement, with Mr. Weller's new foreign policy.

Mrs. BUCK. I am sorry, I came in a little late and did not hear what he said. I heard him on Manchuria, and I was very much interested. I did not hear the first part of his statement, and I am sorry.

Mrs. DOUGLAS. I have no questions, but I am not surprised to find that women are on the right side. They generally are.

Acting Chairman JONKMAN. Mr. Javits?

Mr. JAVITS. It has been said in a discussion on this program, that it may, and will, perhaps, include some sacrifices on the American people. For example, we may have to pay more tax money. We may have to increase our national debt. We may have to be somewhat restricted in various types of food. Those things may not have happened yet but perhaps they will happen.

Now, what do you think about the American housewife, do you think she is willing to undertake a certain amount of sacrifice in order to see this program go through; does she really feel that keenly about it?

Mrs. BUCK. I think so. I think, of course, it is a question of education. We are trying to educate the housewife so that she will understand the needs, and if she understands there will be no question about her response. We are quite sure of that.

Mr. JAVITS. Do you think there is any limit to the response of the housewife if she believes what she is doing is contributing to world peace?

Mrs. BUCK. I think what she is doing is trying to prevent her grandson from having to go to war.

Mr. JAVITS. Do you feel the American housewife would be willing to make really great sacrifices if she felt sincerely that what she was doing was contributing to the maintenance of the peace?

Mrs. BUCK. I think she would make very real sacrifices. She did it during the war, and if she knows the purpose of these sacrifices, and if she feels they are being carried out in a way that will really build peace, she will be willing to make them.

Mr. JAVITS. I may say I am not a devotee of that school of thought that people will make sacrifices if asked. I do not think any sacrifices should be made without keen, able, and hard-headed administration.

I believe you may depend on this committee to see that no one is called upon for sacrifices not absolutely essential for the main purpose. I did feel we would be helped by your views on your subject.

Mrs. BUCK. I am very sure that the housewife, as far as she understands the needs, will be strongly behind any move for peace, even though it does require sacrifice, I am sure of it.

Acting Chairman JONKMAN. Are there any further questions?

Mrs. Buck, we are very glad to have your statement. We appreciate your coming here. You have been very helpful.

Mrs. BUCK. Thank you very much.

Acting Chairman JONKMAN. Our next witness is Mr. Robert P. Koenig, president of the Ayrshire Collieries Corp., Indianapolis, Ind.

**STATEMENT OF ROBERT P. KOENIG, PRESIDENT, AYRSHIRE
COLLIERIES CORP., INDIANAPOLIS**

Mr. KOENIG. Mr. Chairman and members of the Foreign Affairs Committee, my name is Robert P. Koenig. I live in Indianapolis, Ind., where I am president of Ayrshire Collieries Corp., a producer of bituminous coal.

I was a member of the President's Committee on Foreign Affairs, frequently called the Harriman committee. I am not appearing before you in that capacity as the committee concluded its work on November 7, 1947, when it submitted to the President its report, which has been made available to you. I subscribe to the findings and recommendations made by this committee. However, I prefer to consider myself here as a private citizen with a certain specialized knowledge of the coal industry both at home and abroad.

There is no need for me to take your time in summarizing the Harriman report or repeating what has already been presented to you by others who concur in its recommendations. I would like to impress upon you, if I may, the importance of minerals and mineral resources in the economy of western Europe.

A large percentage of the world consumption of minerals is concentrated in western Europe. With a few exceptions, notably coal, there is no similar concentration of production. The area is dependent to varying degree on imports of most minerals essential to a modern industrial economy. Of the major minerals only coal, iron ore, bauxite—the ore of aluminum—and mercury were produced in quantity equal or greater than demand.

The regaining of the ability to produce and transport to destination mineral commodities in former quantities—and probably in even greater than prewar quantities—is essential to the economic recovery of Europe. But, in pursuing this course we run into the dilemma, the principal obstacle to industrial rehabilitation is the break-down of the general economic system. In other words, recovery of the mineral industries must be preceded by the restoration of some measure of economic stability, and economic recovery is dependent on the ability of the mineral industries to produce. The necessity and advisability of outside assistance is evident. Despite this, the European nations have made appreciable effort toward economic rehabilitation.

In the past few months some significant progress has been made in western European coal production, notably in England and western Germany. The 5-day workweek in the British mines which was initiated in May 1947 was shelved, probably only temporarily, last fall. This in conjunction with a somewhat higher output per man shift resulted in a real increase in coal production. The mild European winter weather has helped by keeping down consumption so that now the United Kingdom is against exporting coal in quantities which

though small by prewar standards are hoped to be harbingers of greater future tonnages.

Production in the Ruhr has also increased, principally on account of certain incentives in food and consumer goods offered to the miners. These are significant and hopeful signs.

Pending such time that western Europe will again become self-sufficient in coal production, it must look to the United States as one of the principal suppliers of the deficit. I do not need to tell you that the reserves of coal in this country, the productive capacity of the mines, and the manpower, are not only sufficient to produce the coal needed by the United States and Canada but can also make available enough coal to cover the European deficit. At times transportation facilities for coal have been tight, but this situation is improving, though slowly as yet. American coal can materially assist the recovery of Europe without undue strain on either the coal-producing or consuming industries of the United States.

Acting Chairman JONKMAN. Mr. Jarman.

Mr. JARMAN. To refresh my memory on the size of the Harriman committee, how many members were there?

Mr. KOENIG. There were 19 members chosen from the public and the chairman, Mr. Harriman, himself, made a total of 20.

Mr. JARMAN. How long did that committee function?

Mr. KOENIG. That committee was organized on June 23, and was in session here in Washington about five times, each time for 2 days. It concluded its work on November 7, as I have stated.

However, many of the members of that committee were members of the subcommittees that had to do with certain phases of the problems that were being investigated, and they met frequently and did much work by correspondence, telephone, and interviewing people in industry, Government, labor, and so on.

I should say in general probably the members of that committee spent about 1 month apiece on the work, during the period of June to November. I think on that, it would be a conservative estimate.

Mr. JARMAN. And the membership of that committee, as I recall, was made up of responsible businessmen of the United States; is that right?

Mr. KOENIG. Labor was represented on the committee, educational institutions, and business. There were professional economists on the committee. It was a general representative cross-section, such as you could get with the total of 19 men.

Mr. JARMAN. I am not going to ask you a foolish question, and one that you might at the moment misunderstand. Instead, I am going to make a statement:

All of the members of that committee were patriotic American citizens. I know that is true. I am not going to ask you whether that is true; I know it is. That committee report after an average of 1 month's work by each member, which was no doubt a minimum estimate, is a good summation of the situation. As I recall their function, largely it was to report on the availability of goods in this country to supply this program without destroying our economy. Is that generally the function?

Mr. KOENIG. Our directive was to report to the President what could be safely and wisely exported by this country to aid in the recovery of Europe.

As the work of the committee progressed those terms of direction were generally broadened. We were asked to analyze and assess the requirements that were set out by the 16 European nations, the CEEC nations that met in the Paris Conference. We were also asked to comment on the possible effects of the European recovery program, matching up the availabilities with the requirements, on the economy of this country.

As we progressed, the terms of direction were considerably broadened.

Acting Chairman JONKMAN. Did the Harriman committee confine itself in that consideration to the industrial matters of production? Did it cover, for instance, food production?

Mr. KOENIG. It covered food, finance, and the whole field, as much as it could within the limited time.

Mr. JARMAN. I am very positive in my opinion that that group of 19 patriotic citizens of this country would no more sell our country down the river nor make a report that would tend to do it than would 19 Congressmen or 19 citizens of Washington, or anybody else. The reason for this line of questioning is that we had your report before we considered the interim aid program last fall, and yet the statement was repeatedly made, and irresponsibly, I think, on the floor of the House, that we had no information about supplies and availability, that we had taken no testimony. You heard the statement, "Here they come, with no indication that they have looked into this at all."

I just wanted to get these things into the record, because no doubt that same question will come up again.

Thank you very much, Mr. Koenig.

Acting Chairman JONKMAN. Mr. Chipperfield.

Mr. CHIPPERFIELD. What is your connection with the bituminous coal industry?

Mr. KOENIG. I am the president of the Ayrshire Collieries Corp., and a producer of coal in Indiana, and another company mining coal in Fulton County, Ill.

Mr. CHIPPERFIELD. I am familiar with that, in my district, of course. Do you feel there is any shortage of coal in this country?

Mr. KOENIG. There have been export shortages, particularly in the last 3 weeks, which is the direct result of the inability of the railroads to deliver coal on account of cold weather we have had in the East.

Mr. CHIPPERFIELD. I had some complaints from coal dealers, for example, in Quincy, Ill., even early this fall, saying that because of the shipments east, and for export, that they would not be able to supply their own people, right in Illinois, in the heart of the coal field, and I wondered about the situation.

Mr. KOENIG. We, and many of my colleagues in the coal industry, have heard cries of "wolf" like that ever since last summer and early last fall. Never have we been able, to my knowledge, to find a precise case where somebody has not gotten coal. He may not have gotten the type of coal he was used to getting, from the dealer he is accustomed to buying his coal from, at the exact time he wanted it, but he was able to find coal. I think that applies to industry as well as to the domestic consumer.

Mr. CHIPPERFIELD. Under this interim-aid program, which amounted to around \$597,000,000, there was \$184,000,000, if I recall correctly, for coal. I also understood that 20 percent of that was to keep people

warm, and so on, but about 80 percent of it was to be used for industry. I have never been able to get it through my head why we should give, as a grant-in-aid, coal to private industry to manufacture something.

Mr. KOENIG. Well, sir, the coal that goes to private industry also displaces and makes available coal for other uses, such as domestic heating, to keep people warm. On the other hand, much of the coal that goes to private industry, or that is used to manufacture goods, then goes into international trade and helps those countries at least partially to regain the balance of trade which they necessarily must have if they wish to live in a modern industrial society.

Mr. JARMAN. Will the gentleman yield, briefly?

Mr. CHIPERFIELD. Surely.

Mr. JARMAN. As they regain that balance of payment they are reducing their obligation on us?

Mr. KOENIG. They are reducing their requirements, yes.

Mr. CHIPERFIELD. When that is used up that requires more production some place else. Of course, I realize coal has been one of the tight things in western Europe. In the Ruhr areas I think it is the most important of any one item, but whether they are doing their part in the production of coal I do not know.

Mr. KOENIG. If one considers the Ruhr, there is a very complicated situation over there. I have been in the Ruhr several times in the last few years, and that is a very difficult and complex matter, which I do not believe can be discussed here today.

Mr. CHIPERFIELD. For example, I was in Belgium and so was Mr. Jarman. We asked them about producing the coal. The Belgians told us they do not dig coal themselves.

Mr. KOENIG. Belgium is producing about 85 percent of her pre-war tonnage right now. In 1938 they produced about 30,000,000 metric tons of coal and last year it was about 26,000,000. I do not have the figures here, but that is the general order of magnitude.

Mr. CHIPERFIELD. You have gone into availabilities of coal in this country?

Mr. KOENIG. Yes, sir.

Mr. CHIPERFIELD. Do you know how much of the \$6,800,000,000 is for coal?

Mr. KOENIG. Yes, sir.

Mr. CHIPERFIELD. Do you think we can afford to furnish that?

Mr. KOENIG. Yes, sir.

Acting Chairman JONKMAN. Mrs. Douglas?

Mrs. DOUGLAS. What are our coal reserves?

Mr. KOENIG. Mrs. Douglas, that is a very complicated question to answer. The United States Bureau of Mines made an estimate about 20 years ago that there were probably reserves sufficient for 2,000 years. Since that study we know that many of the reserves that were included by the Bureau of Mines at that time do not exist, and that many seams that do exist would be uneconomic to mine under any foreseeable economic conditions. They are either too shallow or too deep.

It is also the feeling of the people in the Bureau of Mines at the present time that the reserves are considerably less than the 2,000-year figure set out 20 years ago.

The Bureau of Mines is interested in reassessing these reserves of coal.

Mrs. DOUGLAS. Do they have any idea what the estimate will be?

Mr. KOENIG. I doubt if I am in a position to speak for the Bureau of Mines on that matter. I have discussed it with them, and with many of my friends over there, as to how to go about reassessing these reserves, what terms of reference, and what definitions should be set out, what should be included in reserves, and what should be excluded.

Mrs. DOUGLAS. You would say that the exports of coal contemplated under the proposed Marshall plan would not exhaust our reserves?

Mr. KOENIG. Mrs. Douglas, they are statistically insignificant.

Mrs. DOUGLAS. In other words, they would be in no way a strain on our coal reserves?

Mr. KOENIG. That is right.

Mrs. DOUGLAS. You said there were only spot shortages of coal around the country, and they were not caused by a shortage of coal but caused by a failure to deliver coal. Was failure to deliver coal due to poor transportation facilities?

Mr. KOENIG. Poor transportation facilities, and an inadequate number of coal cars on the railroads, and due to the impact of this long cold spell we have had on the normal delivery and turn-around of coal cars.

Mrs. DOUGLAS. Are we short of coal cars to meet the supply of coal needed in America today?

Mr. KOENIG. Yes.

Mrs. DOUGLAS. Are we short of coal cars as a result of shortages in steel?

Mr. KOENIG. That is a complicated question, but I think that is one of the facts. During the war the number of coal cars went down because more were used up, wasted and retired than were being built. It was not until October or November of last year that the production of coal cars exceeded the requirements of coal cars, and even now the level between retirement and new cars is just about even. There is no real increase in the total population of coal cars in this country going on at the present time.

It is hoped that during this year there will be a measurable and significant increase in coal cars, as more steel becomes available, and as the coal car manufacturers turn out more of this type of equipment.

Mrs. DOUGLAS. In other words, the shortage of coal cars is due to the fact that our entire productive capacity was turned over for 4 or 5 years to the production of war material?

Mr. KOENIG. That is the principal factor, in my opinion.

Mrs. DOUGLAS. In other words, a Marshall plan is needed for our own country, except, of course, our need is less acute than in those countries that have physically felt the impact of war?

Mr. KOENIG. That is right.

Mrs. DOUGLAS. The coal we contemplate exporting at this time, is it greater than that we exported before the war?

Mr. KOENIG. Excluding Canada, the amount of coal shipped from the United States prior to the war was insignificant. It did not amount to more than several millions of tons a year at the best. This export of coal that has been taking place in the last 2 years is an unnatural phenomena in the American coal industry.

Mrs. DOUGLAS. Because of conditions that now exist in Europe, resulting from the war?

Mr. KOENIG. Yes.

Mrs. DOUGLAS. I am perfectly sure that coal is going to be one of the major points of arguments on the floor, and that we will have wild accusations to the effect that we are going to run out of coal.

Do we have to increase our production of coal greatly in order to fulfill the commitments indicated under the Marshall plan?

Mr. KOENIG. Mrs. Douglas, the rate of production of coal during the latter part of 1947 is sufficient to meet estimated internal demands of this country and Canadian needs of American coal, as well as the European deficits set out in the Harriman report and as set out by the other agencies who have made estimates of the European needs. We can meet it amply.

Acting Chairman JONKMAN. Mr. Javits.

Mr. JAVITS. Mr. Koenig, would you tell me whether you were in Great Britain, too, in the coal mines?

Mr. KOENIG. Yes, sir.

Mr. JAVITS. You have inspected them both?

Mr. KOENIG. Yes.

Mr. JAVITS. Let us take the Ruhr, first. Do you believe there is a potential for very much greater production than is presently being taken out?

Mr. KOENIG. In the Ruhr they are taking about 280,000 metric tons a day. The physical capacity of the 145 coal mines that are in operating condition now is about 400,000, and the amount of repair that has not been done at the mines during the last few years makes it possible that only 340,000 or 350,000 tons could be produced to be hauled away to destination.

Mr. JAVITS. Let us discuss the mechanical functioning of those mines, aside from the labor. Can that be brought to a head quickly?

Mr. KOENIG. I think it is a very tough job under existing conditions. Under any semblance of a normal economy it would be a relatively easy job.

Mr. JAVITS. Do you consider it a tougher job than the rebuilding of the German heavy industries that are located in the same areas?

Mr. KOENIG. It has not been physically damaged to that extent.

Mr. JAVITS. It is not as expensive?

Mr. KOENIG. No, it does not need as much steel, copper, and the like.

Mr. JAVITS. The mines are capable of much greater exploitation, are they not?

Mr. KOENIG. Yes, sir.

Mr. JAVITS. Even with the existing type of machinery and the existing methods. In other words, you do not have to go in and completely redo these mines?

Mr. KOENIG. They are modern mines by every standard.

Mr. JAVITS. In England, is that statement true, or can you give us the parallel answers in Great Britain?

Mr. KOENIG. In Great Britain the mines as they are presently constituted have a physical capacity to produce in excess of the tonnage presently coming out of those mines.

In the year 1947 the British mines produced about 200,000,000 long tons of coal. Those mines are perfectly capable with the present equipment that is available, of producing 225,000,000 or 230,000,000 tons of coal. A few odd pieces of machinery would have to be added.

In general, the shafts are there, the preparation plants, and so on and so forth. However, those mines in England, by and large, are old and antiquated, and obsolete mines. Therefore, to convert them into modern mines which could compete on a cost basis in the world coal market, is going to take a long time, and will take a lot of capital for the heavy equipment. It will be a complete conversion of the coal mines.

Mr. JAVITS. Would it be economical to do that job, contrasted with imports of coal from the United States? I am now speaking only of the British mines.

Mr. KOENIG. It is easier to fix the mines in Great Britain than to import coal.

Mr. JAVITS. Either to Great Britain or to Europe?

Mr. KOENIG. During the interim period, if the mines in Great Britain can satisfy the demands for coal in Europe.

Mr. JAVITS. It is cheaper to rehabilitate the British mines than to ship coal continually from the United States to the European markets?

Mr. KOENIG. Yes.

Mr. JAVITS. That is certainly true in Europe?

Mr. KOENIG. Yes, sir.

Mr. JAVITS. It is a less expensive job, is it not?

Mr. KOENIG. Yes, sir.

Mrs. DOUGLAS. If we do help to modernize the British mines the coal is there to mine.

Mr. KOENIG. That is right. It is not anticipated that there will be much direct assistance by the United States to modernize the British mines. They can make their own machinery over there, and are doing it now. There is no concept of shipping much American mining machinery over to Great Britain.

Mrs. DOUGLAS. If the mines are modernized by the English, then, there is coal there to mine?

Mr. KOENIG. There is about 500 years of coal at the present rate of production that is economically recoverable in Great Britain.

Acting Chairman JONKMAN. Would it be right to say that our present consumption in the United States is about 540,000,000 tons?

Mr. KOENIG. That is right for bituminous coal.

Acting Chairman JONKMAN. Our production is in the neighborhood of 600,000,000?

Mr. KOENIG. It was 619,000,000 short tons last year.

Acting Chairman JONKMAN. And there is a shortage of all kinds of fuel—gas for heating, fuel oil, and coal?

Mr. KOENIG. I would not say there is a shortage of coal in the United States. Even during the month of November visible stocks increased 3,000,000 to 4,000,000 tons, right at the beginning of the winter.

Acting Chairman JONKMAN. Are we perhaps shipping abroad in the neighborhood of 8 percent of our coal?

Mr. KOENIG. We were during the early fall and late summer of last year, but during the month of January our coal shipments went way down to a total of less than 3,000,000 tons, which would be less than 36,000,000 tons a year. It was probably at the rate of 40,000,000 tons a year. That was not through the inability to move the coal, but because of the turn-down of the European nations of coal allocated to them.

Acting Chairman JONKMAN. It is true that to ship coal from the mines to ocean ports for Europe takes about four times the utility of coals cars that is taken to get it into the interior?

Mr. KOENIG. That is a misconception. The average turn-around period for mines in the Appalachian district to tidewater is at present about 14 days, and sometimes less than that. The turn-around of the Nation as a whole of coal cars is in the same magnitude. Actually, the turn-around period to tidewater does not use more coal cars per ton of coal delivered than coal in general does.

Acting Chairman JONKMAN. Are there any further questions?

Mr. JARMAN. I noticed you said you had a plant out in the district of the gentleman from Illinois. I just want to say that despite the impaired physical capacity of the gentleman, due to a fall on the ice, and although he gets mighty cantankerous here sometimes and makes us want to sort of kick him out of the room—we never try to do it, though—your people out there have a very good Congressman, as they doubtless know.

Mrs. DOUGLAS. Mr. Chairman, may I ask one question?

Acting Chairman JONKMAN. Yes.

Mrs. DOUGLAS. Will the percentage of coal in relation to the total production figure now be greater under the Marshall plan than it has been since the end of the war, or any time since the end of the war?

Mr. KOENIG. No. Mrs. Douglas, if the coal that is statistically determinable as the deficit over there in Europe be shipped under the Marshall plan, from America, the percentage of that coal to the total coal production will not exceed the percentage of coal that was exported out of this country during the months of July, August, and September. It would be of the same order of magnitude.

Mrs. DOUGLAS. Thank you.

Acting Chairman JONKMAN. Mr. Koenig, we thank you very much for coming here. You have given us some light on a vital subject in this foreign aid policy. I am sure we are all grateful to you for having come here.

Mr. KOENIG. Thank you, sir.

Acting Chairman JONKMAN. We will adjourn until 2 o'clock this afternoon.

(Whereupon, at 12:05 p. m., the committee recessed until 2 p. m.)

AFTERNOON SESSION

Chairman EATON. The committee will come to order.
We will ask Mr. Batt to proceed with his statement.

STATEMENT OF WILLIAM L. BATT, PRESIDENT, SKF INDUSTRIES, INC.

Please identify yourself for the record.

Mr. BATT. I will say that I am a resident of the State of Pennsylvania. I am a manufacturer in Philadelphia. I was in Washington with the War Production Board and its predecessors for over 6 years. I am on the United Nations Council for Philadelphia; chairman of the Philadelphia Committee for the Marshall Plan; a director of the Chamber of Commerce for Philadelphia; and during the war I was the American member of the Combined Raw Materials Board,

and the Production and Resources Board; in those capacities I had a great deal to do with the European countries and, incidentally, with the workings of our own Government. I have been abroad four times in the last year and a quarter and, of course, very frequently during the war.

I want to put before you and the committee, if I may, the point of view of these Philadelphia agencies, and then I add some of my own observations.

The United Nations Council of Philadelphia, the Foreign Policy Association, and the League of Women Voters has held a number of neighborhood meetings throughout Philadelphia and the Philadelphia area. In each of those, at the beginning of the meeting, they have taken a poll, where questions were asked, intended to bring out the sentiments of those present. I will admit that is a selective group of people, and a group rather well-informed on the questions at issue. Those polls are fairly unanimous in most respects. They showed what was to me an extraordinary degree of willingness on the part of the American people to finance European aid, if necessary, with no reduction in taxes. I must say I was surprised at the unanimity of that view.

They are strongly opposed to the tying of political strings to aid to Europe. They are equally strong in their opinions that the institutions in these countries aided should be democratic institutions and that aid should not go to countries not providing such a democratic area.

They are strongly of the opinion that goods furnished to these countries should be kept and used by those countries. They are strongly of the opinion that there ought to be every possible attempt to get the currency basis of these countries in as sound a position as possible.

I would like to attach the details of those proposals to my statement if I may.

(The information referred to appears on page 1147.)

Mr. BATT. The Marshall Plan Committee of Philadelphia, having something over 100 representative citizens of labor, the church—Catholic, Protestant, and Jew—and business have gone on record unequivocally as favoring the aid to Europe, and adequate aid to Europe. In such a large group, it is impossible to get a resolution that spells out great detail. However, the essential is clear that aid should be provided for Europe.

I would like to refer to the resolution of the Philadelphia Chamber of Commerce.

Chairman EATON. The resolution will be included in the record at this point.

(The resolution is as follows:)

CHAMBER OF COMMERCE OF PHILADELPHIA,
February 2, 1948.

EUROPEAN RECOVERY PROGRAM (MARSHALL PLAN)

The executive committee of the Chamber of Commerce of Philadelphia in a meeting held Monday, February 2, 1948, gave its approval to recommendations of the chamber's world Trade Council regarding this subject. The government policy committee of the council, in making its study, proceeded on the assumption that a European recovery program (ERP) would be adopted and, therefore, con-

fined itself to the consideration of practical steps designed to implement such an undertaking. The recommendations as approved are as follows:

1. A small independent Government agency, headed by a practical businessman, well versed in world trade, should be established to administer any European recovery program. An advisory committee, composed of heads of interested Government departments, representative businessmen, and public representatives should be created to advise and consult with the Administrator.

2. Extension of aid by the United States under ERP should be contingent upon the cooperation of the recipient nations in undertaking those important measures of economic unification and reform generally accepted as essential to recovery. These measures include currency stabilization, carrying with it the necessity for establishment of realistic rates of exchange in these nations; reduction of trade barriers and many others.

3. Loans and grants should take the form of a line of credit available for purchases of predetermined quantities of goods and commodities, such purchases to be made through private trade channels, to the greatest extent possible.

4. Goods sold by the recipient countries under grants-in-aid should be paid for in the local currency of each recipient country to the greatest extent possible, such payments being deposited to the account of the United States in the central banks of the respective countries. Funds so deposited should be controlled by a bi-country committee in which the United States would have a majority representation.

5. Standards of honest and efficient performance should be set by the recipient countries, which are acceptable to the United States, and all initial loans or grants should be for a period of 1 year only with reservations as to later assistance contingent upon the maintenance of the defined standards.

6. Supervision abroad: (a) A European continuing organization should be created at the core of which would be an international staff owing allegiance to no National Government and headed by a European director of recognized independence, courage and ability. The director and his staff would make initial recommendations with respect to programs and allocations based on a continuous evaluation of the performance of the participating governments in carrying out their undertakings and in making effective use of the aid furnished to them. The director could also serve to coordinate the efforts of the participating countries and to supervise the use of funds and supplies granted under the program, acting through the established control authorities within the individual countries and subject to spot audits by representatives of the United States.

(b) A new export control agency in the United States should not be created specifically for ERP. The method of foreign-government control, together with United States controlled audits already outlined, will accomplish the desired purposes without creation of an additional United States Government bureaucracy under the guise of export control.

(c) Resident United States Government control missions abroad established for detailed supervision, except as provided for in 6 (a) above, are as undesirable as additional export controls in the United States.

7. Wherever possible, procurement and distribution of goods under ERP should be made through existing private trade channels.

8. General comments: (a) No assistance of any description should be extended to countries under unfriendly domination and all aid should be terminated immediately in the instance of a recipient nation falling under unfriendly control.

(b) Every effort should be made by the United States to assure that none of the relief passes away from the recipient nations into the hands of governments which are within an unfriendly sphere of influence.

(c) Participation in an ERP by the United States should be devoid of accompanying restrictive and other devices which would burden the people at home with a form of government approaching the totalitarian forms we desire to see headed off abroad.

(d) The principle of export allocations on commodities in short domestic supply is accepted, but this should not be construed as an excuse for specific licensing of individual orders.

(e) The idea of purchases with ERP funds by recipient nations in other countries of items in short supply in the United States is heartily endorsed. Such a provision would relieve inflationary pressure on the commodities in short supply here and would foster United States exports to countries in this hemisphere.

(f) It is accepted that shipping aid constitutes a necessary part of any ERP, but no plan in this regard should be adopted which would ultimately increase the competitive position of foreign merchant fleets to such a point as would result in

damage to the economic security of the United States merchant marine and to this country's national defense potential.

(g) Unfriendly propaganda is being aimed at undermining the effectiveness of any ERP and it behooves the United States Government, therefore, to take the steps necessary to counteract such propaganda by familiarizing the peoples of the recipient nations to a greater extent of the intent of the program and keeping them informed as to its developments.

(h) Confidence is expressed in the ability of private trade channels, at home and abroad, to accomplish the purpose of ERP, but it must be recognized that a program of such magnitude as this must invariably put some pressure on the United States price structure. Should it develop that the impact of ERP, combined with other forces, is too adversely affecting our price structure and thereby demanding Government action to relieve the situation, such Government action should then be confined to the most limited number of commodities possible to accomplish the required objective.

Mr. BATT. This resolution proceeds from the assumption that an adequate program of aid will be provided by the Congress and merely discusses the types of administration. They prefer a small independent Government agency. I suppose it is natural they suggest that should be headed by a practical businessman, well versed in world trade. They recommend that funds which are received by this Government, the local currencies, should be deposited in the country of receipt and controlled by a bicountry committee in which the United States would have a majority representation. That seemed to me to be a point of some importance.

They say that in their judgment resident United States Government control missions abroad, established for a detailed supervision, are as undesirable as additional and unnecessary export controls in the United States.

I feel safe in saying to this committee that the people of Philadelphia, as far as we can learn, are strongly convinced of the essential need for adequate aid to Europe.

I want to talk a moment about kind of aid that is going to Europe that is of very considerable interest to me, as well as Mr. Charles Taft and Chester Davis. The three of us comprise a committee set up by the President and the State Department called the Committee on Voluntary Foreign Aid. The agencies in the United States who are dealing with this problem may, if they wish, register with us, and various tangible results accrue to them. If they do so register, goods in short supply will be certified by the Department or the Department of Commerce when approved by our committee, and the \$5,000,000 which you authorized as part of the interim-aid bill for transportation for voluntary goods will only be made available upon certification from our committee.

I am interested in what is happening in this country with regard to this "People's" Marshall plan. I want to thank the House for what it has done. There are, as far as we can learn, packages amounting to about 30,000,000 pounds a month going abroad. It looks as if the American people are sending abroad materials and private funds at the rate of \$500,000,000 a year today. It seems that every means possible should be taken by this Congress to encourage that foreign voluntary aid, because such help, which is different from mass Government aid, carries a sort of personal message from Americans to people abroad that is so inspirational as to be completely above the value in dollars.

I want, Mr. Chairman, for our committee to take this opportunity to thank the subcommittee of the House, Members Fulton, Javits,

and Pfeifer, for a very excellent study they made on this voluntary foreign aid. I would like to thank them for recognizing that while this aid is not so sufficient in terms of calories per dollar as mass Government aid, it has a heartening value to the people who receive it that cannot be put in terms of money.

There is another significant thing about this voluntary foreign aid that is not to be overlooked, and that is the place to which it is going. The countries either behind the iron curtain or close to it are receiving larger shares of our foreign aid than any other. Western Germany, Poland, Czechoslovakia, and Italy in order of importance, are the recipients of this aid.

As to the European recovery program, itself, there are, it seems to me, certain broad issues which have to be squarely faced. The first is that no plan can be successful until and unless the people of Europe make every effort to help themselves. The second, and equal of significance, I think, is that Europe must have the confidence and the inspiration which comes from the knowledge that the American people are squarely behind them to the extent that it is practicable for them to be; that they may know and that the calculations may take into account, that the American people are determined to see them back on their economic feet as quickly as possible, and on the assumption that they have done everything they can do to help themselves.

The third, is that no one can judge today what the cost of this relief may be. One cannot be too sure of the items which may be needed, which might later on have serious effect on our own economy. Those conditions have to be carefully watched.

On this other matter of helping Europe to help herself, I want to comment on this line: That is that American skills and technology can do so much to help Europe. We have, gentlemen, a production know-how and a purpose that cannot be found any place else in this world. This skill and knowledge of the American people has a value far and away above any other asset that we have. By and large, Europe does not have this for a variety of reasons. To the extent we know how to take that know-how over there we accomplish the purpose more quickly and diminish the need for help from here.

I recall that 1 ton of fertilizer properly used means 15 tons of food. We know more about the production of fertilizers and the use of it and the production and use of agricultural machinery than anybody else in the world. It would be to our advantage as well as to the advantage of those we assist, to give that consideration.

I am sure the French, for example, are extremely inefficient producers of fertilizer and agricultural machinery. I have every reason to believe, that they would welcome the participation and the assistance of American firms in those fields.

Now, American capital is timid. It is sometimes timid at home, and it certainly is timid about going abroad. I believe it to be in this country's interest, and a big contribution to this plan, that we encourage American capital to go abroad by taking the maximum risk out of that enterprise.

In 1940, when we came down here, in June, we saw an enormous need for developing the defense facilities of the country. There were no public funds available. We came to this Congress and got an act on October 8, 1940, which greatly benefited the producer of goods certified by the Defense Commission to be of a kind to make a contri-

bution to defense. Such producer could arrange amortization so it would be written off in 5 years, or at the end of the war, whichever was earlier, and the country got the benefit of an enormous expansion. There was some cost to the taxpayer, but the facilities were promptly produced and they belonged to private capital.

I maintain that today, as in 1940, the world is confronted with an emergency. I propose three steps that could be taken: One, in the event of loss of capital value through nationalization or socialization, that this Government should reimburse the investor or participant in this foreign enterprise if there should be such losses. I will qualify the kinds of things that should be protected in just a minute.

Secondly, where dividends are properly earned and paid in the foreign currencies, that this Government provide dollars at some proper fixed rate of exchange.

Thirdly—this goes further, but not too far, I think—that for a reasonable period of development time, say, 5 or 10 years, those dividends should be tax-free here. After all, if they are not earned abroad they will not bring revenue to the United States.

If we encourage a tractor manufacturer to go over to France and go into partnership with the French tractor manufacturer and France should nationalize, or in some other way take over this property, the American suffers a capital loss. In the first contingency, this Government would reimburse him for that. Secondly, if he earned a dividend that is paid in francs, this country assures him there will be availability of dollars. He would have that tax free for a reasonable period of time. Only those industries which would be certified by the Administrator of the program as contributing to the recovery of the country in question would be involved.

I think that would make an enormous contribution to help these people to help themselves.

Through my many years of experience with European production I am satisfied that much more can be done to raise Europe's output by helping them with our know-how than by merely giving them dollars with which to buy equipment, which much of the time they will not be able to use most effectively.

I want to make the point, which is not particularly relevant to anything I have said here, that the encouragement which will come to these people in Europe by the knowledge that the American people are trying to help them to something better than they ever had before is a worth-while encouragement. I believe most of the people in Europe—and many of those countries I know pretty well—will welcome the feeling that the American people are trying to help them help themselves to get something better than they ever had before.

There will not be a chance to get that confidence if the help that comes from the United States is grudging; if only on a year-to-year basis with too many restrictions hanging around it. These are a proud people. After all, these countries are not standing on the corner with a tin cup. They are not down and out. They are having trouble, but they are a good risk.

I want to touch very briefly on this question of appropriation. I do not suppose there is any danger of Congress being too over-liberal but I think there is a great danger of Congress not appropriating enough. After all, most of the men in Congress are businessmen, or they have had to do with business. If you send a man out to do a

job for you, you do not get the best out of him if he goes with strings tied to him. You pick a good man, you put your confidence in him and tell him to go out and to do the job. I think you can look at western Europe as one does a reorganization. You decide you want to go in. You must have some idea of the over-all cost. You have to know whether you can afford it, but having made up your mind as to about what the over-all cost would be, and that you can afford it, then you go into the reorganization and you see it through. If you go in only halfway then the whole thing fails and you lose everything you put in.

There is another danger. If the amounts made available to this Administrator are too small, what you do is squeeze down the amount that will be available for reconstruction of Europe and make relatively larger the amount which will go into feeding Europe. If this Administrator got only half of what he ought to have, that half is going in to feeding starving people, I think, and then there is nothing left to provide for reconstruction.

I suppose those of our countrymen who are not too familiar with the European situation may think of this amount of money which we are talking about, \$5,000,000,000 or \$6,000,000,000, as being too much. I always ask them to stop and think about what wars cost us, what wars in the past have cost and what wars in the future would cost, and that the amounts we are talking about are very small if they accomplish the purpose.

I have to repeat, therefore, that with the assurance to Europe that the American people are in this fight for the reconstruction of Europe with the same determination that they were in the fight to win the war, then we have the best promise of quicker results.

And on the question of the amount, I can do nothing more than but refer to the opinions of the experts who studied the question. I know all of the men on the Harriman committee. They had access to all available information. They came up with some figures. They concluded that the amounts which they approved—not all of the amounts requested—were within the capacity of the country without too much risk.

I read Mr. McCloy's testimony before the Senate, and his staff has made a detailed study concluding that the figures are certainly not too large. I think he used the expression "a rather tight fit." I take those estimates as being a basis from which to start.

The question of administration is, to me, an all-important question. As I said a moment ago about the reorganization, you put good men to do a job and you expect them to do it for you as cheaply as possible.

I would like to refer to a proposal made by the National Planning Association, merely to give more substantial weight to the Brookings Institution's publication. I mention the National Planning Association because I know the House thinks well of the National Planning Association. It is a group of people made up of labor, agriculture, and business, and has worked with the Congress at considerable length on the strengthening of Congress. Because of this three-cornered approach of labor, management, and agriculture, the heat is out of most of the things when they get up here and that makes for readier acceptance.

The National Planning Association came out with their report in December, and it is similar in many respects to the Brookings Institu-

tion Report which came out later. The President is made the last word on matters of policy; the setting up of a separate organization; reporting to the President, just as the Secretary of State would. Those are the same in both places. NPA had no comments on the European set-up as far as the administrative problem is concerned. There was one proposal in the NPA that was not in the Brookings: They proposed a policy-making committee, with the President as the chairman and the Secretary of State as vice chairman, and the Administrator as a member. It may have some value.

However, they both propose to use an advisory committee made up of a cross-section of the public. I would like to comment, therefore, that the plans so far as the domestic side are concerned are similar. They are arrived at by groups thoroughly qualified to know how governmental institutions can function, and I give more weight to the Brookings plan because the NPA group has come up with pretty much the same type of recommendation.

My own experience with the combined boards and the State Department throughout the war, gives me some conviction on this point of overlapping authority. We derived our authority directly from the President. We never had any conflict of any consequence with the State Department, and certainly none that required my going to the President for reconciliation. We had our authority, the State Department knew it and we worked together very harmoniously. We were effecting economies of other countries, I think, quite as much as this reconstruction program can, and we were dealing with very much more money.

Therefore, I say you can have under this form of Government of ours an independent authority dealing with matters of international policy, working cooperatively with the State Department, and without any conflict.

I must take exception to a recommendation attributed to the Senate Foreign Relations Committee and having to do with foreign administration. All I know of that is what I have read in the newspapers, where I gather that the Senate suggestion is that abroad there shall be entirely separate ministries having to do with the administration of this program. Over them is a so-called roving ambassador. He will report to the Administrator. That I think is unworkable.

I did not see Mr. Marshall's testimony in detail, but I think he would have been justified in saying that in foreign countries you cannot have two groups of people running around representing the United States. I am convinced that the group abroad dealing with this reconstruction problem ought not to be Foreign Service personnel, but I am convinced they should work under the general over-all knowledge and direction of the Chief of the mission, and I think there should be no difficulty arising out of that. They have plenty of places to go to complain, and to the highest possible levels, if they have difficulty with the Chief of the mission.

If you have two groups of people running around in a foreign country you confuse the people of that country. We can deal with it in the United States because we are familiar with it, but I think that proposal ought to be very carefully scrutinized since I think it is a mistake.

On this question of administration I must touch on the matter of recruitment. The maximum latitude ought to be given the Administrator, Mr. Chairman, if I may suggest it, with respect to the kind of

people he gets. It was hard enough to get good people down here for high positions in wartime. It is a much more difficult task now. All one has to do is to talk to the agencies who are trying to staff themselves for some of these jobs that must be met today, and they are up against a stone wall today getting top-flight people.

I suggest some provision ought to be made for first class people on loan out of industry, or other parts of the economy.

I am not a bit afraid of the so-called dollar-a-year man. I was one myself all through the war, and if you do your job right and keep your skirts clean and work for the Government you have no trouble. You cannot ask these people to come down here, give you their services and give up their jobs and commitments, which are ordinarily heavy, and work for an ordinary salary under the Civil Service Commission.

I hope, therefore, you will give very serious consideration to the attitude the Administrator may assume, and the latitude he is given.

Senator Vandenberg asked how long it would take to get the thing going. I told him I did not think much could be done in less than 4 to 6 months. This Administrator is going to be a very cautious fellow. You have loaded him with every possible responsibility, and he is not going to let various people put a lot of blank checks on his desk to sign. He is going to want an organization of competent people who will screen these needs upside down and backward, before he approves them.

I do not think he can be expected to do very much work in the detail part of this picture within 4 to 6 months.

Now, I do want to talk about a possibility of payment, which is quite important, I believe. That is in the field of critical and strategic materials. We have always prided ourselves, Mr. Chairman, that we were the wealthiest people in the world, we had unlimited resources, and we did not need anybody else. That was reasonably true before the First World War. We had taken such a terrible toll of our national resources in these two wars, and it is not idly frightening the American people to say that we have passed to a position of shortage in many essential materials. We always had copper to export before the last war. We will never have it again. We shall have to import it in the future. That is also true with regard to scores of things, upon which our peacetime programs depend.

Therefore, I say every one of these agreements should have in it a clause requiring the maximum cooperation in these recipient Governments in the development of larger supplies of strategic and critical materials which the United States needs. It is a good way to help pay this debt.

I said a moment ago that these countries were making a rather remarkable come-back. I was over there in the spring of 1945. I was there VJ-day, and I have been over there several times since. The conditions today are enormously better.

I have some figures out of the New York Herald-Tribune, which I thought were interesting. They say that industrial production in France in 1947 is about 95 percent across the board of what it was in 1938, and it has gone up from 79 percent in 1946 to 95 percent in 1947.

We speak about coal production. It is a little higher than 1938.

Power production is up about 35 percent compared with 1938. All of these production figures represent substantial increases.

You might ask then, why they need help. Well, of course, you are familiar with the extraordinary winter of 1946-47, the bad crops of 1947, and the enormous housing damage that was done during the war. The reconstruction of homes constitutes a problem which, along with food, is very substantial.

I want to leave with you this thought: That the man in the United States who takes the responsibility of nullifying this program by clipping at its edges, chiseling the amount to a mere relief level, is taking a shocking risk. His protection, and that of the country, is amply provided by the quality of the administrative system which we set up, to assure that the job should be done, promptly and as cheaply as possible.

As we offer to the people of Europe this kind of program, Mr. Chairman, I think we will have done the least we can do, and what we should do.

Thank you very much for your attention.

Chairman EATON. Thank you, Mr. Batt. Your prepared statement which was submitted to the committee will be included in the record at this time.

(The statement is as follows:)

STATEMENT OF WILLIAM L. BATT, PRESIDENT, SKF INDUSTRIES, INC., PHILADELPHIA, PA., ON THE EUROPEAN RECOVERY PROGRAM

My name is William L. Batt, my residence, Philadelphia, and my business that of manufacturer of ball and roller bearings. I am, however, giving a very considerable part of my time in the field of foreign aid, more particularly, that of voluntary foreign aid. Chester Davis, Charles P. Taft and I serve as the Government's committee dealing with all voluntary foreign aid in the United States. I am chairman of the Philadelphia Committee for the Marshall Plan to Aid European Recovery, and active in the United Nations Council of Philadelphia. Before and during the war, I served under Mr. Stettinius, Mr. Knudsen, and Mr. Nelson in various phases of the war effort and was the American representative for the Combined Raw Materials Board and the Combined Production and Resources Board. In addition, I was chairman of the Allocations Committee for both the voluntary clothing and emergency food collection drives and am today chairman of the Budget and Allocations Committee for American Overseas Aid—United Nations Appeal for Children. Since the end of the war I have made four trips to Europe. So much for my background of familiarity with the European problem.

I deeply appreciate the opportunity to appear before this committee to testify in support of the European recovery program and I do so on behalf of the 5,000 members of the two Philadelphia organizations to which I have referred.

The United States faces the greatest challenge in history. That challenge is whether, as the most powerful Nation in the world today, we shall accept the responsibilities that go with this power and provide the leadership which is rightfully ours and which peace-loving peoples everywhere look to us to assume. Or whether we shall once again follow the old and, I hope, antiquated American policy that we can take the world or leave it alone.

More and more of our people are becoming increasingly aware that we are a fully committed member of the community of nations, whether we like it or not, and that we cannot possibly withdraw from this community except with the most fateful consequences to ourselves and to the rest of the world.

Nowhere is this more evident than in the acceptance by an overwhelming majority of our citizens of the proposed European recovery program. They have come to realize that we can no longer live alone and like it. They know that we cannot hope to have lasting political peace without economic peace. They know that economic peace, bringing with it happiness and prosperity, is utterly impossible without our leadership and assistance.

Public opinion polls clearly indicate that the majority of the American people not only favor a planned program of aid to Europe, but that they are willing to back up this support with sufficient funds so that this aid can be aimed directly at bringing about a peace without which civilization cannot long survive. And this support is made with the full knowledge that the price of peace is never cheap, but that the price of war is higher. They are willing to dig into their pockets, to the tune of millions of dollars in taxes, so that our way of life can be kept intact and its benefits extended to others. They know that what is good for us is good for the rest of the world.

How well the public has grasped the significance of the European recovery program, and what men and women in all walks of life think of the issues surrounding it, is evidenced in the results of area polls sponsored jointly in Philadelphia by the United Nations Council, the Foreign Policy Association, and the League of Women Voters of that city.

There was no significant difference of opinion on the question of whether aid should be in the form of loans or outright grants but it is interesting to note that 90 percent of those who expressed their views are willing to have income taxes kept at present levels in order to pay the cost of this great undertaking. While a large majority favor free elections as a condition to aid, there was also an equal majority against any requirement that the governments receiving assistance should cease further socialization of their industries. About the same majorities are unwilling that these same countries re-export material or equipment which they have received directly from us. As to administration of the plan, a majority would have this accomplished through the United Nations, yet there is a distinct minority who would have the United States administer this aid alone.

I mention the results of these polls because they clearly show that the people around Philadelphia are thinking and thinking seriously about one of the greatest issues that has ever confronted any nation. They are, I repeat, well aware of all that this program implies, and they have, in most instances, decided opinions as to how they want it carried out. On this point, I offer for the record a resolution of the Chamber of Commerce of Philadelphia of which I am a director. This resolution proceeds from the assumption that a recovery program, which obviously it considers desirable, will be adopted by Congress, and confines itself to some of the practical problems of administration.

Not only do the American people favor aid with their minds but they favor aid with their hearts as well. While the Marshall plan has been developing and moving toward the present debate, millions of our people have been carrying out a kind of Marshall plan of their own. We might even call it a people's Marshall plan.

By voluntarily sending packages to private citizens in Europe at the rate of 30,000,000 pounds per month, and contributing many millions of dollars in cash to recognized relief agencies for work abroad, American citizens are enabling hundreds of thousands of persons to stretch their meager rations. How much in additional funds has been sent through the mails by Americans to relations and friends abroad is impossible to determine. But on the value of package shipments and known charitable donations alone, it is safe to estimate that American citizens in 1947 sent abroad, of their own volition, foodstuffs, clothing and money to a value approximating the more than \$500,000,000 which Congress has appropriated for interim relief. There is every indication that this huge private relief program to Europe will continue. Every means possible should be taken to encourage voluntary foreign aid since this sort of help carries with it a personal message from Americans to individuals abroad in a way that impersonal government aid can never do. Let me take this opportunity to warmly thank this House for its thorough and painstaking study of this whole question by the special subcommittee of Congressmen Fulton, Javits, and Pfeifer.

There is another significant fact about these donations by private citizens that should not be overlooked. It is that people in Germany, Italy, Poland, and Czechoslovakia are the heaviest recipients. Private help from the United States is going behind the iron curtain, and this, in my opinion, augurs well for the European recovery program. The 16 cooperating nations took account in their calculations of the partial resumption, at least, of trade between eastern and western Europe, and I do not believe that any set of people can prevent that from happening.

As for the European recovery program itself, there are certain broad issues which have to be squarely faced. The first is that no plan can be successful until, and unless, the people of Europe have made a determined effort to help themselves. The second is that Europe shall have the confidence and the inspira-

tion which can come only from an assurance of the sympathy and support of the people of the United States. The third is that no one today can judge what the amount of Europe's self-help can be or what items we can supply without serious damage to our own economy.

On the first point, American skills and technology can make the greatest possible contribution. We are possessed with a production know-how and purpose which cannot be found anywhere else. Our skill and knowledge is universally recognized. American producers, encouraged to work in partnership with similar producers abroad, can give assurance that there will be full utilization of the goods, especially producer goods, that are made available from here.

I need only to cite the fact, one well known to agricultural experts and farmers, that 1 ton of fertilizer, properly used, will produce 15 tons of food. We in this country probably know more than anyone else about the production and use of fertilizer and it would be to our advantage, as well as to those we assist, to give of our knowledge in both fields. This is true also of tractors. I believe it to be a correct statement that the French have been inefficient in both tractor and fertilizer production, and I have every reason to believe that they would welcome the partnership of American firms skilled in these and similar fields. But American capital is understandably timid about going abroad because there is no assurance that it will eventually return. While the administration has touched on this point briefly, I consider it of such importance as to warrant expansion.

If private funds are to be made available for investment abroad there must be adequate incentives. We need not look far for precedent. In 1940, the National Defense Advisory Commission, without available funds, faced the problem of finding ways and means of expanding the production of goods essential to the national defense. To meet this emergency, the principle of accelerated amortization was proposed, and on October 8, 1940, the Congress approved the Second Revenue Act of 1940 which permitted a producer of goods, certified to be in the interest of national defense, to amortize this investment within a 5-year period or with the ending of the emergency, whichever was less. Because of the high tax rates generally prevailing, the practical result was that the Government bore the large part of the cost of such expansions, but in view of the national emergency this device undoubtedly was preferable to the outlay of the same moneys in directly owned Government plants.

Today, as in 1940, we are confronted with an emergency no less serious. The use of similar stimulating devices is as justifiable now as then. I have, therefore, proposed the following incentives designed to insure a steady flow of American capital and management abroad: (1) That our Government, in the event of loss of capital value through nationalization or other similar acquisition by any of the foreign governments aided, make good such loss to the American investor; (2) that our Government, in cases where dividends are properly earned and paid in foreign currencies, take over such currencies and make dollars available to the American investor at some guaranteed rate of conversion; (3) that such foreign-earned dividends be made tax-free for a reasonable length of time.

We should not be expected to underwrite every form of foreign capital investment. Such investments obviously would require the approval of the recovery program's administrative agency. This being the case, only those that would hasten the return of economic stability to Europe would be given consideration. But the important point is that, with such incentive, everything possible would be done to enable American skills and technology to be made available to western Europe not only without undue risk but with some positive encouragement.

Through my many years of experience with foreign production, I am satisfied that much more can be done to raise Europe's output and that this can be accomplished faster, and more effectively, through our first-hand participation than merely through our dollars.

As to the second point, I would conclude that there are great numbers of people in Europe who are concerned with something more than mere subsistence. They are looking not for a Europe similar to what they had before the war, but for a better Europe. I cannot believe that the widespread support given to the Communist Party by large numbers of people who love democracy as we do, stems from any deep-seated desire for totalitarian principles, but rather from an intuitive hope for something definitely better than they have had before. I submit, therefore, that grudging and uncertain assistance from the United States in old and familiar patterns is not enough and might well fail in its entirety. American dollars alone will not save Europe, but certain essential qualities peculiar to us as Americans can help to bring that salvation about. These must be clearly and surely held before the people of Europe. The funds, food, fuel, and fibers

so necessary to recovery efforts will be practically valueless if we do not back these up with faith.

On the third point—the inability to know today what the total cost of the European recovery program will be—I am in agreement with proposals which would limit specific appropriations to the first year's operation of the plan. I doubt if there is much danger in Congress erring on the side of a too-liberal appropriation of funds, but there is grave danger from too little. The danger is reducing the amount of funds available to the Administrator is obvious. Because we will be unwilling to see people hungry, the money will go first into relief and what remains will not be enough to do the reconstruction job which alone can ultimately provide self-sufficiency. The danger inherent in the reduced appropriation is that the need for it will not cease. Isn't this exactly what we have seen in Germany in the last 2 years? From what I can judge, this is the weakness of Mr. Hoover's suggestion. And this also was probably the outstanding fault of the British loan. Too little was employed for those things that would later produce self-sufficiency. Too few dollars would obviously be sheer waste. We must not lose sight of the fact that we are reaping the aftermath of the most tragic war in all history and that the money we propose to spend to achieve peace is small indeed compared with the staggering cost of that global conflict. Assurance that the American people are in this fight for the reconstruction of Europe with the same determination that was theirs in the mutual effort to win the war should do something which money alone cannot do. This affirmative position is vital.

It was the opinion of the well-balanced committee of civilian experts under Mr. Harriman that our economy can sustain the burden which a reasonable development of this program will impose. If intelligently planned, and effectively administered, I am convinced that this program, certainly the most ambitious peacetime rehabilitation effort ever attempted, will inflict no real hardship on this country. All of us may have to change some of our consuming habits, and some segments of our industry may find it necessary to plan more flexibly. But the situation is sufficiently critical to warrant sacrifice if it were called for.

Granted that we shall undertake this tremendous task of aiding European recovery, there is still the question of how this program shall be administered so that there is every reasonable prospect of success. The way in which we do this can make or break our efforts.

Of all the recommendations that have been made with respect to the administrative machinery of the European recovery program that of the National Planning Association comes closest, I think, to being workable than any other. No long-range operation so vast as this program can hope to succeed if it does not have the complete support and confidence of both the Government and the people. Nor can it hope to succeed if the Administrator is not vested with full authority for vigorous action or if there is no single place he can go to get binding decisions. The recommendations of the National Planning Association, which is well known for its impartiality in working for good government, see to it that the program's administrative mechanism is not hamstrung.

Although the NPA proposal was advanced 6 weeks ago there are striking similarities between it and the plan recently put forward by the Brookings Institution. Both call for the creation of an independent agency with a single administrator and both would make the administrator directly responsible to the President. Each plan also provides for an advisory board of citizens.

The one feature that distinguishes the NPA plan from all others is the provision for coordinating machinery at the top policy level to assist the President in reaching policy decisions for the guidance of the administrator. This machinery would consist of an interdepartmental committee with the President as chairman, the Secretary of State as vice chairman, and with membership representing all interested departments and agencies.

My wartime experience with the Combined Boards and the State Department gives me no concern whatsoever about mixed authority or overlapping responsibility. The American representative on the Boards drew his authority directly from the President, but I can recall no single case of serious conflict with the State Department—certainly nothing that had to go to the President for reconciliation. The State Department representatives were our most helpful supporters generally and we were, I think, spending a good deal more money and affecting the economies of our allies with force at least equal to that of this program. No, so long as this Administrator derives his independent authority from the Congress and reports directly to the President, he should find no difficulty in working harmoniously and efficiently with our State Department.

My intimate association for more than 6 years with governmental administrative procedure leads me to believe that something like this is the most efficient way to operate. The plan is businesslike and calculated to coordinate action here at home and abroad. It enables the Administrator to work with efficiency and dispatch. I earnestly hope that the suggestion for an advisory committee made up of men and women representing business, labor, agriculture, and the public will be found acceptable. Their assistance will be of inestimable value. Because they would be part-time people they cannot provide anything but the most over-all advice and consultation, but if the Administrator wants to use them for public reaction he can do so most usefully. The Division of Civilian Supply of the War Production Board had such a group and gained much from it.

While on this question of administration I cannot fail to touch on the vital matter of staff recruitment. I do not think the Administrator dares be limited to civil-service supply for many of his top people. He must be free to use men on leave from private life and to pay them a reasonable per diem or living allowance in addition to salaries or other incomes which should continue to be paid by the regular employer. From my experience with the dollar-a-year problem during the war, I am inclined to feel that such men should take formal, if only temporary, leave of absence from their companies, but they should be fully protected in pension and other retirement provisions. These top men simply will not be available unless they have such protection against loss and they will be difficult to persuade—the very good ones—to leave their positions. It was not easy in wartime—it will be much harder now.

Another important element of the European recovery program that should not be overlooked is the question of repayment. Much of our aid will unquestionably be in the form of grants with little expectation of a return in dollars. There is, however, a form of repayment on which we can insist from the very beginning of the program. That is in the field of strategic and critical materials. Most Americans have always thought of this great country of ours as a land of unlimited resources—a land that has always provided everything our economy needed. It has been built and grown powerful because of these resources. But it has not occurred to many of us that there could be an end to them and it may come as a shock to some that we are approaching the zero point in many of these materials and that we have already reached that stage in others. As long as peace is not a reality we must be prepared for the awful business of war. If it should come within the next few years we would find ourselves at a desperate disadvantage in many raw materials. No opportunity should be overlooked to repair that weakness in the shortest possible time and in amounts as large as practicable. Agreements with the countries being aided should insist upon this form of repayment to the maximum.

The peoples of the 16 cooperating nations are not seeking charitable hand-outs. They are much the same kind of people that we are. They are down but they are not out. They are doing everything possible to get back on their feet. They have assets of incalculable value—material resources and technical skills unsurpassed except in our own country. They have the will to work, and to work hard, if given the right tools in the right amounts. The fact that the peoples of western Europe have done what they have since the end of the war is remarkable. In France alone, the annual review of French economy, prepared by the European edition of the New York Herald Tribune, shows that industrial production in 1947 was 95 percent of the 1938 level as compared with 79 percent in 1946. There is little doubt that prewar levels would have been exceeded had it not been for the strikes that beset France in the last 2 months of the year. There were encouraging signs in other fields. Coal production was 104 percent of 1938; electric power, 135 percent; heavy industry, 92 percent; textiles, 92 percent, building materials, 94 percent; and chemicals, 98 percent. All these figures represent substantial increases over the previous year.

By the middle of last year industrial production in the United Kingdom, Belgium, Denmark, Norway, and Sweden was higher in 1947 than in 1937; prewar totals, as we have seen, were being approached and in some cases exceeded in France; and only in Austria, Italy, and the western zones of Germany was production at a low ebb.

One of the strongest arguments that can be advanced for a program of aid to Europe is Europe's own inherent strength. These nations are a good risk but only if our help is adequate, if it is prompt, and if it is wisely administered.

We will reap the harvest—and it will be a terrible one—if we fail to carry out this program effectively. The alternative is the spread of communism and continued economic stagnation throughout western Europe which will inevitably

mean a rebuilding of our armed forces and a lowering of our own standards of living.

We may be sure that Russia will do everything possible to nullify our efforts. Nothing has so annoyed the Kremlin as the European recovery program. They are using every means at their command to undermine it. For this reason we must avoid tying political strings to our aid. Philadelphia opinion is strong on that point. To do so would only provide the Communists with an additional supply of ammunition, but, further, it would be an intolerable affront to the governments of these countries themselves.

As we prepare to offer to the people of Europe a program for waging peace, and not war, let us do so with the determination that it must succeed and that we shall do everything reasonable within our power to guarantee that success. The rest will be up to them.

APPENDIX

The Philadelphia chapters of the United Nations Council, the Foreign Policy Association and the League of Women Voters jointly conducted during the week of November 13-20, 1947, a series of neighborhood discussion groups in the Philadelphia area on the subject of the Marshall plan. Audiences were polled as to their opinion on the attached questionnaire. The results of these polls follow:

1. Should we expect any repayment of money provided to Europe?

	Percent		Percent
Yes.....	47.9	No opinion.....	3.8
No.....	46.9	No answer.....	1.4

2. If we do not support this program there is a good chance that our income taxes will be reduced. Are you willing to have your income taxes remain at their present level in order to pay for this program?

	Percent		Percent
Yes.....	89.7	No opinion.....	2.5
No.....	7.0	No answer.....	.8

3. A great deal of discussion will revolve around political conditions which might be attached to the aid. Do you believe that we should require free elections as a condition to the aid?

	Percent		Percent
Yes.....	61.7	No opinion.....	8.9
No.....	27.3	No answer.....	2.1

4. Should we require that the governments to whom we give aid undertake no socialization of their industries?

	Percent		Percent
Yes.....	25.8	No opinion.....	9.5
No.....	62.2	No answer.....	2.5

5. It is agreed that the European dollar shortage may result in the desire on the part of the aided countries to reexport material and equipment which they received from us in order to obtain dollars. Would you permit the countries receiving aid to reexport materials and equipment which they received from us?

	Percent		Percent
Yes.....	24.3	No opinion.....	8.7
No.....	65.2	No answer.....	1.8

6. Should we at the present time administer this plan alone or attempt to pay for it through the United Nations?

	Percent		Percent
Alone.....	40.7	No opinion.....	2.9
Through United Nations.....	54.6	No answer.....	1.8

THE PHILADELPHIA COMMITTEE FOR THE MARSHALL PLAN
TO AID EUROPEAN RECOVERY

Recognizes in the world situation today that a special responsibility is imposed on all Americans because (1) democratic peoples on every hand now look to us for help in their preservation, and (2) the economic collapse which confronts the world will, if it occurs, have a serious and far-reaching effect on us; and

Recommends, therefore, that the Congress support a program based upon (1)

acceptance by Europe of responsibility to initiate self-help in a sustained and cooperative manner, including resolute efforts to seek difficult but attainable goals, both in industrial and agricultural production as well as sound currencies—goals which, if attained, will constitute true recovery; (2) continued comprehensive and realistic analyses of European needs and American resources; (3) prompt and adequate provision of enough goods and credits to make up as far as possible the remaining European deficit; and

Further recommends to the American people the wholehearted acceptance of the program which Congress deems appropriate so that Europe may be inspired to face its difficult task in the confident expectation of a sympathetic and understanding America.

Chairman EATON. Mr. Vorys, would you begin?

Mr. VORYS. Your statement is very interesting, Mr. Batt. You ended with a plea for something that would be beyond relief, and that would provide for recovery. I notice in the questionnaire that a slight majority of the organizations you mention say that we should accept repayment.

Do you think it would be possible to provide for the segregation of relief funds and supplies, and provide for the furnishing of those supplies on a grant basis?

Mr. BATT. Yes; generally speaking, Mr. Vorys, I think the consumable items, such as food, ought to be paid for in local currencies; that capital goods items can very well be financed with the expectation of repayment.

There, of course, I bring in strategic materials as one of the means of repayment.

Mr. VORYS. The administration bill provides that the countries should agree to make available to us strategic materials which we could later purchase. We had long discussions as to whether or not it might not be possible for these countries to agree over perhaps a long period of years to pay us back in strategic materials as they were developed, we will say, for our advances.

Have you any opinion as to the extent to which the law or the bill should provide for repayment in strategic materials, or otherwise?

Mr. BATT. I do not know, Mr. Vorys, how practical it is to spell it out because each case is a separate one unto itself. Most of them will take a long time. Take France, for example. They have in north Africa very considerable amounts of undeveloped natural resources—zinc and lead being examples of the things we need. I am not a metals authority, but I feel reasonably safe in concluding that you cannot develop two mines in short of 2 or 3 or 4 years. Therefore, if it means development of new properties it is going to take some years before those become producing. That has to be a long-time program.

Where I am not entirely clear in my mind is where you should draw the line on repayment in the currencies of the country or payment by us in dollars.

Let me make my position a little bit clearer: Let us take Great Britain now and look at our purchases of copper from Rhodesia. That is one of Britain's present sources of dollars. If we were to say, "No, you will have to pay us back on the loan in dollars," that would deprive them of the dollar revenue which they have had. There is a distinction between materials used for strategic stock-piling purposes and materials used in normal domestic consumption, and I think that I would be willing to draw a line that would allow those materials which we are normally consuming in our peacetime economy. We

would go ahead and buy those in dollars just as we are today. I would have those excess amounts, which represent stock-piling amounts, as payment to us against the debt. I think that is the kind of a line I would like to draw.

Mr. VORYS. In your suggestion about facilitating the flow of American private capital, you made three points; the first is, as I understand it, a guaranty of the loss of capital value through nationalization.

Mr. BATT. That is correct.

Mr. VORYS. The next thing is the agreements with the countries should prohibit any nationalization which would cause loss to American citizens.

Mr. BATT. I am flatly against that, Mr. Vorys, because I think it plays right into the hands of the Communists. The Communist leader in France has been saying, "The Americans are trying to come over here and run the country." If nationalization is what they want, and they go about it through democratic processes, as the British have nationalized, that is their own business, as far as I can see. I would therefore put no such strings on these loans. If they do do it, and there is a loss of capital as a result, I simply propose that the American enterprise that went abroad is compensated.

Perhaps we could get that out of the government in question. As far as I know, no stockholder has lost anything by nationalization of the British properties.

I merely want to say that the enterprise should be protected.

Mr. VORYS. In the case of Mexico, did we not negotiate so that our nationals did not lose through their nationalization?

Mr. BATT. My impression is that it took us about 15 years to bring that about, but I am in an area where I am not very well informed.

Mr. VORYS. I understood there was some provision made for repayment.

Mr. BATT. Regardless of what you hear, the Mexican experience is thrown in your fact right and left. Most of us in private business think that the oil interests whose firms were located there lost heavily in the Mexican venture, and that is just as important on the point of going abroad as though it actually did happen.

Mr. VORYS. Now, the type of agreement that I had in mind, and I think is suggested, is not one that would forbid nationalization necessarily, but one that would forbid any nationalization or other action which would result in substantial confiscation of American properties. Do you think it would be objectionable?

Mr. BATT. I think that would satisfy me.

Mr. VORYS. That is, no nationalization without compensation?

Mr. BATT. Yes.

Mr. VORYS. If the compensation were not in a form of exchange that could not readily be made available in dollars, it might be that our Government would guarantee the exchange.

Mr. BATT. That is what my second proposal is.

Mr. VORYS. That proposal has been made to us before. Your first one had not.

Mr. BATT. You see, I am trying to dangle a bag of oats in front of this animal's nose.

Mr. VORYS. I do not think it was made just in that form. I think the form taken was in accord with the proposal which was made here in the Second Revenue Act of 1940 which would be a little more

acceptable, perhaps—that the investments abroad be amortized at a more rapid rate.

Mr. BATT. What made that so attractive, Mr. Vorys, was that the tax rate was so high.

It would not be so attractive with the present tax rates. At any rate, I hope you accept the outline of the principle as being worth consideration.

Mr. VORYS. The principle of making private foreign investment attractive seems to me very important. I wanted to get clear what you meant by your first proposal. It seems to me that we would be in an intolerable position if our Government would guarantee for some citizens against a loss that we would not require another country to prevent.

Mr. BATT. I want the protection of my Government. Anything my Government wants to do to bail itself out is all right. I do not want to look to assurances from a government abroad; I want them from my Government.

I do not have any objection to the form of the proposal as you set it up as long as it leaves the country in question perfectly free to do it if it wants to, but does make sure that our nationals shall not suffer losses in the process.

Mr. VORYS. One reason I stress it is we had here before the committee a Mexican claims bill, wherein it was proposed that our Government should pay the claims of our nationals against Mexico, back through the years, and that bill, after consideration, was not approved, and our Government then negotiated a settlement with Mexico and arranged to pay our nationals out of the proceeds of the settlement rather than the other way around.

Mr. BATT. I think that is the proper way to go. You know, I have no objection to being very realistic with these foreign governments. I do not worry about tying reasonable economic strings. I do not think they will be critical of us for protecting ourselves. I do not, therefore, object to our protecting ourselves. I think you need the maximum encouragement to American capital to go ahead.

Mr. VORYS. Thank you.

Chairman EATON. Mr. Maloney.

Mr. MALONEY. Mr. Chairman, I want to state that I am very proud of my city, Philadelphia, and I am more proud today because we have up there, as Mr. Batt has said, a committee on the Marshall plan. I want to say that Philadelphia is on its toes studying this thing.

I am also proud that we have a citizen like Mr. Batt in Philadelphia.

Mr. Batt, you state here on page 8, and you underline it, that the American people should know they are in a fight at the present time. How would you go about giving that information to the American people? I think that is very vital.

Mr. BATT. Well, Mr. Maloney, I think they are learning pretty fast. All I can do in my small way is to make speeches all over the country, wherever people are anxious to have me. I find them keenly interested. I am going to Birmingham, New Orleans, Dallas, and Detroit in the next 3 weeks because they say they want to hear from somebody who has some views as to what this is all about.

There was some degree of confusion in the minds of the average man as to what it was all about, where it began, and where it went.

I think I can understand. When I go to these people I try to tell them how it all built up and what it adds up to, today. I think, Mr. Maloney, they are being told. These hearings are getting excellent publicity.

Mr. MALONEY. We do have to do everything we can to assure that knowledge getting to the people.

Mr. BATT. I want to pay a well-deserved compliment now to the work which Drew Pearson did in Europe, in popularizing these voluntary contributions from America.

The best investment of the taxpayers' money that I know, both here and particularly abroad, was the visit this summer of the representatives from the Congress, and particularly from this committee, to Europe. We must not lose large amounts by the false economy of small amounts, in publicizing what we are doing abroad.

Mr. MALONEY. Now, Mr. Batt, following the questioning by Mr. Vorys on the stock-piling of critical materials, in other words, we get some critical materials as payment for some of the relief. We have had testimony before the committee here that that would greatly hurt the economy of these countries.

Mr. BATT. I believe that is for the reason that I touched on when I tried to draw a line between the materials which are currently used by us for consumption purposes, which probably ought to be paid for in the normal channels of dollar exchange, and the extra amounts which ought to be stock-piled, and which I think ought to come out of these reconstruction advances.

Mr. MALONEY. You do not think that could hurt their economy?

Mr. BATT. I am sure it would not hurt their economy.

Mr. MALONEY. I am glad to hear that because we have had testimony to the contrary.

Mr. BATT. I do not hold the view that these accumulations of the local currencies should not be spent for practical purposes. I am perfectly willing to have them spent for this sort of thing. I do not feel badly about taking some of this franc accumulation and developing a long-time project in north Africa for enlarging the supplies of critical materials, of which there are not enough. It suits me all right, and I think it would suit the French, too.

I have tried the proposal out in certain quarters, and they think it is all right.

Mr. MALONEY. Thank you very much.

Chairman EATON. Mr. Jarman.

Mr. JARMAN. I regret that circumstances beyond my control delayed my arrival. I know your testimony must have been most interesting from the questions the other members have been asking.

The consumption of stock-pile materials is a subject that no witness has brought before us previously. It is interesting and intriguing. Heretofore I have asked a good many questions along this line, but I have made no distinction between stock-piling and other materials. I have thought of this, that if we require in this legislation repayment in strategic materials, even 20 years from now, or 10 years from now, we would again begin extracting dollars from them instead of materials.

If some country repays amounts with stock-pile materials, at that time it would take dollars from them which they would otherwise get. In other words, we might create a situation where when we led them

out of the Slough of Despond in which they now unfortunately find themselves they would necessarily fall right back in.

Mr. BATT. There is almost no limit of the amount that could be represented by these strategic materials, except their ability to be produced. When one looks at copper, zinc, and lead, particularly, that this country has thrown away or sent abroad in the last 35 years, the figures are really stupendous. I think we owe it to our descendants to try as we can to replace those amounts. That is all over and above the normal consumption now, trying to make the country, if we can, as good as when we got it.

It is that excess that I think properly may be expected to come out of this aid program.

Mr. JARMAN. I am not sure that I disagree with you, although so far I have always taken the other position. However, I do see the difference between normal consumption and the excess for stock pile.

I am very much pleased to hear that you are going down to my State, to Birmingham, because I agree with the gentleman from Pennsylvania that we do need to familiarize the people, the people of Alabama and the whole country, with this program, and I am particularly pleased that you are going down to my State.

Mr. BATT. I will always welcome the opportunity to talk to anyone who cares to listen on the results of the aid sent abroad in the last 5 years. I am completely out of sympathy with those people who say we have spent X billions of dollars across in the last years, and it has all been water down the drain. I do not believe that.

Mr. JARMAN. I thoroughly agree with that position.

Mr. BATT. I will take on an argument with anybody at any time if they say the British loan was a complete flop. I do not think it was.

Mr. JARMAN. We have some Members of Congress who find it easy to speak of UNRRA, lend-lease, and the British loan, and everything as just water down the drain. However, I agree with you in not believing that is true at all. Naturally, there were some mistakes made, undoubtedly. Naturally, there will be in any such large undertaking. However, I feel that all of those programs, by and large, were good investments.

Mr. BATT. I think some of them were messily done, but let us take the question of medical supplies abroad. There was the making of a world-wide epidemic after this war, and it could have been catastrophic. Have you had any disease in Europe of any consequence? We know about tuberculosis and rickets and undernourished children, but that is another matter. There was no epidemic problem of any consequence. It could have been terrific.

UNRRA put in a large part of its efforts in the medical aid field. We put into UNRRA \$2,700,000,000. Again, in terms of the rate at which we were spending money from 1940 to 1945, I do not think \$2,700,000,000 is too serious. We throw money away here on things not nearly as constructive as UNRRA. I do not defend everything UNRRA did, of course.

Mr. JARMAN. Of course, by no means. Had we not had UNRRA one of two things would have probably had to occur; either this program would have had to come on much earlier or it would have cost more than UNRRA cost.

Mr. BATT. That might be.

Mr. JARMAN. Thank you very much.

Chairman EATON. Mrs. Douglas.

Mrs. DOUGLAS. Thank you for your statement, Mr. Batt. We are happy to have you with us.

You say in your second point:

That our Government, in cases where dividends are properly earned and paid in foreign currencies, take over such currencies and make dollars available to the American investor at some guaranteed rate of conversion.

Would they do that at the end of each year?

Mr. BATT. I would say it was something that is paid as earned. If I had a dividend payable to me in francs I would come up to the Administrator with the proper certification. He would have to know the conditions under which the whole transaction was taking place, and that it was a contribution to the recovery program. I would say, "Mr. Administrator, I have 1,000,000 francs and I want dollars."

Now, the rate is a problem. That must be recognized.

But we want to do something and if you want to do it you go ahead and work out the details.

Mrs. DOUGLAS. To get to the strategic materials, is it your idea that we use currency which has been exchanged for moneys invested by business in Europe to buy those strategic materials, or would that be the currency that we had gotten from France, say, for sending home machinery?

Mr. BATT. The point I tried to make, or am trying to make, Mrs. Douglas, in clarifying my own thinking, is that I would let the normal consumption amounts be paid for in dollars, and keep that completely out of this operation. I would take the excess amounts which could be produced by the development of new mining facilities, or better mining facilities. I would take those excess amounts and stock pile them and pay for them out of these currency accumulations, or any other such method of payment that I could work out with the government involved. You come from a mining State. You know how it is in this problem of developing new mining facilities. It is a long-time job, and generally cannot be done short of years. There may be no inclination on the part of the government in question, to do such expansion unless it is under pressure to. That is principally because, that is an additional amount; and, they are not going to get dollars for it. So you have to tie it into your aid program at the beginning and say that is the way you want it.

Now, in the long run it does benefit them because while they have paid for the material, the machinery will have to come from us in all likelihood and the technical know-how have to come from us. They will then have a property which has a very definite value. It is not a loss on their part.

I want to make it quite clear that there is not much incentive on the part of these governments to develop these extra facilities for helping the United States to stock pile. People are constitutionally against stock piling for so many reasons. The material overhangs the market, they say. That is an understandable criticism. Governments have their fingers in the materials field, and that may be objectionable. This whole problem of stock piling strategic materials which I consider to be so vital is one in which governments have to be involved. They should certainly pledge themselves that those stock-piled materials will not be touched except in the case of emer-

gency. They must not be allowed to overhang the market in the sense they can be dumped on the market.

I think, therefore, it is entirely consistent that the additional facilities for stock piling strategic materials can and should come as a result of some governmental action. I do not think it is likely to come any other way.

Mr. JARMAN. I believe I misunderstood you a while ago. You spoke in reply to Mrs. Douglas' question about paying for this stock piling of materials out of the currency which had been put in this special fund.

Mr. BATT. I say that was one way.

Mr. JARMAN. I thought you had in mind the debt of the countries to the United States in dollars.

Mr. BATT. No. I did not have that in mind.

Mr. JARMAN. That is what I have been arguing against.

Mr. BATT. I did not have that in mind.

Mrs. DOUGLAS. You said you were against cutting down the amount asked for by the State Department in this program. Would you be against cutting the length of time for which we were providing money?

Mr. BATT. Do I think you ought to provide 4 years now?

Mrs. DOUGLAS. No; the length of time that we are asked to appropriate money for now is 15 months. Would you see any objection to cutting that time schedule down to 12 months?

Mr. BATT. Yes. I think if you can find a means to do it, I think you ought to cover for 2 years right now. I do not think that proposal has been made by anybody, but I want to make it, and I make it for the reason I indicated a little while ago. I do not think this thing will start as fast as people think it will. I think the program will come into its fullest fruition toward the end of the next year, and running into the second year. I want to be sure that those 2 years are cared for as far as practicable.

Mrs. DOUGLAS. Is that not the argument that some people are giving, namely, that they would not be able to begin with a program for 2 or 3 or 4 months because it would take that long to set up the organization? Therefore, we need to appropriate less money because the money we appropriate will extend further into the future.

Mr. BATT. I would be perfectly willing for you to do that if you made it clear to Europe you were going to do the job. That thought runs through all of this testimony I have given. If you say you are committed to this job, and you are going to see it through, and you mean it, I do not care how you put it.

Mr. JARMAN. It would not make much difference as to how many years are concerned.

Mr. BATT. I do not care so much how you put up the money. The way in which we extend aid to Europe is far more important than the amount you set up today.

I will put it another way: It is a little difficult for me to see how the Administrator can wisely spend this \$5,600,000,000 in 12 months or \$6,800,000,000 for 15 months. It is a little difficult for me to see that, but I may be wrong. I merely tell you I think it will take time to get that organization going. He would be able to spend at a much more rapid rate after he gets going.

Mrs. DOUGLAS. Aside from the psychological impact of appropriating the amount that the State Department asked for, if you cut down

the time schedule and said you were only appropriating for 12 months, can you lay your program for 12 months with the same effectiveness that you could for 15 months' program, or would that in itself impede the progress of rehabilitation?

Mr. BATT. I think that again depends on how you worded your resolution, as to general purpose. If it is clear that this Congress is going to do this job, within all reasonable requirements, then I do not worry much about the rest of it. But that has to be clear. If I could write the ticket as to what you would say then I would not care so much as to how you set up your appropriations. If I were the Administrator, and I knew I had the people of this country behind me, as I would think I did have, and I knew I had the Congress behind me, I would not care so much about appropriation at any given time, because we never cared during the war. We came up here and put our problem before you and fared very well. Why? Because we had a job to do. They knew it. They gave us what we had to have. If the Administrator could go into this job that way, knowing that he has to justify everything he does, but that if he does justify it the Congress will back him up, I do not care how you appropriate the money.

Mrs. DOUGLAS. Of course it is easier to see the enemy in time of war.

Mr. BATT. Yes, you have much more of a frightened population then, too.

Mrs. DOUGLAS. And, of course, no matter how superbly this Congress acts it cannot guarantee anything the next Congress will do.

Mr. BATT. So I have been told.

Mrs. DOUGLAS. Thank you.

Mr. BATT. But I would like to take the chance that the next Congress would follow a good job on the part of this one.

Mrs. DOUGLAS. I would imagine that on the basis of your poll, that that would be true.

Mr. BATT. I am quite convinced that it is true.

Mr. JARMAN. I am sure.

Mr. VORYS. I might ask another question, Mr. Chairman.

Chairman EATON. Mr. Vorys.

Mr. VORYS. There is a good deal of talk about the form of administering this program. I wondered what your judgment would be on this question, as to whether the Administrator or the administrative organization in charge of this program would also have the domestic export controls, or whether the Administrator would be a claimant against some other agency, or agencies?

Now, you must have been up against it. I would very much like your judgment on it.

Mr. BATT. Well, it is a nice point, and it is a difficult one. Frankly, I would not take the administration of the export controls away from an existing agency. But I would certainly give this administrator large authority over their use. I am not ready to give him a blank check on the American economy. I do not think the Congress can put a restriction around him that does not leave too much latitude, or would not leave too much latitude in his hands. By that I mean to say that if he got the notion that he wanted a thousand-dollar coal-cutting machine, and if he had the power to go and take it regardless, that is a little more than I am ready to give him. I am ready to let him come up before the existing agencies and make his

case because if the Congress has indicated its intent, and the President is his only boss, and if the Secretary of Commerce, administering these export controls blocked him, he could stop it. He is going to have a Cabinet status. I think he could take care of his requirements but the problem of relative need at home and abroad will be difficult at times.

But one thing I know I am not ready to do, I would not give him the physical administration of all of these controls.

Mr. VORYS. I wondered if you would tell us just exactly how the thing functioned under WPB and the Combined Raw Materials Board. As I understood it, you always had to have a claimant agency and a giving agency. That is, somebody finally should say, "Yes, you can have it." That was the main one. You could trace around where these different ones made their claims, but why they got to one that said, "Yes," or "No," that was the important one. I understood the real one was the Combined Raw Materials Board. Is that right or wrong?

Mr. BATT. I would like to say this off the record.

(Discussion off the record.)

Mr. VORYS. You made an interesting comment.

Mr. BATT. Theoretically, the American representative of the Combined Raw Materials Board for the United States could take materials away from anybody. Practically, he would not have lasted down here a week, if he had gone about that ruthlessly. I learned pretty soon you can move just about as fast as they will support you, and no faster. There were times when I had a difficult time to get the Civilian Supply people in the War Production Board to go along with me. It might take a couple of weeks to do it. Sometimes the State Department would be sticky. You have to get the majority, the ones that count, to go along with you.

Mr. VORYS. But you have compared UNRRA expenditures to the other war expenditures. We kind of hope those days are over a while where we will throw around money, and also that those days are over when we were in war. It seems to me that the Congress, before they get through, are going to have to make a decision as to whether the European recovery program man is going to be a claimant against the American economy or whether the American economy is going to be a claimant against the European recovery program man. As you say, it is perplexing. One way to do is to say, "Well, it is all going to come out all right."

Mr. BATT. That sounds like a Pollyanna approach to you, does it not?

Mr. VORYS. Yes; I think that, of course, it is going to take good will, and common sense, and all that sort of thing. We are going to try to find this superman as an administrator, but we are no longer, I hope, talking about emergency programs. We are talking about something that is not a 4-year but a 40-year program, I hope. We are starting to get squared away for the long pull if we keep out of war, are we not?

Mr. BATT. Yes. I think so.

Mr. VORYS. When we do that we have to commence setting a pattern in government. One of the questions is right over in the Senate committee right now, and it will be before us. It is, Does the European recovery plan man, or men, or organizations—

Mr. BATT. Just say "man," Congressman, and I think you are on sound ground.

Mr. VORYS. Does that man have to ask somebody else for stuff from the United States? Is he a claimant?

Mr. BATT. That is the expression.

Mr. VORYS. Is he the claimant or the granting organization? I know so little compared to your past experience that it seems to me he ought to be a claimant, and that he ought to be a claimant against an agency, not a group of agencies. The President ought not to be the head of an agency where he makes his claims. He, of course, would go to the President if he thought he was getting too bad treatment. If he does not do that then you have the economy of the United States as a claimant at the door of the Recovery Administrator.

Mr. BATT. I think I agree with you. I said a little while ago I would not be ready to give that man carte blanche to take anything out of the American economy he wanted. I do not think that is necessary. But you could write a sentence or two into this bill that will give him some help or cut his head off before he starts, whichever way you want to go. I will give you one example of what I mean.

When the Treasury changed the ruling on depreciation, I think it was called 1066, until that time the burden of proof of inadequate depreciation, was on the Government. They just changed that and put the burden on the taxpayer. It made an enormous difference. Here, if you give him a pat on the back, and clearly indicate that you want him to have everything that does not seriously hurt the American economy, then you put the burden on the other fellow that he should not have this or that.

Take right now, for instance, the question of steel. The freight car people are in here, begging for steel for more than "X" thousand cars a month. You understand why. The automobile people are here begging for sheet allowances. The oil people are here in great force. Now, if the administrator comes up for some steel for Europe, and with his hat in his hand and at the tail end of that procession, you would not be able to recognize him when they get done with him. He has to have some help, I think, in the form of favorable language which indicates the purpose the Congress has in helping Europe. But beyond that, Mr. Vorys, I think I would not be ready to go.

Mr. VORYS. You see the danger is this, that Congress will do the way they did on this surplus property thing. They had 11 different groups and interests saying, "We ought to be preferred." So Congress wrote a bill saying, "The administrator shall give first preference to each of these."

Mr. BATT. I am very familiar with that. The result was that everybody died before anything got done.

Chairman EATON. Mr. Javits has some questions.

Mr. JAVITS. I would like to say something to the committee about the witness' competence to testify on the matters he is testifying to. He will blush with proper modesty at this.

Chairman EATON. He is a good character witness.

Mr. JAVITS. He earns it.

My first job in the Army was to get magnesium for the Army.

That was before I got to the tactical side. We had little available magnesium in this country in November of 1941, even before the war began. We were in very bad straits because we could not sustain any incendiary bombing attack with our own aircraft unless we had magnesium, and we had only a dole from the meager depleted British stocks. It was through one of the most magnificent jobs I have ever seen done by any one man, without directives or orders, or anything else except his own skill, that Mr. Batt started a flood of magnesium for the Army such as the Army never saw, just by his own ability to get men together and make them do the job that was so urgently required.

Mr. BATT. I am grateful, Mr. Chairman, even though it is an overstatement.

Mr. JAVITS. It was a magnificent job, and I would like to testify to it as a point bearing upon this witness' knowledge of this great subject. It is something I lived and suffered with, and I know what he did with it.

I have just two questions: First, I would like to ask you if you would submit the NPA plan of administration for the European recovery program for the record?

Mr. BATT. I will be glad to do that, if I may, Mr. Javits.
(The material referred to is as follows:)

THE GENERAL PRINCIPLES AND ADMINISTRATION OF THE MARSHALL PLAN

A joint statement unanimously adopted by National Planning Association members from agriculture, business, labor, and the professions, present at a joint meeting December 8-9, 1947, in Washington, D. C.

Like men and women everywhere, we of the NPA agriculture, business, labor, and international committees are profoundly disturbed that the nations of the world have not yet found peace. The wide-scale destruction brought on by the war has forced millions of people throughout the world to live in misery and need, devoid of the most elementary necessities to maintain existence. Millions of people are living in the shadow of an armed truce. In some places, men are fighting. In others, war's twin harbingers, hunger and despair, are undermining the principles for which we fought.

More and more Americans are recognizing the importance of Henry Stimson's statement: "The troubles of Europe and Asia are not 'other people's troubles;' they are ours * * * foreign affairs are now our most intimate domestic concern. All men, good or bad, are now our neighbors."

We believe that this country is irrevocably a part of the world community. America will never again be an island unto itself.

We recognize that the continued maintenance of our domestic prosperity is dependent on the rehabilitation of wartorn countries overseas. Clearly, the primary responsibility for this task rests in their hands. However, an all-out effort for recovery cannot be successful without economic assistance from the United States. It is thus that we can help to raise the standard of living throughout the world, and establish a sound basis for the proper economic relations between nations. It is only thus that democracy and peace can flourish. It is only thus that the spread of totalitarianism, whether from the right or the left, can be arrested.

If we strike out boldly on the course charted by Secretary Marshall, we may yet succeed in laying the foundation for a world order based on peace, justice, and the rule of law. This is our supreme objective. Our unique position in world affairs imposes upon us clear obligations. Our task is to protect our own peace and security and, working with other freedom-loving peoples, to help establish the ideals of democracy and freedom as realities everywhere.

The greatest immediate need to implement our policy effectively arises from the economic plight of Europe. There, a substantial decline in production and consumption could lead to the end of democracy and personal freedom and a complete disintegration of society.

The general policies advocated by Secretary Marshall require that we—the American and European peoples—organize our creative powers for our common welfare. We believe that the American people should support these policies without stint—morally, financially, and physically. As Senator Vandenberg so well expressed it: “I know of no advantage in throwing a 15-foot rope to a man who is drowning 20 feet from shore.”

Careful studies by the Krug, Harriman, and Herter committees and the Council of Economic Advisers indicate that the required aid is well within the capacity of the United States to supply. Moreover, we are satisfied that once the economy of Europe is restored through our help, the necessity for continuing aid from this country will disappear. On the other hand, if not immediately helped, the European countries will lose much of the recovery made to date. If they disintegrate, democracy and freedom are unlikely to survive in Europe or in the world.

The necessity of early action to provide adequate aid giving effect to Secretary Marshall's policies should hardly present a controversial issue today. We do not here attempt to deal with the precise conditions under which aid should be extended.

The question with which we concern ourselves in this joint statement is not whether we should undertake the great task of aiding European recovery, but how.

In approaching this problem we have borne in mind the fundamental division of powers in our Government provided for by the Constitution. It is the function of the legislative branch of the Government to enact laws and lay down broad policies. It is the duty of the Executive to administer such laws and policies. Accordingly, the responsibility for administering this program should be placed directly on the Chief Executive.

RECOMMENDATIONS FOR ADMINISTRATION

1. Congress should define the policy, appropriate the required funds, and give precise powers to the President, as Chief Executive, for its execution. Final approval of any major program, under the policy, should be vested in him. This is in accord with our tradition, our experience and our Constitution.

2. Congress should establish a mechanism which assures active participation of all departments and agencies in all recommendations for action and which assures carrying out the President's decisions. This mechanism should be a committee headed by the President with the Secretary of State as vice chairman. Full representation of all departments and agencies having a major interest in the execution of the policies and programs should be established by legislation. This committee will serve to assist the President in coordinating United States foreign policy, and, in turn coordinating it with our domestic economic policy and its program.

The most important functions of this committee will be first, to assure that all aspects and implications of specific programs under the policy will be presented to the President. Second, to assure that all branches of the Federal Government affected by the policy shall have an opportunity to present their views. Finally, it should insure that the programs determined by the President will be executed by the appropriate departments and agencies. There should be a secretary to the new Presidential committee provided for in the legislation and appointed by the President as a member of the Presidential staff.

3. A new administrative agency should be established to prepare and administer the detailed programs implementing the policy. This is essential for the vigorous administration and prosecution of approved plans and programs. A corporate form of organization is neither desirable nor necessary.

The new administrative agency should be headed by an Administrator, responsible to the President and appointed by him with the advice and consent of the Senate. His rank and pay should be equivalent to a Cabinet member and he should have full power to select the personnel necessary for carrying out the work of the agency, as expeditiously and effectively as possible. With appropriate safeguards, exemptions from civil service regulations should be incorporated in the legislation. It is especially important that provisions of the enabling legislation permit the assignment of any civil servants of permanent status to the new agency without their forfeiting rights and privileges. An excellent pattern for such protection is available in the Foreign Service Act of 1946.

The new administrative agency would be responsible for developing and recommending to the President programs responsive to the policies laid down by Congress. Programs approved by the President, after receiving the advice of the

Presidential committee referred to in (2) above, would naturally include provisions for their effective execution either by the domestic or overseas staff of the agency or by Government or private agencies, subject to the direction of the Administrator.

4. An advisory board to the Administrator should be provided for by legislation. This board should be nonpartisan in character and have broad geographical and economic representation (agriculture, business, labor, consumers, etc.). In general, it would function along the lines of the President's Committee on Foreign Aid, popularly known as the Harriman committee and, like it, would be appointed by the President. The Board members, in addition to their general duties, would be available as heads of subcommittees dealing with specific problems on which the Administrator will require the maximum of specialized experience and talent.

5. The new agency should have adequate funds at its disposal to permit prompt and adequate shipments of food, fuel, and similar necessities of life to the areas requiring them, without reference to their current financial status. The expenditure of these funds would be subject to the final approval of the President and they should be administered with maximum flexibility.

The ability to pay for food, fuel, or for raw material inventories useful in manufacture and for capital equipment is different in each country. Experience already indicates that appropriate credit arrangements can be worked out which are of great assistance in raising current industrial production as well as stimulating long-term modernization and reconstruction. The President, acting on the advice of his committee and the Administrator, should determine in which cases credit arrangements are appropriate. When the President has determined that certain operations should be financed by credits, these credits shall be made available by the Export-Import Bank upon the direction of the President. In order to assure carrying out the directives of the President, it will be necessary to increase the capital available to the Export-Import Bank and to amend the Export-Import Bank legislation so that the new funds allocated for this purpose will be used only for the purposes established by Congress, for specific programs approved by the President.

6. The President should be required to submit quarterly reports to the Congress in order that the American public be kept currently informed as to the progress of all phases of the program.

* * * * *

NPA members from agriculture, business, labor, and the professions, present at working sessions during the NPA annual joint meeting, include:

Altschul, Frank (vice chairman, board; chairman, international committee)

General American Investors Co., New York City.

App, Frank (agriculture committee) Northeastern Vegetable and Potato Council, Bridgeton, N. J.

Barkin, Solomon (labor committee; international committee) Textile Workers Union of America, New York City.

Batt, William L. (board) SKF Industries, Philadelphia, Pa.

Bell, Laird (international committee) Bell, Boyd & Marshall, Chicago, Ill.

Benjamin, Earl W. (agriculture committee) Washington Cooperative Farmers Association, New York City.

Black, John D. (agriculture committee) Harvard University, Cambridge, Mass.

Burgess, Eugene W. (business committee) General Mills, Inc., Minneapolis, Minn.

Caldwell, Harry A. (agriculture committee) North Carolina State Grange, Greensboro, N. C.

Clark, Harry (agriculture committee) Mountain States Beet Growers' Marketing Association, Eaton, Colo.

Clark, Wallace (international committee) Wallace Clark & Co., New York City.

Colby, Charles C. (international committee) University of Chicago, Chicago, Ill.

Cooke, Morris L. (board) management consultant, Washington, D. C.

Cruikshank, Nelson H. (labor committee) American Federation of Labor, Washington, D. C.

Culbreth, H. W. (agriculture committee) Ohio Farm Bureau Federation, Columbus, Ohio.

Currie, Lauchlin (international committee) Lauchlin Currie & Co., New York City.

Ellickson, Katherine Pollak (labor committee) Congress of Industrial Organizations, Washington, D. C.

Emerson, Guy (board; business committee) John Price Jones Corp., New York City.

- Fichter, Joseph W. (board; vice chairman, agriculture committee) Ohio State Grange, Columbus, Ohio.
- Fraser, H. W. (secretary of the board; labor committee) Order of Railway Conductors of America, Cedar Rapids, Iowa.
- Funderburk, C. B. (for D. W. Brooks, agriculture committee) The Cotton Producers Association, Atlanta, Ga.
- Gulick, Luther H. (board; international committee) Institute of Public Administration, New York City.
- Hedges, Marion H. (vice chairman, board; vice chairman, labor committee) Washington, D. C.
- Heline, Oscar (agriculture committee) Farmers Grain Dealers Association of Iowa, Marcus, Iowa.
- Heller, Robert (board; business committee) Robert Heller and Associates, Cleveland, Ohio.
- Jones, Thomas Roy (board; business committee) ATF, Inc., Elizabeth, N. J.
- Lubin, Isador (international committee) United States Representative, Economic and Employment Commission, Economic and Social Council of the United Nations, and Confidential Reports, Inc., New York City.
- Lyon, A. E. (labor committee) Railway Labor Executives' Association, Washington, D. C.
- McChesney, Robert W. (business committee) Harry Alexander, Inc., Washington, D. C.
- Martin, Roscoe C. (committee of the South) University of Alabama, Tuscaloosa, Ala.
- Meers, Walter (agriculture committee) Bloomington, Ill.
- Nelson, Lowry (agriculture committee) University of Minnesota, Minneapolis, Minn.
- Ogburn, Charlton (NPA counsel; international committee) New York City.
- Osborne, Lithgow (international committee) The American-Scandinavian Foundation, New York City.
- Payne, Herbert W. (technical advisory committee of the causes of industrial peace project) Textile Workers Union of America, New York City.
- Peterson, Eric (labor committee) International Association of Machinists, Washington, D. C.
- Pickett, Clarence E. (board; international committee) American Friends Service Committee, Philadelphia, Pa.
- Reynolds, Quentin (agriculture committee) National Council of Farmer Cooperatives and Eastern States Farmers' Exchange, Inc., West Springfield, Mass.
- Rudick, Harry J. (counsel for the business committee) Lord, Day, & Lord, New York City.
- Sayre, Mrs. Raymond (agriculture committee) Iowa Farm Bureau Federation, Ackworth, Iowa.
- Schultz, Theodore W. (board; agriculture committee; international committee) University of Chicago, Chicago, Ill.
- Seabrook, Charles F. (international committee) Seabrook Farms, Bridgeton, N. J.
- Silvey, Ted F. (labor committee) Congress of Industrial Organizations, Washington, D. C.
- Snow, Thad (agriculture committee, committee of the South) Charleston, Mo.
- Sonne, H. Christian (chairman, board; business committee) Amsinck, Sonne & Co., New York City.
- Stull, P. B. (vice chairman, business committee) Hercules Powder Co, Wilmington, Del.
- Symington, Charles J. (board; business committee) Symington-Gould Corp., New York City.
- Taylor, Wayne Chatfield (board; international committee) Washington, D. C.
- Teper, Lazare (labor committee) International Ladies' Garment Workers Union, New York City.
- Thomas, Raymond D. (committee of the South) Oklahoma A & M. College, Stillwater, Okla.
- Thorne, Florence C. (labor committee) American Federation of Labor, Washington, D. C.
- Voorhies, Marcel J. (agriculture committee; committee of the South) American Sugar Cane League, New Orleans, La.
- Walker, Charles R. (codirector of causes of industrial peace project) Yale University, New Haven, Conn.
- Welch, Frank J. (agriculture committee; committee of the South) Mississippi State College.

Winton, David (board; international committee) Winton Lumber Co., Minneapolis, Minn.

Wolf, R. B. (technical advisory committee of the causes of industrial peace project) New Canaan, Conn.

Zander, Arnold S. (labor committee) American Federation of State, County, and Municipal Employees, Madison, Wis.

Mr. JAVITS. Mr. Philip Reed, chairman of the board of the General Electric, testified before us, and he said this matter of encouraging United States capital to go abroad in aid of the European-recovery program was such a technical one that was entitled to such weight, and was in and of itself so important, that he thought we should delete it from this bill and treat it in a separate piece of legislation. He had one reservation, which he mentioned in a letter written to me subsequently, and that was maybe if we left it in on rather a small scale it might be useful as a pilot plant.

I wonder if you have given any thought to the idea of leaving it in this bill? You see we have in this bill a provision that 5 percent of the appropriation—\$340,000,000—shall be used as a guaranty, substantially along your lines. Would you take that out and treat it as a separate matter in a separate manner?

Mr. BATT. If you leave it in as a pilot plan I would be satisfied. I do not think you would get very far the first year. I would be willing to come up and take my chances, either as a deficiency appropriation or a regular operation on the Hill, if you leave something to indicate your interest in the principle.

Mr. JAVITS. You would rather have it in the bill?

Mr. BATT. I would think so. I would never know whether you would get around to a separate operation.

Mr. JAVITS. I am inclined to go along with you, but Mr. Reed made quite a point of it.

Mr. BATT. I realize the difficulty of working it out.

Mr. JAVITS. You had an enormous amount of experience in getting top technical brains to work for the country in the War Production Board. Will you tell us what form of administration you believe would most likely get the United States top technical brains to work on this job?

Mr. BATT. Insofar as the American side is concerned, there is not any fundamental difference between Brookings and NPA. I took exception to the remedy which I understand from the newspapers is being suggested on the Senate side as to the complete separation of authority in the foreign field. I do not think that will work. Now, if your question is what kind of men can you get, under what conditions can you get good men down here to do this job, then my answer is as in this piece of paper, that you would not get them down under the civil-service system and you would not get them down if they have to separate themselves from private enterprise completely and come on to the Government salary alone. Now, I have long believed that there was plenty of room in these emergency jobs for men who will take a leave from their companies, come down here, take a salary out of the Government, but let their companies pay the difference, if you please, or carry the existing salary. I know there were differences of opinion on that matter. One agency I have in mind insisted on their men taking a salary, and the company making up the difference. That is what the British did in wartime. That is all right. I think it is just as well that the man should take a formal leave from his

company during the period that he is down here, although he ought to be protected against the loss of seniority, pension, and other rights when he does that.

Does that answer your question?

Mr. JAVITS. It does, and I would like to ask one more question: Did you find any great difficulty in diversity of loyalties between working for the Government and the interests of any company a man came from?

Mr. BATT. No.

Mr. JAVITS. In those cases?

Mr. BATT. Generally speaking, these men leaned over backward to avoid any possible entanglement of their own private business. I know my own associates said, "We are much worse off with you down in Washington than if you were up here because you would not give us a break at all."

Mr. JAVITS. Thank you.

Mr. BATT. Thank you.

Chairman EATON. Thank you for being with us.

Mr. BATT. Thank you very much, gentlemen.

Chairman EATON. The next witness is Mr. Frazer A. Bailey, president, National Federation of American Shipping, Inc. I am asking Mr. Maloney if he will take the chair.

Acting Chairman MALONEY. Mr. Bailey, we are glad to have you with us.

STATEMENT OF FRAZER A. BAILEY, PRESIDENT, NATIONAL FEDERATION OF AMERICAN SHIPPING, INC.

Mr. BAILEY. My name is Frazer Bailey. I am president of the National Federation of American Shipping, a federation of four steamship associations representing the owners of approximately 70 percent of privately owned American-flag dry-cargo oceangoing steamships.

I am appearing in connection with the provisions of bill H. R. 4840, as they relate to shipping, and more particularly to sections 7 and 8 thereof, which we understand to be an implementation of the European recovery program prepared by the executive branch and forwarded to the Congress with the President's message of December 19, 1947.

We understand the provisions of this bill would, among other things, authorize the transfer to the participating Marshall plan nations, by sale or charter, some 500 merchant dry-cargo vessels from our war-built fleet. We are opposed to this proposal to sacrifice American shipping and the American merchant marine as unnecessary to accomplish the objectives of the bill, and for the reasons which will follow:

The American shipping industry, represented by this federation, is in favor of a European recovery program. We favor the giving of such aid to the 16 Marshall plan nations as will enable them to recover their economic footing without, however, doing substantial damage to our American economy or to any particular American industry.

We are shipping people. We do not pose as experts on foreign relations. We believe, however, that we are qualified to speak on shipping, both foreign and domestic, and upon international subjects which are embraced within the shipping business. We shall, there-

fore, confine our remarks to the shipping aspects of the Marshall plan, and subjects which are directly related.

The shipping proposals involved in this plan originated with a committee comprised of the 16 nations which met in Paris for the purpose of estimating their requirements and formulating their proposals to the United States. This resulted in a report, of Marine Transport of the Committee of European Economic Cooperation, dated Paris, September 1947. There were numerous discussions concerning the proposals contained in the Paris report but they were always carried on at the Government level, and the United States shipping industry, or a representative appointed by them, was not brought into these discussions or consultations.

You will recall that the President thereafter appointed a Committee on Foreign Aid, under the chairmanship of the Secretary of Commerce, comprised of 19 distinguished citizens, only 1 member of which had extensive shipping experience. Its purpose was stated to be:

* * * to advise you (the President) on the limits within which the United States might safely and wisely plan to extend economic assistance to foreign countries, and on the relation which should exist between such assistance and our domestic economy (Secretary Harriman's letter of transmittal of report).

We shall refer to this committee as the "Harriman committee." Its report was submitted during November 1947. Bearing in mind the purpose for which the President appointed this committee, I would like to give two short quotations from its report:

The United States needs an active merchant marine for national defense and we must not create conditions in which that merchant marine cannot survive (p. H-6).

and again, as to the proposal to sell additional ships:

The limited financial savings are not sufficient to justify the drain on United States resources for national defense which such transfers would involve (p. H-8)

Subsequently, on or about December 19, the President sent to the Congress his proposals of the European economic program. Later these were supplemented by additional data entitled "Commodity Report, Chapter J."

It is well to understand just what is involved in the proposal to which we object. Five hundred war-built vessels of the size and type suggested represent 5,000,000 dead-weight tons of shipping, an amount equal to one-half of our merchant marine before the war and approximately one-half of our present privately owned shipping fleet. It is also equal to 25 percent of our reserve fleet available when Government-owned ships chartered for the carriage of bulk cargoes primarily to Europe are returned. At that time our active merchant marine will in all probability have been reduced to the postwar size now envisioned by the United States Maritime Commission but not in excess of 11,400,000 dead-weight tons.

Economy is the sole reason suggested in the ERP proposals for turning over these ships to foreign control. There have been loose statements made (schedule J, p. 21) that a saving of some \$300,000,000 would result from the sale of the ships proposed, and that the program cost would be further reduced by "many millions" if additional vessels were chartered as therein proposed.

We call your attention to the fact that in all of the data submitted

to the Congress concerning the shipping aspects of the ERP, involving about 50 pages, only a lump-sum total of such alleged saving has been given, and there is not a single factor of computation shown as to how these amounts are arrived at, or by which an interested party might verify these estimates. And we further point out that there is nothing in these reports to show that practical steamship men, competent to determine such savings, have computed these estimates.

On the other hand, the Harriman committee report states that "even on the assumption that such transfers were to be outright grants in aid," a maximum of only about \$300,000,000 of the gross dollar freights would be saved. And the Harriman report goes on to show that under certain probable conditions there would be further reductions in this amount. We suggest that the reduction from \$585,000,000 in the original proposals, to less than \$300,000,000, as shown by the Harriman report, justifies doubt as to the reliability of the shipping cost estimates contained in the program.

We have made a very careful estimate of these costs, based upon the individual factors of which they will be composed, and we find the saving to be slightly less than \$200,000,000. We submit that so modest a saving in a program of these proportions, equaling as it does slightly more than 1 percent of the aggregate amount, falls far short of justifying the damaging results which are certain to follow in both the fields of American shipping and of national defense.

While favoring reasonable economic aid to the participating nations as contemplated in this program, all good Americans are anxious that this be done with the minimum burden upon the American taxpayer. In the turning over of ships to the participating nations, this should be carefully analyzed to ascertain whether it is a real economy or merely an illusion. It would be a grievous error to save a sum which, while substantial, is relatively small compared with the aggregate of the Marshall plan, but at the same time to incur long-range costs or damages of far greater amount or importance.

We must remember that for many years we have expended considerable sums of money in our efforts to build an adequate merchant marine to carry all of our domestic and a reasonable proportion of our foreign commerce, and to provide suitable auxiliary ships for national defense. In two world wars we have spent an aggregate of some \$17,000,000,000 in a necessarily desperate and extravagant effort to provide the merchant ships needed for defense purposes. We have not yet obtained that position upon the seas which is commensurate with our position as a leading nation in world affairs. Is all of this to be brushed aside in consideration of a small reduction in the cost of the European recovery program? We should be careful to avoid being penny-wise and pound-foolish. Such action would not constitute economy in the true or long-range sense. It would, in fact, be the reverse of this policy.

The volume of relief cargo is admitted to be now approximately at its peak. A gradual decline in the need of United States ships to transport bulk cargoes, to a vanishing point in 1951, is clearly stated in the proposals. There are ample ships in service to take care of the present volume, as evidenced by a return to the Maritime Commission of approximately two ships per day by United States charterers.

All that is contemplated is the transfer of these same ships from United States flag, United States manning, and United States manage-

ment to foreign flag, foreign manning, and foreign management. It is unthinkable that 500 additional ships would be withdrawn from our present reserve fleet and placed in operation by these participating nations only to force, as they inevitably would, 500 other American ships out of business and into lay-up status.

Both United States and foreign vessels transporting recovery cargoes compete for the business at world market rates and charge the same level of freight rates for their services. As the ERP program provides that we shall supply dollar credits to cover transportation as well as the commodities, the gross cost will be the same whether transported upon a United States ship or a foreign vessel. The only possible saving is in the lower operating cost of the foreign ship due to the employment of cheap foreign crews, food and repairs, and in the use of foreign currency. The total aggregate of all of these items for the amount of ship service required, using the estimates of tonnage and time set forth in the proposals, has been carefully estimated by us to be slightly less than \$200,000,000.

We hear of no suggestion to similarly economize in other phases of the Marshall plan through the use of cheap foreign labor. There is to be no effort to reduce the cost of wheat, coal, or other commodities, or of their transportation to seaboard, by the use of cheap foreign labor. We are strongly opposed to the application of this principle, but if it must be availed of, it should have universal application.

We are opposed to the transfer of 500 vessels to the participating nations upon other grounds: First, using the figures which have been forwarded to the Congress as a part of the program, we find that the fleets of the participating nations, considering their shipbuilding programs, have been restored to a level in excess of their 1938 capacities. We suggest that there is no justification for endangering our merchant marine by lifting the competitive position of the 16 nations above that occupied in 1938. At that time, we were transporting less than 30 percent of our own imports and exports.

Chapter J (appendix B), which has been submitted to you in support of the program, shows the total merchant fleets of the participating nations in 1938 amounting to some 46,000,000 dead-weight tons; that at the end of 1947 their fleets aggregated 43,000,000 dead-weight tons with 4.5 million tons actually under construction—a total of 47.5, or 1.5 million tons in excess of their prewar level. But this is not all. They have stated to you that these nations have a building program of 15.7 million tons and that when this is completed they expect to have an aggregate of merchant fleets in 1951 of 53.6 million, approximately 7.5 million tons in excess of the capacity of their combined 1938 fleets. This is after making allowance for the retirement of over-age vessels in the amount of almost 4,000,000 tons during that period which we consider excessive and which they say is "heavy." When cargoes are offering freely, it is not the habit of shipowners to engage in such heavy retirements. This usually occurs when competitive conditions are severe and older tonnage must make way for more modern and efficient ships. The average fleet age of the vessels of the participating nations is the same in 1947 as it was in 1938. We believe that a substantial majority of these vessels will be found in operation when 1951 comes around.

Under these circumstances, we suggest that the transfer of additional ships, which must cause a further deterioration in our maritime

position and in our ability to serve our military as an arm of national defense, cannot be justified.

Schedule J lays emphasis upon the war losses of these 16 countries and the fact that their share of the world fleet has been greatly reduced thereby. The complete answer is that, using their own figures, in 1951 these 16 nations will possess 8 percent more of the world tonnage than was the case in 1938.

Schedule J also states that the tonnage of passenger ships estimated for the participating nations in 1951 is 300,000 tons below the pre-war figure. Accepting their figures, the reduction is less than 14 percent. Meanwhile, the United States has suffered a reduction of 69 percent in the number of passenger vessels and 64 percent in the gross tonnage of passenger vessels. These European countries are building a large number of fine passenger ships. There is no such construction for private account in the United States, and only one vessel by the Maritime Commission begun before the end of the war.

Suggestions are made in the proposals before you that turning over additional war-built vessels to the participating nations should be in consideration of the curtailment of their shipbuilding programs. However, the latest proposal contained in schedule J says:

It is not suggested that shipbuilding now under way should be stopped, but it is thought that a portion of the projected building could be deferred until the emergency is over.

Please bear in mind that schedule J-11 shows 4.5 million tons actually under construction and contracts signed for an additional 5,000,000 tons.

We have reliable information that a proposal to defer such foreign shipbuilding has been advanced by the United States and definitely rejected.

This is supported by the figures submitted to you in the Paris Report Table 3 that at mid-1947 the fleets of the participating nations contained 1.4 million dead-weight tons more ships of 5,000 gross tons and over than in 1938, while at the same date their fleets were 8.4 million dead-weight tons short of ships below this size. The significance is that we have no small or special-type vessels to replace their losses of ships of less than 5,000 gross tons. A dispatch from The Hague, Netherlands, dated January 25, 1948, gives confirmation. It contains this statement:

The Netherlands yards are turning out a large number of coastal and river craft for European service that cannot otherwise be replaced, in addition to special types of seagoing vessels bearing no resemblance to Liberty ships offered by the United States as a substitute.

And the report continues that the Netherlands yards have contracted for 454,000 gross tons, of which approximately 40 percent are stated to be for foreign buyers.

Let us see what happens. The dispatch continues:

The Netherlands is bartering ships for Polish coal, French phosphates, Argentine grain, Yugoslav corn, and Finnish timber.

There can, of course, be no objection to the Netherlands operating its economy as best suits a need which is unquestionably pressing. We suggest, however, your committee may wish to consider whether we should put a substantial number of American ships in the hands of European governments even though they are presently participating

nations in the Marshall plan, which may replace other vessels bartered to willing or unwilling satellites of a different economy and philosophy. From the standpoint of national security, we question the wisdom of even turning over ships to Marshall-plan nations with governments of questionable stability.

We are aware that the program suggests what is termed "chartering," and that under it there would normally be the expectation that the vessels will be returned. We find no one in the shipping industry who believes this would eventuate. We cannot escape the memory of what has happened to 95 ships delivered to Russia under lend-lease when she was our ally, and we would have great concern, not only about the return to the United States of the vessels transferred under charter, but also the possible use of these ships, or other ships for which they may substitute, in the hands of an unfriendly nation.

We are also aware that Russia is at long last negotiating to purchase these vessels with the exception of seven tankers and one ex-Italian steamship. Whether such an arrangement can be consummated and upon equitable terms is uncertain, as are all negotiations and dealings with our former ally.

The question of transferring one-quarter of our reserve fleet under this program appears to raise serious questions of national defense importance. The shipping industry does not pose as an expert on military affairs. In two World Wars, however, it has been called upon to render important auxiliary and logistical support to our military forces.

Experience has taught us the need of merchant ships for this purpose. In an emergency and at its first impact a fleet of such ships already manned and in active service has always been required. According to the Report of the President's Advisory Committee on the Merchant Marine—Keller Report—the Navy has stated its minimum requirement as a fleet of 11,400,000 dead weight tons. The present privately owned American merchant marine is somewhat short of that capacity.

From the initial stages and until our shipyards begin deliveries in volume, there will be required a reserve fleet from which may be withdrawn ships to replace casualties, transport essential civilian requirements, war and strategic materials, and build up the supporting force of our military. This period has been variously estimated at from 12 to 18 months.

While not of the most modern type, nor of the fastest speed, the remaining vessels of our war-built fleet can perform an extremely valuable service in supplying ocean transportation and logistical support for our military forces. We suggest there should not only be a determination as to the proper size of such a reserve fleet, but the Maritime Commission should be supplied annually with funds and mandated to carefully preserve them. It would be a grave circumstance indeed were we to find that there was imperative need of such a reserve for national defense but that a quarter of these ships had been turned over to foreign countries to effect a small economy in the European recovery program.

Now let us examine the urgency of need for these vessels by the Marshall-plan nations. As I have said, the program has been suggested to you primarily, if not exclusively, upon the grounds of a relatively small saving in the over-all Marshall plan.

Schedule J, submitted to you by the executive branch, contains this statement:

It can be indicated what each country has in the way of shipping resources but there is no way of determining where and to what extent these resources will be applied.

The inference is that whatever tonnage is available, or is made available, may be used in world trading. There is no suggestion that they must be confined to the transportation of relief cargoes to the unfortunate countries, or, if they are, they will not release other tonnage of these same nations to engage in more lucrative trades.

This is borne out by a statement in Schedule J, which says:

The objectives of the recovery plan, therefore, will best be served if ships are left free to trade wherever cargo offers.

The records of the Maritime Commission show that on certain routes, extraneous to their national commerce, ships of these nations furnish a substantial part of the service, and that on at least four important trade routes from United States ports, to ports of other parts of the world, they are currently supplying more than one-half of the sailings and more than one-half of the ship tonnage.

In view of such employment of their own ships, the urgency of their need for additional United States ships to transport ERP cargo is subject to review.

The great majority of cargo tonnage to be moved to Europe under the recovery plan is made up of coal and grain which will move in bulk-cargo vessels. Our war-built Liberty ships are admirably adapted to this type of transportation. The latest figures released by the State Department show that the United States-flag bulk-cargo fleet in this trade is expected to decrease from 6.3 million dead-weight tons in 1948, to 3.2 million dead-weight tons in 1949, 1.7 million tons in 1950, and zero in 1951. The number of seamen employed on these ships will likewise decline from something more than 25,000 in 1948 to none in 1951. We suggest that this is not a very generous proposal to be put forward in behalf of the nations who are receiving aid from the United States. And we suggest that it is not a fair and equitable manner in which to deal with American shipping, which has carried the burden in both wartime operations and in the recovery program up to this date.

When the bill on interim European relief was before the Senate on November 24, 1947, debate occurred which clearly indicated the intention that fair and equitable treatment be given to American shipping in the transportation of relief cargoes.

Senator Vandenberg said:

I have no objection to stating categorically my hope and expectation that American bottoms will be used in the transportation of relief commodities to the maximum practicable degree.

and again:

The whole purpose and impulse will be to use American bottoms to the utmost practicable degree. But we are dealing with emergencies and we shall not be able to tie ourselves down to specifications in connection with them.

The point at issue at that time was whether an amendment should be included in the interim European relief bill to provide for a specific participation by American ships in the relief cargo to move under that program. In response to urging by Senator Magnuson that American

ships be protected as to participation in this business, Senator Vandenberg replied:

I think the point raised by the able Senator from Washington is highly pertinent in connection with the long-range program.

On November 25, Senator White, in discussing this same legislation, said:

We still stand for and still favor the largest practicable use of private shipping enterprises in the meeting of this problem.

In debating bill H. R. 4604 covering interim European aid in the House of Representatives on December 4, Representative Willis Bradley, of California, made the following statement:

I can appreciate that in this stopgap aid program it is hardly practicable to delay shipments so as to set forth any specific percentages or quotas which must be carried in American ships, but I believe that that recognition should not in any way dim the fact that the record of this debate should show the belief by at least some Members of the House that American ships should receive their just share of cargoes sent by this Government.

Bill H. R. 4840 before this committee covers the long-range program. Without going into further quotations from debate, we submit that the record is clear that at least certain Members of Congress in both the House and Senate intended that American shipping should be protected in a fair and just participation in these relief cargoes, and we respectfully suggest that there should be incorporated in the bill an amendment which will insure that the Government agencies administering the act carry out this intent. We will be very happy to submit, if it is the wish of your committee, an amendment designed to have this effect.

While we are giving aid to our unfortunate European friends at considerable risk to our own economy, let not our benevolence exceed reasonable bounds. Sacrifices will undoubtedly have to be made by all segments of American industry and labor. It should, however, be the generous act of the whole American people.

We favor a Marshall plan to aid these European nations to recover their economic footing. We submit that conditions do not justify or require the transfer of 25 percent of our reserve fleet in order to accomplish this purpose. We do not believe that the economic burden of the program should fall heavily upon any individual industry. We very respectfully urge the committee not to agree to that portion of the Marshall plan which would cripple our merchant marine and impede our national defense.

Acting Chairman MALONEY. Mr. Bailey, you have submitted a very persuasive argument in your statement.

Mr. VORYS, do you have any questions?

Mr. VORYS. Yes. You say you represent 70 percent of the privately owned shipping of the United States?

Mr. BAILEY. Dry-cargo shipping; yes.

Mr. VORYS. Would wet cargo be tankers?

Mr. BAILEY. Tankers, yes. We represent a number of tankers in addition, but it does not amount to 70 percent of the tankers.

Mr. VORYS. What percent of the chartered ships do you represent?

Mr. BAILEY. We do not take the chartered ships into account. They are Government-owned. We are shipowners. We represent 70 percent of the owners of ships.

Mr. VORYS. What percentage of the ships now carrying freight are American ships; what percentage are Government-owned and what percentage are chartered?

Mr. BAILEY. The Government-owned ships are chartered. I assume the question is, What percentage are privately owned ships and what are Government ships that are chartered?

Mr. VORYS. Yes.

Acting Chairman MALONEY. Is that dry cargo?

Mr. VORYS. That will be some figure that I could understand.

Mr. BAILEY. The tankers are not subject to charter, so we can eliminate tankers. The entire privately owned fleet today is about 11,000,000 tons, and that includes tankers. I cannot separate the tankers out of that for you at the moment. There are just about 11,000,000 tons of Government-owned ships under charter to American operators.

Mr. VORYS. Is it about 50-50?

Mr. BAILEY. If you include the tankers with the privately owned fleet. There are no tankers in the chartered government fleet.

Mr. VORYS. What is the cost in appropriations or subsidies, and so forth, for that shipping?

Mr. BAILEY. Of course, the chartered ships are operated by paying the charter hire to the Government. Under a charter party under which the Government recaptures a part of the earnings, that is. The subsidies are practically suspended now, and have been since the war. For the period since 1938, when the Act began, the net amount of subsidies paid for operations was about \$3,500,000 a year, after recapture.

Mr. VORYS. What does "recapture" mean?

Mr. BAILEY. The subsidy contracts provided that there will be paid as an operating differential as well as it may be measured the difference between the operating cost of the American ship and the operating cost of an equal foreign ship. After the American operator has made 10 percent on capital employed in the business, half of the remaining earnings, if any, will be recaptured by the Government and credited against the subsidy payments. After those recaptures have been credited back the net amount of payment for subsidy purposes for American ships in these trades has amounted to about \$3,500,000 a year.

Mr. VORYS. Do you mean to say that except for \$3,500,000 a year there is no payment by the American Government directly or indirectly to American merchant shipping to make up the differential between the cost of American and other ships?

Mr. BAILEY. For operation. There is a constructive differential, as you recall. You were talking about operation?

Mr. VORYS. I do not want to bore the other members of the committee, but I am green on this. I understand we make very substantial appropriations for our merchant marine, and I do not know whether it goes into the construction or operation, or what. But I want to know what the total is.

Acting Chairman MALONEY. I understand that there is a substantial subsidy, and as Mr. Bailey has pointed out it is going to cost the Government at least \$3,500,000 per year if we hold the ships in our private enterprise here. Now, where is that \$3,500,000 made up? I think that would probably answer your question, would it not?

Mr. VORYS. Well, I thought we were talking about two different things. He said what he estimated as \$200,000,000 would be made up due to the employment of cheap foreign crews, food, repairs, the use of foreign currency, lower operating cost of the foreign ships, and that the difference would be \$200,000,000. But if it is only the subsidy, as to the question I asked him, he says if it only amounts to \$3,500,000 per year since 1936 and nothing during the war, then the difference would be nothing.

Acting Chairman MALONEY. Why would there be that \$200,000,000?

Mr. BAILEY. The \$200,000,000 we are speaking of here is entirely separate from any subsidy operation. This \$200,000,000 is where these particular ships which would not come under subsidy contracts are operated by Americans with American crews. But, of course, we would have to supply \$200,000,000 more credit for the payment of ocean transportation under the Marshall plan than we would if we turned those ships over to the participating nations. They took them and put them under foreign management with foreign crews, repaired them in foreign shipyards, and furnished the meals on them that the foreign crews are accustomed to. The difference would be \$200,000,000 more credits to the Marshall plan, dollar credits, we would have to supply. Now, the subsidy operation is something entirely different, and these ships would not be involved in the subsidy contracts at all. I would be very happy to supply for the record, the complete subsidy payments. There are three phases: Tax saving, constructive differential, and an operating differential. Those are the three phases.

Mr. VORYS. Could you just say offhand what those are per year, or some way or other?

Mr. BAILEY. Since the 1936 act, \$226,000,000 has been paid to offset the difference in building ships in American shipyards for these subsidy operations, as against building them in foreign shipyards. That we contend is a shipbuilding subsidy.

The tax saving I cannot give you, but it is probably somewhere in the neighborhood of \$50,000,000. That is over the entire period. The net amount of the operating differential, after recapture, is some \$20,000,000 since 1936.

Mr. VORYS. Where is the \$17,000,000,000 that you mentioned we have spent? Who has those ships now?

Mr. BAILEY. These are the ships. It cost the Government to build the wartime fleet almost \$15,000,000,000 this time. We spent about \$3,000,000,000 in the first war and about \$14,000,000,000, something, in this war, in building these emergency fleets. These are the ships. We still have something over 4,000 of them in Government possession. We have sold 1,750, so 1,089 to foreign buyers, and 661 to American buyers makes the difference. Out of that fleet we still have about 2,000 or 2,400 of them left. That was the wartime construction vessels for national defense purposes.

Mr. VORYS. It is out of that 4,000 that the 500 ships are to be withdrawn; is that right?

Mr. BAILEY. The 4,000 has been reduced to a little over 2,000 ships that are suitable for transocean and overseas service. You take 500 out of that and it would leave 1,500, or you are taking away 25 percent of the 2,000 ships which the President's Advisory Committee found would be available at the end of the recovery program.

Mr. VORYS. But if we are supposed to have a merchant marine reserve of around 11,000,000 tons, I believe you said——

Mr. BAILEY. It is a complicated subject, Mr. Vorys: 11,400,000 tons is estimated by the Maritime Commission to be our active fleet, the fleet which would be in active operation at the end of the recovery program. Now, that has to be separated completely from the reserve fleet, which the Keller report says will be about 20,000,000 tons as a reserve fleet.

Mr. VORYS. I thought you mentioned at one place that the recommended reserve—on page 11, you say:

In the Keller report the Navy has stated its minimum requirement as a fleet of 11,400,000 dead-weight tons.

Mr. BAILEY. That is right.

Mr. VORYS. "The present privately owned merchant marine is somewhat short of that capacity." But you have stated to me earlier that we have about that same amount, around 11,000,000 tons of Government-owned ships which are now under charter.

Mr. BAILEY. Those will go back to the reserve fleet at the end of the recovery program if we do not charter or sell them abroad. If I may just very briefly say, the national defense aspects of this take on this picture: At the impact of an emergency you require an active fleet in operation, fully manned, to meet the impact. You then require over a period of 12 or 18 months a large reserve fleet to make up your deficiency for casualties, to carry the war materials, supplies, transportation, and take care of your necessary domestic economy until your shipyards begin to deliver ships in volume from new production. That is what the 2,000 ships would be for. Assuming them to all be 10,000-ton ships, you would need 1,140 of those immediately in use at the impact of an emergency. Then you have 2,000 other ships. That is, if we keep them all. You need them to tide you over from the impact, to make up your war losses, transport necessary for domestic cargoes, war materials, to bring in strategic materials until such time as the shipyards begin to deliver ships in volume. Now, that would be a period of 12 or 18 months.

You recall that when the war ended the Maritime Commission had under its control some 4,500 ships in addition to about a thousand they had turned over to the Army and Navy for operation. So that a war requires a very large number. The impact of the fleet will only a stop-gap operation.

Mr. VORYS. Now, you say that economy is the sole reason. That would be a very good reason for doing or not doing anything in connection with the Marshall plan. If we can get these countries to haul this material we are giving them, that would be a measure of economy. I thought that our shipping required a Government subsidy of a substantial amount in order for us to make the world market rates for shipping costs. Now, am I wrong about that?

Mr. BAILEY. Those vessels are meeting the world market rate now without any subsidy. Over your established essential trade routes where you are on a regular schedule year-round, in and out of season, good and light season, you have to have a subsidized operation over a long period in order to meet the cost of maintaining service. Today those ships are running alongside foreign ships without any Government aid whatsoever. In fact, the Maritime has recaptured from their earnings a large number of millions of dollars over the last 12

months. Those ships have no subsidies whatever. The bulk-cargo carriers that are transporting grain and coal to Europe are meeting the world market price today. Now, they will be retired, and they are being retired from that service, as fast as the foreign fleets are increased, and as fast as the tonnage diminishes because they cannot meet on a strictly cash basis the operation of the foreign ships. They are taking up the slack. They are the marginal operation. But they can continue in that operation for a period of some years while the foreign government fleets are expanding, and as the cargo is diminishing.

Mr. VORYS. Are our Liberty ships efficient ships for use in this operation?

Mr. BAILEY. For the carriage of this kind of cargo they are very acceptable ships. They are not liner service vessels. They are bulk-carrying vessels. They were built for war purposes. They carry coal and grain. They are very fine ships for that purpose.

Mr. VORYS. But these ships that are to be chartered or turned over to the other governments are now in reserve. They are not in use at all?

Mr. BAILEY. No, they are in operation now. That is what I said. We have ships in the reserve fleet, but, of course, no one is going to pull ships out of the reserve fleet and man them with foreign crews and put them under a foreign flag to take the business which the American ships are now carrying, because the sole result would be to force those ships back into lay up in replacement. So what will happen is, we can only turn over to foreign operations the ships we presently have under the American flag.

Mr. VORYS. Now, the whole essence of the Marshall plan is that we help these countries to help themselves.

Mr. BAILEY. That is quite right. We favor that.

Mr. VORYS. You favor that except as it hurts your business.

Mr. BAILEY. We favor that up to the point where they were returned to their 1938 position. When that happens we do not think it necessary to increase our competitors' position or capacities.

Mr. VORYS. But a number of these countries have exceeded their 1938 exports, for instance, but, take Britain, she has increased above her 1938 exports and because of her present condition has to increase them still greater. Where they want to sell their material and their commodities is here. That means that in many instances they will be competing with our businesses. But we are told that the Marshall plan contemplates that we help those countries to get back on their feet and manufacture articles, and for that purpose we are going to send them industrial supplies. They will have equipment for factories. We could make the material here and send it to them. That would create business for American industry. But we are deliberately going to create possible competition for American industry over there. We are to ship them fertilizer and farm machinery to raise food over there even though that takes business away from American farmers.

When it comes to shipping, the proposal is that we fix up an arrangement here to let them haul some of their own material, even though that takes away business from American shipping. It has seemed to me, knowing as little about it as I do, that if we can spare the ships that is a good thing, that it is a whole lot better for us to say, "Here is

the stuff on our side of the ocean. You take it away," than for us to haul it over and give it to them.

Mr. BAILEY. No; I think the position we take is different from that. I think that as far as we are concerned, and I think it is a sound position, that if we get these countries to the position they occupied before the war that is as far as we are supposed to go, and that these gentlemen may then go on from that position to any heights of prosperity or good business which their own energy and ingenuity carry them. I do not think we are obligated to elevate them further than the position they occupied before. We are helping them up, and we should help them back and say, "There, go ahead."

I do not feel that the United States should ever occupy the position on the seas that it has occupied for the past half century. We do not think that a country of our size should be carrying less than 30 percent of our own commerce. Now that we have ships, we should try to work ourselves back into a position that is somewhat commensurate with our importance. There never has been a nation in the world who has not lost its strong position on the seas when it lost its merchant fleet.

If we maintain our position in the United Nations, we should carry at least half our commerce and maintain the position of the military. I do not want to create the impression we are opposed to the Marshall plan. We do not think the small saving of \$200,000,000 in this program, which is just a little over 1 percent of the total amount, is sufficient to justify the long-range damage that will be done to our own merchant marine.

Mr. VORYS. We have received a memorandum that suggests that that saving would be \$600,000,000.

Mr. BAILEY. Yes, I have seen those. We have worked the figures out very carefully. We contend we know how to work them out. The saving will be only \$200,000,000.

They have also said they need 500 ships for 4 years, and then they show you, and it is stated in the memorandum that they need 630 for the first year, and then 320 for the next year, and then 170 for the next year, and then nothing for the final year. You add all those up and you do not get 500 ships for 4 years. Now, they started off with \$585,000,000, and when the Harriman committee finished analyzing the figures they admitted it was only \$300,000,000. I think the figures we have submitted to you are more realistic, as I tried to say in the memorandum, there is nothing in the way of the data to show how they computed their figures. There is not a single item in there except the final figure. We are prepared to submit detailed figures.

Acting Chairman MALONEY. Can you do that?

Mr. BAILEY. We would be happy to do that.

Acting Chairman MALONEY. I think we should have them, do you not, Mr. Vorys?

Mr. VORYS. I regret we do not have a larger attendance here because while Mr. Maloney knows a lot about shipping, yet I know there are other members of the committee that are as ignorant as I am. What is needed is to have the various sets of experts getting together.

It seems to me, knowing as little as I do about it, that what we want to do is to give them all something, charter them, furnish them, all of these old ships that they can use on this traffic, or any other. But at the same time forbid their building with American steel, directly or

indirectly, any ships whatsoever. They have to learn to walk before they run. They cannot expect us to cut down on steel needed for freight cars in this country, and so forth, so as to furnish them steel indirectly to build ships, but that we will furnish these ships which will do the job they need done right now. That would be my own feeling as to the way that we ought to go about it.

Mr. BAILEY. I am afraid I have done a very poor job in trying to set these out because as the document shows that you have before you, they already have 1.4 millions more tonnage of the oceangoing size than they had before the war. But they are short over 8,000,000 tons of small ships and special class ships that we do not have to offer. So we cannot expect them not to build the ships for their special services and trades over there. They must go ahead and build them as fast as they can. It would not help any to give them the large oceangoing ships when they already have a surplus, unless we want them to go out in the trades where the American ships cannot compete on an economic basis and deprive us of the small participation we already have in the oceangoing service.

Mr. VORYS. I understand they are also building oceangoing ships?

Mr. BAILEY. They are, but they are already ahead of the oceangoing ships that they had in 1938 by a million and four hundred thousand tons. So giving them ships is not going to help that situation any.

Mr. VORYS. As I understand, the Committee on the CEEC reported that in 1938 they were paying for a quarter of their imports from shipping and from overseas' investments which are gone. So that in order to get back to the economy they had in 1938 they have got to export more material than they did in 1938. They will export and sell and produce dollars in world currencies in excess of what they did in 1938.

Mr. BAILEY. I would just as soon see them pay for 550 percent of their imports with other services if they can do it, but not at our expense. It does not have to be under a condition that reduces America's participation in ocean carrying to less than 30 percent of its own commerce. As far as foreign investments go, our position is that we do not feel responsible for that. A good deal of the loss of foreign investments took place in southeast Asia. We cannot expect in this war to make good all of their losses in foreign investments. That is a problem those gentlemen have. But as a shipping venture, if we put them back on the level they occupied in 1938 I think that our obligation to them has been taken care of, and from that point on we wish them the very best of luck in the world, and we will compete with them on an equal basis under existing laws. We do not feel we should put in their hands economic competitive equipment that is going to depress our opportunities to continue to carry even 30 percent of our own commerce, and we will not have the national defense fleet we need in an emergency situation if we do that.

Acting Chairman MALONEY. Mr. Bailey, it has been testified here at another meeting that these 16 countries have to increase their exports by either two-thirds, or even double the 1938 exports. Now, that is going to require almost double the shipping.

Mr. BAILEY. These ships are not needed for the carriage of their exports. These ships are used entirely on their requirements for shipping these cargoes.

Acting Chairman MALONEY. How is the interim aid being shipped now?

Mr. BAILEY. By American ships and foreign ships in combination. The last figures I saw we were carrying about 48 or 49 percent of the business, and about two ships a day are being returned to the Maritime Commission as fast as the foreign fleets are expanded, and that will continue. We are carrying on on an equal-market basis. We cannot compete with them on a rate basis. As the rates go down they could offer a rate we cannot meet, and they will offer it. The American ships will be gradually returned. We see no reason now to give them 500 more ships to immediately force 500 American ships out of business. That is exactly what will happen, even if we have to give them \$200,000,000 in exchange in order to pay for the cost of transportation.

Acting Chairman MALONEY. That is a problem.

Mr. BAILEY. I would be glad to submit any additional data you might request.

Acting Chairman MALONEY. Is there any data you want, Mr. Vorys? I do not know whether we would be able to interpret the figures if they were given to us.

Mr. VORYS. I think possibly the best thing would be for us to study over the data you have already given and compare it, and then if we wish further data perhaps you would be kind enough to furnish it.

Mr. BAILEY. Your distinguished colleague from southern California, Captain Bradley, is an expert on the subject, and I am sure the captain could make it clearer to you than I could.

Acting Chairman MALONEY. Mr. Vorys, I have a statement of Charles Will Wright, and if there is no objection it will become a part of the record.

Mr. VORYS. That will be done.

Acting Chairman MALONEY. Thank you very much, Mr. Bailey.

Mr. BAILEY. Thank you very much, Mr. Chairman.

(The statement of Mr. Charles Will Wright is as follows:)

STATEMENT OF CHARLES WILL WRIGHT, WASHINGTON, D. C.

The consensus brought out in the hearings of the Senate Committee on Foreign Aid under the chairmanship of Senator Vandenberg, the reports of the House Select Committee on Foreign Aid of which Congressman Eaton is chairman, and in published articles by Winthrop Aldrich, president of the Chase National Bank, by William E. Knox, president of Westinghouse Electric International Co., by Congressman Everett Dirksen in the February Atlantic Monthly, and by many others is that the safest and most efficient way to build up industrial production in Europe and the rest of the world is through private enterprise rather than through local government agencies. The trend in most foreign countries is toward the nationalization of industry as opposed to the more efficient operation by private ownership and much of the aid given to foreign governments for industrial expansion will probably be used for political ends.

According to these articles, private American capital would be available for investment in European industrial enterprises provided guaranties are given that their profits can be exported in dollars and that full compensation in dollars will be paid in case their interests in an industry are taken over by the foreign government. But the question arises as to which Government agency should give the guaranties. Our State Department cannot undertake this and it would be unwise for the Marshall plan administration to do so partly because of the unjust propaganda being broadcast about our imperialistic intentions through the Marshall plan. If, however, the International Bank for Reconstruction and Development, the so-called World Bank, were to assume the guaranty, that

would help to eliminate such false criticism and our Government would be only indirectly involved.

The need for early action is evident and I would suggest to foreign as well as to American industrialists interested in building up industrial output in foreign countries, through United States financial and technical aid, that they first have the foreign government approve the project and agree—

- (1) That the American investors' share of the profits is to be paid in dollars.
- (2) That full compensation for the amount of their interests is to be paid in dollars in case the property or industry is confiscated.
- (3) That the project will not be made inoperative by the imposition of discriminatory export tariffs, taxes, or labor regulations.

The thus approved project agreement should then be presented to the World Bank for consideration and eventual indorsement.

Since the purposes of the World Bank are set out in the articles of agreement at page 51 as follows:

(1) To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities in less developed countries.

(2) To promote private foreign investment by means of guaranties or participations in loans and other investments made by private investors; and when private capital is not available on reasonable terms, to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital, funds raised by it and its other resources,

it seems logical to assume that this bank is empowered to endorse such agreements made with foreign government to supply the dollar exchange or that of the other member nations for the purposes indicated.

The risk to be assumed by the Bank would be relatively slight as it only involves the conversion of local currencies into dollars in case the foreign government refuses to do so and if a nation once refused to meet its obligations, the Bank has ways to bring financial pressure upon them.

It appears most probable that the individual governments will be willing to make such agreements for approved projects requiring our dollars and technical aid and that American capital will be ready to enter the foreign field if the World Bank endorses these agreements.

In view of the tendency in most foreign countries to nationalize industry and their attitude against foreign control of their natural resources, the best safeguard to American investors is to take a minority interest in a foreign industry leaving the control in the hands of the local industrialists who have the political contacts and can best prevent undue imposition of taxes, tariffs, and labor regulations which would effect the welfare of the industry. Thus an American firm holding, let us say, a one-third interest in a foreign industry and having an active part in the management would probably fare better than though he held the controlling interest. Control by American interests of the mines and oil wells in many foreign countries has given the local socialistic-minded politician a propaganda weapon which he has used effectively against American imperialism on his ride to political power.

Another matter of utmost importance to our national economy is that of encouraging a greater output of strategic raw materials from foreign sources, particularly the ferro-alloy minerals and others in short supply. Thus far little has been done to add to our stock piles and unless substantial aid is given by way of machinery and technical know-how to expand production of these minerals at the foreign mines there will not be much increase in the present output that will be available for export to the United States for stock piling. An expansion in the development and production of these minerals could be encouraged were our Government to make long-term purchase contracts directly with the mine owners through the Metals Reserve Company, or some special agency. If this could be arranged, American firms could then be induced to send their engineers and technicians to aid the mines which need our modern machines and technical aid.

American aid to industries in foreign countries could be carried on independently of the Marshall plan through the cooperation between the American and foreign industrialist on a business basis provided that the American interests are properly protected. If the World Bank were authorized to endorse industrial projects in which American capital desires to participate, this bank could supply the suggested safeguards, and if necessary part of the capital requirements.

The carrying out of such a plan for greater industrialization in foreign countries and in particular those industries that will give us strategic mineral products—would place the responsibility in the hands of private enterprise and thus be independent of political influence. The administration of the projects would be by men with the best technical and managerial experience within the country as well as from

It is important that industrial projects in the European countries be carried out in close cooperation and complementary to aid given to these countries under the Marshall plan and that the private industrial projects in which American interests participate have the approval of the Marshall plan administration and of the State Department.

The initial step in carrying out this plan is for our Government or the World Bank to inform our industrialists definitely that it will safeguard their foreign investments as proposed. When given this guaranty, our industrialists, whether they be producers of metals, fertilizers, building materials, power plants, transportation or farm machinery, will begin the preliminary project studies through contacts they already have in the foreign field. The local industrialists, through our Foreign Service officers, will be asked to present projects to be forwarded to the American industrial firms for consideration.

In connection with these initial studies there should be a mutual agreement that the foreign industrialist will pay the expense of the American technicians in local currencies while he is in their country and the American industrialist will do likewise in case the foreign technicians come to America.

Efficient industrial output cannot be made through government agencies and the sooner our Government realizes the necessity to build up production abroad through private enterprise the sooner will Europe and the rest of the world overcome their need for American relief.

Acting Chairman MALONEY. We will now adjourn.
(Whereupon, at 4:35 p. m., the committee adjourned.)