

UNITED STATES FOREIGN POLICY FOR A POSTWAR RECOVERY PROGRAM

THURSDAY, FEBRUARY 12, 1948

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

(The committee met at 10 a. m., Hon. Chester E. Merrow presiding.)
Acting Chairman MERROW. The committee will be in order. First
of all I want to read a communication from Mr. Charles P. Taft.
(The communication is as follows:)

[Telegram]

CINCINNATI, OHIO, *February 11, 1948.*

Hon. CHARLES A. EATON,
House Office Building:

After all your courtesy regret to report that legal engagement tomorrow in
Washington has been canceled and I therefore cannot appear before committee.
Federal council has sent copies of official statement for committee members and
I am sending copies of personal statement made before Senate committee to your
committee members.

Best regards.

CHARLES P. TAFT.

Acting Chairman MERROW. The telegram was sent to the chair-
man of the committee and there has been placed at each member's
seat a copy of the pamphlet, *The Churches and the European Recovery
Program*, which will be inserted in the record at this point.

(The matter referred to is as follows:)

THE CHURCHES AND THE EUROPEAN RECOVERY PROGRAM—A STATEMENT SUB-
MITTED BY THE DEPARTMENT OF INTERNATIONAL JUSTICE AND GOOD WILL AND
ADOPTED BY THE EXECUTIVE COMMITTEE OF THE FEDERAL COUNCIL OF THE
CHURCHES OF CHRIST IN AMERICA, JANUARY 13, 1948

As Christians, we support the European recovery program in the conviction
that it can be one of history's most momentous affirmations of faith in the curative
power of freedom and in the creative capacity of free men.

The ways and means of that program will, of necessity, be largely economic and
political. The motives and objectives behind it should be essentially moral and
spiritual. They should be above political partisanship. They should transcend
considerations of narrow self-interest.

The European recovery program must be a material investment, though not
primarily for material reasons. It must also be an investment in the world's
moral and spiritual resources and in the means for their speedy release. If it is
to contribute thus to the healing of the nations and to the fruitful employment of
the creative will and spirit of the peoples, the material investment must be an
expression of these Christian convictions:

First, that man, who is endowed by his Creator with inalienable rights, is also
endowed by Him with inherent aspirations for a life of freedom and fellowship.

Second, that these God-given aspirations can now, with our help, be given con-
ditions more favorable for fulfillment.

Third, that to provide all men with a better opportunity to fulfill them is the
only basis for the hope that the world can make a peace which will be durable
because it is just.

The nations of Europe have been struggling courageously with their problems. Some of these nations, however, are fearful of the possibility that the United States may seek to make Europe over in its political and economic image, just as they are fearful in the knowledge that Soviet Russia is seeking to make Europe over in its image.

The European recovery program must be the means by which Europe and the world are released from such fears and freed from the shackles they impose. This it can be if, in its framing and administration, it clearly expresses our conviction that Europe possesses abundant assets of mind and spirit. To these we can add our moral and material aid, for the remaking of Europe and the consequent enrichment of our civilization.

This program, therefore, cannot be a prescription of what we expect the nations of Europe to do. It must be an expression of confidence in the peoples of Europe, who have been making earnest efforts at self-help; a vote of confidence in what, with our aid, they will choose to do for themselves.

But our aid is indispensable. In the wake of the devastations of the war, these nations have been visited by unanticipated dislocations and disruptions through two postwar years. We are called upon to help them to overthrow these accumulated obstacles to recovery. But that help will fail of its most important purpose if, in extending it, we attempt to fashion or shape their future. It will succeed if we affirm and undergird the rights, the desires, and the capacities of these peoples to work out, for our common good, their own destiny.

An undertaking so conceived and directed merits our material sacrifices because it is a cause which enlists our Christian conscience and conforms to our Christian commitments.

If it is to fulfill its potential promise, the European recovery program must be guided by a positive and dynamic conception of the reconstruction task. To this end we urge that consideration be given to the following principles.

1. Basic reconstruction is an enterprise for the relasing of the creative energies of men. It is for this that we are providing them with tools. The material obstacles to recovery in Europe lie partly in the shortage of capital equipment, partly in the instability and unexchangeability of currencies, and partly in artificial financial and trade restrictions. But deeper obstacles lie in the fear of another war and despair for the future. It is of the utmost importance that the curative and creative possibilities of the European recovery program shall be so emphasized and so kept to the forefront as to appeal to the consciences, arouse the wills, and enlist the best efforts of men of good will on both sides of the Atlantic. There is, we believe, no other way by which the full potentialities of this program can be realized.

2. American aid for such a recovery program cannot be devoid of risk. Vast uncertainties are involved. We should be aware, however, that the risks of failure are much smaller and much less certain than the risks of inaction. American aid must therefore be an act of faith, a faith which has a sure foundation in our Christian conception of what man is and may become.

3. Financially, the prudent and conservative course is for us to plan now and boldly. Less than an adequate initial program will delay the day when Europe can take over for itself the task of restoration. Less than that may reduce the entire program to the level of costly relief.

4. The United States must be zealously on guard against imposing, or appearing to impose, conditions in the granting of foreign aid which would seem to threaten the political independence of the nations of Europe, or their right to choose their own way of life. We must not hamper efforts to establish European cooperation. As the European recovery program is carried forward, our nation must seriously honor the basic purpose of the program, not to infringe but to protect and strengthen and enlarge European freedoms and the development toward a community of free societies.

5. We have a right to expect that the nations participating in this program carry out their own expressed intention to work cooperatively, to maintain monetary stability, and to reduce trade barriers, in order to make the program effective. Such a procedure is the best insurance that out of this struggle for recovery there will emerge a more healthful European economy and a more united European community. The United States must make sure that its own policy toward Germany not only fits into this cooperative pattern but provides a demonstration of it.

6. The European recovery program should give encouragement to the United Nations Economic Commission for Europe and other United Nations agencies to undertake, as the area of cooperation is extended, an increasingly important role

in the recovery effort. We are bound both by our commitments to the United Nations and by the purpose of the European recovery program to see to it that United Nations machinery serve to develop broader trade relations within Europe and eventually as a means for the fuller coordination of the economic relations among the nations.

7. From the start it is essential that the European recovery program encourage the development of trade between the participating states and the countries of eastern Europe. The resources of these countries are required for the recovery and development of western Europe just as they, in turn, need the manufacturers of western states. It is encouraging that the present opposition of the Soviet Government to the European recovery program still does not prevent mutually beneficial trade arrangements with eastern Europe. It is also important for the United States to persuade and assist nations outside of Europe to provide goods for European recovery, thus broadening the area of cooperation and speeding reconstruction. The recovery program, together with the contributions of other nations, should meet the net import needs of the cooperating European countries that are essential to their recovery.

8. If the United States is to fulfill its long-term responsibility in the world economy it must help enable other countries to manufacture and sell their own goods and services in order to buy what they need. Therefore, the European recovery program should be linked with long-range planning to increase American imports so that European economic life as well as our own may be maintained at a high level.

9. The American people will be called upon to accept certain specific limitations on their own economic desires during this critical period in order that the larger good of world recovery may be served. In view of the great human objectives, Christians should accept such limitations willingly. In emergencies such as this our customary waste of food and other scarce commodities is scandalous and un-Christian. If, in addition to voluntary controls, certain government controls should be required to assure a fair allocation of needed goods for foreign aid and domestic consumption, we believe that such controls should be adopted. From the point of view of morality and even of self-interest the stakes are too high to permit either selfishness or short-sightedness to prevail.

These principles, we believe, can make the European recovery program a co-operative effort to deal with the basic causes of tyranny and war. Such an effort is in keeping with the constructive peace strategy for which our churches stand.

Acting Chairman MERROW. I have here a communication from the Catholic War Veterans by Ruth E. Manning, chairman, national foreign relations committee, Catholic War Veterans, which will be put in the record at this point.

(The communication is as follows:)

CATHOLIC WAR VETERANS
OF THE UNITED STATES OF AMERICA,
NATIONAL HEADQUARTERS,
Washington 5, D. C.

*To the Foreign Relations Committee,
United States Senate and House of Representatives.*

MR. CHAIRMAN AND GENTLEMEN: The Catholic War Veterans of the United States wish to urge the Congress of the United States through the medium of this committee, to enact without delay the full appropriation of 6.8 billion dollars to immediately inaugurate the proposed European recovery program for the period up to June 1949.

It is our belief that the Marshall plan offers a sound program designed to alleviate the economic and political chaos in western Europe caused by the recent war. The restoration of normal industrial production, agriculture, and trade in Europe is necessary to insure our own high standard of living and national security. The long-range economic stability of the entire world requires the full utilization of the industrial and agricultural potential of these nations. The sooner these nations become self-sustaining and resume their places in the world economy, the sooner we may hope to achieve the international cooperation so vital to world security. The reconstruction of Europe is a condition precedent to the success of the United Nations. We cannot hope to achieve a lasting peace while half of the European Continent lies in economic ruin. Poverty and hunger are not conducive to cordial relations, neither among nations, nor among men.

We of the Catholic War Veterans feel that the Marshall plan should not be considered as a political issue in the sense that its success or failure will reflect credit or criticism upon certain persons or political parties. Rather the program should be considered as an instrument of world peace and, as such, it should be judged and appraised without distortion by domestic political implications. We cannot postpone the establishment of the European recovery program merely to await a more politically opportune time. To do so is to endanger our national security and the peace of the world.

The Catholic War Veterans further believe that the administration of the European recovery program should be left with the State Department. This Department is in a position to inaugurate the operation of the program with the least possible delay. Inasmuch as time will be a vital factor in the success of the undertaking, the delay necessary to establish a separate administrative body, should be avoided. Furthermore, the entire operation, as an integral part of our established foreign policy, will have such close relationship with other functions of the State Department that a separate agency may well result in delays, conflicts, or other difficulties which will militate against the ultimate success of the program. For these reasons we recommend that the program be administered by the State Department.

In conclusion may I say that we of the Catholic War Veterans believe that the main purpose of the European recovery program is the reestablishment of the dignity of human beings and respectable governments in Europe. This vital purpose should transcend any particular problems relative to the mechanics of the program. Indecision with regard to detail should be avoided. All problems, whether administrative, financial or others, should be compromised quickly rather than risk the success of the entire program. It is far better that billions be spent (perhaps some of it even wasted) in rehabilitating the peoples and governments of Europe than that the continent suffer the inevitable consequence of Communistic enslavement. We are convinced that the alternative to the European recovery program is ultimately another war and further American bloodshed. As an organization of veterans, we of the Catholic War Veterans cannot forget that our Nation has spent 300 billions of dollars and the lives of 330,000 of our comrades in fighting World War II to prevent totalitarianism from engulfing the earth. The Marshall plan will safeguard what we and they fought for; without it our wartime investment of blood and dollars is likely to be lost. To keep faith with our honored dead we must take every measure to achieve a just and lasting peace. To this end the Catholic War Veterans of the United States fully endorse the proposed European recovery program and urge its immediate enactment.

Respectfully submitted.

RUTH E. MANNING,
*Chairman, National Foreign Relations Committee,
Catholic War Veterans.*

Acting Chairman MERROW. We have also a communication from a colleague, Mr. Willis W. Bradley, of the Eighteenth District of California, enclosing a copy of the findings and recommendations regarding foreign aid, the budget and taxes, of the Long Beach Chamber of Commerce, adopted by the board of directors of the Long Beach Chamber of Commerce, January 26, 1948.

The letter and the statement inclosed will be put in the record at this point.

(The matter referred to is as follows:)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., February 11, 1948.

HON. CHARLES A. EATON, *Chairman,
Committee on Foreign Affairs,
House of Representatives, Washington, D. C.*

MY DEAR COLLEAGUE: I forward herewith a copy of "Findings and Recommendations Regarding Foreign Aid, the Budget and Taxes," as prepared by the Long Beach Chamber of Commerce of Long Beach, Calif., and approved by the board of directors of that chamber of commerce on January 26, 1948.

I invite your particular attention to the recommendations of the chamber of commerce which may be safely accepted as the general view of business in the Long Beach area.

Best wishes.

Sincerely,

WILLIS W. BRADLEY.

LONG BEACH CHAMBER OF COMMERCE,
Long Beach, Calif.

FINDINGS AND RECOMMENDATIONS REGARDING FOREIGN AID, THE BUDGET, AND TAXES

The need of some relief to Europe in its present emergency is recognized, not only from a humanitarian and economic viewpoint, but largely for purposes of our national safety to combat Soviet Russia's avowed plans for subjugation of western Europe and the entire world.

However, the continued economic well-being of our country demands that any aid furnished be subject to the following conditions:

1. Preservation of all our natural resources inasmuch as they are essential to our continued ability to defend our Nation against future attack.

2. Other countries of the Western Hemisphere have just as great a stake in western Europe's economic recovery as has the United States; therefore instead of the United States buying relief items from other countries of the Western Hemisphere, those countries should be induced to export the needed items direct through establishment of necessary credit arrangements of their own with European nations. This would make possible a reduction in the amount of relief appropriations by about $3\frac{1}{2}$ billion dollars, and permit a corresponding reduction in taxes.

3. The granting of relief to the nations of western Europe should be conditioned upon the recipient country's agreement to encourage and foster the growth of free enterprise.

4. Any relief program adopted should be limited to not more than 15 months' duration and any subsequent aid should be contingent upon the result of a survey showing the then actual need, plus proof that the recipient nation has fostered and will continue to foster free enterprise.

5. The relief program should be administered in a businesslike manner by a bipartisan commission of private citizens and Federal officials as opposed to administration by one man or one department of our Government. Should relief for countries other than those of western Europe be decided upon it could logically be most economically administered by the same commission.

6. The total amount of aid furnished should be held to the absolute minimum in order that our own national solvency may not be endangered. A reduction in the amount of the national debt is of paramount importance; therefore, we favor adoption of a systematic plan by Congress to reduce such debt each year by a minimum retirement of a substantial agreed upon sum of $2\frac{1}{2}$ billion dollars or more.

7. For every dollar of foreign relief voted by Congress, a dollar to be deducted from our domestic Federal expenditures. This result could be accomplished by prorata reduction in the budgets of all Government departments excepting those essential to military defense of our Nation.

8. It is recommended that Congress repeal existing agricultural price-support legislation or at least drastically amend its application because the buying of commodities in large quantities requires vast expenditures and unduly raises commodity prices through purchases by Government agencies in competition with private enterprise. This contributes to the inflationary spiral and increases our taxes unduly.

Adopted by the board of directors, Long Beach Chamber of Commerce, January 26, 1948.

D. W. CAMPBELL, *General Manager.*

Acting Chairman MERROW. Also a communication and a statement, sent to the chairman, from Mr. J. A. Smith of the Northwest Horticultural Council which, without objection, will be inserted in the record at this point.

(The communication and statement are as follows:)

NORTHWEST HORTICULTURAL COUNCIL,
Wenatchee, Wash., February 10, 1948.

The Honorable CHARLES A. EATON,
Chairman, House Foreign Affairs Committee,
United States House of Representatives,
Washington, D. C.

DEAR CONGRESSMAN EATON: When I appeared before your committee on February 4, 1948, several members of the committee requested that I submit a provision which might appropriately be included in the European Recovery program legislation which provision would encourage the use in the program of surplus agricultural commodities needed by the European countries and normally exported to them from the United States in substantial quantities.

In my discussion before the committee my remarks related principally to fresh apples and pears, but it is recognized there are other surplus agricultural commodities which should also be included. Furthermore, although I spoke primarily of the situation in the Northwest, the matter is national in scope because apple and pear growers all over the country compete to a great extent in the same markets. Apples are grown commercially in 38 States, and growers in California, and in Michigan, Illinois, Ohio, and other Midwestern States, and in the Appalachian area, and in New York and New England are all equally interested in the reestablishment of export markets as a means of stabilizing the domestic market.

I have prepared, and I am pleased to forward to you with this letter a provision which, in substance at least, I believe should be included in the ERP legislation. The provision has not been drafted as a specific amendment to any pending bill, but I believe it is generally adaptable to whatever ERP legislation is decided upon. I should say, further, that while the provision is drafted in terms including all agricultural commodities, it might well be limited to horticultural commodities which, in general, are the agricultural commodities which can best be handled through private trade.

The committee has also requested some information on price and costs in the apple industry, and I intend to submit that information within the next couple of days.

I should like to take this opportunity to thank you and your committee again for giving me the opportunity to present to you the current problem of my industry and to suggest to you a means of alleviating the problem, while at the same time furthering the purposes of the European recovery program.

Respectfully,

J. A. SMITH.

SUGGESTED PROVISION

In furnishing to any participating country under this act any agricultural commodity produced within the continental United States, normal channels of private trade shall be used where possible. Where the use of such channels of trade is not possible, such commodities shall be furnished by means of procurement by existing agencies of the Federal Government. In determining the kinds and quantities of such commodities to be furnished under this act, consideration shall be given to (a) the needs of the participating countries as expressed in the initial published report of the Committee of European Economic Cooperation; (b) the availability of such commodities in the United States; (c) the historic reliance by the participating countries upon imports of such commodities and the dependency of the producers of such commodities upon the markets of participating countries. In making determinations with respect to the kinds and quantities of such commodities to be furnished under this act and with respect to the methods for furnishing such commodities, the administrator shall follow the recommendations of the Secretary of Agriculture, which recommendations shall be with respect to specific products, not general classes of products.

Notwithstanding any other provision of law, any commodity heretofore or hereafter acquired by any agency of the Government under any price-support program shall, to the extent that such commodity is determined to be appropriate for such purpose and in excess of domestic requirements, be utilized in providing aid under this act or any other act providing for assistance and relief to foreign countries and shall be disposed of by such agency for such purpose at such price as may be determined to be reasonable, taking into consideration the value of such commodity as incentive goods and as a contribution to the health of people in participating countries and the value of such commodity in the light of the scarcity of other comparable commodities and, in the case of a food product, the cost of

comparable foodstuffs. Any such agency shall report to the Congress, in each calendar quarter, the amount of its costs resulting from the disposition of commodities hereunder, and the Secretary of the Treasury is authorized and directed to cancel notes of such agency held by him in an amount equal to the amount of such costs.

NORTHWEST HORTICULTURAL COUNCIL,
Wenatchee, Wash., February 11, 1948.

The Honorable CHARLES A. EATON,
Chairman, House Foreign Affairs Committee,
United States House of Representatives, Washington, D. C.

DEAR CONGRESSMAN EATON: I wrote you yesterday to submit a suggested provision for the European recovery program legislation in response to the request of several committee members on February 4, 1948, when I appeared before the committee. I am including in this letter some information concerning growers' prices and production costs, which information was also requested by the committee.

The price information given in this letter has been compiled from statistics of the Associated Marketers of Wenatchee, from actual sales reports covering more than 65 percent of the total volume of sales organizations in the Wenatchee-Okanogan district. The information which covers the three main varieties of apples produced and shipped in the Wenatchee-Okanogan district, namely, Winesaps, Delicious, and Rome Beauties, is representative and clearly indicates the decrease in f. o. b. prices from the end of October 1947 through the first week of February 1948.

The information is as follows:

	Per box	
	Season through October aver- ages	Sales week end- ing Feb. 6, 1948
Winesaps:		
Combination, Extra Fancy, and Fancy.....	\$2.85	\$2.10
"C" grade.....	2.10	1.80
Delicious:		
Combination, Extra Fancy, and Fancy.....	2.90	1.95
"C" grade.....	1.74	1.50
Rome beauties:		
Combination, Extra Fancy, and Fancy.....	2.64	1.60
"C" grade.....	1.53	1.45

A comparison of prices for the first week in February with total costs, exclusive of distribution costs, \$2.56 per box, as shown in the Washington State College cost figures attached hereto, clearly indicates the severe losses at which apple producers are operating under present market conditions.

Regarding the information which your committee requested on the wide differences between prices returned to the producer per box and the prices for which these apples are being sold through retail outlets, we have attempted to find an explanation for this wide variance but do not have sufficient data to answer your question as we would like to answer it. There is one factor, however, that unquestionably contributes toward what seemingly is an excessive profit somewhere along the line as between producers' sales prices and the price at which apples are being sold at retail. Many wholesalers and distributors of our western apples purchased heavily early in the season at prices well above current f. o. b. prices, as you will see from the average prices for the season through October on the three varieties covered. Many of these apples were either shipped to point of distribution and held in cold storage or were held in cold storage at shipping point for the buyer's account and are still being distributed through retail outlets. Wholesalers and receivers are, insofar as possible, apparently trying to recoup all or as large a part as possible of their original cost plus accrued storage charges. Consequently, there is a lag in recognition of decreases in grower's prices and higher-priced apples are being placed on the retail market at price levels which are in no way comparable to present f. o. b. prices.

One other factor which has increased the spread between prices received by producers at shipping point and the retail price is advances in rail freight rates which have occurred since the start of the present shipping season amounting to a total additional freight charge of 20 cents per hundredweight or approximately 11 cents per box on fruit shipped from the Pacific Northwest to the eastern seaboard United States markets.

Respectfully,

J. A. SMITH.

State college costs of producing and packing apples—Changes in costs of growing, harvesting, packing, and storing Washington apples, Yakima and Wenatchee districts, central Washington, 1940-46 and 1947

Item	1940	1941	1942	1943	1944	1945	1946	1947 ¹
Boxes, box making, packing ²	\$0.375	\$0.475	\$0.56	\$0.626	\$0.747	\$0.836	\$0.87	\$0.91
Storing.....	\$0.115	\$0.135	\$0.16	\$0.166	\$0.191	\$0.159	\$0.20	\$0.20
Growing and harvesting.....	\$0.556	\$0.712	\$0.92	\$1.435	\$1.41	\$1.78	\$1.42	\$1.45
Total costs exclusive of distribution.....	\$1.05	\$1.32	\$1.64	\$2.23	\$2.35	\$2.78	\$2.49	\$2.56
Actual yields per acre..... boxes.....	409	370	413	374	500	465	559	³ 563
Total costs exclusive of distribution (400-boxes-per-acre yield).....	\$1.06	\$1.28	\$1.66	\$2.15	\$2.62	\$3.04	-----	-----

¹ Preliminary; based on only a few reports.

² With the exception of the years 1943 and 1945, packing and boxes and box making were reported as 1 charge.

³ Estimate.

NOTES.—1940-45 figures can be obtained in Washington State College Bulletin No. 474.

1945-46 figures in process of publication by the State college.

1947 estimates were made by preliminary survey by Washington State College men. They are based on 11 records and should be considered confidential data. The same 11 growers had a cost of growing and harvesting averaging \$1.44 in 1946.

Acting Chairman MERROW. We have with us this morning Mrs. Katharine Lee Marshall, legislative secretary of the Women's International League for Peace and Freedom, United States section, whom we will hear at this time.

STATEMENT OF MRS. KATHARINE LEE MARSHALL, LEGISLATIVE SECRETARY, WOMEN'S INTERNATIONAL LEAGUE FOR PEACE AND FREEDOM, UNITED STATES SECTION

Mrs. MARSHALL. Thank you, Mr. Chairman.

The organization for which I speak is one national section of an international organization, having branches in most European and several American countries. There are league members, if not fully organized sections, in 11 of the 16 nations now participating in the Committee for European Economic Cooperation.

The members of the United States Section have, therefore, a three-fold interest in the European recovery program: (1) They are United States citizens; (2) they belong to an organization whose inclusive purpose—to promote freedom and peace at home and abroad—is proclaimed in its name; and (3) their fellow members in this work live in the majority of the 16 participating nations as well as in many other countries.

This Section announced its support of the European recovery program in a resolution passed by its National Board of Directors in October 1947. We did so in the conviction that aid by the United States to a program for European economic recovery cooperatively initiated and carried out by 16 European nations is a necessary under-

taking in the interests of freedom, peace and our own Nation. Having examined the draft legislation presented by the President and the State Department, we find it fulfills most of the general hopes for United States participation which we expressed in our resolution endorsing Secretary Marshall's suggestion.

The League does not consider itself qualified to comment in detail upon all features of the proposed legislation, but we would like to record our thinking about some of the major outlines of the project.

Clearly, the program becomes another relief measure, not a recovery program, if we do not obligate ourselves to see through the proposed 4-year period, and if we do not grant an initial appropriation sufficient to get it off to a good start.

The United States has urged that Europe abandon nationalistic economics so that the people of all participating nations may realize the maximum benefit from our aid. While this approach is clearly a sound one, we in America cannot really expect the people of Europe to comply with the suggestion unless we assure them that the promises which we have held out will be fulfilled. Otherwise the temptation for many governments to continue to use every available device including bilateral trade and barter agreements, in a frantic attempt to support the standard of living of their peoples will be too great to resist. America's determination to see the program through for at least 4 years should clearly be written into the legislation.

Should the \$6.8 billion asked for by the State Department prove an incorrect estimate of the amount needed to launch the program—and it well may—the error will be on the low, not on the high side.

Although the draft legislation allows for a 7.5-percent rise in United States prices, and a 5-percent rise in other Western Hemisphere prices since July 1, 1947, except for the last few days, our prices have continued to rise steadily. In fact, they had already passed the 7.5-percent rise provided for in the State Department's figures when the current price drop began. Whether or not the European nations will in fact be able to meet the high production goals on which the program is based will depend on many unpredictables of nature and world politics. The League suggests, therefore, that you consider \$6.8 billion as a minimal figure, and that if it is altered by Congress it be altered upward.

Many suggestions from individuals more expert on the subject than ourselves have been given you as to the administration of the plan. On this topic the League confines itself to a few general considerations.

We urge that the Congress recognize the importance of the program as part of United States foreign policy and allow for adequate integration with the Government agency chiefly responsible for formulating and carrying out our foreign policy. The administrative program which the newspapers report as now acceptable to both Senator Vandenberg's Committee and the State Department sounds effective and adequate.

We wish especially to emphasize our conviction that in the formulation of policy the administrator should have the assistance of a committee of the best qualified citizens of this country. Certainly business and industrial leadership should be represented on this committee. But it should not dominate it.

We feel, too, that the trade-union movement should be given full recognition on both the top advisory committee and on such delega-

tions as may be set up in Europe to assist there in the implementation of the program. No group within our Nation has been as instrumental in securing the support of the common people of Europe for cooperation with the United States as has the trade-union movement. The Congress of Industrial Organizations working in the World Federation of Trade Unions, and the American Federation of Labor with its direct representation in Europe, have demonstrated their competence in coping with international problems affecting working people.

The report of the Paris Conference states that throughout the life of the Marshall plan, European labor will have to subsist on a standard of living lower than that of prewar years. Passage of the European recovery program by the United States Congress cannot, therefore, be expected suddenly to make the common people of Europe immune from the propaganda of those who oppose cooperation with the United States. A knowledge that American trade unionists are playing an important role in the administration of the Marshall plan would, however, go a long way toward concrete proof that our desire to help in the finding of progressive and democratic solutions to their problems is a sincere one.

Before taking a definitive position on the Marshall plan, the League wrote to its European Sections asking what their reactions to it were, and what seemed to them to be the feeling of the people of their countries.

In addition to expressions of hope that the United States would back up the great hope that Secretary Marshall held out to Europe in his Harvard speech, they sent us reflections of their fears that the American proposal would result in further division of Europe, that the United States might take advantage of its economic strength to impose its own economic theories upon European countries, and that the power and prestige of the United Nations would be greatly damaged if the program were carried out apart from it.

We made this survey during the summer. Since then the importance of some of our friends' advice seems to us to have increased.

Clearly the economic position of Europe has worsened, and American assistance is more than ever necessary if the basis of civilization is to be maintained in those centers which have been its staunchest defenders. Democratic practices have been attacked more vigorously from both the extreme right and the extreme left this fall and winter than at any time since the collapse of Hitler.

Meantime, the democratic forces have proved their continued hold upon the vast majority of the peoples of Europe and their ability to face realistically the problems of planning that must be solved if a continent reduced to extreme scarcity is to recover. But they have not forgotten that the division of Europe into great spheres of influence has always been the background of war. While willing to plan for half of Europe, they are not willing to plan the permanent exclusion of the other half.

Our own State Department, which has not the reputation for excessive tolerance of the present regimes of eastern Europe, has repeatedly said that one economic assumption of its European recovery plan is the assumption that East-West European trade will grow. Firmly anti-Communist European regimes have recently welcomed the opportunity to exchange their goods for Polish coal and Russian raw materials. Secretary Marshall himself regards the United King-

dom-Union of Soviet Socialist Republics trade agreement as a healthy economic development.

Although no one can expect the sudden emergence of truly harmonious economic and political relations between eastern and western Europe, it is not in our interest, or in the interest of western Europe to take any action to deprive those nations of the raw materials which they can obtain from the East.

Legislative limitations on Russian-American commerce would do just that. The very deterioration of political relations between Russia and the West makes more, not less, important the maintenance of those economic contacts which the needs of both create.

And the interests of Europe, the recovery program, ourselves, and world peace demand that the greater public emphasis be placed on the constructive rather than the objectives of this program. Looking beyond the tensions of the moment, and remembering that the European recovery plan is designed to secure the peace, not to create an alliance for war, the United States should make it unmistakably clear that any European nation which should subsequently so choose is free to enter into the program.

We have no doubt that Congress will turn down the pleas of a few doctrinaire politicians and industrialists that the United States attach to its aid the condition that Europe abandon price controls, and nationalization programs. The Administration and most legislators, we feel sure, recognize that the economic program of democracy in Europe is somewhat to the left of what it is here. But there is a real danger that in subtler ways the United States may, without bad intent, endeavor to set Europe recovery in patterns which would not be in the best interests of the peoples of Europe. This, of course, means that in the long run we would be acting against our own interests.

The recipient nations have a right to decide themselves how they will accomplish the objectives they have publicly set. So long as they bid fair to meet those objectives, maintain living political democracy, deal fairly, honestly, and efficiently with us, we will be wise if we allow them the maximum freedom of operation. To impose upon them, for example, the necessity of accepting aid chiefly in the form of private American loans is a suggestion which we do not welcome, and which will, we suspect, be unwelcome to many of our European friends. The political and economic consequences of such a basic alteration of approach need at least very serious consideration before writing that suggestion into law.

It is regrettably true that we cannot today turn the administration of the bulk of the European program over to the United Nations. We welcome the State Department's careful and full provision in its draft specialized legislation for integration of the program with the United Nations, and we hope that Congress agrees with us that such treatment must be accorded the United Nations in any European recovery bill enacted.

Finally, may we remind you that passage of the European recovery program, vitally important though it is, does not wind up the agenda of bold measures that America must take if peace and freedom are to be assured.

The temptation to join an armaments race with Soviet Russia is constantly before us. We know that in the atomic age there is no

such thing as military security, yet we act as though the stock piling of arms can protect us.

Let America accompany the inauguration of the Marshall plan with a proposal that the nations of the world meet together to plan the abolition of all armaments, under sensible international controls. There is no point in assisting in the recovery of Europe if it is to become again a battlefield. Let us once and for all give the lie to those who say the European recovery program is a step towards a third world war.

Acting Chairman MERROW. Mr. Smith——

Mr. SMITH. When you say that this is a relief program and not recovery, what do you mean?

Mrs. MARSHALL. I said that if it were put in short terms or in too small terms it would only stave off the very thing which it wants entirely to do away with, and therefore it could be considered only as a relief program, not as a recovery program.

Mr. SMITH. So you believe that the program should cover the 4- or 5-year program that has been suggested?

Mrs. MARSHALL. Yes, I do. It seems to me it would be the better part of wisdom to give to Europe the tremendous psychological boost of assistance by fulfilling the suggestion originally made by saying now that we are willing to carry this thing for 4 years. Should the production schedules and the very optimistic hopes expressed in the whole program later be realized, then it would hurt neither side for aid to be diminished or even eliminated. But at this point, when the crisis is here, not to hold out a hope that we will care for 4 years would I think mean a tremendous set-back. It will mean, I think, that Europe cannot nearly so calmly and reasonably deal now with its current problems.

Mr. SMITH. You think the crisis has arrived, or do you anticipate that it will occur?

Mrs. MARSHALL. I think it is here and can deepen.

Mr. SMITH. According to the report of the Paris Committee, post-war recovery up until the end of 1946 has been fairly well achieved; are you familiar with that?

Mrs. MARSHALL. Yes, I am.

Mr. SMITH. Are you familiar with the causes that have created the different situation since then?

Mrs. MARSHALL. I think so; if you are referring to last winter's freeze, this summer's drought, the rise in United States prices.

Mr. SMITH. If they were able to achieve that degree of recovery from 1946, do you think that it is absolutely essential that we now, at this time, embark upon a 4-year program?

Mrs. MARSHALL. For many reasons I do, Mr. Smith. It is not only the freeze, the drought and the prices. Many people, including leading spokesmen for our State Department—Mr. Acheson, Mr. Marshall, Mr. Douglas—have said that it took a long time for the people most concerned on the other side and on this side of the Atlantic to realize just how torn the fabric of European economy had been by the war.

Mr. SMITH. Now, let us assume that we go into this program; we get half way through it; we find that we have not achieved the objectives. Recovery, as I understand, is geared to the idea that we must have recovery in order to prevent the further encroachment of Russia upon the economies of those 16 nations.

Mrs. MARSHALL. We must have recovery for a good many reasons. That is one of them.

Mr. SMITH. Let us assume that this program is not working out, and it looks as though the Russians might take over.

Mrs. MARSHALL. It is a gamble.

Mr. SMITH. It is a gamble?

Mrs. MARSHALL. Surely.

Mr. SMITH. Now my question is, Would your organization support increased appropriations for military purposes so that we can protect the investment we have made?

Mrs. MARSHALL. That is something that I could not answer with absolute certainty. The probable answer is negative, but it would have to depend upon the circumstances.

May I say just this? We do regard this program as a gamble, and I think anyone who does not is making a great mistake. But there are certain ways to attempt to insure risks, and certainly to do less than seems now required, or to be hesitant about saying at this point that you will do it as long as it is necessary, is to increase the risk immeasurably.

Mr. SMITH. Mr. Bevin hinted last week in a speech to Parliament that it might be necessary, and that an effort was being made, for some form of standardization of arms between the United States and the cooperating nations. That would seem to me to be at least an indication that it may be necessary to protect the European recovery program for some time by force of arms.

Mrs. MARSHALL. Can we not face that when we come to it?

Mr. SMITH. We faced it in the Greek-Turkish situation.

Mrs. MARSHALL. That is just it. That is quite a different situation from this one; if we do what is required now, we have more than a good chance of maintaining that important difference.

Mr. SMITH. We are protecting the Greek investment by sending armed forces into that area; are we not?

Mrs. MARSHALL. I had not heard that.

Mr. SMITH. You know, as a matter of fact, that we have Marines over there and we are opening up an air base in northern Africa. Do you think that is for fun? In addition, it seems to me that we have got to support universal military training, and I know your organization is not for that.

Mrs. MARSHALL. You are correct.

Mr. SMITH. I am at a loss to understand how we can do this job if, somewhere along the line, we are not going to implement it with at least an adequate defense system and an adequate air force and adequate reserves.

Mrs. MARSHALL. Mr. Smith, it is our belief, our conviction, that there may be other ways by which our people can be made more secure.

Mr. SMITH. I am for that, but what are they? What do you suggest?

Mr. MALONEY. Will the gentleman yield? That is just the question I was going to ask.

Mrs. MARSHALL. What do we suggest?

Mr. MALONEY. Yes; to accomplish your ends. We would be very glad to know what they are, if they are workable. I think nobody in this room would object to that.

Mrs. MARSHALL. I mentioned two of them here. One is full implementation of a program such as this one. Another is certainly a more serious attempt on the part of the United States by calling for a convention of all nations of the world on the question of disarmament.

Mr. MALONEY. Do you think that that would do it? Theoretically, that is beautiful. But as a practical proposition, do you think that even if Russia agreed, she would carry out that agreement?

Mrs. MARSHALL. I think that that also can only be examined when the situation arises; because although the two approaches of the United States and Russia toward the question of disarmament controls appear to be almost diametrically opposed, we have not so far agreed to discuss limitation or reduction in the whole field of armaments at once, as the Russians have requested. Until we make an effort to do that sort of thing, there is not much reason, and it is rather futile to say, that the Russians would not be willing to carry out an agreement.

Mr. MALONEY. Would you be willing for the United States to reduce our armaments if Russia merely said at such a conference that she would reduce her armaments?

Mrs. MARSHALL. No.

Mr. MALONEY. Would you be willing for us to do that?

Mrs. MARSHALL. No.

Mr. MALONEY. If Russia said that?

Mrs. MARSHALL. No, I would not.

Mr. MALONEY. Then how would you implement your suggestion? What would you do?

Mrs. MARSHALL. I would, before writing off the question of disarmament as a possibility for the next 10 or 15 years, go into the entire problem.

Mr. MALONEY. Even if you got down to figures and Russia said that she would agree, would you then favor the United States reducing her armaments?

Mrs. MARSHALL. Not without adequate controls.

Mr. MALONEY. How would you control it?

Mrs. MARSHALL. It would have to be discussed and agreed upon at the same time. The Russians have recently resisted some controls in connection with atomic energy; in the past they have suggested more controls than we would agree to.

Mr. MALONEY. I understand, but that is just by word of mouth.

Mrs. MARSHALL. Let us look at it from the other side. It is perfectly true that with the piling up of tension on both sides, it would be very difficult for either side now to believe that the other meant almost anything. That is quite true. But an adequate system of controls means an adequate system of controls. It means both sides will have to agree to the setting up of at least inspection committees.

Mr. MALONEY. Do you believe that Russia would agree to that?

Mrs. MARSHALL. I think we have not really tried to find out, because we have not talked about the whole story.

Mr. MALONEY. Do you know that a Russian diplomat has said that the truth does not mean anything; only that which is good for the party is right, whether it be truthful or not. Have you ever heard that statement?

Mrs. MARSHALL. No. Who was that?

Mr. MALONEY. That was a Russian diplomat. That statement was actually made.

Mrs. MARSHALL. Well——

Mr. MALONEY. What attitude can you take toward a nation that makes that statement, whose philosophy is built on that theory?

Mrs. MARSHALL. I think that in general what we must do—and I am not an expert on foreign affairs—is to do in each situation what we know to be the right, the constructive thing. If that means at times opposing encroachment with stalwart pressure, we must do that. But we should not use what appears to be the case on one issue to influence our actions on every other; that is, we must never give up exploring possibilities that have not been fully explored and which might somehow change the situation. That is why I think disarmament needs pushing, because it has not really been fully explored. In other words, there are still untried doors and disarmament is one of them.

Mr. MALONEY. I can heartily agree with you.

Mrs. MARSHALL. I know that it so, because the United States has maintained that if the Russians will not agree to adequate international controls of atomic energy, which is the weapon we have that they most fear, then, of course, they are not going to agree to international controls for disarmament of any or all weapons.

Mr. MALONEY. I would not trust their word no matter what they said.

Mrs. MARSHALL. I do not think anyone in his right mind today is going to put any stock in paper treaties. But Russian position as far as the setting up of international controls is concerned might change if we indicated that we were actually willing to discuss reduction of all armaments. The Russian position throughout Soviet history has been that the reason capitalist nations insist upon international controls of disarmament is that they really do not want to disarm. We know that is not true, especially at this point in time. But we have not gone far enough in discussion—involving no danger whatever—even to test whether or not that is a genuine Russian fear.

Mr. MALONEY. That is all. Mr. Smith, I am sorry I took so much of your time.

Mr. SMITH. That is all I have at this time.

Acting Chairman MERROW. Mr. Kee.

Mr. KEE. Mrs. Marshall, you made a very interesting and a very complete statement.

Mrs. MARSHALL. Thank you.

Mr. KEE. I personally agree with every word you said. Also, you are in very good company because just before you came into the room, a statement was submitted for the record by the Federal Council of Churches of Christ in America. That also agrees with your statement. So there is no argument between you and me with reference to the necessity of this action and the necessity of it now. I heartily agree with your view that we must meet each situation as it arises. We have a condition now and not a theory of communism in Europe and there is action that we must take.

We are taking a gamble, we are taking a risk, but the risk of not taking action, to me, is a great deal greater than the risk we would take in taking the action proposed. Therefore, I agree with your

statement and there is no argument, so far as I am concerned. I thank you.

Acting Chairman MERROW. Mr. Maloney.

Mr. MALONEY. Mrs. Marshall, I am rather interested in your league. How many people are members of the league? Can you give us the number of members in round figures?

Mrs. MARSHALL. I really do not know the over-all international membership. Do you refer to the section which I represent?

Mr. MALONEY. Yes.

Mrs. MARSHALL. It is a small group as far as membership is concerned—about 5,000 in this country. The history of the organization is quite interesting. It was started by Jane Addams in 1915 at The Hague. It started internationally. The national sections grew up. As a matter of fact, its first international president, Jane Addams, and its present honorary international president, Emily Greene Balch, are two of the three women who have won the Nobel peace prize. It holds international congresses every 3 years. In 1946, the first one in 10 years was held. It has, as I said, members if not fully reorganized (after the war) sections, in 11 of the 16 European nations.

Mr. MALONEY. What countries are omitted of the 16 nations; do you know?

Mrs. MARSHALL. I think I can tell you in which ones we have members. France, Germany—

Mr. MALONEY. Of course, Germany is not one of the 16 countries.

Mrs. MARSHALL. Well, you would consider western Germany?

Mr. MALONEY. It will probably be brought in.

Mrs. MARSHALL. I did not include Germany in my count, as a matter of fact. We have members in all the Scandinavian countries; Belgium, Holland, Great Britain.

Mr. MALONEY. Do you have any countries behind the iron curtain?

Mrs. MARSHALL. We have members in Czechoslovakia, if you call that behind the iron curtain.

Mr. MALONEY. Well, that is on the borderland, I would say. Now, you have an interchange of ideas, I imagine?

Mrs. MARSHALL. Yes; we have.

Mr. KEE. Will the gentleman yield?

Mr. MALONEY. Yes.

Mr. KEE. I meant to ask Mrs. Marshall, what is your official position in the organization?

Mrs. MARSHALL. I am the legislative secretary of the United States section.

Mr. KEE. Thank you.

Mr. MALONEY. What do these women in these 11 countries say about the possibility of this plan interfering with the sovereignty of those countries?

Mrs. MARSHALL. Would you like to have me read you some comment we have received?

Mr. MALONEY. I should be glad to hear them. I think that is rather important.

Mrs. MARSHALL. We do, too. I have a letter here from France which as a matter of fact, expresses almost all of the views which came to us from other countries.

Mr. MALONEY. If you will just touch the salient points, I think we would be interested.

Mrs. MARSHALL. Our correspondent says, for instance, touching on this question:

* * * if we are making reservations which tend to keep intact the independence of France, we have always been grateful to the Americans who have made great sacrifices of time, energy, and money to send us food packages and to help us in every way in our distress. Today again, we are touched by the fact that the people of the United States are consenting to limit themselves, and perhaps to deprive themselves to prevent famine on the Old Continent.

Also:

Please believe that we are grieved and humiliated to be thus reduced to beggary, while we are only partially responsible for it.

She discusses how far French recovery has already progressed. Then she discusses long-term aid, saying:

In addition to the problem of emergency aid, in order to prevent a famine and an immediate paralysis of industry, the conference of the 16 nations concluded that in spite of the mutual aid of the European countries, which they were commissioned to initiate, enormous needs remain, amounting to nearly \$20,000,000,000 which Europe cannot meet without American aid.

For emergency aid, as well as for long-term aid, we shall be deeply grateful to the generous people of the United States. But we ask our friends * * * to obtain from political milieux that they can influence: That no political condition shall be placed on the French Government in exchange for the aid that is offered, and that if certain economic conditions are requested as a guaranty for the loan, they shall not mortgage the future of our economy or subjugate us in any way to the powerful enterprises which the trusts are, or to the economic interests of a state as powerful as yours. Finally we ask that no new organization be created for the application of the Marshall plan, but that it be entrusted to the competent services of the United Nations Organization, in order not to diminish the role and prestige of that international institution.

Mr. MALONEY. I take it you do not disagree with all of her thoughts?

Mrs. MARSHALL. No; I do not.

Mr. MALONEY. What is your conclusion as to any interference with these nations' sovereignty? Let me bring it out in this way. We want those countries to have, and we feel it is necessary for those countries to have, a strong currency.

Mrs. MARSHALL. Yes.

Mr. MALONEY. And in a bilateral agreement we may insist upon their revamping their currency to such an extent that it will become a strong currency. That might be interpreted as interfering with their sovereignty. What would be your opinion on a proposition of that kind?

Mrs. MARSHALL. Mr. Maloney, I find this an extremely difficult question.

Mr. MALONEY. I do not believe in interfering with controls, or anything like that; but just to get the currency on a firm basis.

Mrs. MARSHALL. I will venture to say that I do not think that would be interfering with their sovereignty provided we do not impose conditions as to exactly how it be done, since currency stabilization would be certainly a very important way in which we could insure that they will be dealing honestly, fairly, and efficiently with us.

There are one or two other things which cause me a little concern. One is the suggestion that domestic currencies in the amount of grants-in-aid which we give, be tied up and used solely on our say-so.

Mr. MALONEY. No; the plan I think provides that it be placed in a separate account subject to the spending of both countries.

Mrs. MARSHALL. Yes, but I heard in this committee a good deal of discussion one day as to whether it would not be a good idea for the United States to insist that this money be used for such a program as publicizing within that country the "truth about the program and the truth about the United States." Now, I know perfectly well, we all know, that more information should be got out to the people of Europe. This letter from which I read indicates that they need more information.

Mr. MALONEY. Yes.

Mrs. MARSHALL. But, formally to impose as a condition of aid the preparation and circulation of what we could call propaganda favoring us would mean invasion of sovereignty and would not do us any good. I think we would have to do that independently.

Mr. MALONEY. I think I see your point on that.

Mrs. MARSHALL. Also, in connection with the making of private loans——

Mr. MALONEY. I was going to come to that. I was going to ask you about that. We have had considerable data here suggesting that as soon as possible we should encourage private capital to go into these countries and invest in these countries. In fact, the bill itself provides for that.

Mrs. MARSHALL. Yes; I am familiar with that section.

Mr. MALONEY. Why should not that be done, because that has been the normal way of doing it, before the War. Why should we not try to encourage that? Your attitude seems to be different.

Mrs. MARSHALL. I said that aid should not be provided in that way primarily because there has been a great deal of discussion about extending the guaranty of convertibility. There is now some discussion of making a larger section of the aid in the form of private loans per se. I think you would have to rewrite the entire program if you were going to do that, because as far as I can understand the State Department's figures, they have been carefully arrived at and balanced. So that if they say that 5 percent of the appropriation could be expended as a guaranty of convertibility into dollars of up to the same amount of new investment in Europe, that 5 percent has been just as carefully balanced along with the expected proportions to be made in pure loans and pure grants as has the proportion of either of the latter elements in relation to the other two.

Mr. MALONEY. Are you satisfied that we do provide 5 percent or up to 5 percent to guarantee private loans?

Mrs. MARSHALL. Yes, though I have not done the statistical work to be able to say that it would work. But I do believe that first, to cut down the over-all appropriation and increase the private loaning part of it, would be bad; that would be very bad. Second, to leave the appropriation at \$6.8 billion and increase the private-loan section would not be too good, because I think it would throw the whole program out of balance. This was the idea that I have had.

This point is somewhat comparable to another question this committee has discussed. Once Mr. Bloom was talking to Ambassador Douglas about the question of reexports by participating nations of goods made out of goods which we sent there in the form of grants. Mr. Bloom wanted to know why we would not be justified in requiring part payment, a cut, in other words, out of whatever they earned

through reexport, because we had supplied free the ingredients of those exports.

Ambassador Douglas explained that would change the original transaction from a grant into a loan, and it seemed to me that was clearly demonstrable.

Mr. MALONEY. Were you here the other day when Mr. Batt testified before the committee?

Mrs. MARSHALL. No; I was not.

Mr. MALONEY. He made a suggestion that we continue to import from these countries our regular needs, but in addition to that strategic materials could be stock-piled by us that we would not ordinarily bring in as a regular importation proposition.

He suggested that these countries could pay something back to us through the strategic materials that could be stock-piled. He said that that would not impede their recovery. He did not believe that would impede recovery because it would not interfere with our regular course of exporting and importing.

What do you think about that?

Mrs. MARSHALL. I would like to ask you have you yet discussed or considered the impact of taking those materials in payment—not buying them on the part of the United States—but taking them in payment.

Mr. MALONEY. Understand, we would not in any way get the full amount that we are paying out. We would not get material to correspond to that full amount. The materials would represent but a small percentage of it. However, at the same time, we do not want to lose sight of the fact that we are taking the taxpayers' money.

Mrs. MARSHALL. We should not lose sight of that.

Mr. MALONEY. And while we want to develop the economy over there and do not want to do anything to interfere with that economy, yet it is believed by some members of the committee that those materials could be taken without hurting the economy of those countries.

Mrs. MARSHALL. I would just like to say that I do not know whether it can be done, and I think that it should be carefully examined.

If the program developed by the State Department asking for \$6,800,000,000 has taken into consideration what Europe can do for itself and therefore has set our assistance figure assuming United States purchase of these materials——

Mr. MALONEY. May I interrupt? Perhaps I did not make myself clear. For instance, a lot of these countries and their possessions have minerals in the ground that they are not developing; that they probably would not develop, but this plan would encourage the development of them.

Mrs. MARSHALL. As I say, if it was not contemplated in the program to develop them; if they are not already counting on developing these as well as other resources, and thereby making up what we have estimated they can earn in foreign exchange; if they have not done that, there is a loophole. If the development and use of these resources is already counted upon by the program, all we can ask of them in return is they facilitate the selling of them to us instead of somebody else; to ask more would cut down the foreign exchange which they themselves could earn. Do you see what I mean? That is what I mean as to private investments, too.

There is a possibility that even though the original sum is invested

in the country, that because of the claim on the earnings of that unit held by foreign nationals, in time the earnings would come out of that country and be transferred into dollars and spent in the United States instead of being spent for the further building up of the industries of that country.

Mr. MALONEY. You stated rather strenuously that you would oppose any reduction of the 6.8 billion, and if anything, you would have that increased. Why do you say that? Is it just because the State Department put those figures in?

Mrs. MARSHALL. Certainly not. Do you not think that the State Department pared down to the bone what they were going to ask this Congress for?

Mr. MALONEY. I do not know. Frankly, I do not know. The proposition could exist that the State Department put that figure in with the idea of bargaining.

Mrs. MARSHALL. Do you have any evidence of it?

Mr. MALONEY. I have no evidence of it, no; but I say that proposition could still hold as well as your proposition.

Mrs. MARSHALL. It was Mr. Clayton over in Paris who was the chief encouragement to the Europeans to cut down their original estimate of what they were going to need from the Western Hemisphere from 29 billion to 22 billion.

Everyone said at that time, including the Europeans themselves, first, the production schedule which they announced was extremely optimistic; second, no allowance was given for weather conditions such as existed last winter, this summer; third, it was based on the summer of 1947 prices; and fourth, it was based on the assumption that trade between eastern and western Europe would grow. All of those factors are and will continue to be important and variable factors.

Mr. MALONEY. All right. Do you see any reason why a large sum of money should be given to Iceland or to Ireland?

Mrs. MARSHALL. I have not studied this, and I would not want to say anything before I did. I think that Iceland gets \$38,000,000.

Mr. MALONEY. How much does Ireland get?

Mrs. MARSHALL. \$497,000,000.

Mr. MALONEY. Ireland, you understand, was not even in the war. It was not involved in the war at all, but there is \$497,000,000 over a period of time. Would you feel that is justified?

Mrs. MARSHALL. I do not know whether or not that particular sum is justified. In general, I would bear this in mind, that before I cut down any appropriation for any particular country I would make a very careful examination of just what was going to come out of that country for the whole—

Mr. MALONEY. We are trying to do that.

Mrs. MARSHALL. For the whole circle of countries.

Mr. MALONEY. We are trying to do that. I am not saying that your stating that 6.8 billion is absolutely necessary is a good statement myself, if you do not mind my criticism.

Mrs. MARSHALL. Not at all.

Mr. MALONEY. We are trying to find out those things.

Mrs. MARSHALL. I have said, as you remember, I felt from every side the assumptions were optimistic ones.

Mr. SMITH. I believe Mrs. Marshall said she was in favor of having the figures go upward rather than downward.

Mrs. MARSHALL. I think that would be safer, from the point of view of trying to cut down the risk.

Mr. MALONEY. You do feel that if this committee should find the figures out of line we would be justified in reducing them?

Mrs. MARSHALL. Surely.

Mr. MALONEY. Now, there is another point that interests me very much in your original statement, and that was that you felt that you rather disapproved of cutting off trade between Russia and America. Do you feel that we should not cut off trade with Russia at this point?

Mrs. MARSHALL. Well, there is this economic situation that has to be faced: The Russians need almost anything. They are like any other European country. Everybody says that the devastation of Russian industry and cities was as great or greater than in the other European nations. They are not getting a cent of assistance from us now. They are buying from us.

Mr. MALONEY. They were invited into this conference.

Mrs. MARSHALL. They were invited to the conference.

Mr. MALONEY. And the satellite nations.

Mrs. MARSHALL. Quite true. I have felt the impact of that, but leaving that aside for the moment, they are buying from us and are paying cash. Dollars are short to them, too.

Mr. MALONEY. They are buying very little now, Mrs. Marshall. In fact, we have had industrialists here that have stated that they are clearing up old contracts, but not making any new contracts whatsoever with Russia.

Mrs. MARSHALL. Well, that is matched if not exceeded by hesitation, I think, on the part of industrialists—and I can well understand it—about fulfilling orders to the Russians because of the tremendous pressure which has been brought to bear by public opinion in this country.

Mr. MALONEY. You do not approve of that, then?

Mrs. MARSHALL. As I say, I can very well understand it. I think it is very hard to know which thing to do, because every country in the world today faces the pressure of its nationals to do everything possible in their power, no matter whether it is wise or foolish, to increase the consumer goods for disposal to its people.

The Russians have for years been denied adequate consumer goods. Now they are having to go without them more. Nobody can estimate how great a pressure upon the government that is.

It seems to me that the Russian Government is in the position of fearing inside and fearing outside its national borders.

Now, I am not saying this would accomplish the whole objective, but here is another possible door—if somehow the Russians could get for their people adequate consumer goods at this point, a great deal of the pressure—the reasons for fearing their own people—would be reduced and the whole picture might change.

Mr. MALONEY. Do you not realize that by our shipping our goods into Russia we are helping them to build up their war potential, and do you not agree with the premise that Russia is really, we might say, a potential enemy of this country?

Mrs. MARSHALL. Surely.

Mr. MALONEY. And do you not think it would be dangerous to ship goods over to Russia from this country, just as dangerous as it was to have shipped scrap into Japan?

Mrs. MARSHALL. I think it would be dangerous if on every other front both sides go at each others' throats. Statisticians say the Russians would be unable to fight a war for a certain period of time; now she does not want to fight a war any more than we do, and therefore this might be one way, in the meantime, that we could ease the situation.

To get back to eastern Europe, perhaps one of the chief reasons the Russians have clung so tenaciously to the politics and the economies of the ring of countries around her is of her own devastation and her desire, because of necessity, to suck from those countries what goods she can.

Mr. MALONEY. To build up her war industry.

Mrs. MARSHALL. Not necessarily her war potential. It is not provable.

Mr. MALONEY. I did have some figures—I do not have them now—showing the percent of Russian industry building up for war. I do not have the figures now, but it is a substantial figure.

Mrs. MARSHALL. It seems to me that you are on the horns of a dilemma. If we do not sell goods to the Russians, the Russians will do everything in their power to take more and more out of eastern Europe and try as hard as possible to keep eastern Europe from exporting to western Europe.

On the other hand, we are about to undertake the European recovery program, which is based in part on the growth of trade between eastern and western Europe.

Mr. MALONEY. I understand your thoughts, but I cannot subscribe to all of them, I assure you.

I thank you very kindly.

Mr. JARMAN. Mrs. Marshall, it is certainly refreshing to me to have you and so many other witnesses come to this committee and express an attitude toward the State Department, and the officials of our Government, which is so contrary to the line of least resistance. It is very easy for one not versed in the functioning of the State Department and the functioning of international affairs to say that they do not know what they are doing. I am delighted that so many businessmen and you ladies who come before the committee do not take that attitude.

I believe that the officials of the State Department are just as patriotic as I am and love this country just as much as I do, and represent this country and not some other country first, just as I try to do. Therefore, I share your opinion that they did cut this amount to the bone. Certainly they cut it tremendously from what the Paris Conference suggested.

Mrs. MARSHALL. And it covers a 15-month period rather than a 12-month period. The Harriman report also covered only 12 months.

Mr. JARMAN. Yes.

Mrs. MARSHALL. I would just like to say I do believe that this program with its figures represents exceedingly careful and comprehensive work.

Mr. MALONEY. Understand, I am not finding fault with that, and I think you answered the last question I put with regard to that 6.8

billion very well. In other words, I feel if, through a careful exploration of these figures this committee finds that it is overbalanced, we should change it, and I think you said that you agreed with that.

Mrs. MARSHALL. I agree with you.

Mr. MALONEY. I further agree with Mr. Jarman here that the State Department does follow honestly these figures. I am not questioning their honesty or their patriotism, understand that. However, I do feel that what makes this country a real country is a difference of opinion.

Mr. JARMAN. Surely, but we had a report from this Harriman committee which is not connected with the State Department at all, and they agreed with the State Department. There were two or three other committees I do not remember their designations which reached the same conclusions. I agree with you that we are representing the taxpayers of this country, but I am not sure that we are adequately representing them and properly representing them if we constantly try to pare down something that other patriotic officials of the Government have estimated is necessary, officials who have more information than we have and who have worked on it longer, so if we cut it two-thirds and get only one-tenth maximum good out of it we are not adequately representing the taxpayers.

Regarding your reference to the strategic-materials problem. You probably heard me ask a good many questions along that line. You apparently have been here a good deal, Mrs. Marshall, and I thoroughly agree with you and your fear.

First, I may say that I do not know whether the gentleman from Pennsylvania remembers it or not, but Mr. Batt, in answer to my question the other day, said that he thought that those normal strategic materials would be paid for out of local currency, not dollars. I do not know whether you remember that or not. I asked him that question, which is quite a different thing.

Mr. MALONEY. My understanding was that he stated he was not clear on that point. Remember, he said for a minute he was not clear on that point as to how it would be paid for, but he did say local currency.

Mr. JARMAN. The local currency put into a special fund. I understood him to answer my question that he had in mind that it would be paid for out of that rather than dollars.

Mrs. MARSHALL. We would pay for it out of that?

Mr. JARMAN. That does create a different situation. I thoroughly agree with you. If the 6.8 billion dollars estimate is right—and I am perfectly willing to assume it is, myself, because of the great effort that has been put into it by the people who ought to be qualified—if that is the amount of money that is needed for these countries during these 15 months and we reduce it by half a billion by making them pay us for strategic materials or anything else, we will just have to add a half billion to the 6.8 billion, and we will just be robbing Peter to pay Paul.

Mrs. MARSHALL. Or risk more than we are risking now.

Mr. JARMAN. Or run the danger of making it a pure relief program rather than a recovery program, toward which we are working.

Mrs. MARSHALL. May I interrupt to say something about the checking of the figures? What I feel you would have to do in order to cut any of this out would be to go through the whole process that the

State Department and the other committees went through—reconstruct the entire program, and not just say that because Ireland has not contributed anything and was not even in the war, the tentative allocation of dollars to her can be lopped off the over-all appropriation, but examine the whole framework to see in the light of newer information whether or not it would actually be wise to cut.

Mr. MALONEY. I am possibly from Irish descent, so when I criticise Ireland there I am not criticising the country itself; I am criticising the appropriation.

Mrs. MARSHALL. Yes.

Mr. JARMAN. I agree that picking out Ireland or Iceland is just like taking a sentence out of context. I agree that before waving one of those countries aside we should go into all the details, and I do not believe it is the function of this committee to do so.

I do not believe it is the function of this committee to do over again all the details that the Harriman committee did, and others. I agree that if we had the time it might be desirable.

Mrs. MARSHALL. So do I.

Mr. JARMAN. But if we do that and take that time and let communism spread all over the world, we will do no good. We had better make it one million too much, any amount too much, rather than run the other risk.

Acting Chairman MERROW. I think this has been touched on before, but for the sake of clarity, I would like to refer to it again.

Will you give us the feeling of your league in reference to the question of adequate preparedness on the part of the United States; particularly in the air? Have you taken any action along this line?

Mrs. MARSHALL. No, we have not. We have not yet studied the question. I do not feel it is entirely relevant to this particular question.

Acting Chairman MERROW. Do you view with any alarm the armament of the Soviet Union?

Mrs. MARSHALL. I know little about the armament or the rearmament of the Soviet Union.

Acting Chairman MERROW. I would like to establish, if I can, what I think is the relevance of that question to this proposition, in this way: The Secretary of Air said the other day that we were no longer the No. 1 air power in the world. One president of a great aircraft company in this country said that we were lagging behind both the Soviet Union and Great Britain in research and development and that we were not the No. 1 air power in the world.

From the best information we can get the Soviet Union has planes equivalent to, or superior to, the B-29 in large quantities.

Now, the relevance of that situation to this one seems to me to be this—and I would like to get your reaction to it if we go on and spend billions of dollars in Western Europe to bolster these economies—after we spend that money they will not be in a position to resist were aggression made upon them. In other words, in 2 or 3 years they would be richer prizes for an aggressor than they are at the moment, and if the United States, which is the only other great power in the world besides Russia, did not have the air power to protect its investment, the whole investment would be lost.

Mrs. MARSHALL. I think that you would find with greater integration of the economies of these 16, and any other European nations

which come into this program, handled right, that in one sense they would be a great deal stronger as far as resistance is concerned.

Acting Chairman MERROW. How could they resist if they did not have the planes and guns to resist with?

Mrs. MARSHALL. Well, I think that this plan, to a great extent, would prevent their having to resist.

Acting Chairman MERROW. How could it, with the Soviet Union possessing the greatest land army in the world, and the first air power, if we do nothing about it? How could the Greeks, the Turks or the French—and you could go right on down the line—ever offer any resistance in favor of the United States as a distant ally unprepared if the Kremlin decided to march?

Mrs. MARSHALL. Of course they would not be able to resist outright military aggression. We are now discussing a very hypothetical question. It seems to me that your argument here rests as heavily on faith as mine, for neither of us can know certainly whether or not the Kremlin would decide to march.

Mr. MALONEY. Is not the answer to that that that is a part of the gamble?

Mrs. MARSHALL. That is part of the gamble. I think this is probably a better way to prevent such a situation from arising than to concentrate all our efforts on a program which appears—whether it ought to or not—terribly hostile to the other power.

Mr. MALONEY. What the chairman says is really a possibility, but that is a part of the gamble.

Acting Chairman MERROW. May I interject this: Are you not making a far greater gamble when you pour out millions of the taxpayers' money to bolster economies and yet do not create a striking force to protect the investment that you are making?

Mr. MALONEY. Secretary Royall explained that by saying he believed in this plan, but not merely the plan alone; he believed in strengthening the United Nations and also strengthening our military forces, and I think that he answered that very completely.

Acting Chairman MERROW. I just want to make this point, and I will yield, that at the end of the war the air forces decided that the minimum protection for the United States would be a 70-group program consisting of over 6,000 first-line planes and 8,100 reserves. At the moment we have only 55 groups. We would have a difficult time resisting, or showing strength anywhere. At the present time the President's budget calls for a little over \$3,000,000,000 for the Air Force, which means that we cannot even keep the 55-group program going, so my position is, as I have stated it, this: If we spend 6.9 billion on the Marshall program in the next 15 months, and do not increase the appropriation for the Air Force we are just throwing the money away under the Marshall plan.

Mrs. MARSHALL. You think that both should be done as real double insurance?

Acting Chairman MERROW. Exactly. I would support the Marshall plan if we could have that done, but if we do not do that we are acting foolishly, in my opinion.

Mrs. MARSHALL. I would like to ask you something, Mr. Merrow, since you know a great deal more about this than I do.

Acting Chairman MERROW. I would not say that.

Mrs. MARSHALL. About Russian armament programs, and so forth.

Are you familiar with the negotiations of the Military Staff Committee of the United Nations, which was reported in a State Department bulletin last spring?

Acting Chairman MERROW. No.

Mrs. MARSHALL. The United States, France, Britain, and China, if I remember correctly, were all anxious to have forces put at the disposal of the United Nations handled in this way: Each country would put at the disposal of the United Nations the forces it was best able to, and in the amount that it was best able to, and the over-all picture would be a force, we will say, of heavy air power concentration from the United States, heavy military personnel from the Russians, and a navy perhaps from the United States also. The Russians objected to that. They wanted equal contributions from each country of each force. They said that it would be dangerous to have large forces at the disposal of the United Nations. They thought that it would be threatening. Why would they object if they were so strong in air power to this contribution of unequal forces at the disposal of the United Nations?

Acting Chairman MERROW. Their record has been one of objection to everything.

Mrs. MARSHALL. What is behind it? I felt at the time that the thing behind it was that they did not want the striking force, which is the air force, to be contributed by the United States because that would dominate all other forms of military power which might be contributed.

Acting Chairman MERROW. We do not have the striking force now to dominate any country.

Mrs. MARSHALL. Perhaps everybody has misconceptions. Perhaps the Russians think that we are stronger than we are. Maybe that is a good thing—it is hard to say.

Mr. SMITH. I would like to say for the sake of the record that I share the apprehension that you have in this matter, Mr. Chairman. Unless we take all the gamble out of it, or as much as possible, we are going to be in a bad way. I believe we can, to a certain extent, write some insurance into this gamble by providing that kind of force.

Now, we buy insurance to protect our homes against fire loss, but we do not discharge the fire department; they are still on the job.

Mrs. MARSHALL. May I say, then, that I simply feel, not being competent to answer in this other field, that certainly as far as the European recovery program is concerned, the best insurance for it is to do it adequately and soon.

Mr. SMITH. But you cannot divide them; they are not separate and distinct. They are part of a whole.

Mrs. MARSHALL. One-half of your attempts to insure would certainly then be to do it adequately and soon and with the promise that you will stick with it, or at least have the intention of sticking with it.

Mr. MALONEY. And would you agree to the statement—with as much protection of it by what military force is necessary?

Mrs. MARSHALL. I would leave that to you gentlemen.

Mr. MALONEY. Would you agree to that statement?

Mrs. MARSHALL. To "as much as necessary," yes.

Acting Chairman MERROW. I would like to ask this. The President's Air Policy Commission has placed "A-day at January 1, 1953, and they have divided the future into two phases; the time before that is phase No. 1 and the time after that is phase No. 2. After that date we should have an air force capable of resisting an enemy if we were to be subjected to an atomic bomb attack. They make recommendations that we should implement or that we should get the 70-group program as soon as possible, which will require a \$6,000,000,000 appropriation by the Congress beginning immediately.

Now, as far as I am concerned, if I had to take my choice between the European recovery program and air supremacy on the part of the United States, I would take air supremacy because that is about the only language some people understand. I am very much afraid if we continue to invest, or pour out the money for the stopping of communism by the building of economies and do not have an adequate air force, we will lose the investment, and that will be acting very unwisely.

Mrs. MARSHALL. That is why we really feel that a further and comprehensive examination of the dearmament issue be understood first, if only to clear the air—for the air, should we say?

Mr. MALONEY. You would go into that convention with your fingers crossed.

Mrs. MARSHALL. I would certainly take up the whole discussion of the question. Every time that it has been brought up in the United Nations so far it has not been the United States that initiated it. That is the thing I am getting at. Whatever our motives in not initiating it are, you just simply have to recognize that you do not have any ground for insisting on our motives until you have made it perfectly obvious to the other side.

Acting Chairman MERROW. May I just add this: I think at the close of World War II we had established a world's record for stripping ourselves of armed strength. It is one of the greatest tragedies, in my opinion, that has ever happened to a great power.

Mr. KEE. Speaking to the matter brought up by Mr. Smith a moment ago, regarding the gamble in this legislation, is it not your view that if we attempt to write into this legislation clauses sufficient to take the gamble out of this program, we will have a strange and wonderful piece of legislation by the time we get through with it?

Mrs. MARSHALL. I think here again faith is necessary. I think that you should make this legislation adequate but flexible and put your faith in the kind of people to whom you hand its administration.

Mr. KEE. Is it not the consensus of opinion that we are taking a risk in a way, whether we pass this legislation or not, and the greater risk is not doing it?

Mrs. MARSHALL. I feel that very strongly.

Acting Chairman MERROW. Thank you, Mrs. Marshall.

Mrs. MARSHALL. Thank you, Mr. Merrow and members of the committee.

Acting Chairman MERROW. I have on the list here the Order Sons of Italy in America. Is their representative here?

**STATEMENT OF LEONARD H. PASQUALICCHIO, NATIONAL
DEPUTY AND WASHINGTON REPRESENTATIVE, ORDER SONS
OF ITALY IN AMERICA**

Mr. PASQUALICCHIO. Mr. Chairman and gentlemen, I am Leonard H. Pasqualicchio, national deputy, Washington representative, Order Sons of Italy in America, and due to the fact of the inability of our national president, Mr. George J. Spatuzza, of Chicago, to be here, I have been requested to appear for him.

I am not going to take up too much of the Committee's time. I expect to file a statement as prepared.

The order has gone into considerable study in reference to the Marshall plan, and we were very careful in trying to not come in here and file a statement just for the sake of filing a statement.

We were fortunate enough to engage a well-known economist connected with the United States Department of Commerce, who has incorporated very important and informative information regarding the economic and political conditions of the 16 nations included in the Marshall plan.

I am not going to read the statement. The order wishes to go on record as being in favor of the Federal administration's long-range foreign-aid program of assisting the European nations to achieve economic recovery as embodied in the report of President Truman's Committee on Foreign Aid submitted by the Secretary of Commerce, Hon. Averell Harriman, on September 7.

His report and other subsequent reports in analyzing the American resources show that on the whole our national resources, if handled intelligently, are sufficient to support a substantial foreign-aid program without endangering the national security or the American standard of living.

The order is officially opposed to any program of foreign aid which would overtax the resources of the United States or which would constitute a threat to the stable functioning of the national economy irrespective of the foreign countries to which such aid may be directed.

I believe we have some very interesting information which should assist the committee in working out a plan for the aid to these European countries.

We believe that the amount of 6.8 billion required, or asked for, by the administration, is sufficient for the 15 months, and while the organization as a whole is going on record in favoring the 4-year plan, personally I feel—and this is not the opinion of the organization; it is my personal opinion—after the first 15 months I think future aid and assistance to these countries included in the plan should depend on how willing and how interested they are in helping themselves and how well they have cooperated with the United States during the 15 months' operation.

I do not care to take up any more of the committee's time, but wish to file a statement as a whole here.

(The statement referred to is as follows:)

STATEMENT MADE BEFORE THE HOUSE COMMITTEE ON FOREIGN AFFAIRS, BY
MR. GEORGE J. SPATUZZA, NATIONAL SUPREME VENERABLE OF THE ORDER
SONS OF ITALY IN AMERICA, FAVORING THE ADMINISTRATION'S LONG-RANGE
FOREIGN AID PROGRAM, KNOWN AS THE MARSHALL PLAN

(NOTE.—Acknowledgment is made to Nicholas M. Petruzzelli, Ph. D., Washington economist, for his services rendered in contributing the valuable technical analysis contained in this statement. The national officers and members of the Order Sons of Italy in America are deeply indebted and grateful to Dr. Petruzzelli for this authoritative information.)

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

MR. CHAIRMAN AND COMMITTEE MEMBERS: I am George J. Spatuzza, national supreme venerable of the Order Sons of Italy in America. I was elected to this office at the supreme convention held in San Francisco, Calif., last August. I am a lawyer by profession, residing in Chicago, Ill. I deem it an honor and a privilege to present the following statement in the name of our association, favoring the administration's long-range foreign-aid program, sometimes called the Marshall plan, for the consideration of this honorable committee. In presenting this statement, I am conveying to you gentlemen not only my personal views and sentiments and those of the national officers and members of our organization but also the sincere views and opinions of over 7,000,000 Americans of Italian origin residing in the United States today.

I wish to explain to the distinguished members of this committee that the Order Sons of Italy in America, organized over 40 years ago, is 100 percent American in spirit and purpose. We inculcate our members with the democratic ideals enunciated in the Declaration of Independence and the Constitution of the United States. Our members are taught the ideals of liberty, fraternity, equality under law, and above all our cherished American way of life. Our membership is composed of men and women residing in America of Italian origin, both of the first and second generations, but all of whom are United States citizens, voters, property owners and taxpayers. We have State, subordinate, and affiliated lodges in 34 States of the Union, with offices in Washington, New York, and Chicago.

The Order Sons of Italy in America is officially in opposition to any program of foreign aid which would overtax the resources of the United States, or which would constitute a threat to the stable functioning of the national economy irrespective of the foreign country to which such aid may be directed. The official position of the Order Sons of Italy in America traditionally has been to support and favor the interests of the United States before those of any other country. A secondary and natural stand of this association has always been to support any program of endeavor conducive to the improvement of cultural, economic, and other relations between the United States and Italy so long as they might advance the best interests of the United States. In this latter regard, the order wishes to go on record as being in favor of the Federal administration's long-range foreign-aid program of assisting European countries to achieve economic recovery as embodied in the Report of President Truman's Committee on Foreign Aid, submitted by the Secretary of Commerce, the Hon. W. Averell Harriman, on November 7, 1947.

In addition to offering specific recommendations and outlining in clear language the democratic philosophy underlying the international economic and political policy of the United States, the Harriman report summarizes the data contained in two earlier reports to the Chief Executive made, respectively, by Secretary of the Interior Krug on October 18, and by Dr. Edwin G. Nourse, Chairman of the Council of Economic Advisers, on October 28. The first of these two reports, in analyzing American resources, shows that on the whole, our national resources, if handled intelligently, are sufficient to support a substantial foreign-aid program without endangering the national security or the American standard of living. The second of these reports presents an analysis of the effect that a substantial foreign-aid program would have in the United States economy. It concludes that the Nation's economy can sustain the impact of such a program, if the problems raised by the short supply of key commodities, such as wheat, steel, coal, fertilizer, and certain other items, are dealt with promptly and effectively.

The findings of these two reports are analyzed and correlated in the light of the Paris Conference's presentation of European needs, by a committee of 19 distinguished citizens headed by the Secretary of Commerce, Hon. W. Averell Harriman, and their findings are detailed in the report previously mentioned.

The Order Sons of Italy of America has made an independent study of the present economic problems of Italy, which is one of the Marshall plan nations, with a view to determining the extent to which that country can, by its own efforts and in cooperation with the other 15 nations represented on the Committee of European Economic Cooperation, bring about the achievement of a self-sustaining and prosperous economy. As a result of this study the Order Sons of Italy in America has been forced to come to only one conclusion; namely, that the long-range foreign-aid program to aid European nations in achieving economic recovery as outlined in the reports mentioned above is completely realistic insofar as it relates to Italy.

Given Italy's traditionally poor international economic position, the physical destruction to her economic plant, and the dislocation of export markets wrought by the recent war, she cannot be rehabilitated economically merely by the efforts and hard work of her people. Italians cannot make the Italian economy function merely by wishing it to do so. For example, the generous aid already extended by the United States to Italy from the time of the latter's liberation in September 1943 to the present, and the aid being given by the United States currently, provided the necessary spark to fire the Italian economic engine and fuel to keep it going. Without this aid, Italy's economy today would have been substantially retarded below its present stage of partial recovery.

But the Italians, an inherently proud and industrious as well as self-reliant people, do not wish to keep their economy going by means of a perpetual flow of charitable grants from others. This is proven conclusively by the recent success which attended the determined efforts of the Italian people and their new Italian Government to achieve economic recovery. The most spectacular of these were the recent (October-December 1947) favorable decline in food and clothing prices in Italy, and the strengthening of the external value of the lira, both of which were largely resultant of the deliberate policy of the de Gasperi government in increasing taxes, restricting credit expansion, and curtailing the flow of new money into circulation.

Though the trend toward recovery is encouraging, the incontrovertible fact remains that the task of complete restoration of Italy's economy to a basis of self-sustainment is to be long and difficult, running several years into the future.

Why this is so may be seen from a brief analysis of Italy's place in the world economy from the time of its birth as a unified nation up to World War II and a consideration of the damage and dislocation which this war inflicted upon the productive capacity of the Italian economy.

Without going into too much detail, a brief examination of Italy's balance of international payments from the time of national unification in 1860 up to now clearly indicates that it has always closed with a deficit which was most often met by recourse to borrowing of foreign capital. The reasons for this symptom of Italy's relative poverty are more apparent than real.

Italy is basically an agricultural-industrial nation. Industrialization took place rapidly in Italy. The country barely produced sufficient food for its population's requirements. In fact, in recent prewar years she had to import approximately 6 percent of her total food requirements from other countries. When the industrialization process began to make substantial headway from about 1890 onward, the country's dependence on imports increased progressively. This was the inevitable result of the combined intensification of industrialization and the country's relative lack of raw materials such as coal, iron, petroleum, cotton, and wool needed by her growing industries. These factors placed Italy in a particularly unfavorable position as compared with countries more richly endowed.

The Italian economy was heavily dependent upon foreign trade even in the recent prewar period when the foolhardy autarchic program was instituted by the Fascists in an effort to reduce dependence upon other countries. In those years the total value of annual exports and imports combined averaged about 20 percent of the estimated national production, as compared with a similar relationship of about 7 percent in the case of the United States.

Italy's dependence on imports alone was relatively greater (10.5 percent as against 3 percent for the United States in relation to the value of gross national product).

Geographically, Italy's trade developed increasingly and naturally with its immediate neighbors, namely, Germany and the Balkan countries. During the period in question, Italy's merchandise exports paid for 70 to 90 percent of its imports, an average over a period of years of 80 percent, and payments deficits were covered in large part by remittances from abroad, tourist expenditures, freight receipts, and miscellaneous services.

When Italy was liberated in 1943, her foreign trade was practically at a standstill. Since then, such foreign trade as Italy has carried on has been quite abnormal in that her imports have been running at over twice the level of her exports. However, this should not be surprising considering the loss of the large German export market and the effects of the war.

Add to Italy's unfavorable international accounts, the destruction and loss suffered by her agricultural and industrial enterprises, as a result of the recent war, and we find the Italian economy more seriously incapacitated than is apparent from a mere perusal of statistics or a tour of the country.

Italy suffered heaviest losses during the recent war in damage and destruction to highways, roads, bridges, railways including rolling stock, and shipping.

Italy has always depended on foreign countries for coal to supplement her own meager supplies. However, the new Italian frontiers set by the Treaty of Peace deprived Italy of the Istrian mines. Thus, she now can count only on supplies from the Sardinian mines and the lignite deposits in the central peninsular regions making the dependence on imports much greater.

Also of great importance to Italy's economic life was her electric power. As a result of war damage 23.5 percent of the hydroelectric plants and 53 percent of the steam power stations of the country were rendered in serviceable.

In agriculture, too, the war brought ruin and loss as a result of destruction of farm houses, stables, silos, pumping stations, plantations, and by the laying of mines, and carrying off of machinery and livestock. The heaviest loss sustained by agriculture, however, has resulted from the impoverishment of the soil due to overcropping in the war years and the marked scarcity of fertilizers.

Among the severest hardships to the Italian people, caused by the recent war, have arisen from the destruction and damage to dwelling houses. The total of all destroyed and damaged houses, in terms of rooms, amounts to 5,885,290 or about 12 percent of the total number existing at the beginning of the war.

The foregoing figures, however, can only give a superficial indication of the degree of suffering inflicted by the war upon the Italian people and, what is more important, the handicap to Italian productive capacity caused by war damage and dislocation. For example, Italy today is not capable of yielding income sufficient to satisfy even a minimum of subsistence for its population. Some idea of this may be obtained by comparing estimates of Italy's national production in the year 1946 with her production in the year 1938, both measured in terms of the lira at its 1938 value, as shown in the following table:

Italy: National production in 1938 and 1946

[Values in billions at 1938 lire]

Branch of economic life	1938	1946
Agriculture.....	40.7	32.5
Industry.....	37.6	17.0
Commerce.....	9.8	6.5
Rents.....	6.4	6.0
Professional.....	17.3	14.0
Total.....	111.8	76.0

From the above figures it is easy to perceive that in 1946, in spite of their efforts, the Italian people could produce only about 68 percent of what they were able to produce in the prewar year of 1938, even though the population was 6 percent greater in the more recent year. According to such preliminary estimates as have been made for the year 1947, the productive capacity of Italy has improved but slightly in the past 12 months. This has intensified her chronic balance-of-payments deficit; for 1947 the deficit which Italy owes to other countries on this account runs over \$800,000,000 in terms of United States currency, according to estimates of the UNRRA Italian mission.

In addition to her already serious economic condition, it should also be considered that, as a result of the Treaty of Peace, Italy lost certain valuable assets held abroad and that she must pay the huge amount of \$360,000,000 in reparations. Because of her present condition, therefore, Italy's balance-of-international-payments deficit does not promise to grow much smaller than it totaled in 1947 for at least 3 or 4 more years, and then only if substantial aid is forthcoming from outside her own borders.

By way of summary several important conclusions are in order on the basis of our findings as outlined briefly in the foregoing:

1. The United States can extend aid, without jeopardizing her own economic life, in the order of magnitude required to repair and make self-sustaining the war damaged economies of the 16 Marshall plan nations which include Italy.

2. Italy is heavily dependent upon imports from abroad both in history, and the more so at the present time when her crippled economy is incapable of a production sufficient to insure even a decent minimum of subsistence for her people.

3. In view of her past and present economic condition, Italy may never recover her proper place as a self-sustaining nation in the world economy unless she receives in addition to stopgap aid a substantial and sustained flow of economic assistance from abroad for at least several years to come.

Of course the present study took into account the fact that in addition to Italy there are 15 other European nations which suffer from economic stagnation directly or indirectly caused by the recent war. That it would redound to the benefit of the United States and indeed even to the entire world economically, politically, socially, and morally to bring about a rapid and sound economic revival of the 16 Marshall plan nations is the consensus of opinion of all leading spokesmen of industry and Government in the United States today.

That the United States will not have to continue pumping economic life into the western European nations indefinitely has been proven in part in the case of Belgium. Partly due to aid from the United States, Belgium had recovered by early 1947 to a point where she was nearly self-sustaining.

Self-help, reform of currencies, greater effort on the part of their people, and aid from abroad are all of the components required to achieve the healthy type of economic recovery needed in Italy and the other Marshall plan countries.

The alternatives to positive action on the part of the United States in extending enough economic assistance to the Marshall plan countries to enable them in regaining self-sustainment may easily spell political enslavement under totalitarian rule of the peoples of their countries. A sample of what may happen has already been indicated in the recent turn of events in France and Italy. In Italy, for example, despite the encouraging upturn in economic activity there which has been going up since the middle of the year, a small but brutal Communist element has succeeded in creating disturbances in an effort to discredit the Italian Government. The Communists seek, in this manner, to take over the reins of authority themselves.

Illegal and immoral methods are no stumbling block to the Communists in Italy. Their code of behavior is not based on the moral law as we Americans, and other God-fearing people understand it; it is predicated instead on a blind worship of the slave-state ideal. Let us hope that the unscrupulous followers of the Communist line will never succeed in imposing the bonds of Communist slavery on the good people of Italy, France, and the other Marshall plan nations. I am sure that this is the wish of the great majority of the people of the United States, regardless of their national origin. I am certain that the dynamic philosophy of American democracy and consciousness of the responsibilities of the United States in supporting the democratic aspirations of peoples of other lands who now look to us, as enunciated in the report by the President's distinguished Committee on Foreign Aid, are shared by all true citizens of the United States of America.

DOCUMENTARY AND OTHER SOURCES USED IN THE PREPARATION OF THE ABOVE STATEMENT

European Recovery and American Aid—A report by the President's Committee on Foreign Aid, parts 1, 2, and 3, Secretary of Commerce, W. A. Harriman, Chairman, Washington, November 7, 1947.

National Resources and Foreign Aid—Report of J. A. Krug, Secretary of the Interior, October 9, 1947.

The Impact of Foreign Aid Upon the Domestic Economy—A report to the President by the Council of Economic Advisers, Dr. Edwin G. Nourse, Chairman, Washington, October 28, 1947.

Committee on European Economic Cooperation—Volume I, General Report, Paris, September 21, 1947.

Foreign Commerce Weekly—United States Department of Commerce (various issues).

Congiuntura Economica—Bulletin of the Institute for Economic Studies, Rome, Milan (various issues).

Economic Notes—UNRRA Italian mission (various).

Public Addresses of Note

Address of David Bruce, Assistant Secretary of Commerce, before the thirty-fourth national foreign trade convention, St. Louis, Mo., October 20, 1947, entitled "General Outlook for World Trade: Economic Stability Imperative."

Address by Joseph M. Dodge, president, American Bankers Association before the Economic Club of Detroit, Detroit, Mich., October 27, 1947, entitled "Problems of European Aid and Reconstruction."

Mr. PASQUALICCHIO. I also wish to file the statement of the Grand Lodge of the State of Massachusetts of the Order of Sons of Italy in America, whose president was also unable to be here today. (The statement referred to is as follows:)

ORDER SONS OF ITALY IN AMERICA,
OFFICES OF THE NATIONAL DEPUTY,
Washington, D. C., February 2, 1948.

Hon. CHARLES A. EATON,
Chairman, House Committee on Foreign Affairs.

MR. CHAIRMAN AND COMMITTEE MEMBERS: Mr. Anthony Julian, grand venerable of the Grand Lodge of the State of Massachusetts, has instructed me to file the following statement:

"The Grand Lodge of Massachusetts, of the Order Sons of Italy in America, is definitely in favor of the Marshall plan long-range aid to Europe, as proposed by President Truman; confident that the immediate approval of this European-aid program will ultimately defeat Soviet aggression and the spreading of communistic domination throughout the world.

"This grand lodge also confirms and is in full accord with the official statement presented before this honorable committee by Mr. George J. Spatuzza, supreme venerable of the Order Sons of Italy in America.

"In approving the Marshall plan, this organization has the utmost confidence in the assurance given by the Secretary of State and the Secretary of Commerce that such a program will not endanger our own national economy."

Most respectfully submitted.

L. H. PASQUALICCHIO,
National Deputy.

Mr. PASQUALICCHIO. I thank you, gentlemen.

Mr. MALONEY. Could you tell us what your belief is as to the possibility of keeping 16 European nations in line, or in unison for a period of 4½ years? Do you think that that is a possibility, or a probability, or do you think it is likely?

Mr. PASQUALICCHIO. In my opinion, it would be a possibility if proper personnel could be organized and sent there to operate such a plan. We made quite a few mistakes during the war in not sending over the proper people.

Mr. MALONEY. I mean it this way: You know how the most nefarious system of policies carries on in the European countries; in other words, there can be a minority man in the cabinet and I can see the possibility in the future of a minority member of the cabinet refusing to go along on certain agreements made with the United States in the bilateral agreements after, say, 2 or 3 years, and then we would cut off the supplies and the country then would be very unfriendly toward us.

Possibly, if it were a large country, they may be able to get one or two of the countries to form a bloc and this whole thing would react just the opposite way than we now propose it should. Do you find there is any good reasoning in that thought of mine?

Mr. PASQUALICCHIO. No, I do not.

Mr. MALONEY. You think that that would be unlikely?

Mr. PASQUALICCHIO. I believe it is because, after all, they need

assistance and they are going to try to keep in line and work with the plan as outlined and presented to them.

Mr. MALONEY. Have 16 European nations in the past every worked harmoniously together for a period of 4 years?

Mr. PASQUALLICCHIO. Everything is possible today. We see it in Italy. There are five or six political parties and they have not been able to get together, but I think the time will come when they will be educated. We will send over more Americans with American ideas and the time will come when they will think as we do.

Mr. MALONEY. I hope that you are right.

Mr. PASQUALLICCHIO. I think that they are susceptible. Necessity opens up the mind to susceptibility.

Mr. KEE. Are they not in the situation that the signers of our Declaration of Independence found themselves—they either had to hang together or hang separately?

Mr. PASQUALLICCHIO. That is right.

Mr. JARMAN. I can well understand the fear of the gentleman from Pennsylvania, and of course we all thoroughly share his hopes.

Do you know whether or not it is a fact that 16 European nations ever met together as they did in Paris in a cooperative endeavor to help themselves?

Mr. PASQUALLICCHIO. I do not believe there has ever been an occasion like that, and that is why I feel a program of this kind is very, very helpful.

Mr. JARMAN. That is my hope. I think that is true.

Mr. PASQUALLICCHIO. It is something new, and I believe later on these divisions of lines of small nations will be eliminated, because we will teach these people the philosophy of cooperation in international affairs.

Mr. JARMAN. And the greater the success of this endeavor the better the chance for permanent recovery.

Mr. PASQUALLICCHIO. There is no question about that.

I believe, gentlemen, the success of the Marshall plan if properly put into operation will ultimately produce a united European country over there.

Mr. JARMAN. A united states of Europe; something like that?

Mr. PASQUALLICCHIO. There is something in operation now that they call the Union of European Nations, which operates on the exchange in commerce and other ideas between those different small countries. I believe divisional lines will gradually disappear when they can see the advantage of cooperating and working together.

Mr. JARMAN. I share your hope, just as I still believe that the United Nations is going to succeed. I realize that we have had a good many discouragements. I just believe that the leadership of this world in the realization that civilization cannot survive the next war is finally going to do whatever is necessary to avoid one.

As I say, I am not arguing against the chairman's preparedness program.

Mr. PASQUALLICCHIO. I believe, gentlemen, this is the opportune time to work on the possibility of the united nations of Europe, and I think the only way it can be done is through this Marshall-plan assistance to show them just what it is all about, and what the advantages will be by their cooperation and interchange of commerce.

Mr. JARMAN. I agree with you.

Mr. PASQUALICCHIO. I wish to add that all those needy European countries know what America is doing for them. It is not true that America is not getting proper credit for the humanitarian work which she is going. Being more familiar with the Italian situation, I can truthfully say that the Italians fully appreciate what we are doing for them. That is one reason why communism has not made much headway in that country. I speak with people who go and come from Italy; I receive letters practically daily from the poorer people of Italy. And they certainly know that America's generosity is bound to save humanity and eventually will win peace for the world.

Acting Chairman MERROW. We will stand adjourned until 2 p. m.

AFTERNOON SESSION

Acting Chairman MALONEY. The committee will come to order.

It is with great pleasure that I introduce the witness this afternoon, in view of the fact that he was at one time the Governor of the State of Pennsylvania, the State from which I come. Governor Earle, will you take the stand here please?

Mr. EARLE. Thank you.

Acting Chairman MALONEY. Governor, we are very glad to have you with us today. I understand you have a considerable background of foreign experience, and also that you have been very active in the anti-Communist and anti-Fascist movement. I wonder if you could give us some facts about your background in that respect?

Mr. EARLE. I would be very glad to. I will also mention my Government service, since I am going to speak of military matters also here today, if I may, as connected with the Marshall plan.

I was an enlisted man and a commissioned officer on the Mexican border in 1916. I was an enlisted man and a commissioned officer in the Navy in the First World War, in command of a submarine chaser.

I was appointed American Minister to Austria by President Roosevelt in August of 1933. I went to Austria and there incurred the enmity of the Nazis by my anti-Nazi statements, such as Austria could do as she pleased, but if she wanted American sympathy on the part of the people who were descendent of people who were either refugees from a racial, religious persecution or were descended from them to a large extent, if they wanted American sympathy she would have to refrain from that. That brought down on me the threats from the Nazis.

At the time of the Socialist and Communist rebellion in Austria, I made reports favorable to Chancellor Dollfuss and was criticized by Ambassador Dodd for so doing. The Socialist and Communist Parties in America both attacked and opposed me when I ran for governor in 1934 because my reports favored Dollfuss.

I became Governor of Pennsylvania and there made several statements which brought down very strong criticism of the so-called liberal press because I strongly protested against Americans going to fight in the Loyalist Army in Spain, because it was not a clear-cut issue between republicanism and fascism because so many of the so-called Republicans themselves were Anarchists and Communists and Syndicalists. I said that Americans should not go over to Spain to fight.

In 1940 I was appointed Minister to Bulgaria. That was in March

of 1940. In June of 1940 I saw the Germans had complete control over the Bulgarian Government and would soon move in there. I sent my resignation to the President as Minister to Bulgaria so that I could join the British Navy.

Those facts can be confirmed by the British Foreign Office and by the State Department.

The British Navy promised me the command of a subchaser or a small destroyer in the North Sea, to fight the Nazis. President Roosevelt refused to accept my resignation. I continued in Bulgaria. I was doing the best I could in my small way to fight terror, whether red or white.

I came back to this country and went into the Naval Reserve, went to gunnery schools and became chief gunnery officer on a Naval transport and was at Casa Blanca. While on this assignment General Patton gave me a report of the North African operations and asked me to take it to President Roosevelt. I did. I reported to President Roosevelt General Patton's report.

When I warned the President at that time, in December of 1942, after returning from Casa Blanca, of the great Russian menace, greater than the German menace, he said, "George, don't worry, Russia is so big it will break up when this war is over." I told him I did not think so. Then I went over to Turkey and was under-cover agent to report on the Balkan affairs to President Roosevelt, and try to get Bulgaria out of the war. For a while I was entirely against the Nazis. Then when I received evidence of how Russia, while we were saving them, was issuing propaganda to the underground against us, preparatory to destroying our influence in Europe, things changed.

Acting Chairman MALONEY. How early was that?

Mr. EARLE. As early as the first part of 1944. In May 1944 the President recalled me for consultation. I will not forget how an old friend of mine, Joe Levy, of the New York Times, went to the station and said, "George, you don't know what you are going to over there." He said, "Harry Hopkins has complete domination over the President and the whole atmosphere over there is 'pink'." He said, "If you go over and report against Russia, you, who would be the best authority for the administration in the Balkans, will be finished."

I said, "Well, Joe, I appreciate that very much." Joe did not do it as a matter of policy to his paper, or anything else. He was a friend of mine, and I said, "Joe, after all my country and children and grandchildren come before what will happen to me. So I went over and reported on it. To my horror, when I got here I found the President really believed that the massacre of those 10,000 Polish officers by the Russians, of which I had all the proofs and pictures, was done by the Germans, which was of course absolutely incorrect. The Polish Ambassador in both Moscow and Ankara had been asking where the officers were, and the Russians were saying they were scattered through Russia. The Germans were not within hundreds of miles of where the Polish officers, 10,000 of them, were murdered.

I felt pretty hopeless then. Then again when I began to report to the President about how the Russians were in their underground saying the worst kind of things about us and trying to hurt us in every way possible, he said again what he said in 1942, "Don't worry George, as soon as the war is over they are so big, 160 nations speaking 125 languages, they will break up."

Well, in August of 1944, I sent to the President what I consider the most important document I ever sent to him. It was a report on Russia of a neutral Ambassador to Russia. That report, gentlemen, I am turning over to you in full. I ask that you not make his name public because this man is now living in a country that may go Communist any moment. It would mean his life if his name were published. It is perfectly all right to publish the substance, but please do not publish his name.

Acting Chairman MALONEY. All right.

(The information is as follows:)

COMMUNICATION SUBMITTED TO THE COMMITTEE ON FOREIGN AFFAIRS BY HON.
GEORGE H. EARLE, FEBRUARY 12, 1948

ISTANBUL, August 22, 1944.

The PRESIDENT,
The White House.

MY DEAR MR. PRESIDENT: The enclosure with this letter I consider the most important communication I have ever sent to you. I beg of you to read it very carefully.

It was written by * * *. He considers you, in his words, "the greatest humanitarian of modern times." He has written it for you alone, * * * as an individual who admires your courage, resourcefulness and sincerity.

About Russia, I fear he is right.

May I make two observations? An American banker said to me a few weeks ago, "We should have been warned of Japan's intentions by the simple fact that every Japanese tourist in America was pictured with a camera, and American tourists were not permitted cameras in Japan." In the same way I say by the fact Russia will not permit our soldiers to fight with them nor our correspondents to go to the front should warn us of Russia's intentions.

Also, and far more important is the fact the moment fighting is over, there will be irresistible pressure from the people of the democracies to demobilize and return home our soldiers. There will be no such pressure to demobilize the Russian soldiers since the lot of a Russian is far more comfortable in the army than at home.

My most fervent hope is that a year from today you can say "George Earle was a fool and an alarmist."

Cordially and respectfully yours,

GEORGE H. EARLE.

FROM THE MARSHAL PETAIN TO THE RUSSIAN PROBLEM

The marshal was in 1939 against the war, because he knew how unprepared we were—and because at the last moment the U. S. S. R. changed sides.

But when the war had been declared he was of course in favor of doing everything possible to win it. When therefore the French Army was destroyed in 1940, he looked around to see what help could be reasonably hoped for. The British had reembarked in Dunkerque, loosing all their land war material and were only hoping to avoid invasion by using their naval and air forces, up to then carefully economized. The United States of America had replied negatively to the last appeal sent to America by Paul Reynaud in agreement with Petain. The U. S. S. R. was on the German side.

Such are the reasons for which the marshal accepted the armistice, provided honor was safe (i. e., our remaining forces—and especially the fleet—would not be used against our British ally and the French Government would remain in French hands.) His attitude was best described in the message of September 1940: "We seek reconciliation not because of our defeat but in spite of it. If Germany dominates her victory, we will dominate our defeat. If not, we will know how to endure and wait * * *."

Since then, the whole international situation was inverted. The British, who had left us practically without help in 1939, displayed the greatest heroism and finally won the air battle of 1940 in the British sky.

The Americans who had refused Reynaud's last call were driven into the war by Germany's initiative, and weighed with all their potential, then industrial,

finally military power. The U. S. S. R. which undoubtedly wanted to remain at least for the moment outside the war (see the Tass communique of June 13, 1941) was attacked by Germany and threw in a weight which was incredibly underrated by every member of every foreign mission in Moscow without any exception. (The extreme duration of Russian resistance was estimated to something between 3 weeks and 3 months.)

The result was, in 2 years, the complete unforeseen and unforeseeable inversion of the military situation (1942-43).

Why didn't the Marshal Petain invert consequentially his own position and escape to north Africa:

For three main reasons:

- (a) He wanted to keep his word to everybody, even to his enemies.
- (b) He wanted to remain among his people in order to share their sufferances and to help them—he was the flag and the guardian.
- (c) He feared that the result of present coalitions would be the substitution to a German control over Europe of a Russian dictatorship.

The two first reasons have a moral force and a political significance which cannot be denied. The Anglo-American troops will witness that very quickly on French soil.

The third reason needs much more thought and raises a problem of world magnitude.

* * * * *

The Russian problem is usually treated with a combined lack of knowledge and serious thought.

One class of people considers everything under the angle of a blind Soviet phobia—the motives of which do not go much further than the fear of losing their personal properties and the hatred of anything that threatens to change their habits of life and thought.

Other classes of people exhibit a prosovietic feeling, the motives of which are often not much more commendable.

Some are just conscious or unconscious agents of the sovietic organization, paid in cash or conceit (the latter often being the case with intellectuals accustomed to discreet applause in small slumbering circles—suddenly born in triumph by masses of enthusiastic proletarians). Others are just snobs who “go for” Stalinism in the same way as they buy pictures by surrealist painters.

A third class of people have decided to display an extraordinary agnosticism and do not want to hear anything about a Russian problem, because it presently disturbs the comfortable line of thought they have been driven into by the radio and the press, viz, that there is a big black wolf called Germany, after the destruction of which the world will be happy and free forever. These people, when placed before certain uncomfortable facts, just answer “it's all German propaganda.”

At least those who have a responsibility in allied countries must try to think of the Russian problem as seriously as the Russian leaders think of the European problems.

* * * * *

The permanent aim of what can well be called the sovietic civilization is not a mystery. It was printed in black on white on all the cards of Communist Parties throughout the world—the class dictatorship, the socialization of means of production and exchange and the spreading of the system on an international basis. Only the following addition was not printed: “* * * under the authority and the control of Soviet Russia.”

Lots of people nowadays go on pretending that those permanent aims have been recently modified, and they quote as proofs the inequality of salaries, the strong discipline enforced, the renewal of Russian patriotism. One respectable British paper was even childish enough to add new proofs: The beautiful uniform of Red Army officers and the fact that they are encouraged to learn * * * American dances.

In fact, this belief in a fundamental change is nothing more than wishful thinking added to a complete ignorance of Lenino-Stalinian tactics.

Lenin taught his disciples that every means is justified to achieve the aim. Throughout the world one has thus seen the Communist Parties follow the line of U. S. S. R. interest without any regard as to their constant contradictions. In France, for example, the Communists were antimilitarists under the Rappallo-Germano-Russian treaty; they became militarists after the ascension of Hitler and the Laval-Stalin agreement (1933); they returned to antimilitarism and called

the war "imperialistic" after the Germano-Russian agreement of 1939; they returned to militarism after the attack of Germany on Russia (1942) and will remain in that line unless, by chance, there is a new Germano-Russian understanding. According to that line, they cannot be surpassed in their superpatriotism in every country. It may safely be predicted that the nations will never have sung their national anthem and exhibited their national flag more than on the day they will celebrate their absorption by the Soviet Union.

The great patriotic enthusiasm does not therefore imply in any way a departure from the original scheme. It simply means that such a passion is considered as useful in time of war.

It may be added that discipline and outward signs of discipline or inequality of salaries are in no way contradictory with the sovietic doctrine. Those who think otherwise display their ignorance of the said doctrine, probably confusing it with anarchism, which is exactly the contrary and the deadliest enemy of sovietism.

To sum up, it can be said that there is no evidence whatsoever of a fundamental alteration in the sovietic doctrine, in the sovietic final aim.

This does not imply any criticism on the leaders of the U. S. S. R. Very much to the contrary. It is admirable that a man like Stalin still maintains at a summit of power and success the principles he adhered to in the distant days of poverty and persecution.

Furthermore, why would not Stalin try to spread over Europe and the whole world the political system which he believes to be the best and which led Russia to an unprecedented triumph? Why should the Bolsheviki give up the hope of bolshevizing the world, when the Nazis tried to nazify it, and while the democrats express their formal will to make it democratic?

The only justified criticism bears on the methods employed to enforce bolshevism inside and spread it outside. But these methods are themselves an integral part of bolshevism, and asking bolshevism to renounce them is asking bolshevism to renounce itself. Besides, violence and deceit are in no way a monopoly of Soviet system which simply carries them further and which had the courage to inscribe them in their theoretical tactics (because, according to its ethics, what serves the proletariat is "moral" by definition).

* * * * *

There being thus no evidence and no probability of a change in the permanent meaning and final aim of the Russian regime, one can put the next question: How is the U. S. S. R. going to try and achieve its aim?

The answer solely depends on what Stalin will choose as the most practical method. He may choose (a) to accept for the moment a division of Europe in two zones, one being the "vital space" of U. S. S. R., the other being under Anglo-Saxon influence, and then proceed by propaganda to annexate sooner or later the second zone, or (b) to proceed at once to the conquest of the whole Continent by a combined military and political offensive.

The result, in both cases, would be approximately the same.

Some observers, however, contend that there is a third prospect, viz, that Russia will remain satisfied for a long period of time with the division of Europe in two zones. They ground, mainly, their opinion on:

1. The supposed exhaustion of Russia and its need for help by American capitalism after the end of the war.

It does not seem that such an opinion or hope * * * corresponds to facts.

However great may be the help given to U. S. S. R. by the United States during the war, it is obvious that the main supplies of an army of 20,000,000 men were produced in U. S. S. R. itself. The method which made such an extraordinary achievement possible in prewar and wartime (after the complete destruction of all industrial wealth during the early years of the revolution) will certainly be applied with success to the work of reconstruction, with or without the help of American industry and capital.

2. The fact that the preceding attempts to dominate or organize Europe by a single nation have failed, and the conviction that any new attempt would inevitably meet with the same failure.

It is true that Napoleon and Hitler equally failed in their attempts. But Stalin possesses assets which the other two lacked, totally or partially, i. e.—

(a) The disposal of 180,000,000 men and, in a very limited number of years, of 250,000,000 men, not taking into account the Slavs at present outside the U. S. S. R. frontier, who could well be added to the ruling or controlling country.

This question of population is essential to establish and maintain control on a continent containing—U. S. S. R. not included—over 300,000,000 inhabitants.

For such an achievement, France of 1815 and Germany of 1944 proved to be too small.

A century or half century ago, such big countries as Russia counted only for a percentage of their population, because of the difficulty of governing such huge surfaces and because of the low grade of civilization of the masses.

But modern methods have made it possible to govern very efficiently from Leningrad to Vladivostok and also to utilize to the full in supertaylorized (or Stakanovized) factories the half-civilized Asiatic masses.

The result is that Russia of 1914, with 120,000,000 inhabitants, counted as 30 or 40 millions. But the U. S. S. R. of 1944, with 180,000,000, counts as 180,000,000.

(b) The disposal of unlimited raw materials (which failed to Germany) and therefore unlimited industrial potential.

(c) The strength of likable or not likable, but perfectly consistent ideology.

(d) The innumerable complicities which U. S. S. R. finds in foreign countries. Napoleon had certain complicities in Italy and in Poland because of the French revolutionary principles, but nothing to be compared with present U. S. S. R. Hitler could only count in each European country on a very small amount of individuals, most of whom were a highly paid but very restricted fifth column. Today U. S. S. R. can find a gratuitous "fifth column" of hundreds of thousands and even of millions of people in every country in Europe because of—

1. The Communist ideology grouping a disciplined minority in practically every country.

2. The racial affinity of all Slavs (cf., the recent manifestation of the Slav Congress in Moscow, where the Bulgarians, Serbs, Poles, and Slovaks addressed "dear Joseph Vassirionovic" and hailed the Red Army of their "great Russian brother").

3. The orthodox religion (extending to Rumania and Greece), the head of which has been reconstructed in Moscow.

* * * * *

If finally we leave general ideas to consider the recent facts, we find no positive indication as to which of the two methods will be adopted by Russia, but we find clear indications that one of these two methods will certainly be chosen.

The Moscow-made Polish Government is the most significant precedent.

The conditions of peace in Finland may be more or less hard on financial or territorial items, but they will certainly remain in the line of the preceding offers—the occupation of Finland by the Russian soldiers and propagandists—that is to say, practically, the immediate or mediate absorption of Finland in the Union.

In Greece, it is certainly not on its own initiative that the Communist Party threw back the national union with Papandreou, accepted in Beyrouth 2 months ago by its delegates.

In Bulgaria, it is generally admitted that the coming day of the departure of the occupying forces will be the eve of a more or less avowed surrender to the "great brother."

In Serbia, nobody has the slightest doubt as to the real allegiance of Marshal Tito.

In Turkey we have witnessed the unrestrained bad humour of the Russian radio after the breaking off of the diplomatic relations with Germany. The Russian Ambassador explained himself clearly in that respect to the Bulgarian Minister: "We don't want our neighbors to keep connections with Germany. But we don't want them either to cling to an Anglo-Saxon help of which they have no need * * *."

It is useless to demonstrate the sovietic influence in Syria, Palestine, nor in freed Italy, nor in French North Africa.

One can safely say that the USSR has already put her protecting or organizing hand not only on its immediate neighbors, but even on more distant territories, beyond the limits of a stable division of Europe in two "zones of influence" (supposing that such a division could be considered as durable under any circumstances).

* * * * *

Such are the facts which have to be faced with courage.

The usual attempts to avoid these facts are lamentable:

(a) The already above-mentioned reply "This is German propaganda" is the most usual, but the question is not whether it is anyone's propaganda. It is whether it is true or not.

(b) "Russia has changed" has already been dealt with.

(c) "Let us beat Germany first, and then we will think about all that" is another escape. But what if the fact of defeating Germany to the extent that there would remain nothing but a void between the Rhine and the Russian frontier allowed the Slavs to fill that void and therefore created the danger about which one wants to "think late"? What would one say of a man who, boring a hole in his cabin wall and warned that the water will sink the ship, would answer, "I will think of that later"?

(d) Last but not less frequent is the hint "Stalin promised Roosevelt to be a good boy." It is to be hoped that there is no need to answer such an infantile escape which would considerably amuse Mr. Stalin himself.

Leaving aside those poor escapes, it appears that two and only two courses remain opened:

1. One can say that a Russian "organization" of Europe is desirable or unavoidable.

2. One can decide that a stop can and must be put to the said Russian "organization" if and when the Russian intentions are considered as beyond doubt.

But in both cases, one has to accept the consequences of the choice.

* * * * *

The first attitude is not envisaged here solely as an academic argument. If the means of an effective veto cannot be found in time, Russian control over Europe might be unavoidable and it would then be advisable to "make the best of it." Furthermore, it is the perfect right of any Stalinian Communist to consider those events as desirable. As for the non-Communists and for those who attach a price to national freedom, it would be hard to say that the process will be attractive. But it has been said by someone that "Stalinism is the worst method to attain excellent and necessary transformations." If that is true, one may have to welcome that unpleasant Russian method, if the rest of the world and its ruling classes prove themselves unable to provide less unpleasant ones. Moreover, it has been thought that finally, all the three main regimes that have appeared in this war—the planned American economy, the Nazi state and the Stalinian one—would, in spite of spectacular initial oppositions, lead the world after a century to exactly the same socialism inscribed in autonomous but federated nations (the only difference being therefore in the more or less "expensive" methods, and in the choice of the provisionally controlling nation). If that is correct, one may have to ask the survivors of the unpleasant first decades to forget their sufferances and think only of the final result.

All this has been said and can be contended.

But the logical consequences should be simultaneously adopted; the first of which would be to give up the usual thesis about the "four freedoms," the idea of "making the world safe for democracy" and the additional talk about ruling according to the gospel of St. Paul. The sooner would be the better, as it would seem really unnecessary to add mockery to the sufferances of the European nations.

* * * * *

The second solution is that of the "veto" to excessive Russian ambitions. This supposes the willingness and capacity to assemble the material and moral resources necessary to enforce the said "veto."

The difficulties are certainly not less than for the first solution:

(a) It is hardly worth emphasizing that no such veto will be effective unless backed by sufficient military forces. The Anglo-Saxon powers have not got for the moment in Europe, or in the vicinity of Europe, anything like the number of divisions required, even taking into account the overwhelming air and naval supremacy. Their population does not exclude the material possibility of the necessary divisions being trained and brought over. But it is a question whether there is a psychological possibility of such an effort. And a further question whether such an effort can be completed in due time. If the responsible Anglo-Saxon leaders cannot answer those questions by the affirmative, then arises the difficult problem of making a sort of peace (other than unconditional surrender) with some sort of German Government in order to utilize remaining German military possibilities, or at least to prevent Germany from becoming a supplementary source of soldiers and technicians for Russia. It must be clear that this is envisaged here quite apart from its intrinsic merits or dangers, solely as an unavoidable consequence, if the Anglo-Saxon powers decide to enforce a veto without being able or willing to enforce it by their own strength.

(b) But these military conditions are not the only ones. Unless deep changes are brought in the schemes of peace, it is hardly believable that an armed veto would have any chance of being supported by either Anglo-Saxon opinion, or con-

tinental opinion, in spite of the fact that organized Communists are, for the present, a minority. If the now published schemes (more or less disguised return to prewar political and economic systems—adoption of neo-Versailles solutions to Franco-German problems) are opposed to the sovietic solutions, it is to be predicted that sooner or later, exhausted by political, economic, and international crises, the majority of Europeans will welcome the Russian system as at least something that has not already been tried and has not already failed. Explaining in full the European complex in these matters would involve a separate and lengthy memorandum. It will be perhaps sufficient to point out that there are many points in the sovietic system which correspond, partially at least, to the historic stage we have reached. In short, authority must be combined with freedom, the ruling of concentrations of capital over the state must come to an end, and the moment has come for a federation of European powers, either under the unpleasant control of a dominant country, or by the free association of all countries.

Nothing short of such deep reform can constitute the moral background of an attempt to oppose sovietic ambitions on the Continent.

* * * * *

It is quite clear that both solutions raise the most intricate problems and imply painful sacrifices for a number of people.

But the worst would certainly be to try to escape those problems and sacrifices.

A day could rapidly come where everyone would feel uncomfortable as some innocent person remembers that the immediate cause of the war was the refusal to recognize partial mutilation of Poland.

And more uncomfortable still when somebody would want to know exactly why the blood of young men was shed between 1939 and 1945.

Mr. EARLE. I then came back in 1945. My work was done over there.

Mr. VORYS. Would you mind an interruption? I wondered how this document would go in the record, Mr. Chairman.

Acting Chairman MALONEY. We will not put the document in the record, but we will have copies made and give them to members of the committee, if that is satisfactory to the committee.

Mr. VORYS. With the name deleted?

Mr. EARLE. The name is all right for you gentlemen.

Mr. JARMAN. I think we had better delete the name, Governor.

Acting Chairman MALONEY. Would you be satisfied?

Mr. VORYS. Yes. I wondered how we would handle it.

Mr. EARLE. I came back to this country in 1945 and the President thanked me for my services and said that my work was finished. He wrote me a very nice letter. Then, thinking I was out of the Navy, I sat down and wrote to him to the effect that unless I heard from him to the contrary, that within a week I would publish my fear that Russia was a far greater menace than Germany ever was.

Acting Chairman MALONEY. That was what date Governor?

Mr. EARLE. I have his letter here. I can give it to you exactly. It was on March 24, 1945. I did not say I was going to publish it. I said, "unless I hear from you to the contrary." I heard from him to the contrary within 6 hours after he received the letter. The whole Naval Intelligence was out looking for me. He absolutely forbade me to say a word against Russia. He revoked his appointment to me as an emissary, and any understanding we had of being an emissary, and he also revoked the opinion that my work was through and said that he was turning me over to the Navy to use as they saw fit. They saw fit to send me to Samoa, which was as far from Moscow as he could get me. There I stayed in complete censorship until the war was over. Then I came back.

Now, Mr. Chairman, the object of these hearings is more or less on the subject of this European recovery program, is that correct?

Acting Chairman MALONEY. That is correct. I think you have qualified as a witness now.

Mr. EARLE. Thank you very much. I just want to add that with 8 years over there on the borders of Russia, I feel I got a great deal more than going to Russia proper. When you go to Russia, you hear what they want you to hear and see what they want you to see. I talked to hundreds of refugees who no longer feared being removed by the N. K. V. D. They would talk to me. I would get information from them. They were Christians, Jews, all kinds of people who came out of Russia as refugees. I got nearly all my information from them. There were literally hundreds in Turkey, Bulgaria, and Austria when I was there.

Now gentlemen, I feel very strongly that this is not a partisan meeting in any sense of the word. We are all Americans here, trying to find solution for this problem of the menace from Russia. I will not speak in a partisan vein. I wish to assure that what I say is sincere. From the bottom of my heart it is.

I also say that when I frankly believe that there is not better than an even chance that any of us will be here 5 years from today, it cannot be called a political statement. If I am right, there will be no one here to say I am right, and I will not be here to hear it. If I am wrong, I am discredited. I cannot gain. It is much better politics for a man to get up and wave the American flag and say "Nothing is going to happen to America," and "Everything will be all right." If he is right, fine. If he is wrong, nobody will be here to say he is wrong.

Now in regard to this Marshall plan, the so-called Marshall plan dollar-aid to Europe, I differ entirely with General Marshall. I think this is a military situation and not an economic situation. Now may I say this, gentlemen: The other day I received some information from different friends, different people I have known in Europe, who have come to me with facts. The other day I talked with a man who has held the most varied and distinguished offices of any American alive today. I will give you his name. I have not been authorized to use it as yet. He has been in the hospital. He said, "I hear from the old former Ministers of the First World War who are still alive and they all tell me of the complete pessimism and defeatism in Europe. They tell me that, for example, the Belgians are doing everything in their power, the ones who have the money, to find a healthy place in the Belgian Congo to live; that the French are doing everything they can do to go down to the north of Africa, and the English are doing everything they can to go to Canada, Africa, and Australia.

With that situation over there, the fear that Russia at any time might move in, and the Communists in their own countries, not so great in numbers, but in their fanaticism and their organization tremendously strong, I feel that this is a military situation more than an economic situation. I feel that if we send dollars over there to Europe, without any military guaranty that these Communists, who foment strikes, and chaos, that our money will go to feed the people that are thrown out of work by these Communists in the strikes they bring about and that our money will be just tossed away.

I also feel that if by any chance the Marshall plan did succeed, that it would be very much like the situation of Japan, when England and America and France tried to cut off Japan from her raw materials.

At that time King Boris, of Bulgaria said to me, "What do you think about relations between Japan and the United States?" I said, "War is certain. The Japanese cannot live with us cutting off their raw materials."

If by any chance the Marshall plan did start to succeed, I personally believe that Russia would simply occupy Europe.

Now, gentlemen, may I say this: Living over there for 8 years, I have some idea of the Russian mentality. Here is a typical statement on the "Bolsheviki." I prefer to use that word rather than "Russian" because the Russian people have nothing to say and know nothing about what is going on. They have government-supplied information and they picture black as white for the most part.

I like to refer to the Soviet leaders as the "Bolsheviki" leaders. Now gentlemen, let us suppose that the Russian Government issues a statement like this: "To the Government and the people of the United States: We have perfected an atomic bomb and we now have it in full production. We feel it is our duty to humanity, to civilization." These are the terms they would use—"to free the masses of Europe, oppressed by their bourgeois overlords for generations and centuries. For that reason we are going to occupy Europe, to end this slavery the masses of Europe have been undergoing. We want to say this: We want to be friends with the United States. We will respect the Monroe Doctrine. We will not come near the Americas, but, however, we want to warn the United States that 70 percent of Americans live in American cities, and 40 percent of the Russians live in cities. Therefore, you are much more vulnerable to bacteriological or atomic attack."

What would we do if Russia does that? I said that to a very prominent editor the other day and he said, "George, I don't think they will have the nerve to do it."

Well, gentlemen, that is a poor defense, a poor, weak reed to lean on, "They won't have the nerve to do it."

There is one other thing. As a matter of fact there are two other things I want to say to you. I read in the paper the other day, if I am not mistaken, that General Omar Bradley said if the Russians had the atomic bomb they would use it now. Churchill was so right about Germany when all the other statesmen were wrong. He said they would have it within 1 year. What does that add up to?

There is one other thing. I want to say to you gentlemen that Americans are great wishful thinkers. That is the thing I have had to fight since I was on this subject, on this crusade, trying to awaken our people to their great danger. They think that because of our magnificent American science perfecting a terrific atomic bomb the Soviet would not attack us because of fear of reprisal. Now let us suppose, gentlemen, they do this: In a load of sugar, or any cargo coming into New York Harbor, they put an atom bomb. Admiral Zacharias said our bombs are now fifty times as powerful as those that bombed Hiroshima and Nagasaki. The Russians will have them some day without doubt. They are in possession of the German laboratory men, technicians, and mechanics and the finest raw materials in the world. Let us suppose they send a bomb into New York Harbor hidden in a cargo. That explodes, and a territory for 50 miles is wiped out. We will lose probably 15 or 20 million people. The Soviet Government sends condolences to us saying, "This is terrible.

We had nothing to do with it." There is no evidence of any planes coming over, no evidence of submarines coming up near the coast and firing bombs. They say, "Maybe it was a shipment of TNT. Maybe it was one of your own experimental atomic bombs exploding."

What are we going to do? Fifteen million people and our greatest center of commerce, business, and industry is wiped out. Suppose they send one into Baltimore. Our President, Senate, House of Representatives, Army, Air Force generals are dead, the Admirals are dead. Where are we? Somebody said, "Why the Governors could take over." I was a Governor once of the second largest State in the country, a State we are very proud of, Mr. Chairman. I think I had 11,000 National Guard men and five planes. I had five when I started. I cracked up two, but we did have three planes left.

Those Governors are not going to stop the Russians. Now let us say they come in here and wipe out Washington. We are like a great snake with our head cut off, thrashing around impotently. I say to you, that I think it would be a very dangerous place to live at the foot of Mount Vesuvius. I think it would be a dangerous place to live on the borders of Pakistan India, in Northern China, Java, or northern Greece, but I think the two most dangerous places in the world to live today are New York, N. Y., and Washington, D. C.

About this Marshall plan, I think the European people are very pessimistic and very defeated and very low. I think if you had some kind of a military guaranty where Russia is concerned, to say to Russia if she takes one more foot of soil, it means war with the U. S., that might mean the stimulus they need. But I do not think sending dollars over there with this fanatical, well organized Communist organization, fomenting strikes and using up our money to feed the people who cannot work, I really do not think that dollars alone will be enough. The Marshall plan will be a complete failure. That is what I think.

Acting Chairman MALONEY. Well now, Governor, I think there is no one on this committee that does not realize that the Marshall plan is a gamble and the thought has been "Can we afford not to take that gamble?" Now what is your thought in that respect, providing the Marshall plan is implemented by a strong military guaranty?

Mr. EARLE. Implemented by a strong military guaranty, absolutely, I am for it, 100 percent. But just dollars alone, with nothing to assure those people over there that we are going to back them up if Russia moves in, no.

Let me give you this as an example, gentlemen. I feel this very strongly. Let us suppose that the Russians occupied Canada with all their forces, and we had no Army, Air Force, or Navy. Would you be interested in working hard to build up a business?

Acting Chairman MALONEY. Naturally I would not be.

Mr. EARLE. There is the situation of every European country outside the iron curtain.

Acting Chairman MALONEY. Mr. Vorys, do you have any questions?

Mr. VORYS. You have got us nearly scared to death, Governor. I want to say that I had the privilege of hearing you in an off-the-record talk at least 4 or 5 years ago, and your statements about the Russians were just the same in substance as to their intentions as you have stated today.

You have a very alarming record as a prophet of doom. Now of

course, what we are thinking about is what we will do. The Marshall plan has been presented to us as strengthening the economies of these countries which have the 104 divisions, which might resist the 99 Russian divisions, and the 100 satellite divisions, aimed toward the west.

In this race as to who uses the atom bomb first, if Russia is unwilling or unready, and western Europe can be strengthened, what would be your judgment as to the amount of resistance western Europe might put up to Russian aggression, or invasion?

Mr. EARLE. Well, as I say, Mr. Vorys, what I am afraid of is if the Marshall plan is really succeeding, which I do not think it will, because of their organization tactics against it, I think they would move in before it really assumed any strength of the military organization in the west. That is what I am afraid of. They would move in. You asked me what we would do. Well, now, gentlemen, I do not believe in tearing things down unless I have something to suggest in their place that I think is better. An awful lot of people attack marriage, but I have never seen anything better take its place, so I believe in it. Marriage has its draw-backs, but after all, there is nothing better.

These are my suggestions: In the first place, the strongest thing to do and the thing that probably would save our country—this is just my personal opinion and I appreciate very much your position—if the American Delegate to the United Nations made a motion in the United Nations that any nation that did not permit United Nations inspectors to go into that nation and have perfectly free access to every part of that nation for inspection for atomic, bacteriological, and other frightful new weapons, that the U. N. would drop bombs on her, supplied by us, until she did submit to the United Nations. Russia would promptly veto that. Then the United States would withdraw from the United Nations and would set up another United Nations, and with a little different name, calling upon all liberty-loving countries to join. Probably every country outside the iron curtain would join. Again the United Nations would deliver that ultimatum. Any country which does not submit to the United Nations inspection will be bombed until they do. Now, gentlemen, I say to you absolutely that is the only solution I can see. It is not a matter of acting alone. It would be the whole world outside of Russia and her satellites. That is the only solution I see.

Now in a minor way, if the American people, with their wishful thinking, and their charity to everybody, would not do that, the minor thing, which would at least give us back our self-respect about these fellows taking everything and giving nothing in return, would be to make everything reciprocal in our treatment of other countries. If they keep our newspapermen and our diplomats and everybody else practically imprisoned over there, keep theirs in prison over here. Treat every nation exactly as they treat us—complete reciprocity. I think that would restore the respect of the American people and while it would not save us from the atom bomb, which may or may not come, and I hope I am a false prophet, nevertheless that would restore the respect of the American people. Why should we give them everything they want and they treat us the way they do as does Russia and her satellites? It is so insulting to the great, kind, generous American people who saved Russia and her satellites.

Mr. VORYS. Thank you.

Acting Chairman MALONEY. Mr. Jarman.

Mr. JARMAN. Governor, I enjoyed being your guest out at Samoa very much. I am glad to see you again. I thoroughly enjoyed your testimony, although, like the gentleman from Ohio, it kind of scared me to death. But certainly if there is anybody competent to express an opinion on that subject, you certainly are the gentleman who is competent. We appreciate your coming down here and giving us your opinions. I am personally mighty glad to see you again, sir.

Mr. EARLE. Thank you very much.

Acting Chairman MALONEY. Mr. Jonkman.

Mr. JONKMAN. Well, I do not know as I am prepared to ask questions, Governor. You shock me too. How do you connect up the so-called Marshall plan with any development in Europe? What do you think is our purpose there in the Marshall plan? It certainly is not just to save starving people. It certainly is not to stop Russia, because there are too many things the other way, as preliminary steps along the lines of military lines.

Mr. EARLE. I am awfully sorry. I am far removed from any intimate knowledge of what the White House or our Chief Executive feels about these things, so you are in a much better position to answer that than I. I think the motives are that communism breeds misery and hunger and I thought the object of the Marshall plan was to try to alleviate that and help and cure that, so that communism would have less fertile ground to breed in. That is what I thought the Marshall plan was, and if it were implemented to buck those people up with a military guaranty, I think it might succeed. But the object of it is something else. You gentlemen know much more than I do. I just get mine from the papers.

Mr. JONKMAN. What I mean by that is, is there not an apparent attempt to establish a United States of Europe in substance, if not in form and fact? Does it not have all the earmarks of that?

Mr. EARLE. Well, I would say that that was certainly a possible outcome of it. I really do not know what the exact object is, except I have always understood it was a combination of something to, as I say, destroy this fertile ground for communism, misery, and hunger, and as a matter of humanitarianism for starving people. If you send it over there as a matter of aid to starving people, I have not the slightest objection to it. But if you send it there with the idea these hopeless people will reconstruct themselves against these highly organized Communists, fanatical Communists, I think the reconstruction part of it is going to fail. Now the charitable part I am for, to the extent the American people want to go. But I do not think you will get the people reconstructed. Let me say this, gentlemen: Let us suppose, for example, that there are Communist strikes all over Italy or France and certain people go after it and certain people fight it. They fight it very bitterly. Those people know that if the Russians come in they are the first ones who will perish. Now unless you have some guaranty to those people that they are not going to be purged if the Russians come in, they are not going to have their heart and soul in pushing this plan over.

I know a magazine the other day made a survey of the public opinion in, I think, Sweden or Norway, about Russia. Well, now you do not really think if you lived in Sweden and Norway and had wife and children and the Russians might take it over, any minute,

that you would really express what you really felt about the Russians. That is what is so hard for people to really understand.

Mr. JONKMAN. That is true, but you are getting down to the point I am driving at: Speaking of Norway and Sweden, and for instance, Denmark, now we know what Bevin has done, to call a meeting to see if they could not form some kind of a military alliance. We know that Sweden and I think Norway and Denmark have already expressed themselves. They are willing to go into an economic alliance, but not anything that smacks of a military alliance. Have you read that?

Mr. EARLE. I read it in the paper.

Mr. JONKMAN. For instance, we are giving, to mention only a few, \$151,000,000 to Ireland. I do not think that is to keep people from starving. We are giving \$168,000,000 to Denmark, \$32,000,000 to Norway, \$34,000,000 to Sweden. Is not the objective there to draw these nations into some kind of an alliance with perhaps a military alliance to follow?

Mr. EARLE. Well, that would seem to be fairly logical. I admit that. However, what I feel very strongly is this, that Russia, with those six or seven or eight million men under arms, is never going to permit this military upsurge of western Europe to go to any point of real strength. I think they will move in before they will permit that. I also think they will move in if they find the Marshall plan working. What are we going to do? You heard my statement. If they should suddenly announce they were going to free Europe and move into Europe, where is the Marshall plan and where are we? I do not ask our Chief Executive over in the White House to say what he is going to do about it, but I think it would be a great thing for American people to hear him say "we are prepared if it happens."

But there is the situation. What are we going to do if they move in?

Mr. JONKMAN. That is all.

Acting Chairman MALONEY. Do you care to ask any questions?

Mr. KEE. No, thank you.

Acting Chairman MALONEY. Governor, we appreciate your being here, and while you certainly have startled the committee here, it probably is good for us to be startled once in a while. We certainly appreciate your coming down here.

Mr. EARLE. In conclusion, I want to say this. I will make one added statement. There is one thing I agree with Henry Wallace on and one thing only, and that is that the half-way measures of our administration will certainly lead us into war with Russia, when Russia is ready and we are not. That is the only thing I agree with him on. I agree with the Bolshevik leaders in one thing only, and that is that in a very short time this whole world will be either in a democratic or totalitarian sphere. Of those two things I am certain.

Acting Chairman MALONEY. Well, all we can say is that we hope you are wrong.

Mr. EARLE. I hope so, too. Nobody hopes it as much as I do.

Acting Chairman MALONEY. Members of the committee, this is Mr. Edgar Ansel Mowrer, from the Society for the Prevention of World War III, Inc. It does look as if some of the people in the country do have some thought that there might be a World War III.

Go ahead, Mr. Mowrer.

STATEMENT OF EDGAR ANSEL MOWRER, ON BEHALF OF THE
SOCIETY FOR THE PREVENTION OF WORLD WAR III

Mr. MOWRER. Mr. Chairman, my friends and I wish to testify in favor of the rapid and full implementation of the ERP.

We do this because we believe that failure to do this would result in bringing the Soviet Union in power and influence to the Atlantic Ocean. We believe, furthermore, that, short of a war, control of Europe automatically confers control of Africa. And that, if we fail to do anything of this sort and the Soviet did advance as far as the Atlantic Ocean, it would constitute the most gigantic opponent and, unhappily, the most unfriendly, that the United States has ever had to face.

Are the 16 European countries ready to do their part, Mr. Chairman? I was for 27 years a foreign correspondent of the Chicago Daily News in Europe. During that period I got a pretty good acquaintance with that continent.

Incidentally, I spent 10 years in Germany, between 1923 and 1933. Since the war I have been back to Europe three times, twice in 1946 and once in 1947.

The difference between the European atmosphere in 1947, when the statesmen of western Europe had come to believe that they were going to get real American support, and their attitude in 1946 was one of the most startling that I have ever seen.

In 1946 not only the statesmen but the ordinary people were listless. They were apparently not working too hard, indifferent, despondent. In 1947 I was over for the four-power conference in London—in November and December of last year—and visited England, France, and the Netherlands.

The atmosphere had changed completely. They had recovered their faith. They talked about nothing with me—an American newspaperman—but the Marshall plan and the benefits that could come from it. They had again regained a decent living and had recovered a certain independence. Few things, therefore, have contributed already, and could contribute, so much toward the bringing about that basic change in the mental atmosphere of Europe and in the attitude of the European peoples as the certainty that the United States, with all its power and influence will stand squarely behind them.

They are therefore, for the first time, as urged by Foreign Secretary Ernest Bevin, taking common steps for common defense, something which would do more to secure the security of the United States than almost any other thing we can imagine, for immediately, as soon as you had a united western Europe that was no longer a push-over for aggression from anybody, the United States would be far more secure, than we could be by spending some of the billions that we spend for defense here at home.

Therefore, it seems to me that our failure to implement this plan would be one of the greatest political errors we could possibly commit.

There is, however, one black spot in this picture. We went all-out to break aggression by Germany and Japan. We went in late but, thank God, we did a good job. When we achieved victory, however, we found ourselves facing a new adversary, and we had a right to ask how this could come about.

Mr. Chairman, I submit that this came about because, in our exclusive concentration on breaking the unholy Axis, we failed to take those political precautions which perhaps could and should have been taken during the war.

In the same way, it would be tragic if today, in our concentration on taking proper steps to stop further expansion of the Soviet Union, we should again neglect to take reasonable precautions against a resurgence of a strong and aggressive Germany.

Let us not make any mistake, the German people are unconverted. At least as late as the end of 1947 it was the opinion of certain really dependable Germans that if all the armies were to move out, the Nazis could take over, if they dared, within 24 or 48 hours.

If we restore the European nations to health and strength they are strong enough, without any military support from the Germans, to protect themselves against any aggression.

I was in Germany, as I said, permanently from 1923 to 1933 and I saw how the Pan-Germans and the Nazis of those days worked together to sabotage coal deliveries—reparations, so-called—and then they got together with the German politicians, the German big businessmen and the German militarists, first to dupe the outside world and prevent it from knowing what they were doing, and then to seduce the outside world by commercial offers and persuade them to invest their money in Germany.

They did so, in good faith. They thought they were dealing with a pacific people. But once the Weimar Republic had served its purpose it was precipitantly kicked out and Hitler emerged as the dictator of a ruthless and predatory nation.

This had been foreseen but we failed to take steps to prevent it.

May I offer a piece of evidence which is from no less an economic authority than Herbert Hoover? In 1918—mind you, at the end of World War I—Mr. Hoover wrote:

Not content with dominion by force of arms, we find Germany plotting for commercial supremacy with that insolent disregard of the rights of others and that resort to deception that has characterized all her policies from Frederick the Great's age. Like all of Germany's plans affecting other nations entire deception depends upon conceit and superselfishness.

For 40 years the Germans have been plotting to realize their dream of pan-Germanism. They have made Germany an inherently dishonest nation.

Now—

said Mr. Hoover—

another conception comes out of the heart of Germany that threatens the commercial interests of unsuspecting nations, carefully thought out with characteristic German thoroughness, openly advocating the breaking down of ethics relying on trickery to gain their end.

Let the manufacturing and banking interests and the laboring and professional masses of all nations be warned in time to devise antidotes and counterattacks to the Machiavellian devices of a class gone mad with lust of conquest and deliberately plotting to fatten itself upon the lifeblood of other peoples even after the war.

Let us consider, in making peace, what protection we can give to the commercial existence of the free nations.

This, Mr. Chairman, was the view of Mr. Herbert Hoover at the end of World War I. I submit that he could not have better foreseen what happened, for we did not pay attention, we did not consider these elements in making peace with the Germans.

We built up the Weimar Republic and we built up Nazi Germany.

As a result, many of our boys who would be here at this time are not here now.

This situation was so clear at the end of World War II that Mr. Hoover's view was practically echoed in June 1945 by Mr. Bernard Baruch, whose testimony before the Senate Military Affairs Committee runs somewhat as follows:

Economically, this settlement—
the coming peace settlement—

should break once and for all Germany's dominance of Europe. Her war-making potential must be dismantled, many of her plants and factories shifted east and west to friendly countries and all other heavy industry destroyed, the states broken up, her exports and imports strictly controlled and German assets and business organization all over the world rooted out. To accept the view that German industrial dominance in Europe is inevitable is to resign ourselves to the return to a new cave age. We might as well begin to put our factories and plants under ground.

It seems to me that in setting up a European recovery plan to prevent the further spread of Russian power and ambitions over European peoples that want none of them, we should take this lesson to heart and we should realize that we do not have to build up a potential greater menace in the form of Germany merely because we intend to stop Russia.

In Europe once last year and twice in 1946 renewing contacts with old friends, I found that nothing had so strengthened the growth of communism in Europe as the feeling that the United States is, for some reason that Europeans cannot fathom, pro-German, and favorable to the rebuilding of Germany in Europe.

I am convinced that but for this feeling, particularly in eastern Europe, among the Slavic peoples, the Soviet Union would have had much more difficulty in inducing some of these people to accept their position behind the iron curtain. And the communists in western Europe are using our alleged pro-Germanism as their principal argument. They say to the peoples of Europe: "You do not have a choice. You either have to go along with the United States, which is plotting to rebuild imperial Germany as it was, dominating Europe completely politically and economically, or with the Soviet Union. Which do you think is worse?"

We know that this is not true. We know that we, our government and ourselves, are not pro-German. We abhor the idea of a resurgence of German power. We know that we are merely trying to take the financial load off our taxpayers and contribute to the European recovery in the real sense.

I submit, Mr. Chairman, that perhaps in so doing we should take into consideration the views of those friendly European peoples that fought on our side more than we have to date.

I submit that it is possible that the European peoples are better judges of exactly how much German industry and commerce they need to reconstruct Europe than outsiders are.

But, in any case, I know that millions of people in Europe think that we, for some mysterious reason, having bombed the daylights out of the Germans, have suddenly taken them to our bosom and wish to use them as a partner in a war against the Soviets.

Many people in Europe agree with the American member of the International Reparations Agency in Brussels, Belgium, Mr. Albert C. Carr. Mr. Carr was quoted on December 7, 1947, as saying: "Ger-

man industrial economy is still, by all odds, potentially the mightiest in Europe."

I ask you to take that into consideration when you consider what should be done in rebuilding German industry. That helps you understand why these Europeans just cannot grasp why the arsenal of Germany—the terrific concentration of industry that is in the Ruhr Valley, including those invaluable coal mines—is to be used and is being used, primarily for German recovery rather than for contributing, in the first place, to the entire European economy.

Mr. Chairman, I submit that one way to wreck the European-recovery plan, which is essential to the health of the world and of the United States, would be by stuffing the idea of a revived and economically dominant Germany down the throats of the other European countries.

And, therefore, to make the rehabilitation of Europe a real success, it seems to me that your committee might well insist that the program follow the following principles:

1. Our first consideration should be the rehabilitation of Germany's victims.

2. American policy regarding Europe's recovery should under no circumstances permit Germany again to become the economic master of Europe. (My economist friends tell me this is not necessary, and until I see a refutation of their argument I shall continue to believe it is not necessary.)

3. German heavy industry should be limited to peacetime needs as recommended in the final report of the United States Foreign Economic Administration.

4. Democratic forces in western Europe must be helped in their quest for security from future German economic and military dominance because they are the only sure friends we have in Europe, and the United States should encourage and help these countries to develop to the fullest capacity their industrial potential. Where there is a choice, in other words, the non-German countries of western Europe should be given the benefit of it.

5. Germany's coal production, which is the bloodstream of European economy, should be maximized and sufficient coal should be delivered to Germany's neighbors to enable them to meet the industrial level set at the Paris conference, the prelude to the Marshall plan.

6. Prompt reparations deliveries to the western European countries in the form of surplus capital goods; specifically, the 9,000,000 tons of surplus steel capacity which exists in the western zones of Germany and is not required for the peacetime needs of Germany should be transferred.

7. The United States should reconsider that large sum of \$1,005,000,000 for Germany now planned as part of the \$6,800,000,000 which Secretary Marshall asked be allocated for the first 15 months under the Marshall plan. This would still leave adequate funds for Germany—namely, about a one and a quarter billion appropriation for the next 15 months—in exclusive charge of the military government to help solve Germany's food and industrial problems.

8. In order to provide Europe with a means for maintaining a stable and prosperous economy, to benefit us and relieve the burden of our taxpayers, the resources of the Ruhr should be placed under the joint

ownership and control of the victorious democracies. I mean, by that, taken away from Germany and kept away from Germany until, at some future time, perhaps, Germany will be recertified for full membership in the family of nations.

9. And finally, in the case of a western European federation, which seems to me "a consummation devoutly to be wished," Germany should be admitted not as a united and overbearing state but as a group of independent states. Otherwise the European continental countries will hesitate to take the risk of entering such a federation and they will thereby again fall under German domination.

That is about what I have to say.

Acting Chairman MALONEY. May I make one observation?

Germany, after the First World War was not physically damaged badly. Now, after the Second World War, Germany has had much damage and it is wrecked. Would that have any effect on the thinking of the people there as to a future world war?

Mr. MOWRER. In my judgment, it has brought about one effect upon them. It has intensified their desire to overturn their position of inferiority, if necessary, by force.

Mr. Chairman, I went back to a Germany where I spent 10 years. I hunted up old friends and talked to everybody I could in the street. My German is good enough for that. I went around hoping to find the signs of a different spirit. Everywhere I met a people that was repentant of one thing: of having lost the war; and who was saying, in 1946, that it was better under Hitler and refusing to admit that not the United States bombers but Adolf Hitler was responsible for the ruin that lay all around.

I remember returning home one night to headquarters in Berlin with a German jeep driver—a former banker who had been reduced by the war to his state and was pretty sore about it. In coming through a particularly ruinous part, he said: "That is what you did to us." I said: "No, we didn't do it." He said: "Who did?" I said: "Adolf Hitler started it and we carried it out." But he said: "What do you mean?" "Well," I said, "did you never hear of Coventry and Rotterdam? Do you know who started this bombing?" "Yes," he said, "but those were not German cities."

That is a factual story that happened. That is typical of the attitude of this once great people that has been so besotted by Nazi propaganda and nationalism and ambition to rule that they just cannot snap out of it.

Acting Chairman MALONEY. Yes.

Gentlemen, shall we limit the questions to 5 minutes? There are a good many more members here. Without objection, we will do that.

Mr. CHIPERFIELD. I regret I did not hear the statement, so if you will excuse me—

Acting Chairman MALONEY. Mr. Vorys.

Mr. VORYS. That was a very interesting statement, Mr. Mowrer, and your long residence in Germany qualifies you to talk with authority about Germany just as your long study in Europe qualifies you to talk about Europe.

Here is the problem we face, and, it seems to me, Europe faces: You mentioned that German industrial economy is still the mightiest in Europe.

Mr. MOWRER. I quoted an American expert on that.

Mr. VORYS. I presume you would be inclined to agree with him.

Mr. MOWRER. My friends say it is 75 percent of what it was at its peak. I am not personally prepared to judge.

Mr. VORYS. Now, one of the points you made was that Germany must not be permitted to become the economic master of Europe. From our standpoint—I mean the standpoint of the United States—we want the mightiest industrial part of Europe to function full blast for the benefit of Europe. If, as we understand, it is in Germany, then it ought to function for the benefit of Europe and of the United States and mankind.

A lot of us do not think, if that is the way Europe is set up, that there is time or the means on this planet to go in and reorganize Europe so as to have the mightiest economy some place else, but that the important thing is to have such controls existing in western Europe that Germany never again will become a military threat or that the Germans will not become the masters of Europe through cartels or other controls.

Now, is there not some way or other to have Germany rebuilt as a going concern for the benefit of western Europe, not just for the benefit of Germany?

Mr. MOWRER. Mr. Vorys, as one who watched the increasingly fruitless attempts of the Allied Control Commission to prevent this after the last war, I might answer by saying that people's interest in controlling a former enemy grow cold as the years pass and the memories fade.

As for the economic side, I would ask the chairman if he would permit my colleague, Dr. Jean Pajus, who is the economic adviser of the Society to Prevent World War III, to answer the Congressman sitting beside me.

Acting Chairman MALONEY. There is no objection.

STATEMENT OF JEAN PAJUS, ECONOMIC ADVISER, SOCIETY TO PREVENT WORLD WAR III

Mr. PAJUS. Mr. Chairman, I would like to answer the question you raised before—namely, about the impression people have when they enter Germany. It was exactly my impression, when I entered Hoechst, Germany with General Eisenhower's troops a few miles from Frankfurt, because you could see the offices and houses destroyed.

Naturally, as a man who has been working on economic warfare for 4 years in Washington before I joined the Army with the FEA, I was anxious to see to what extent Germany is in a position to wage war again.

I believe I have the answer for you, Mr. Chairman, if you do not mind my quoting some statistics here. According to the United States Strategic Banking Survey, who entered Germany immediately after the downfall, the experts have arrived at the conclusion that Germany today—or, that is, as it was in 1945, immediately after we entered—had a basic economy which was absolutely not destroyed during the bombing. And in order to prove it, they made calculations regarding the technical plants. Namely, they arrived at the conclusion that, Germany had at least 19 million tons of steel capacity.

Well, when you consider, Mr. Chairman, that France's capacity is about 7 or 8 million tons, Britain's capacity is about 15 million tons,

at most, you will immediately arrive at the conclusion that Germany's capacity today is, roughly speaking, equal to the combined capacities of both France and England, and, after all, you make war with steel.

The next thing. These experts tell us that Germany has the second largest nitrogen capacity still standing—that means immediately behind the United States.

Third. After all, you make war with machine tools. Germany today has over 4 million tons of machine tools, roughly speaking, 10 times as much as Germany had in 1936.

Germany has the most powerful synthetic industry in Europe, largely left undamaged.

Germany has a completely undamaged coal-tar industry. That means the chemical industry.

Germany still has two-thirds of her ball-bearing capacity, and that means the Germans plus the Swedes control the entire ball-bearing industry of Europe. And in this connection, since I was the United States adviser on the ball-bearing industry in the investigation we had in 1944, when we tried to knock out Schweinfurt, I was anxious to see what had happened to the industry after we lost 190 Flying Fortresses and about 2,000 American boys.

Mr. CHIPERFIELD. How are your figures affected by the reparations and the dismantling or dismantling of plants, and so forth?

Mr. PAJUS. Not in the slightest. To begin with, when you speak of reparations, both Sir Brian Robertson and General Clay said that the total reparations earmarked, as of today, 682 plants, constitute less than 1 percent of Germany's total.

Western Germany's number of plants is 50,000. Therefore, sir, if you eliminate the 682 plants, and even though you admit that we have given the Russians part of our ball-bearing plants, Germany still will have something like two-thirds of the prewar ball-bearing industry and the tremendous war potential.

In this connection, sir, may I tell you something which is rather quite close to my heart. You will recall that the French did not have the planes and the aluminum, and so forth, in 1939. Well, now, during my investigations of the ball-bearing industry, the cartel which controls the entire ball-bearing industry in Europe—the Swedish-German cartel—I discovered that as early as 1929, when the Germans got hold of the entire ball-bearing industry in Europe, they decided that for every ball bearing which the French were making the Germans would make four.

Now, sir, I am not an engineer myself, but as an economist I can tell you, since everything that moves must move on ball bearings, and since the Germans, as of 1929, before Hitler came to power, had already decreed the death of France by controlling the output of the ball bearings, it is immediately clear why, if we leave the ball-bearing plants to Germany to be used again, and especially if we do not eliminate the cartels—and I can prove this contention very quickly—you are going to leave exactly the same war potential and the same people in power—the same people who did all the harm to us.

Mr. VORYS. I am very much interested in the statement on the economic end of it. But I do hope that in the course of further questions or answers to them we will get around to the answer to this one: Why, if it is wise to have western European control of the Ruhr, if that is a sound principle—and there is certainly much to make a

strong principle of it—is that not an argument for a western European union of which I would think Germany could be a part? If it is good to have the Ruhr run by western European collaboration for the benefit of all western Europe, then why is it not a good thing to have the rest of the economy of western Europe controlled by western Europe rather than by the United States, Russia or Germany?

Mr. PAJUS. May I answer your question by pointing out that at the present moment the man who is running the steel industry in Germany is the man who paid millions of marks to the Nazi party chiefs? His name is Heinrich Dinkelbach. He is the financial brain of the Vereinigte Stahlwerke. He is a notorious Nazi. He was the man who helped to enslave Europe. When the British entered Germany his combine was immediately approached by the British authorities, and his son, who was a major in the SS and was in a concentration camp in Britain, was later on ordered released. And over a year ago this man, the man who was the spokesman for the Nazi heavy industry, Mr. Chairman, and helped to make the German Nazi machine what it was, was appointed to head the entire iron and steel industry for the Ruhr.

Dinkelbach and his friends control the greatest steel works in Europe, the second largest after the United States. These are the people who still control the 19,000,000 tons of steel capacity Germany has. Dinkelbach's combine also controls the coal of Germany.

Now, Mr. Vorys, here is the problem in a nutshell. When you quite correctly suggest that we internationalize or institute a control over the Ruhr, obviously I assume you mean the coal and the steel, and the chemical industries, because after all, what western Europe needs is coal. Surely the American taxpayer cannot benefit by a scheme whereby the Europeans have to pay \$23 a ton for coal to be imported from the United States. Witness the plight of the French. After all, we, as taxpayers pay the money. When the French pay \$23 for a ton of coal, as far as I can calculate it, we pay the \$23.

After all, you Congressmen voted recently to give interim aid to France. So long as Mr. Dinkelbach, a prominent Nazi, controls the steel and the coal that means he will do exactly what he did after the First World War. If you want me to be specific about it, in the 1930's, when Germany wanted to chloroform her neighbors—such as France, Belgium, Holland-Luxemburg, and so forth—she withheld the coal. When the French did not get the coal they had to ship the iron ore to the Germans.

Dinkelbach was not denazified. The cartels were not eliminated.

Take the case of the man who was appointed recently to run the British administration of the coal, the North German Control Commission. His name is Heinrich Kost. He is a Nazi. His membership dates back to 1933 or '34—that is, at a time when the German industrialists were not forced to be members of the Nazi party. Later on everybody had to do so more or less. Kost joined voluntarily. He represents the famous Haniel combine, which controls coal and steel, locomotives and rolling stock, and so forth.

This is the man who was appointed to run the coal industry.

Now, Mr. Vorys, I submit that it is impossible to expect any fairness from Mr. Kost. I would like to submit that it is not fair that such a man should be in control of the coal. Specifically, having studied the requirements and the program and plans of the 16 nations after they

had submitted their findings to you gentlemen, I find that they call for the full development of their own industries so they would be taken off our necks, as it were. Yet, I noticed that our military authorities, when they presented the coal findings—which were prepared by the Germans—have stated that Germany in 1951, having received 40 percent of the moneys which will be spent on rebuilding the mining industries in Europe—Germany gets 40 percent of it—Germany, after receiving 40 percent, will supply Europe with 5,500,000 tons of coke only. The plan submitted by the 16 nations calls for a production of steel which will require much more than 5,800,000 tons of coke. The French program alone calls for over 12,000,000 tons of steel. Belgium-Luxemburg call for 7,800,000 tons of steel.

It is impossible for them to meet their stated quotas, because the coal will not be given to them. If they do not have the coke and coal, Mr. Chairman, they will not produce their steel products. Then they will come to us for aid and in the meantime we will have again built up a tremendous war machine, such as the German war machine was in the 30's. We have not eliminated the Nazis or the cartels. We have left the 16 nations entirely at the mercy of these people. Consequently, it would seem to me that the internationalization of the Ruhr that you suggested is the only way out, specifically because these nations will be free from the German economic domination, dictating to them how many tons of coal they can get, as they did in the past.

Then, too, letting this coal to be used by the 16 nations plus Germany, that would mean that they, the 16 nations, would be able to control Germany's war potential, also they would be able to meet their quotas and thus make it easier on the American taxpayers.

Acting Chairman MALONEY. Mr. Kee.

Mr. KEE. Pursuing that subject a little further, you seem to reduce the matter to the question of control over there by personalities rather than governments. Who, or what organization or government is responsible for placing all this power in the hands of these men?

Mr. PAJUS. I am glad you asked me that question. To begin with, we were told that the cartels were abolished. I have a record of that in the New York Times as of January 9. Well, the cartels, of course, were not abolished. I have the evidence right here. This was clearly stated in the World Report magazine, December 9, 1947, and there is plenty of other evidence. The reason the cartels were not eliminated and the reason such bad people were appointed was a simple one. The British apparently did not think that it was necessary to denazify Germany, and they felt that they would be in a better position to go ahead with their plans, if they had some of their old friends, meaning the German industrialists, running the show.

For instance, sir, I am glad you asked this question for another reason: As an economist and an American, I was shocked in 1939 when the famous Dusseldorf agreement was announced. I am sure, sir, you will recall that said episode in our life. At that time the agreement was made, the same "gentleman," Mr. Dinklebach, was among those who represented the German heavy industry, and the man who later represented Britain in Germany, Sir Percy Mills. He was one of the representatives of the Federation of British Industries.

In 1939 the Dusseldorf meeting decided what should be done about

the economy of Europe. Incidentally, it was exactly St. Patrick's Day, 1939, when Mr. Hitler occupied Prague.

When Sir Percy Mills entered Germany in 1945, he felt the best people to run Germany's postwar economy were exactly the "gentlemen" or "gentleman" I mentioned. They were never de-Nazified.

That Düsseldorf agreement of 1939, entered into by the Federation of British Industries and the Federation of the Heavy Industries of Germany, was aimed at the United States interests, because the purpose of the Düsseldorf agreement was to kick the United States out of Europe completely.

Now, sir, I submit that they had no right to do so. Obviously when Germany was defeated the man who should have been tried as a war criminal, Dinkelbach, should have been immediately placed in jail instead of being nominated as the head of the industry.

When we protested against such inequities, we were told we had no jurisdiction in the matter and as a matter of fact, sir, Sir Brian Robertson later on flatly stated that the British had no intention of proceeding with the decartelization of the German industry.

That means that the British Government specifically wanted to continue Germany's participation in international cartels.

I have but one answer to give you as an economist on that. The very same interests in Britain who are fighting against the decent international control of the Ruhr were those who, during the war, in Washington, said they must have the control of the Ruhr for themselves.

I was in the Government at that time, sir. When we pressed the British for an answer to the question why we should not have Germany controlled internationally—the answer was, "We know much more and much better about the Germans because they are our neighbors; we have always lived with them; we have always traded with them and we can get along with them much better than you Americans can. Why? Because you will get tired, most likely, and get out, but we will remain as their neighbors."

The reason the British remain is because way back they invested plenty of money in the Ruhr. So did the Bank of International Settlements of Basel, Switzerland. The Bank, although an international bank, was and still is tied up with the heavy industry in Germany.

They would like to, I suppose, salvage their money if they can. That is why they insisted on managing the Ruhr, and as Mr. Vorys intimated, they probably did not do such a good job of managing the Ruhr.

Be that as it may, we have a terrible legacy. The cartels are intact practically. The cartel people who have chloroformed the nations before, are still there. They are the same men who planned to split up among themselves the French industry, the Belgian industry, and the industry of Luxembourg. They did that exactly and divided the steel industry of northern Europe among them. The very same men will again run the German heavy industry if we don't watch it. Nothing good can come out of it.

I further submit that if they are left in the control of Germany the Marshall plan must fail because what will happen will be this: You will build up a German Titan again. This German Titan has

always been ruthless against us. We will repeat the mistakes of the twenties and thirties.

What will happen to our exports, later? After all, we will have to live, too. The price of steel will not always be as high as it is now. It is inevitable that we will encounter tremendous competition from the German heavy industry.

Mr. KEY. If you are correct in your description, it looks like we need a housecleaning over there.

Mr. PAJUS. Yes, sir; I have all the evidence to prove every contention I make.

Mr. JONKMAN. Are those cartels in any way responsible for the failure to produce coal in the Ruhr?

Mr. PAJUS. Yes, sir.

While in Germany we went to talk to a man who was the Minister President in 1946 of the North Rhine Province, which happens to produce most of the coal. His name was Mr. or Dr. Lehr. We asked him, "Why is it you do not produce more coal?" We told him that the Poles had suffered just as badly as the Germans and were producing much more coal than before and they have the same food conditions, housing conditions, and what not. The answer was, "So long as we are not allowed to go ahead full blast with our heavy industries, why should we produce coal for export? We are anxious to rebuild our own heavy industry." That man was not removed from the government for making the statements.

Mr. MOWRER. I watched German workmen in 1923 refuse to produce coal as reparations, with a misplaced patriotic sense. They will not work for foreigners unless they are compelled to.

Mr. JONKMAN. That does not connect up with cartels, though.

Mr. MOWRER. That connects up with the general picture. If the people above and below are not interested in increasing coal production, it cannot come up.

Mr. JONKMAN. How can the owners of these coal mines obstruct the production of coal, as against the Allied Council and things like that?

Mr. PAJUS. Here is the answer, sir, as reported in a World Report, as of December 9 or December 16, rather, of 1947:

German administrators are running to the allied advisers on all matters, even on so minor a question as whether to permit German editors to make an inspection visit. Allied officials take the position that they will not interfere in administrative reparations and will give advice only when asked.

The sum and substance of this article, here, speaking about Mr. Kost and the cartels and what they are doing is, that the Germans have the entire management and run the coal industry. We do not interfere with them.

As a matter of fact, I will give you the exact description and the names of the cartels functioning in all the three zones, the United States, British, and French.

Specifically, when you speak about coal, the British told us they have already eliminated the north German coal control. Actually, the entire coal cartel, the most vicious German coal cartel, the Rheinisch Westphalische Kohlen Syndikat, was reestablished under the name of Ruhrkohlen Zentrale. They dole out every pound of coal, and nobody interferes with their activities.

I can give you the name of the one running the American side and also the French side.

Consequently, it is obvious that the cartels are doing exactly what they did for over 50 years, controlling the German output and distribution of coal.

Mr. JONKMAN. That is all, Mr. Chairman.

Acting Chairman MALONEY. Mr. Jarman.

Mr. JARMAN. I have no questions.

Acting Chairman MALONEY. Mr. Smith.

Mr. SMITH. I have no questions.

Acting Chairman MALONEY. I want to thank you gentlemen very much for coming in here. I think you have told us something we have not had raised in the committee before.

Mr. VORYS. I would like to ask the last witness if he has any supporting data which should be filed, which was not given in full, here, that might be placed in the record.

Acting Chairman MALONEY. Without objection, we will permit them to submit for the record any information that they have within the next 5 days.

Mr. VORYS. Yes. Many of these matters brought up require investigation by our committee, in following up, and therefore I would hope that we could have even a more full statement in the record of the cartels and the individuals supporting them, along with some concrete evidence that we could study more intelligently than we have time to do today.

Acting Chairman MALONEY. Will you submit that?

Mr. PAJUS. Yes, sir.

I have prepared a resolution on the internationalization of the Ruhr. Shall I submit it now?

Acting Chairman MALONEY. We will be glad to put that in the record as your resolution.

Mr. PAJUS. May I send it along with the whole statement?

Acting Chairman MALONEY. I think we better have this right here, if there is no objection.

Mr. PAJUS. This is a resolution on internationalization of the Ruhr:

Whereas the official public-opinion polls conducted in western Germany revealed that the German people have not experienced a moral conversion, and that a majority is completely indifferent to the democratic ideas and ideals and is ready to follow a fuehrer; and

Whereas most of the prewar industrial and financial leaders who were behind Hitler's war drive have resumed their former positions of power within the German banks and industry; and

Whereas the leaders of the German heavy industries have utilized their tremendous power to dominate the European economy of the thirties in an effort to pave the way for Hitler's ultimate military drive for the conquest of Europe; and

Whereas the industrial leaders profited enormously from Germany's unscrupulous trading methods such as the use of export subsidies, barter agreements, bilateral trade agreements, the multiple standard of the German currency, and other unethical devices; and

Whereas for over 50 years the German economy has been dominated by monopolies and cartels which were closely linked with the German General Staff and the nationalistic German Government; and

Whereas the German industries have utilized their participation in international cartels to weaken the economies of their neighbors and to make their resistance to ultimate German aggression ineffective; and

Whereas the Ruhr constitutes the principal element of German war potential which is largely based on the iron, coal, and chemical industries; and

Whereas the Germans designated by the allied military government to assume responsibility for the production of the Ruhr coal and steel—Heinrich Kost and

Heinrich Dinkelbach—have both been prominently identified with the Nazi Party since the advent of the Hitler regime and both having been very active in the German, as well as in international, cartels; and

Whereas in the past the German coal and steel cartels have utilized the control over these commodities to prevent their neighbors from developing their own steel industries by withholding the supply of coal or by making its delivery price prohibitive to them; and

Whereas the success of the Marshall plan depends upon an adequate supply of coal to the 16 member nations so that they can meet their stated goals in their efforts to reestablish their capital industries and to produce the items essential to their recovery; and

Whereas it is imperative to alleviate the load of the American taxpayer by making it possible for the 16 nations to develop the capital industries to their fullest capacity; and

Whereas the 16 member nations of the Marshall plan have unanimously expressed their strongest apprehension lest the German economy be allowed again to develop to the detriment of other European countries; and

Whereas the resources of the Ruhr are essential to rehabilitation of Europe, including Germany herself, and must never again be used in such a way as to constitute a threat to European security: Now be it

Resolved, that—

(a) The ownership of the coal, steel, and chemical industries of the Ruhr and Rhineland be vested in an international consortium consisting of Germany's victims, members of the Marshall plan.

(b) That this consortium take over all of Germany's coal, steel, and chemical resources in the Ruhr and Rhineland from private or public ownership and fix the amount of compensation, if any, to those private and/or public owners.

(c) That the consortium set up a commission to administer the resources of the Ruhr, all decisions to be made by a majority vote.

(d) That the management of these coal, steel, and chemical resources consist of reliable personnel not formerly connected with German or international cartels and appointed by the governments of the members of the international consortium.

(e) That the commission allocate all coal and steel products in the Ruhr and Rhineland on a percentage basis to the various nations, including Germany herself, requiring this coal and steel to meet their stated goals stipulated by the Paris Conference of the 16 nations in 1947.

Mr. VORYS. That is a resolution that you recommend be adopted? Is it not a draft resolution?

Mr. PAJUS. That is right.

Acting Chairman MALONEY. Without objection, any further information, facts, and evidence these witnesses care to submit for the record will be included in the record at this point.

(The information requested is as follows:)

ANALYSIS OF STATEMENT SUBMITTED TO THE HOUSE FOREIGN RELATIONS COMMITTEE BY THE SOCIETY FOR THE PREVENTION OF WORLD WAR III, INC., FEBRUARY 12, 1948

In common with the rest of the American people, we firmly believe that Europe must be helped to get on its feet again. We are in complete agreement with Secretary of State Marshall that it is in our self-interest to aid in the recovery of Europe, especially the countries that have suffered for 5 years from German occupation.

Secretary Marshall, speaking about the recovery of Europe from Chicago, on November 18, 1947, stressed the necessity of the restoration of the German economy. "The restoration of Europe," he said, "involves the restoration of Germany. Without the revival of German production, there can be no revival of European economy."

Conscious of the danger involved in the revival of German economy, the Secretary of State cautioned the Nation by urging that "we must be very careful to see that a revived Germany can never again threaten the European community." Not only did the Secretary of State remind us that there are great difficulties involved in the implementation of this policy, but he also recommended that "there is an imperative necessity of safeguards to insure that the economic power

of Germany shall not be used by the future German Government as a weapon for the furtherance of exclusively Germany policy." The nature of the safeguards has not been told the American people.

Having studied for years the German problem and having made a study of the Marshall plan and especially Germany's share in it, we are sincerely convinced that these safeguards must be spelled out before we embark upon the revival of the German economy.

On June 25, 1947, former Under Secretary Dean Acheson, who was prominently connected with the formulation of the Marshall plan, said, "Putting in working order the German production is considered by the American Government as the cornerstone of the plan which the European countries will be able to elaborate within the framework of the Marshall plan." From Mr. Acheson's statement, it is apparent that we are about to embark on a policy of rewarding our enemies and punishing our friends. Germany's neighbors and our only friends in western Europe are getting the impression that their security is being jeopardized.

We believe that we speak for the American people when we categorically declare that the Germany of 1948 cannot be made the cornerstone of Europe. We also firmly believe that most of the 16 nations which met in Paris last summer will never willingly accept Dean Acheson's views. In fact, these 16 nations have plainly expressed their views about Germany in the following language: "The German economy must not be allowed to develop to the detriment of other European countries as it was done in the past, but, if European cooperation is to be effective, the German economy must be fitted into the European economy so that it may contribute to a general improvement in the standard of living. In particular, the output of the Ruhr coal fields, which is essential to the European economy as a whole, must not again be used by Germany in such a way as to constitute a threat to European security, but must contribute to the rehabilitation of economic stability of the whole of Europe, including Germany herself. The increased production and export of Ruhr coal is, in fact, essential for European recovery and both coal and coke should be fairly distributed between those countries, including Germany, which depend upon the Ruhr for their supplies."

We believe that the American people will fully subscribe to the views expressed by the 16 nations. They will subscribe to these views because they have learned their lessons from the past two world wars and because they have been educated by the United States Government and by the findings presented to the United States Senate in 1945 and 1946 by the Foreign Economic Administration.

Basic to the whole problem of security is the aspect of economic security from future German aggression.

Few Americans today will question the self-evident truth that the ability to wage a large scale war is as dependent upon industrial and economic resources as it is dependent on military weapons.

The control of Germany's industrial potential is based on realistic considerations which have nothing in common with a "hard" or a "soft" peace. It is derived from a recognition of the direct relation of certain types of industrial potentials and economic weapons to a national war-making power. This was amply demonstrated during World War II.

The first protection against lawlessness is to disarm the lawless persons. A second and equally essential protection is to prevent those who are lawless from reacquiring the power and capacity to forge any new weapons with which they can again menace society.

It is for these reasons that a new method for controlling Germany's ability must be devised. It must be distinguished from the orthodox and strictly military problem of regulating Germany's armed forces or initially confiscating her finished munitions and aircraft, as was done after the last war and as is now again proposed by some Americans who refuse to learn the lesson. The most lasting form of economic and industrial controls would be one with the minimum amount of damage to the economic fabric of Europe and with the maximum amount of administrative feasibility.

Germany must be given an economy for peace. This can be accomplished by making a thorough analysis of all the branches of her economy, and by granting her the means of having a standard of living not superior to that of her neighbors. The control of Germany's economy should be designed to continue on an indefinite basis until the nations of the world feel that the pacification of the German mind and people is so assured that special protective devices need no longer be maintained.

Two and a half years have passed since this fundamental policy was laid down by the United States Government. We submit that there has been no evidence

presented to prove that Germany has changed in the 2½ years and that she is now fit to become the cornerstone of the new Europe. The American member of the Inter-Allied Reparations Agency in Brussels, Belgium, Mr. Albert Carr, made it quite explicit on December 7, 1947, when he said "The German industrial economy is still by all odds potentially the mightiest in Europe." Mr. Carr merely amplified the analysis submitted to the United States Senate by the Foreign Economic Administration 2 years earlier where it was plainly stated that "If we were to leave Germany to her own devices and not to institute a program of economic and industrial disarmament, Germany could be far better prepared for war within 5 years than she was in 1939" (p. 560 in *A Program for German Economic and Industrial Disarmament*, April 1946).

Germany is still so powerful because the democratic nations made the fundamental mistake after World War I, when Germany's economy was left intact as a result of which, in the years from 1920 to 1929, Germany built her modern industrial plants, repaired her rolling stock, erected many power plants, replaced installations and equipment in the majority of her commercial enterprises and supplied herself with modern machine industries and motor equipment. These were the years of overexpansion in the heavy industries. A capacity was built up in these industries that considerably exceeded civilian needs during these years. Steel was consumed in much larger quantities than a peacetime economy would warrant.

Because we failed to take into account the German economic potential after World War I, Hitler was in a position to utilize the tremendous potential left to him by the German Republic to further his war aims. And because Hitler's war machine was so tremendous, the German war potential is today substantially as the American member of the Inter-Allied Reparations Agency reported on December 7, 1947. Contrary to the popular belief spread by the same interests which wanted us to forget the lessons of World War I and of World War II, and which now say that Germany is economically destroyed, it is a fact that the size of the existing German industrial plant is enormous. All of it is still part of a huge industrial machine which was originally established and used for war and can again be used for war. The following economic realities speak for themselves.

Dyes.—Germany, less than four times the size of New York State, has one dye plant that can turn out almost as much dye in 1 year as all the plants in the United States together. Not one of its windows has been shattered. During the Second World War, it turned out great quantities of chemical materials for ordinance. It is in operative condition today.

Steel.—Germany's economic power after World War I was based on her tremendous steel industry. Mr. Carr stated on December 7, 1947, that in 1938 Germany had an estimated steel production capacity of 24,000,000 tons per year. This steel capacity was greatly enlarged during the war. In 1932 Germany produced only about 4,000,000 tons of steel, including that used to manufacture goods for export. Today practically all of the great iron and steel furnaces of Germany are ready for operation or can be in operation with minor repairs. Since Germany's capacity to produce steel is equal to that of France and Britain combined, it is clear that the mere existence of such a capacity is an invitation to war.

With reference to Germany's present-day steel capacity, the representative of the Inter-Allied Reparations Agency made the following statement in his article of December 7, 1947, in the *New York Times*:

"In 1938 Germany had a steel production capacity of 24,000,000 tons * * *. Since the equivalent capacity of 1938 had been greatly enlarged by 5 years of war preparations, Germany, therefore, still has a far larger industrial plant than when Hitler took power. Many experts believe that if Germany were allowed to resume production without restraints, within 10 years she would again be economic overlord of Europe."

Nitrogen.—In 1936-37 the world output of chemical nitrogen was about 2.6 million metric tons. Germany's share in 1939 was 1.6 million tons. It was this enormous capacity that enabled the demolitoin bombing of Warsaw, Paris, Stalingrad, and Coventry. The largest part of the nitrogen capacity remains or can be rebuilt in a short time, thus threatening the security of western Europe again.

Coal tar.—In 1937 Germany's coke ovens, which provided the coke byproducts also necessary for explosives, produced almost as much coal tar as all the coke ovens of the United States combined. From coal tar are derived thousands of chemical compounds important to all industries. The German capacity is now considerably greater than 1937 and was not materially reduced during World War II.

Fibers.—During the Hitler regime, Germany largely became self-sufficient in her synthetic fiber industries. Before his regime, she used to import about 400,000 tons of cotton. It is estimated that Germany's rayon factories have a combined capacity of at least 450,000 metric tons. Thus, she no longer has to worry about her cotton being cut off during war. Her synthetic fiber industry has suffered little permanent damage, and today Germany is still in a position to produce very great quantities of essential synthetic materials.

In 1933, the year that Hitler came to power, Germany imported 50,000 to 60,000 tons of rubber. Best estimates show that German synthetic rubber capacity today is over 100,000 tons.

Petroleum.—In 1934 Germany consumed about 4,000,000 tons of petroleum products. In 1944, Germany produced 1,000,000 tons of natural petroleum and about 5,500,000 tons of synthetic oil. Although the petroleum industry suffered damage during the war, a large part of her capacity to produce synthetic petroleum is still left.

Aluminum.—In 1933 Germany's capacity to manufacture aluminum was about 40,000 tons a year. In fact, in 1933, Germany's output was only 19,000 tons. Today, best estimates show that her capacity to produce aluminum is in the neighborhood of 250,000 tons.

Coal.—Germany never had many raw materials essential to wage war. However, she had coal in abundance to make up for her deficiencies. Coal is the material required for the synthetic gasoline industry, the nitrogen industry, the dye industry, the pharmaceutical industry, the plastic industry, and many other industries that provide substitutes for the resources that Germany lacks. How important Germany's coal production was can be seen from the fact that in 1933 Germany's production of her coal was about 109,000,000 tons and in 1938, under the stimulus of Hitler's 4-year plan for war, her hard coal production rose to 185,000,000 tons. Even with the tremendous requirements of Hitler's war machine Germany, in 1937, was able to export to her neighboring countries 45,000,000 tons of coal and briquets.

Perhaps the most important element for a nation's war-making capacity is its ability to manufacture machine tools. A nation superior in machine tools is possessed with the potential of instruments of war that surpasses the importance of the ability to produce soldiers. One tool may be equivalent to hundreds of workers. How important Germany's machine-tool capacity was can be gaged by the fact that in 1938 Germany, with a population of 70,000,000 persons, had a machine-tool inventory and a machine-tool capacity larger than that of the United States. Germany had developed her manufacturing industries far beyond her own consumption needs. Because of the predominance of her machine-tool industry she was in a position to dominate Europe as she was the main source of supply of those machine tools. Best estimates show that Germany, at the present time, has more than 4,000,000 tons of machine tools and a vastly undamaged capacity for new machine-tool production. As matters stand today, Germany with the exception of the United States, is the outstanding armament machine shop in the world.

The list of Germany existing industrial war potential extends to other fields such as shipping, shipbuilding, ball bearings, electrical power, electronic equipment, precision and optical equipment, and a vast striking array of primary and subcontractors in the direct armament field. Also pertinent to this problem is the fact that in 1944 Germany achieved the highest level of production in her entire history.

From the above it is clear that Germany's war potential exists despite the crushing military defeat we have inflicted upon her. It is also clear that we must learn our lesson. We neglected to learn it after World War I because the disarmament provisions of the treaty of peace aimed merely at reducing the standing military forces of Germany and the amount of direct military equipment which they could retain and which could be manufactured for them. This was the same approach which was taken during the 1920's at the various international disarmament conferences at which attempts were made to persuade the major powers to reduce their military establishments and their manufacture of articles of war.

As regards the German economic power, we refused to pay attention to it largely thanks to the activities of pro-German interests. Typical instances are provided in the case of some American investment houses and their policies of making loans to rebuild the German economic power. In the middle twenties, in spite of repeated warnings from our Ambassador Alanson Houghton, the house of Dillon-Reed & Co. of New York, made huge loans to the Vereinigte Stahlwerke

to enable the formation of the largest steel company and cartel in Germany and in Europe, and which finally succeeded in dominating Europe's economy. The capacity of the Vereinigte Stahlwerke to produce steel today is about 10,000,000 tons—or one Germany company alone can produce all the steel allowed Germany under the Anglo-American agreement of September 1947.

In the same prewar period a number of American concerns invested heavily in the German future. General Motors acquired and developed the Opel Works at the cost of more than \$30,000,000. I. T. & T. bought into various German corporations, Standard Oil and other companies signed cartel agreements with I. G. Farben, etc.

Thus, it is not strange that at the beginning of the war, some Americans with German ties assured their German friends that they would hold the bag for them in the United States during American neutrality, and would resume their pleasant and profitable business associations as soon as hostilities ended (New York Herald-Tribune, July 31, 1945).

When Germany surrendered, American representatives of these corporations immediately appeared on the scene in the Army or with assimilated rank on various Government committees and councils or as advisers charged with preventing the revival of Germany's industrial power. This has been frequently noted in the press for the past 2½ years.

It is noteworthy that Brig. Gen. William Draper of Dillon-Reed Co.—the same company which advanced the huge loan to erect the biggest steel combine in Germany—the money, incidentally, was never repaid by the Germans—was taken out of the Pacific theater in the spring of 1945 and was sent to Germany with the American military government, where he served as Director of the Economic Division and as Economic Adviser to General Clay until recently.

There were other officials with German connections who went to Germany soon after her defeat. Among these were Col. Sosthenes Behn, Kenneth Stockton, and Mark Stundstrom of I. T. & T.; Charles H. Powell of Westinghouse; Brandon Grover, former head of Socony Vacuum of Rumania; Robert McConnell, formerly of the General Aniline & Film Co.; Peter Hoagland, formerly representing General Motors in Germany; Graeme Howard, also of General Motors; and Rufus J. Wysor, formerly of Republic Steel.

Upon entering Dusseldorf in the spring of 1945 uniformed officials of the United States Strategic Bombing Survey assured the leading industrialists of Germany that a bridge of friends was formed to protest the German heavy industry (preliminary analysis of the Stahl Union's method of pursuing foreign assets, Finance Division, Headquarters United States Control Council in Germany).

Many German criminal industrialists were left at their posts. The distribution of coal, Germany's most important raw material needed to reconstitute Europe, was left in the hands of the old German coal cartel. It was evident from the very beginning of our occupation of Germany that most of the top officials were not in sympathy with the idea of eliminating permanently Germany's war potential, nor were they in sympathy with the idea of controlling and restoring to peacetime needs the production of metals, chemicals, machines, and other items which the development of a war potential would require.

When the opposition of some of the top officials became known to General Eisenhower, the latter was forced to order all American officials to obey and loyally carry out the official policy fixed by the Big Three.

On October 13, 1945, in obvious reply to criticism leveled at some of his officials accused of going to Germany to propagandize against the decision of the Big Three, General Eisenhower issued the following statement:

"Any man in my organization whom I believe is not executing our policy with his heart as well as his head and hands will be placed in a job where he won't need his heart."

This notwithstanding, Dean Calvin Hoover of Duke University, just before returning to the United States, prepared for General Draper and circulated throughout his division of the Economic Division, an elaborate study to prove the impracticability of our policy (New York Times, October 7, 1945). Then on October 15, 1945, one Don Humphrey, also of Duke University, circulated a memorandum throughout the Economic Division in Berlin, arguing the inexpediency of exporting coal from Germany in spite of the fact that "the claims of the nations importing coal are persuasive, and that for the moment we are operating under a directive." Mr. Humphrey's thesis was that Germany should hold her coal because its use for manufacturing German goods for export would bring more outside money into Germany than the export of coal and other raw materials. This is fallacious because for the coal exported from Germany the French have

been receiving only a very small fraction of their coal requirements and thus been forced to pay \$23 a ton for United States coal. If Germany exported 50,000,000 tons of Ruhr coal per annum as compared to 45,000,000 tons in 1937, it would give her \$800,000,000 to \$900,000,000 in foreign exchange with which to import food and other raw materials. Such coal export is a physical possibility because, contrary to popular belief, the German coal mines have not suffered great damage and most of them have already been repaired.

Germany could produce and export more coal if we eliminate the vested interests from the industry and from politics. Germany could emulate Poland. Polish coal production in Upper Silesia has jumped from 38,000,000 to 59,000,000 tons in 1947, although the Polish miners have been receiving the same rations as the Germans. Moreover, Polish authorities say that they can produce 90,000,000 tons with better machinery and transport. The bald fact is that the essential element for the rebuilding of the shattered economy of Germany's victims is coal, and if Germany can prolong the economic prostration while her coal is used first to rebuild her heavy industries, she will emerge years ahead of her victims as the dominant economic power of western Europe, with a war potential practically unimpaired by defeat. So it was after World War I.

Very little has been accomplished by General Draper and his Economic Division during the 2½ years of occupation which would prejudice such a German effort, and much has been done to help it along with the following results:

(a) Germany's heavy industry is largely intact, and the industrialists are planning to revive the entire German industry just as they did after World War I.

(b) The leaders of German industry and large commercial banks have retained full control of their interests.

(c) With the exception of those very few who are now being tried in the United States zone, most of Germany's economic and political leaders have, so far, escaped justice.

The well-known magazine, *World Report*, published by David Lawrence reported on December 16, 1947, that Heinrich Kost was appointed to the position of general manager in charge of reviving the coal production in the Ruhr. The report also stated that the industrial recovery of all western Europe, as well as Germany, depended upon his effort.

Heinrich Kost was a member of the Nazi Party since 1934, years before the Nazi Party pressure on the businessmen to take out memberships. Previously Kost was general director of Rheinpreussen, one of the largest of the Ruhr's coal companies. The Rheinpreussen Co. is an integral part of the Gutehoffnungshütte, A. G. which in turn forms a part of the famous Haniel Trust, one of the largest concerns of Germany dealing with coal, steel, rolling stock, etc. The Haniel family has enriched itself tremendously during the Nazi regime. Heinrich Kost has been connected with the Haniel Trust for a number of years during World War II and in the prewar period. The cartels with which Heinrich Kost was associated financed Hitler's rise to power, and later on prepared Germany for aggressive war.

For the above reasons Kost's appointment was very severely criticized by his fellow Germans.

Speaking about the new German administration of the coal industry which is so vital to the recovery of Europe, the *World Report* made the following comment:

"Allied officials take the position that they will not interfere in administrative operations and will give advice only when asked."

It is noteworthy that among the Germans placed in high position with the new German Ruhr Coal Commission, one finds Reinhard H. E. Wuester, also a former Nazi. Among the representatives of German owners of coal mines, the outstanding name is that of Baron Waldemar Von Oppenheim, a Nazi banker and a close friend and collaborator of Baron Kurt Von Schroeder, the man who brought Hitler and Von Papen together.

The chief of the trustee administration of the north German iron and steel control is the notorious Heinrich Dinkelbach. He was the financial brains behind the notorious German steel combine, Vereinigte Stahlwerke. Records found by the military authorities in 1945 in the office of the Vereinigte Stahlwerke in Dusseldorf, show that Dinkelbach was closely allied with the Nazi Party for a number of years. When Dinkelbach was appointed to become the super-manager of the Ruhr industry by the British authorities in October 1946, his membership and activities in the Nazi Party were deliberately overlooked. Soon after he came to power and by virtue of his new position, he succeeded in freeing 27 of the 31 high officials of the Vereinigte Stahlwerke who were previously

arrested as notorious Nazis. The well-known London weekly, *News Review*, of August 7, 1947, described Dinkelbach's present position in the following terms:

"Herr Heinrich Dinkelbach holds in Germany today the place once occupied by such powerful figures as Alfred Krupp, Hugo Stinnes, and August Thyssen. He is their direct successor. He is the Ruhr industrial magnate of 1947. Within the limits of disarmament and a four power level of industrial projects, he is reorganizing the whole set-up. He had the same kind of job under the Nazis from 1933 to 1939."

Two years after World War I, Germany paid in goods and services and by other means, 8,000,000,000 marks in reparations. Two years after Germany's surrender only 31 mechanical, 3 chemical, 2 electrical, and 1 mine installation plant have been delivered to 18 nations as of June 30, 1947 (report by Inter-Allied Reparations Agency, Brussels, Belgium). The latest figures published by the United States Government reveal that only 682 plants in western Germany would be dismantled for reparations. In other words, Germany will pay reparations of about 1 percent of the estimated 50,000 plants she still has. The very same Inter-Allied Reparations Agency in Brussels calculated that Germany inflicted \$300,000,000,000 worth of damage on her neighboring nations.

To illustrate the tremendous damage done by Germany to her neighbors it will suffice to state the case of machine tools again. While Germany was master of France she took 80,000 machine tools from that country alone. Holland, for instance, lost 10,000 harbor installation units. Two and a half years after Germany's collapse, France has been able to recover only 10,000 machine tools out of the 80,000 taken by Germany. From these figures alone, it is clear that Germany has today a tremendous advantage over her neighbors. Should the present policy continue, it is apparent that the 18 nations will not be able to recoup what they have lost during Germany's occupation (p. 43, *Soundings*, London, England, December 1947).

Up to the present writing, the total residual value of German plants delivered to Germany's victims is 252 millions of Reichsmarks or \$63,000,000.

Former Assistant Secretary of War, Petersen, testifying before a congressional committee in February 1947, stated that "We have destroyed nothing that could have been turned to commercial advantage in our zone. In the United States zone we have destroyed only five or six powder plants." In the British zone only 7 percent of the tank, aircraft, artillery, and other factories termed dangerous by allied experts have been dismantled (report to the Foreign Ministers, Moscow, March 1947, by the British commander.)

Nor has the denazification program been carried out since the record shows that top Nazis have been released after questioning and allowed to retain their business relations. Of the numerous criminal industrialists, only Friedrich Flick, Hitler's secret chief munitions maker, was sentenced to only 7 years, while Baron Von Schroeder, general in the SS was released by the British. It was Baron Von Schroeder who put Hitler in power by bringing him and Von Papen together at his home. Hitler's chief spy in the United States in 1940, G. A. Westrick, was released July 1947.

The American people have learned what the German cartels have done to their economy. Secretary of War Kenneth Royall, stated on January 8, 1948, that "We have abolished the pernicious cartels." The *World Report* of December 9, 1947, categorically refutes this by reporting that the German cartels and monopolies are showing up again in occupied Germany, and flatly says that "Little has been accomplished toward the occupation goal of breaking up the 69 trusts that once controlled German industry." That same report also states that a plan is already afoot to rebuild the infamous I. G. Farben while its leaders are being tried for war crimes at Nuremberg.

The report of the decartelization branch of OMGUS dealing with the survey of Germany's major industries in the United States zone corroborates the statement made by the *World Report* of December 9, 1947, by saying that the functions of the coal cartel "do not appear to be greatly different from those it performed in the final phase of the war." As regards the British zone, very little has been done to abolish the pernicious cartels. Although the most notorious German coal cartel, the Rheinisch Westfaelische Kohlen Syndikat has been officially dissolved by the British, the decartelization branch flatly states "that the function of the organization has been taken over by the Ruhr-Kohlen Zentrale" (p. 22, vol. 2).

As far as the French zone is concerned, the mines of the Saar have been placed in the hands of the commission Francaise Des Mines de la Sarre, an agency created by the French military government. The distribution of French coal in

the French zone which was formerly monopolized by the Kohlen Kontor Weyhenmeyer has been turned over to a recently formed organization known as the Union Charbonniere Rhenane. This concern is reported to be owned jointly by the Saar Gruben A. G., the operating company in the Saar, and a group of French importers, and it has been granted exclusive rights for the Ruhr and Saar coal within the French zone. Consequently, so far as the consumer is concerned, the present arrangement does not differ from the time when the coal trade in the Saar was completely dominated by the Rheinisch Westfaelische Kohlen Syndikat.

It is clear from the above that nothing but the name has changed and that the German cartels are operating as before. It is also clear that article 12 of the Potsdam agreement which calls for the abolition of German cartels has remained a dead letter.

Abroad, Germany's cartel friends have been active, unmolested. The International Steel Cartel of Luxembourg, established in 1926 by the German heavy industry is active again and its head, Aloys Meyer, who has been Germany's representative for 20 years of that cartel, is still at his post (New York Sun, January 21, 1947).

The foregoing facts are not confidential. They are notorious and well known to our friends and foes alike. Certainly we may expect our friends and foes to be a little skeptical of our German motives when the actions of our official representatives are a broad reversal of our original policies.

In the light of the foregoing it is clear that the plan to rebuild the German heavy industries as they were in 1936—agreed upon September 1947 by both Britain and the United States—does not take into consideration the inherent danger involved. An analysis of the German economy of 1936 clearly shows that it was a war economy—an economy described by Goering as one wherein the Germans had to consume less butter in order to produce more guns. The German economy of the twenties was artificially fostered by the German republic. It was costly to the Germans and it was tragic in its consequences to the world at large. As it was, the German heavy industry of the twenties could not subsist unless it received tremendous subsidies from the Government in the form of protective tariffs, tax rebates, and direct subsidies. Because of the fact that Germany's industrialists were afraid to lose the Government subsidies they were forced to exert all their pressure upon the German Government to embark upon policies which would make the existence of a large German steel industry necessary, regardless of economic justification. This constant pressure of the German industry finally resulted in a policy of aggression.

As soon as the industrialists realized the possibilities of Nazism, they made use of Hitler's chauvinism to further their aims. Hence it is clear that a restoration of the German heavy industry of the twenties or thirties, as now contemplated, will inevitably restore the conditions which have, time and again, forced the German heavy industries to play the role of the strongest promoter of the forces of aggression. It is equally clear why the 16 nations in Paris recommended that "The German economy must not be allowed to develop to the detriment of other European nations, as it has done in the past."

It is no exaggeration, therefore, to say that the success of the Marshall plan depends on the control and the allocation of Germany's coal from the Ruhr. When the 16 nations submitted their report to the United States, they recommended that France, in the year 1951, shall produce 12,700,000 tons of steel compared to 6,200,000 tons in 1938; Belgium-Luxemburg should produce 7,900,000 tons instead of 3,800,000 tons as they did in 1938, and the United Kingdom's production should increase from 10,600,000 tons to 15,000,000 in 1951. The 16 nations have also agreed that the Ruhr should produce only 10,000,000 tons of steel as against 17,000,000 tons in 1938.

One cannot say that these figures are exaggerated. There is no reason on earth why Germany's neighbors should not produce their own steel products rather than continue to be at the mercy of the German cartels, as was the case in the thirties. After all, one of the major United States aims during the war was to free Europe from Germany's economic domination.

However, the goals set by the 16 nations in the summer of 1947 cannot be met so long as they don't obtain the coal and coke from Germany. Before the war, when Germany was preparing for war, her industrialists paved the way by withholding coal and coke from her prospective victims, and by forcing them to purchase many of their required steel products from Germany.

With this in mind the Harriman report of November 12, 1947, came out in favor of rebuilding the heavy industries of Germany's neighbors first. On page 12 the report says, "As between steel production in Germany and an equivalent steel production in France, the priority should go the latter."

A close analysis of the proposed coal program will reveal that the present plans of rebuilding the western Europe countries do not provide the ways and means of implementing this recommendation of the Harriman committee. For instance, the report of the 16 nations reveals that \$3,560,000,000 will be allocated to the European coal industry to cover the requirements of coal-mining equipment of all categories. Of this sum, western Germany will receive \$1,414,000,000; the United Kingdom, \$1,042,000,000, the rest going to other countries. Taking into account that the Ruhr mines were newly equipped during the period of 1922-26, and that in the thirties and during World War II, the process of mechanization proceeded, an investment of so large an amount—40 percent of the total—is bound to favor Germany more than any other country. One would assume, therefore, that Germany would be in a position to export to her neighbors larger quantities of coal than in the thirties.

The report of the 16 nations stresses the increases in British coal production in 1951; it tells us of the increased exports of coal from Britain, but it is silent about the export of coal from Germany; and as far as export of German coal for 1949—only 21,000,000 tons is expected or less than 50 percent of the year 1937. If this policy is adhered to, it is plain that the steel industries of Germany's neighbors—France, Belgium, Luxemburg, Holland, and the other countries—will not be in a position to manufacture their stated quotas of steel in 1951. It follows, therefore, that Germany will be favored at the expense of her neighbors. Moreover, the net effect of this policy will be that Germany's steel production will reach the proportions of 1938, thus making Germany the dominating country in Europe again.

The recovery of western Europe depends on Germany's exports of coke. According to the Paris report, in 1951 Germany will export 5½ million tons of coke while her total production is slated to be 29,000,000 tons. In this connection it is pertinent to point out that in 1938 western Germany produced 36,700,000 tons of coke—or 8,000,000 tons more than the slated production for 1951. Since Germany in 1929 exported 10,000,000 tons of coke, and in 1938—a time of intensive war preparation—she was still able to provide her neighbors with 6,000,000 tons of coke, it is clear that the low export and production of coke in 1951 is intended to favor Germany at the expense of her neighbors.

Another indication of the trend to rebuild Germany first is shown in the recommendation of the military authorities in Germany to request France to return to Germany 24,000 railroad cars. Considering that during the occupation Germany took from France an infinitely greater quantity of railroad cars, this request cannot but retard the recovery of France.

It is asserted in many quarters that Germany must be rebuilt first, because she will be in a position to supply her neighbors with industrial goods. There is no reason why Germany's neighbors should not manufacture these very same items. They have the capacity; they have the skill and they have the will to become independent from German economic domination. Thus, it is only fair to ask why France should be forced to ship 3 tons of iron ore from Lorraine to produce 1 ton of steel in Germany, whereas France could produce the very same steel if Germany were to supply 1 ton of coke to France. Moreover, it is essential that the rebuilding of Europe be accomplished at the least possible cost to the United States taxpayers. For instance, the Anglo-French discussion last year revealed the data presented by French engineers to prove that the cost of producing 1 ton of Thomas steel in the Ruhr is 86.3 prewar marks, whereas the same ton of steel can be produced in the Lorraine mills for 53.3 prewar marks. Moreover, these engineers claim that the Lorraine mills would require less coke than the German mills. This being the case, the American taxpayer is entitled to know why Germany should not produce more coke for export and why Europe should pay higher prices for steel produced in Germany.

As early as August 29, 1947, the Christian Science Monitor, of Boston, indicated what the result of the French efforts to have their own steel industry rebuilt was going to be. "The Anglo-American figure for German steel is a target which depends on coal and unless there is a phenomenal result from the new Anglo-American joint management of the coal mines, all signs point to German steel being given priority in practice."

It is frequently asserted that the restoration of German industry is indispensable to the European economy. The advocates of this theory claim that the revival of the Ruhr will substantially alleviate our financial burden. Here lies the greatest fallacy. If we allow the Ruhr to revive to her prewar capacity, it will follow that the Ruhr will absorb almost all the coal that Germany can produce. Meanwhile, Germany's neighbors will be deprived of the coal, thus retarding their

own economic recovery. Assuming, however, that Germany can immediately deliver the products of her heavy industries to her neighbors, her neighbors will be in no position to pay for those goods because the European countries do not have the dollars nor can they expect to have them in the near future, because they can obtain dollars only if they can produce goods for export. In order to produce goods for export, Germany's neighbors need German coal. The sad truth is that today, and in the foreseeable future, Germany's neighbors will have neither the markets nor the dollars with which to pay for the German goods. Moreover, all the western European countries want to produce goods for export. The net result will be that Germany will rebuild her Ruhr industries at the expense of the American taxpayer and with little benefit to the European economy in the short run.

It is clear from the foregoing that so long as the right to security by Germany's neighbors is denied, the European recovery program cannot accomplish its stated aims. We cannot and must not reward our enemies and punish our friends.

We believe it is appropriate to insert here a statement made September 21, 1947, by the former Under Secretary of State, Sumner Welles: "The Marshall plan will not be worth the paper it is written on unless the democracies of western Europe are assured of their safety from any new German aggression and unless the Ruhr's coal and steel become an intrinsic part of the economy of all of western Europe rather than that of Germany alone" (St. Louis Post-Dispatch, September 21, 1947).

Last but not least, the problem of safeguards in which the American people are interested essentially lies in the control of the Ruhr industries. The Ruhr is the backbone of the German industrial structure. The nation that has the control of the Ruhr, is master of Europe and is master of the coal, steel, chemical, and other industries. The two world wars have definitely proven that the present masters of Germany cannot be entrusted with the care and control of the Ruhr. That is why it is imperative that a scheme for the control of the Ruhr be considered along with the recovery of Europe.

In a recent article in the United States licensed newspaper *Der Tagesspiegel* in Berlin, much space was devoted to the resurgence of "neo-Nazism." Even some German denazification officials have admitted that the genuine democrat is hopelessly submerged in the wilderness of Nazi ideology and lust for conquest which still rules German thinking. The enmity of most Germans toward our way of life is reflected particularly in the sabotage which is ceaselessly perpetrated by the Germans against allied policy. A few weeks ago, for instance, the Allied Bi-Partite Commission issued a three-page statement denouncing the Germans for seeking to cast reflections on the occupation authorities. This statement pointed out that the food shortages in Germany today are largely the result of deliberate acts of sabotage on the part of the Germans themselves. The report made the startling revelation that during 1947, 6,319,000 heads of German cattle had disappeared and presumably are being sold on the black market.

Several months ago the *New York Times* reported that the government of Wuerttemberg-Baden had underestimated its grain crop by 62 percent. The correspondent for the *New York Times* stated: "That the German estimates were intentionally misleading is a charge that has been made repeatedly by Americans privately and by urban Germans publicly. The motivation for such sabotage of the attempts to feed the Germans in an equitable fashion, would be twofold: The desire to retain a proportion of the crop for sale at wicked prices in the black market, and a parallel desire to discredit the military government and its satellite German Government in the eyes of the Germans generally. But not only have the Germans sabotaged the production and distribution of indigenous foodstuffs, they have also resorted to the sabotage of Ruhr coal production which is 50 percent below prewar levels, and as Walter Lippmann pointed out several weeks ago in one of his columns, about 20 percent of the coal produced in the Ruhr disappears.

The same situation holds true regarding American shipments of cotton to Germany. Thousands of bales of cotton disappeared before reaching the German factories for processing. Likewise, it is well known that the German workers aided and encouraged by their leaders are actively engaged in sabotaging the reparations program which is so essential for the economic rehabilitation of Germany's victims.

These concrete facts reflect the state of mind of the Germans who have demonstrated no intentions whatsoever of cooperating in the rebuilding of a viable economy in western Europe which would prevent Germany from dominating the economies of her neighbors. Of course, the Germans will cooperate but they make one provision, namely, that the lion share of all American aid go to them. In this

way they can reconstitute their economic power and thereby block our help to the democratic forces in western Europe.

Germany's neighbors are well aware of these facts. They tremble at the thought that ERP may turn out to be a facade behind which the German powerhouse will be reinvigorated.

Revived industrial power could lead to a revival of Germany's military power and is furthermore, in the eyes of all Europeans, from right to left both undesirable and unnecessary. The French, for instance, think that they can better be trusted with European steel production than can Europe's twofold aggressors.

The Belgians and Dutch, as well as the French, see no valid reason why the vital Ruhr Valley industry should not be placed permanently under a European consortium. Germany's victims distrust any sort of Marshall plan aimed at European recovery around Germany and they note that each time the western European countries seem on the verge of swinging wholeheartedly into the western camp, American officials come out with some act that strengthens the western European Communists.

The Society earnestly believes that if ERP is influenced by the wishes and misconceptions of the Germany Firsters, then the basic aims enunciated by the Secretary of State will be seriously jeopardized. ERP has as one of its objectives to prevent the further inroads of communism. But everyone knows that the forces of communism were strengthened after Munich. Appeasing the Germans has produced more Communists than any other single policy in the world. If we repeat the same policy by allowing ERP to degenerate into an economic Munich—what can prevent Germany's victims from turning to the Communists for the answers? Every French worker who has to get along with 200 grams of bread daily, knows that the German ration is 300 grams. Every Frenchman knows that while France received during 12 months 771,000 tons of foodstuffs from the United States against payment in gold, the Germans obtained, during the year 1947, about 4,300,000 tons of food without having to pay 1 cent for it.

Dare we blind ourselves to reality? Dare we refuse to acknowledge the fact that the peoples in Europe of all political faiths still have a deep-rooted and natural fear of Germany? As Germany's victims remain flat on their backs and watch the Germany Firsters bow and scrape before the Germans, that fear instead of decreasing will inevitably increase and can easily be turned into a new upsurge toward extremist ideologies.

Let us not forget that the present economic crisis in western Europe was intensified by the devastations of World War II, but actually it had its roots in the political and economic relationships which have obtained in that continent for more than 25 years. These economic relationships have placed Germany as economic master of Europe and have been the major cause of instability and war.

European recovery has been retarded, in a large measure, by our failure to make Germany contribute in kind for the devastations she has wrought on her neighbors.

For 2½ years the victims of German aggression have waited for reparations and for the promised shipments of substantial quantities of coal from Germany. The failure to deliver has upset their plans for reconstruction which contemplated the utilization of Germany's surplus productive capacity. This has not been forthcoming and, instead, our policy with regard to Germany seems to indicate that very little will be done in this matter.

The contention that German production can solve the present economic crisis in Europe implies that Germany's victims will be rehabilitated through the purchase of German-made machinery and the proceeds of German exports shall be partially used to reimburse the American taxpayer. But the American taxpayer is not told that, as an additional burden, he will have to provide Germany's victims with the necessary dollars to pay for German exports. This is the logic of the Germany First argument which is supposed to save the American taxpayer from a crushing burden and put western Europe on its feet. Actually, it would represent a vast subsidy for the rebuilding of German economic and ultimately political hegemony in western Europe. Such a political and economic structure can only be maintained by continual drains on the American taxpayer, and will fall to pieces with our withdrawal.

Moreover, such an unjustifiable emphasis upon the reconstruction of Germany, irrespective of such steps as the United Nations may evolve for the political reconstruction of Europe, puts a grave and unnecessary burden upon America for the unilateral guaranty of Europe's future peace and order.

The Society for the Prevention of World War III believes that the basic principle for ERP should aim at reversing the economic and political trends of the past 25 years which have placed Germany in the key role as economic dictator of

Europe. This principle was established by the State Department itself on December 12, 1945. In its statement on that date, the State Department declared that it was the determination of the United States to—

(a) Weaken effectively the economic base from which war industry could be derived until a peaceful democratic government is firmly established in Germany;

(b) Provide material assistance to UN countries which have suffered from Nazi aggression and which now face tasks of rehabilitation and reconstruction from the damage of war;

(c) Insure that, in the recovery from economic chaos left by war in Europe, the aggressor nation, Germany, shall not reconstitute a peacetime standard of living at an earlier date than the countries ravaged by German arms.

While firmly supporting these over-all goals, the society points out that in allocating a billion \$5,000,000 to Germany (as part of the 6 billion 800 million requested) plus over a billion dollars a year for food and commodities to be sent to Germany, the share of Germany amounts to more than 28 percent of the total to be appropriated for the next 15 months for Europe. This places a heavy obligation on the American taxpayer for the rebuilding of an enemy country, who, through strikes and sabotage of its coal and food production, is jeopardizing its own revival. From a moral point of view, this is indefensible and unsound, and will certainly be utilized by those who oppose ERP as proof that our plans for European recovery are a facade behind which the German powerhouse will be reinvigorated.

Since Germany's threat to world peace lies not in her own capacity to wage an independent war within the next quarter of a century, but in her value as a partner in any future world conflict, it is important that her bargaining power as such a partner be kept to a minimum. Let us give some thought to the possible alliance between Russian communism and German technology, between Russian manpower and a strong industrialized Germany.

For all these reasons, the Society for the Prevention of World War III feels that there is every justification for withdrawing the \$1,005,000,000 allocated for Germany as part of the \$6,800,000,000. This would leave the military government, through \$1,250,000,000 appropriations for the next 15 months, in the exclusive charge of aiding Germany to solve its food and industrial problem.

We have mentioned before that many notorious Nazis and former Hitler supporters remain in key positions in Germany's industrial set-up. A partial list of the names and backgrounds of these industrialists was published in the October-November 1947 issue of our magazine, *Prevent World War III*, which is herewith submitted as part of the record:

1. *Alfred Hugenberg*

Alfred Hugenberg was one of the most heavy contributors to the Nazi Party funds. He was a member of the first Hitler cabinet. Since the defeat of Germany, he has been very active in the German steel cartel and especially active as chairman of the board of the Vereinigte Stahlwerke, the biggest steel combine in Europe and the second largest in the world. On December 4, 1946, when the British authorities were asked why they did not denazify and remove Hugenberg from the Vereinigte Stahlwerke, the British authorities answered: "It takes a vote of the shareholders of the company to remove him as board chairman."

Hugenberg has not been removed, and has been very active in the rehabilitation of the German steel industry in the Ruhr.

2. *Dr. Ernst Poensgen*

The spokesman for the German heavy industry, Vereinigte Stahlwerke and the coal industry has been for more than 30 years, Ernst Poensgen. He is now 77 years old. He was retired in 1943 under the express orders of Hitler in order to use his services in case of the defeat of Nazi Germany. For his outstanding services to the Nazi cause, he was decorated by Hitler personally with the title of Wehrwirtschaftsfuehrer—the highest decoration given to big Nazi tycoons. Ernst Poensgen founded the International Steel Cartel in 1926. In 1939, Ernst Poensgen, as spokesman for the Germany heavy industry, negotiated the famous Dusseldorf agreement with the representatives of the British heavy industries, Sir Percy Mills and Sir Andrew Duncan, dividing the world into two spheres for German-British economic exploitation.

Sir Percy Mills was, until recently, the head of the economic division in the British zone. Because of Poensgen's intimate tie-ups with the British heavy industry, he was reappointed head of the Vereinigte Stahlwerke 5 months ago. Thus, today he is in a position to continue his nefarious work against the interests of peace and in a position to rebuild Germany's war potential. Although he was a

member of the Nazi Party, he was never denazified, and now heads the reconstruction of Germany's war potential. In 1940, before France's downfall, Poensgen was appointed by general of the SS, Otto Steinbrink, to plan the distribution of the French heavy industry among the German steel magnates.

3. *Heinrich Dinkelbach*

Heinrich Dinkelbach is a notorious Nazi, and a member of the board of directors of the Vereinigte Stahlwerke and one who has worked in the closest possible association with Ernst Poensgen to build up Germany's war machine. Not only has he not been arrested, but he is now director of the iron and steel industry in the British zone operating from North Cumberland House in Dusseldorf—the house used to be called the Stahlhaus, up to 2 years ago. By virtue of his new position, he succeeded in freeing 27 of the 31 high officials of the Vereinigte Stahlwerke who were previously arrested as notorious Nazis.

4. *Robert Pferdmenges*

Once known as the richest man in Germany, Pferdmenges has been the head of a very important bank in Cologne and a close collaborator and friend of Baron von Schroeder, the midwife of nazism. Pferdmenges had actively collaborated with von Schroeder and like von Schroeder, is a Nazi. Today, he is a member of the new German Bi-Zonal Economic Council, in spite of his notorious past.

5. *Herman Abs*

The big commercial banks in Germany headed by the Deutsche Bank are again in operation. These big banks have played a tremendous role in making the Nazi regime what it was. The head of the Deutsche Bank is Herman Abs, who, under the Nazi regime, was more powerful even than Schacht. Two days before the fall of Berlin, Herman Abs was given facilities to go through the British lines with 7 billions of marks cash in order to establish his business in Hamburg, in the British zone. Ever since he has been acting as adviser on economics and finances to the commander of the British zone, Sir Sholto Douglas. In 1946, the Deutsche Bank, with the help of the Dresdner Bank, granted a loan of 125,000,000 Reichsmarks to the Vereinigte Stahlwerke for the purpose of repairing their damaged plants.

6. *Wilhelm Zangen*

Wilhelm Zangen was the brains behind the notorious Mannesmann combine which has played a tremendous role in foreign politics and the expansionist plans of Germany for many years.

William Zangen has been the chief administrator for the Mannesmann combine since 1933, immediately after Hitler's coming to power. Zangen was a very prominent member of the Nazi high command. Zangen is now working very closely with the British authorities trying to revive the German tube industry and the international tube cartel of Europe.

7. *Rudiger Schmidt*

Rudiger Schmidt was, and is, the brains behind Harpener Bergbau, one of the most important iron and coal components of the Frederick Flick concern. While Flick is now being tried as a war criminal, Schmidt has been in charge of the Rheinisch-Westphalische Kohlen Syndikat, the biggest coal cartel in Germany.

Nothing has happened to the cartel which controls 75 percent of Germany's hard coal production. Rudiger Schmidt, although a Nazi was placed in charge of the export division of the R. W. K. S. shortly after the occupying powers entered Germany. He has been closely tied up with the international coal cartel and the British coal interests.

8. *Dr. Wolf Witzleben*

Dr. Witzleben has been one of the highest officials of the Siemens Electrical Trust, the biggest in Germany and the most important electrical trust in Europe. The Siemens Co. was instrumental in installing the most efficient gas chambers and electrical devices for the purpose of exterminating the victims in Auschwitz and Buchenwald.

He is a very prominent Nazi and had close contacts with the high Nazi officials. Despite the fact that he was found guilty of the crimes by German denazification courts, the British authorities insisted that he be returned to the company because his services were indispensable. He is now active again, collaborating with Dr. Philip Jessen, the financial and political genius of the company, in coordinating the operations of the Siemens Co., in the four occupied zones of Germany.

9. *Johan Benkert*

Johan Benkert has been the engineer assisting Witzleben in devising the most efficient instruments to exterminate victims in the concentration camps. He, too, was convicted by the denazification courts, but ordered reinstated to his former post by the British authorities.

10. *Bruno Pohlmann*

Bruno Pohlman has been an engineer working very closely with Benkert and Witzleben. He was convicted by the German courts for the same crimes and ordered reinstated to his former post along with Benkert and Witzleben. All three were also found guilty of having used slave labor and of having committed atrocities against workers in the concentration camps at Buchenwald and Auschwitz.

11. *Dr. Harold Rasch*

The idea of procuring RFC loans to Germany was elaborated by Harold Rasch who was deputy director of the German Bi-Zonal Committee up to a few months ago. The same Harold Rasch was, during the war, the administrator of the Mannesmann combine which was the chief looter of occupied Europe in 1940. Not only was he not arrested as a war criminal but was also appointed deputy director of the German Bi-Zonal Economic Committee. Although Rasch is no longer with the German Economic Committee, his plans for priming German industry with billions coming from RFC, and his ideas for rebuilding German heavy industry are beginning to materialize.

12. *Helmuth Vits*

Helmuth Vits is the brains behind the Vereinigte Glanzstoff Fabriken, the rayon combine of Germany, and was closely identified with the economic plans elaborated for the Nazi regime. The VGF has several branches in the United States but these German branches have been cloaked as American and the cloaking was done by Helmuth Vits. Vits is a notorious Nazi but was never denazified and the VGF is very active again—particularly in the British zone and Vits himself is acting as adviser to the British zone for the purpose of rehabilitating the rayon industry.

13. *Dr. Reinhold Maier*

Dr. Maier was appointed Minister President of Wurttemberg-Baden. In 1933 he was a member in the Reichstag and voted in favor of giving Hitler full powers. When he voted for Hitler, he made the following comment:

"It is our hope and desire that the German people under Nazi leadership may bring the struggle to win freedom and new strength to a successful conclusion. We feel ourselves as one with the views expressed by Hitler here today."

When Dr. Maier was asked what he was going to do about the decartelization program he replied: "There is really nothing much to worry about now. Cartels are only effective where there is overproduction. German industry is not now overproducing."

14. *Wilhelm Simfendoerfer*

Wilhelm Simfendoerfer was a well-known propagandist during the Hitler regime. The Laenderrat of Wurttemberg-Baden approved the appointment of Simfendoerfer as Minister of Culture on the strength of Maier's statement that he was indispensable to the success of administering Wurttemberg-Baden.

15. *Dr. Joseph Baumgartner*

Minister of Agriculture of Bavaria—Dr. Baumgartner, in a recent speech made before leaders of the Christian Socialist Union at a secret meeting in Munich, echoed the lies of Hitler and Goebbels. He bluntly boasted that he would sabotage American military government directives. He declared in part, "I am absolutely opposed to the export of additional valuable food into other laender (states) of the American zone or into the British zone. * * * It was simply decided by the Bi-Zonal Food Agency that Bavaria would have to furnish so and so many thousands of tons of fat within such and such a time. I refused, of course. The result was that these gentlemen got behind General Muller (Brig. Gen. Walter J. Muller, USMG of Bavaria) who ordered me to supply the fat. My answer was: You can of course put me in jail but I will not obey even this order of yours. * * * But almost the greatest difficulty is in the fact—I hope we are among ourselves—that today almost only third and fourth-rate Americans are here in Germany * * * it can be observed everywhere that the majority of important Americans here consist of Free Masons and Jews. * * *"

16. *Hans von Schlange-Schoeningen*

Schlange-Schoeningen is a close personal friend of Alfred Hugenberg who has contributed so much to Hitler's coming to power. He hails from East Prussia, was a prominent Junker, a large estate owner and a very prominent man in the Nazi party in eastern Germany. He was appointed in charge of agriculture in the British zone by the British commander. It is worthy of note that the deliveries of food in the British zone have been more delinquent than in the other western zones. Von Schlange-Schoeningen is now fighting against Dr. Baumgartner for the top post in the Agricultural Ministry of the new Bizonal Committee.

17. *Gustav Kilper*

Gustav Kilper was a very prominent Nazi under Hitler in Wurttemberg-Baden and was made deputy director of the Ministry of Economics in Wurttemberg-Baden at the special insistence of Rheinhold Maier, who claimed that the implementation of the plans elaborated by the Bizonal Committee of Economics would be a failure unless Kilper was made a very high official.

18. *Joseph Beyerle*

Joseph Beyerle was a prominent member of the SS and had a high court post under the Nazi regime. At the insistence of Maier, Beyerle was made Minister of Justice of Wurttemberg-Baden.

19. *Walter Widmann*

Walter Widmann was formerly chairman of the racial prosecution court at Wurttemberg-Baden and enjoyed very high prestige under the Nazi regime. He was appointed in 1946 as director of the provincial court because of his close association with the Minister President R. Maier.

20. *Anton Pfeiffer*

Secretary of State of Bavaria. He voted for the Enabling Act which gave Hitler his dictatorial powers, and during the war served in Hitler's counter-espionage service. He openly admitted, in 1946, that 62-80 percent of the verdicts rendered by the denazification courts were erroneous. Yet when his failures and neglect of duty were reported to American officials, the latter said, "Be careful. He is an old-line reactionary, and a strong nationalist. If you offend him, he might resign."

21. *Minister President Lahr*

The Minister President of the North Rhine Province which comprises most of the coal production of the Ruhr is Dr. Lahr, formerly closely connected with the German steel cartel. Dr. Lahr justified the low production of coal in his province on the ground that the total allocation of steel was only 5½ million tons per year. Therefore, he claimed that there was no necessity for Germany to produce coal for exports, since Germany is not going to be the blacksmith of Europe as she was before the war.

Acting Chairman MALONEY. Mr. Jarman will introduce the next witness.

Mr. JARMAN. Mr. Chairman and gentlemen, we have had a lot of good witnesses here during the month we have been in session, and, incidentally, you will recall this is the beginning of the second month today. I have already informed you that the gentleman I am now going to introduce will be the best witness we have had, because he is my constituent.

He was educated in engineering and law. He is a student of international economics. He is vice president of the Alabama State Chamber of Commerce. He is vice president of Reichhold Chemicals, Inc., of Tuscaloosa, Ala., and Detroit, Mich., and has been active in promoting foreign trade for his company.

It is true, we did import him, but he was converted and he came down to Alabama.

STATEMENT OF CARL B. FRITSCH, VICE PRESIDENT, REICHHOLD CHEMICALS, INC., TUSCALOOSA, ALA., AND DETROIT, MICH.

Mr. FRITSCH. Thank you Mr. Jarman and Mr. Chairman.

I would like to endorse what these gentlemen have recommended for the internationalization of the Ruhr. I think the danger of rearmament there can be avoided very easily by setting up a non-military industrial council, composed of neighboring Marshall plan nations and the United States. There should be control until these people are converted, as I have been converted to the South.

Along with that, that would pave the way to join the iron ore of Alsace-Lorraine to the coal and the steel mills of the Ruhr.

With those two separated, it is like drawing an invisible line between the iron mines of Michigan and Minnesota, and the steel mills and the coal of Pittsburgh. If you separate those two, the iron miners of Minnesota and Michigan and the steel workers and coal miners of Pittsburgh and the Pittsburgh area would not starve, probably, but they would certainly suffer a great economic set-back. The economic unity would be disturbed.

If we do not do that, we will be going back to the same mistake we made following World War I, and we all remember the jockeying that occurred back and forth with respect to the Ruhr.

It is too bad that that international control of the Ruhr could not have been set up immediately, because I notice in the estimates they want 17,000,000 tons of our steel.

Having lived in Detroit 25 years before going to the great State of Alabama, I have good and close friends there. I get back there every 60 days. I know how every month at least, one or more of the great factories has had to shut down for a week or more because of a shortage of sheet steel, castings, or something.

If we want our own economy to remain unimpaired, and have enough materials here to help bring down our price inflation, the substitute would be to produce all the steel possible in the Ruhr, rather than to rob our own factories over here.

I think it is a matter of enlightened self-interest, that the proposal of the international control of the Ruhr be supported, together with the marriage of the French iron ore with the Ruhr coal and the steel mills. We are then promoting a natural economic unit that the Creator himself established and the mere border line between countries should not be allowed to stand in the way. If there is leadership that comes to power that opposes it, withdraw aid of the Marshall plan until they subscribe to something sound and beneficial and we will win out in the long run.

It is my opinion and the considered opinion of my associates and many of my business friends in Alabama, that the fate of Europe is the destiny of America.

Obviously, with any habitated area of the world within 60 flight hours of any habitable region, isolationism is gone forever. Hence, the Marshall plan was providential in its conception because it proposes to reestablish aid to Europeans, and recapture the right of self-maintenance. It certainly is true that if they suffered an economic collapse, it would set in motion a tidal wave of despair which would engulf the American shores as well.

By the same token, I would like to say that the bipartisan approach

to the consideration of this plan is providential, also. The high degree of statecraft practiced by the chairman and ranking member and their colleagues, respectively, of the Senate Foreign Relations Committee, the House Foreign Affairs Committee, and the House Select Committee on Foreign Aid has been outstanding. It has created a good impression on the American people and has inspired confidence. I feel today, something prevails in the minds of the people that did not 60 days ago, and that is that the majority, at least, favor its passage. There are some, of course, who can never get rid of prejudice.

There probably is very little I could offer to the voluminous testimony I saw piled up in Mr. Jarman's office this morning, that you have already received. However, there are three phases I would like to emphasize and then I shall be through.

The first thing is the problem of administration. I try to consider that in the light of the problem I faced when I suddenly moved from Detroit to Alabama with three other men in early 1942, to build a large phenol plant at Tuscaloosa. Tuscaloosa is just like Ann Arbor, Mich., Mr. Jonkman, it is a good university city, and a good place to raise children. We have no juvenile delinquency. Having lived in Ann Arbor once, I can speak authoritatively.

We went there to build this plant. I realize that certain of the over-all policy of the German Nation is of course of paramount importance. However, when Army Ordnance Association decided to award to our company the task of building a southern source of supply of phenol, in competition with eight other chemical companies, and our own board of directors approved the expenditure of \$3,000,000 for that purpose, and then our banking connections agreed to supply the additional funds needed to build it, they were through on "policy" and then it came to a matter of execution, and after that, operations. That is the phase I want to discuss. The first consideration concerning administration—it is assumed from the trend of thought, that over-all supervision will be lodged in an administrator of Cabinet status at least, if not rank which will give him the benefit of consultation with all other departments of Government and particularly the State Department, to make certain our own economy will not suffer from the aid extended.

I would like to stress the fact that the world needs at least one solvent nation.

The Administrator's office it appears will function as the primary point of contact with the chief representatives of the countries contemplated under the plan. Inventories of needs of beneficiaries will first come to his office for (1) examination with respect to over-all policy, and of course, that will be determined, by the President, the Cabinet, and the Administrator, along with the advice of Congress which it writes into the act. (2) Allotment of over-all funds with respect to current appropriations available or authorized. (3) Certification of such allotments to the several operating agencies having charge of the details of disbursements of the funds.

In other words, the function of the Administrator and his staff will be analogous to that of the Secretary of War and the General Staff of the Army. They will plan and time the launching of the attack on economic disintegration in Europe and will designate the means of direct and immediate relief.

Now the second phase concerns operations, which, if not well thought out and well planned, will jeopardize the success of the plan.

Any program for expenditure of such large funds as are contemplated will involve manifold details of equal magnitude of great diversification, which will require the combined talent such as is found in large financial and industrial institutions for successful operation. It appears that there are four classifications of funds that will be required. The first classification concerns emergency relief, which involves the supply of food, fuel, fertilizers, and medicines, which you have already been sending over in great amounts. As an agency to administer phase 1, it is suggested an appropriate division be established in the administrator's office itself for this phase of operations.

The advantages are that this will assure prompt action and cut red tape which is always necessary in relief matters.

Next, the financial risk: Such funds will be largely nonrecoverable except where the beneficiary government sells a portion of such supplies to its citizens, in which event, under arrangements made by the administrator, there may be some salvage after economic stability has been reestablished.

The second channel for the funds concerns raw materials for industries. The agency suggested to handle this phase of operations is the present Export-Import Bank. The advantages are that it has had wide experience in buying, selling, and financing the movement of raw materials all over the world, and is now organized, ready to function. This also assures prompt action in getting European industries going again. The sooner that happens, the less the drain on the American taxpayers. That must always be in the backs of our minds.

Number 3 involves the financial risk. Financing raw materials involves relatively short-term loans which should be repayable within a reasonable time out of receipts from domestic sales of currently finished goods and from an agreed-upon tax on exports on those goods, probably 50 percent recoverable the first year, increasing to 75 percent as conditions improve. The point is that we start the wheels of industry turning again.

The third phase of operations concerns currency reform and stabilization. The agency for that is suggested to be used and is affiliated with the United Nations, known as the International Monetary and Stabilization Fund. The advantages are that it has been accumulating experience for 2 years. It is reasonably well-staffed, it is ready to function. It has 46 subscribing nations which adds greatly to its strength in restoring order in the international exchange situation, which must improve before trade can move freely, and Europe will starve unless she trades.

For example, Germany up to the war, had an industrial surplus of 40,000,000 people. Forty million people had to produce enough excess industrial goods to support a foreign export to pay for the food they had to bring back to keep from starving. Hence, trade is imperative or else the Marshall plan fails. That means we have to have a sound yardstick for the measurement of values.

With the affected nations thus acting in concert through this agency—and they certainly cannot succeed without cooperation—the confusion resulting from the surprise attending the recent devaluation of the French franc can be avoided.

With regard to the financial risk, the funds now available to this agency may have to be bolstered by an increased subscription or a loan from the United States, which would require congressional action. Possibly this furnishes opportunity to employ a fraction of the gold metal stored at Fort Knox to good advantage. Time, custom and tradition argue strongly in favor of such a course as a means of restoring confidence.

You know, it is not the possession but the use of things that determines the value.

By stipulating that any such loan would enjoy a preferential position in the event of liquidation of this agency, the risk is small and the probability of 100 percent recovery is strong. Meanwhile, individual currencies of course, will fluctuate in value, but as the healing process takes effect, stability will return in the natural order of things and values will be restored. If the remedy fails, we will then find the whole Marshall plan will fail also, and all values at home and abroad will suffer seriously and the whole capitalistic system may be placed in jeopardy. There can be no multilateral foreign trade unless money, which is the language of trade, has a dependable value as a yardstick. Barter on a bilateral basis is only a temporary makeshift.

The fourth and most important of all, I think, members of the committee, concerns the operations that have to do with supplying capital goods. The agency suggested is the International Bank for Reconstruction and Development, which is affiliated with the United Nations and is already functioning. The advantages are that it has been accumulating experience for over 2 years, is excellently staffed, and it also is ready to function. It has 46 member nations who have subscribed a total of 8.25 billions of dollars to its authorized capital of 10 billions of dollars. Russia and some of her satellites are not members, incidentally. The United States and the United Kingdom combined exercise voting control.

It is both impersonal and international in character, hence any pressure brought to bear on a defaulting borrower, whether on a government or a private debtor, would be on behalf of all of the other member nations. Otherwise, should the United States stand alone as the creditor, it is easy to see how its international relations could deteriorate, harmfully. We all could remember cartoons of the foreign press pictured Uncle Sam as Uncle Shylock when we pressed for the settlement of foreign debts after World War I. Finally, this agency is not limited to 4 years, but is a continuing organization specifically designed to supervise long-term loans until maturity.

Now as to the financial risk: Capital-goods loans involve long terms; 5, 10, 20 and as much as 30 years, depending upon the nature of the productive enterprise or facility. Such loans should be limited to self-liquidating projects and handled with the same prudence as that exercised by any private financial institution. They would be secured by mortgages or liens on the tools and facilities financed and would be subject to amortization serially. Because of wide diversification, it is believed over-all losses would be small.

In addition to bolstering existing industries and increasing their productivity, under the charter of this World Bank, it can also participate in financing new productive facilities, not only those located in the more affluent nations, but in the backward countries of the

world as well. This feature is extremely important from the standpoint of world recovery.

For example, competent authorities assert that the world production of fertilizers of various types must be increased threefold if the great masses of humanity are to be fed an adequate diet. Nitrogen, the most essential of all, can be extracted from the air wherever electric power is available. This would lead to the construction of large hydroelectric plants in many localities or gas-fired or coal-fired plants where petroleum or coal resources are available. It is no longer a mystery as to how such plants can be built and operated so as to be self-liquidating. Fortunately, potash deposits are generously distributed throughout the world, particularly in Europe. Phosphates would have to be imported into Europe but are plentifully available in northern Africa. The importance of this is apparent when it is considered that England is now in her ninth year of food rationing.

Another example is the condition of the internal rail transportation systems of Europe and other areas which are inadequate for distribution purposes and sorely need rehabilitation. A small tax on each ton of freight hauled would assure liquidation of any long-term foreign loan made for such purposes.

A great host of such enduring projects, large and small could be enumerated if space would permit. How stupendous is the task in Europe alone is evidenced by the fact that in many areas the accumulated enduring structures and works of five centuries were wiped out in the recent conflict. From the Arctic Ocean down to the Mediterranean the story is the same. Everything is needed—housing, farm tools, utilities and instruments of production and distribution. It is not a 4 year job but involves a restoration and expansion program which may require a quarter century for its completion.

In the words of Floyd Gibbons, whom I recall went around the country telling us about the wreckage of World War I—I think he was the first newscaster on any radio.

Like a giant plowshare, the recent war uprooted the universe; it upset the normal channels of procurement of the necessities of life; it impoverished the soil man feeds on and destroyed the tools man lives by. It may take a generation or more to restore their equivalent.

Now here is an item, "saying to taxpayers," which I think means very much, which I think this form of operation will help to promote.

So far as financial risk is concerned, it is believed that the handling of long term loans through the World Bank will not only reduce the risk of loss to the irreducible minimum, but it will also lessen the drain on funds coming from the American taxpayer very considerably.

In the first place, this World Bank may borrow funds through public offerings of its own direct obligations such as debentures and bonds, having definite dates of maturity, in order to augment its cash resources. The bank is authorized to guarantee, participate in or make loans to any member or political subdivision thereof or any business, industrial or agricultural enterprise in the territories of a member. However, the total amount outstanding at any time in such loans may not be in excess of the total subscribed capital, undivided profits, reserves and surplus of the bank. This provision of course adds to the security behind any obligations of its own marketed by the bank.

This—this phase of the Marshall plan—would not have to look solely to the United States Treasury for financing. The door is open to private investors in any country for participation and to other governments as well which, as recovery progresses, may have balanced budgets and enjoy a treasury surplus. It is easy to see that in time to come this bank might well assume the status of a world-wide, I should say public, investment trust which would help to establish a common economic purpose among nations.

This would be a distinct aid to peace. Eclipsing the famous East India Trading Co. and the Hudson Bay Co. launched generations ago by English adventurers, its primary purpose would be sound development rather than exploitation.

In fact, article I of the Bretton Woods agreement, which enumerates the various objectives of the bank, sets forth in section (i) as purpose No. 1, the following:

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 and resources in less developed countries.

That last is very important, because unless we begin to develop the backward nations, so as to increase their purchasing power, and the industrial population and the highly industrialized nations keep on increasing, where is that increase in population going to find a market? There just will not be any.

You can go so far that when a ton of raw material is exported from Java, or Ceylon, or any of those colonial countries of the British, Dutch, or Belgium, there is a tax, and that tax should go into schools and hospital facilities, to allow those people to become producers beyond the necessities of life, so they can acquire a surplus to buy from the industrialized nation. I would rather do that than to bribe some wild chieftian to deliver 500 boys at a given day to a given plantation.

It is submitted that this not only is a laudable purpose reflecting an unusually high degree of statesmanship, but that it fits the pattern of the fourth category of the Marshall plan perfectly.

United States financial support: In augmenting the funds of the bank, three alternatives appear to open to the United States, two of which would require congressional action.

(1) Complete the payment of the \$3,175,000,000 stock subscription of the United States, the balance of which amounts to \$3,105,785,000. This is already authorized under section 7 of the Bretton Woods Act of Congress.

(2) Subscribe to any further issues of long term bonds offered by the bank patterned after the successful public offering, dated July 15, 1947, the proceeds of which were used largely for the French loan. This would require special congressional action.

I am told by one of my insurance executive friends that some of the larger insurance companies look upon those 3 percent World Bank bonds as gilt-edge securities and they are in the market for more when they are available. That is a very good sign.

(3) Subscribe a substantial sum earmarked for "surplus account" of the bank, with the provision that any such subscription would enjoy a preferential position over the rights of stockholders in the

event of liquidation. This would also require specific congressional authority.

The advantage of the last alternative is that the funds would be well secured against loss, and the availability of such surplus would encourage private investors to buy the bank's securities since the bank's charter provides that its borrowings shall not exceed the sum-total of stock subscriptions, undivided profits, reserves and surplus, and all of which add to the assets behind any bond issues of the bank. This provision inspires confidence.

One other reason for turning to this bank on long-term loans is what I think is the necessity for having an impersonal agency.

Any program involving a heavy investment or long term loans requires careful inquiry as to the security offered; the caliber and qualifications of the personnel or managers who will spend the proceeds, and the purpose for which the financing is intended. In addition, the loan must be monitored; progress reports carefully scanned; production records examined; trade outlets encouraged; criticism levied when due; and pressure brought to bear whenever any default in payment of interest or principal occurs.

These things are all legitimate functions of a well-organized financial institution. They are not the normal functions of government, certainly not in a democracy. In fact, no single government, acting alone should welcome such responsibility for fear that its international relations might deteriorate. Public criticism of business, financial or commercial affairs, is a delicate weapon which can be applied effectively only on an impersonal basis. As suggested before, the personality of "Uncle Sam" is too vibrant with generosity to risk its counterpart "Uncle Shylock," particularly in international affairs.

No doubt Hamlet had personal loans in mind when he warned, "Neither a borrower nor a lender be, for a loan oft loses both itself and friend."

There appear to be two public agencies, however, which can levy criticism of a public nature which is accepted as being impersonal. One is a court of law and the other is a bank of juridical authority. Obviously a court of law is no place to lodge matters requiring financial and business administration except estates in probate and affairs in bankruptcy. This then forces the choice of the second alternative—a bank of juridical authority, and this choice precisely fits the "World" Bank, an institution to which Hamlet's warning is not applicable.

Though Europe is not dead, she is almost bankrupt, but we will pass that up.

If the International Bank for Reconstruction and Development, which fortunately has its headquarters in Washington, D. C., is chosen to administer category number four of the Marshall plan, then the administrative personnel of the bank will have to be appropriately augmented.

As presently organized, the bank's personnel provides for an advisory council of not less than seven members to be selected by the Board of Governors and to include representatives of banking, commercial, industrial, labor, and agricultural interests. No mention is made of science or engineering which constitute the backbone of modern progress and improvement of individual well-being. Evidently, the duties of this council are perfunctory since it is scheduled to meet only once a year or on other occasions as the bank may request.

What is needed to help administer the Marshall plan is a full-time group of men of scientific vision qualified to pass on the merits of requests for loans from the bank for industrial rehabilitation, agricultural expansion, resource development, and so forth. Men like Kettering of General Motors, Keller of Chrysler, Wilson of General Electric, Conant of Harvard, Compton of MIT, Bowman of John Hopkins—Dr. Bowman knows more about the geography of the resources of the world than any man in the world—Stine of du Pont, Brown of Johns-Manville, Reichhold of Reichhold Chemicals, Queeny of Monsanto, and so forth, any one of whom would make an excellent executive chairman of such a group.

Therefore, as a practical alternative to the present Advisory Council, it is suggested that the bank set up a permanent World Reconstruction Council composed of men chosen because of their skill in the various branches of science and their past experience in great engineering and industrial undertakings. These should be men who are not afraid to make a mistake, and having made it, men with the manhood to admit it and the courage to rectify it or start all over again. It is no place for timid souls.

This Council and its staff would be charged by the bank with the responsibility for examining and cataloging the reconstruction plans and needs of all applicant countries of both an immediate and long term nature; suggesting adequate plans conforming to the experience of modern science, engineering and industry in the more progressive countries; and making similar plans and technical "know-how" available to the more backward countries.

The execution of the plans would depend largely upon the initiative and the will to work of the countries concerned, aided by the technical guidance of the Council which would establish an inspection system to assure that the money is spent for the purpose for which it was loaned. The acid tests of any project would be:

Does it put men back to work in productive enterprise.

Will it help recapture self-maintenance? That means that more boys will have to give up the classics and turn to engineering and science and those studies in England. More of them will have to give up the counting room and develop leadership and industrial expansion.

It is designed to utilize local resources—soil, mineral and otherwise, supplemented when necessary by imports of essential raw materials.

Does it meet modern standards?

Are cost estimates inadequate or excessive?

Does it duplicate present facilities unnecessarily?

Is it monopolistic?

Will it promote trade multilaterally?

Will it enrich the few or serve the multitude?

Does it abandon the foolish idea that Europe can be restored on a 35- or 40-hour work-week basis?

Thus augmented with personnel, and adequately financed, the World Bank would be the logical instrument to take up the slack where the Marshall plan leaves off some 4 or 5 years hence. This may provide the answer to the unavoidable question, "What will succeed the Marshall plan?"

Germany I have touched on, and the last point is economic unity.

Germany must be included: If for no other reason than to lessen the burden on the taxpayers of the United States, it is submitted that

western Germany, which is under the jurisdiction of the United States, England, and France, should be included as the seventeenth nation under the Marshall plan.

The plain truth is that Europe cannot recover prosperity and become self-sustaining without an industrialized Germany. Ask the sober-thinking citizens of any neighboring states and they will agree that Germany both as a seller and a buyer is the hub of the wheel of economic unity in central Europe. Before the war she was England's best European customer. England needs Germany badly today and so does France. All of Europe needs her great industrial capacity, operating at 100 percent efficiency, in order to restore, in part at least, the tragic destruction wrought by war and to discharge reasonable reparations.

To be effective, the iron ore of French Alsace and Lorraine must be joined with the coal and steel mills of the German Ruhr. Economically these two regions are so interdependent upon each other that any artificial separation would be like drawing an invisible but impassable line between Pittsburgh and the iron-ore mines of Michigan and Minnesota. Pittsburgh with her steel mills, steel workers, and coal on the one hand and the Lake Superior region with its iron ore and miners on the other hand would both starve unless that impassable barrier were removed. The economic unity would be destroyed.

Danger of German rearmament could be avoided by establishing a nonmilitary industrial council composed of representatives of appropriate Marshall-plan nations and clothed with the authority to prescribe its policies especially in the Ruhr, and specify its production schedules for the next generation while German youth is being indoctrinated with democratic ideals.

Finally, only through such a policy can Germany become self-supporting and produce an exportable surplus sufficient to pay for her imports of food, particularly from the United States, Canada, and the Argentine. We as a Nation cannot afford indefinitely to support a "poorhouse" in Germany.

Economic unity: At the conclusion of the Paris Conference, September 1947 of the Committee of European Economic Cooperation which comprised the 16 original nations contemplated under the Marshall plan, certain definite conditions were subscribed to, including the following:

- Recognition of common objectives and responsibilities.
- Cooperation in eliminating trade barriers.
- Restoration of monetary stability.
- Development of resources in partnership with other nations wherever possible.
- Removal of obstacles to free movement of peoples within Europe.

A good example which I gave a moment ago is the iron ore of Alsace-Lorraine and the coal and steel mills of the Ruhr.

Here at last is the promise of economic unity growing out of a common economic purpose and springing from enlightened leadership. Here, in contrast to excessive emphasis on nationalism during the aftermath of World War I, at long last is an expression of common sense from strong, God-fearing peoples.

There are 270,000,000 of them and they rank next to us in productive skills and the great majority of them are Christian people.

Profiting from the mistakes of the past, these 16 countries have recognized in most tangible fashion their natural interdependence.

This, more than anything else makes them a good credit risk and inspires faith in their future progress.

It is imperative that those responsible for the administration of the Marshall plan hold these nations to these vital promises.

It simply will not make sense for American taxpayers to pour out funds for European relief and stand idly by while permanent recovery is stymied by the fumbling and bungling of any decadent leadership, wherever it may exist or come to power; which is unwilling to sacrifice its personal political ambitions for the welfare of all. It will be of no avail if the billions thus generously given, are sacrificed on the altar of national prejudice. The choice is economic unity or economic disintegration.

In the words of Hon. John Foster Dulles, when he testified before the Vandenberg committee, "We must keep pushing them to do it."

This concludes the considerations which I desired to emphasize from the standpoint of sound business, sound economics, sound finance, and forward looking policy, upon which the success of the Marshall plan so largely depends.

Acting Chairman MALONEY. Mr. Fritsche, I believe this is the clearest, most intelligent statement I have heard presented to this committee. I can say that I readily understand that you had your early business training in the North, and that you have made a great contribution to the State of Alabama.

Mr. CHIPERFIELD. I want to say that this is an excellent statement, and I mean excellent. It is the most constructive I have heard, and I do not say that, Mr. Jarman, because of our warm friendship.

Mr. JARMAN. I told you he would be better than any witness we have had.

Mr. CHIPERFIELD. He has been a wonderful witness.

You say the Marshall plan is a providential thing, and then you set forth a Fritsche plan which I think differs greatly from the Marshall plan. I could be for a Fritsche plan but I do not think the Marshall plan follows your suggestions at all.

I was greatly impressed by your separating this relief and rehabilitation into four categories. Mr. Vorys and I, when we were in the hospital together, discussed that very thing—maybe all three of us are thinking along the same lines.

Acting Chairman MALONEY. I believe it is very clear.

Mr. CHIPERFIELD. It is exceptionally clear. This is the first time currency reform and stabilization has been mentioned. You know, since I came back from the hospital, I have been harping on that.

Is this not true: You can have economic recovery over there, but unless you stabilize the currencies and have the international ability to start the flow of goods back and forth so they can be internationally converted, you have no chance for the Marshall plan to succeed.

Mr. FRITSCHÉ. We have learned that, in the last few years, trying to keep our four plants supplied with materials.

Mr. CHIPERFIELD. You must keep focused on that stabilization of currencies and the international exchange of currencies or all your pouring of money into those countries will amount to nothing, because you can build them up, but they will never be self-sustaining until you bring about that objective; is that not correct?

Mr. FRITSCHÉ. I agree with you.

Mr. CHIPERFIELD. I do not know whether the Marshall plan emphasizes anything of that kind. They are talking about a general recovery. Let us say we bring Greece up to a certain level. Well, that is not going to do Greece any good, any more than when you give a man blood transfusions, unless you find the cause of his hemorrhage.

Unless Greece has a currency that can be stabilized and that can be exchanged with other currencies that she may have exports and imports, you get nowhere.

I like also the fact that you said on page 3 that where the beneficiary government sells a portion of its supplies to its citizens, there may be some salvage of funds. Under the interim-aid plan they have been selling almost all of it and the poor peasant in France who does not have enough francs or the poor fellow in some city in Italy who does not have enough lira he does not get the benefit in that case. I hope we will adopt some plan where only part of it is sold and the other part will be given away to the poor, the needy, and the aged.

Mr. FRITSCHÉ. There is a simple way to recapture some of that. That would be to block the funds until they do get back to a decent basis, over there. Of course, they have nothing to send us in the way of goods over there now and we do not want their gold. We have too much of that.

We could sell due bills on those funds to American tourists. We could then get some of it back.

Mr. CHIPERFIELD. Have you submitted this statement to the Foreign Relations Committee?

Mr. FRITSCHÉ. No, sir.

Mr. CHIPERFIELD. I certainly hope that Mr. Jarman sees that it gets into the hands of the members of the Foreign Relations Committee, because I think it is vital and important to have us consider the suggestions that were made here.

Acting Chairman MALONEY. Mr. Chiperfield, I fear that we might find enmity confronting us if America happens to see fit to stop aid. This plan takes that possibility away, by putting it in a World Bank. It is a beautiful answer to that question that has been in my mind for some time.

Mr. CHIPERFIELD. That was the purpose of voting for an International Bank, but we do not make use of it. Here we have this stabilization group under the United Nations, just standing around doing nothing about it. We have a stabilization fund. What are they doing with it? Those are some of the things that bother us as members of the committee and, therefore, I appreciate very much your coming before us and giving us the benefit of your views which are those of a businessman with business ideas.

Acting Chairman MALONEY. Mr. Kee.

Mr. KEE. Mr. Fritsche, I think you have made it quite clear to all the members of the committee that you favor what is known as the Marshall plan.

Mr. FRITSCHÉ. Yes, sir.

Mr. KEE. My information may be somewhat limited along the subject, but in your attitude of favoring the plan, you are not entirely in accord with the position taken by the Governor of your State, Mr. Folsom, are you?

Mr. FRITSCHÉ. I am quite certain that he does not represent the studied opinion of the thinking people.

Mr. KEE. I am glad to hear that.

Mr. FRITSCHÉ. The fact is, if you do not mind, I am going back to something humorous: My good friend Harry Ayres asked me to come over to the annual dinner of the chamber of commerce. Since I was studying this, I got up and talked about the subject extemporaneously. Some of these ideas crystallized while I was on my feet. I find that a great help.

I had to refer to the attitude of the Governor of Alabama, of course. I drew the conclusion that democracy is still on trial in this world, and is supposed to have been born in ancient Greece, and one of the foremost proponents of democracy over there, a great philosopher, went around preaching wisdom and they poisoned him.

Down South last year we had a candidate for Governor who went around preaching nonsense and the people elected him. That is democracy.

Mr. KEE. I was interested in your four classes referred to in the administration of funds.

I take it you are rather in accord with the determination of the Senate Committee on Foreign Relations with reference to the administration set-up. I believe they have adopted something similar to the Brookings Institute plan, with few exceptions. I believe they established a nonpartisan advisory council of probably 14 members, to act in an advisory capacity only. It takes the veto power away from the Secretary of State, but permits the President to be the final arbiter on questions affecting foreign policy. Is that your understanding?

Mr. FRITSCHÉ. Yes; it is my understanding. This Administrator and his staff are the same as the Secretary of War and his staff.

It is a good deal like this: The most personalized department in any government is the foreign relations department and we all know how confidence is built up through social contacts and social gatherings.

I should say that if the State Department should administer these loans, they could look out their windows over there and see the American minister with his spats on and his gold-headed cane, walking up the walk. They would say, "Here comes old Uncle Shylock, again, asking for his money."

If I borrow money from the director of the bank in my home town and default on payment, I am embarrassed. Pretty soon I start to walk on the opposite side of the street so I won't have to look him in the face. He feels hurt because he suffers personally.

If I borrow from the bank and I default, I can face him smilingly. He will say, "Well, Fritsche had some hard luck but he will come through. Just give him some time."

There is the danger point. If you give it to the State Department, you have the same political things that come along from international diplomacy.

You ought to scrutinize those loans just as a private bank would on a loan to our company or any other company. If there is a need for the product, they want to make, and if they have the raw material supply, it would be all right, we could do it.

Mr. KEE. Personally, I cannot see anything inconsistent between the adoption of the Marshall plan and its administration, provided for in the bill before us, and your suggestion with reference to its administration.

In other words, as I understand it, it is not your idea that we incorporate into this legislation, your suggestion with reference to certain funds being handled by the Export-Import Bank, and certain funds, to be handled by the International Monetary and Stabilization Fund, but your suggestion was that, as the funds are administered by the Administrator, he make use of these agencies to administer this group of classes of funds. Is that not correct?

Mr. FRITSCHÉ. I would assume so. Whether he would need special congressional authority to use these agencies, I do not know. That would have to be investigated by your own people.

Mr. KEE. As a matter of fact, in your third classification on currency reforms, I take it that we will have to secure currency reforms in the various nations, not right off the bat, but secure it by bilateral agreements with them that they are going to take or will take these steps to effect currency reforms, not as a condition precedent to receiving this aid, but as a contractual relation between our country and the recipient country, they agree to effect these currency reforms, as a consideration for this aid.

If we wait before we render any aid at all, until we effect all these reforms, we will not be doing anything to get them up on their feet. All we can rely upon is this agreement with these 16 nations, that they will effect these reforms. Is that your idea?

Mr. FRITSCHÉ. That is correct. You cannot do it all at once. I would hate to have to be the Administrator of this fund, however, and start out from scratch and build up a brand new organization. It would drive me crazy. I know you could not do it in a year. Even if you appropriated 6.8 billion dollars this year. They could not spend it.

If you will look at the chart which I call "Road map of American friendship dollars," we find these friendship dollars flow from 140,000,000 people through the Congress to the President, and if you will follow the arrows, you will find the ERP Administrator. Under the Administrator is the European Recovery Administration and under that is the Emergency Relief Division. That is the only one he would have to set up and there are plenty of agencies in Washington from whom he could recruit his staff. That would be the friendship money.

The second is the Export-Import Bank. This is in existence and he would not have to worry about that.

Mr. KEE. That would take care of the raw materials?

Mr. FRITSCHÉ. The short-term loans.

The third is the International Monetary Fund. That is new money. It may take some of our gold.

The fourth is the International Bank, together with the Reconstruction Council, which furnishes the agricultural tools, factories, utilities, mines, and mining equipment and transportation. They have to increase their staff, but they are ready to go.

Therefore, we have a short-cut.

Now from those, to 17 European countries, through economic unity, we hope to serve 270,000,000 people, bringing food, shelter, and raiment first. People have to eat before they can work.

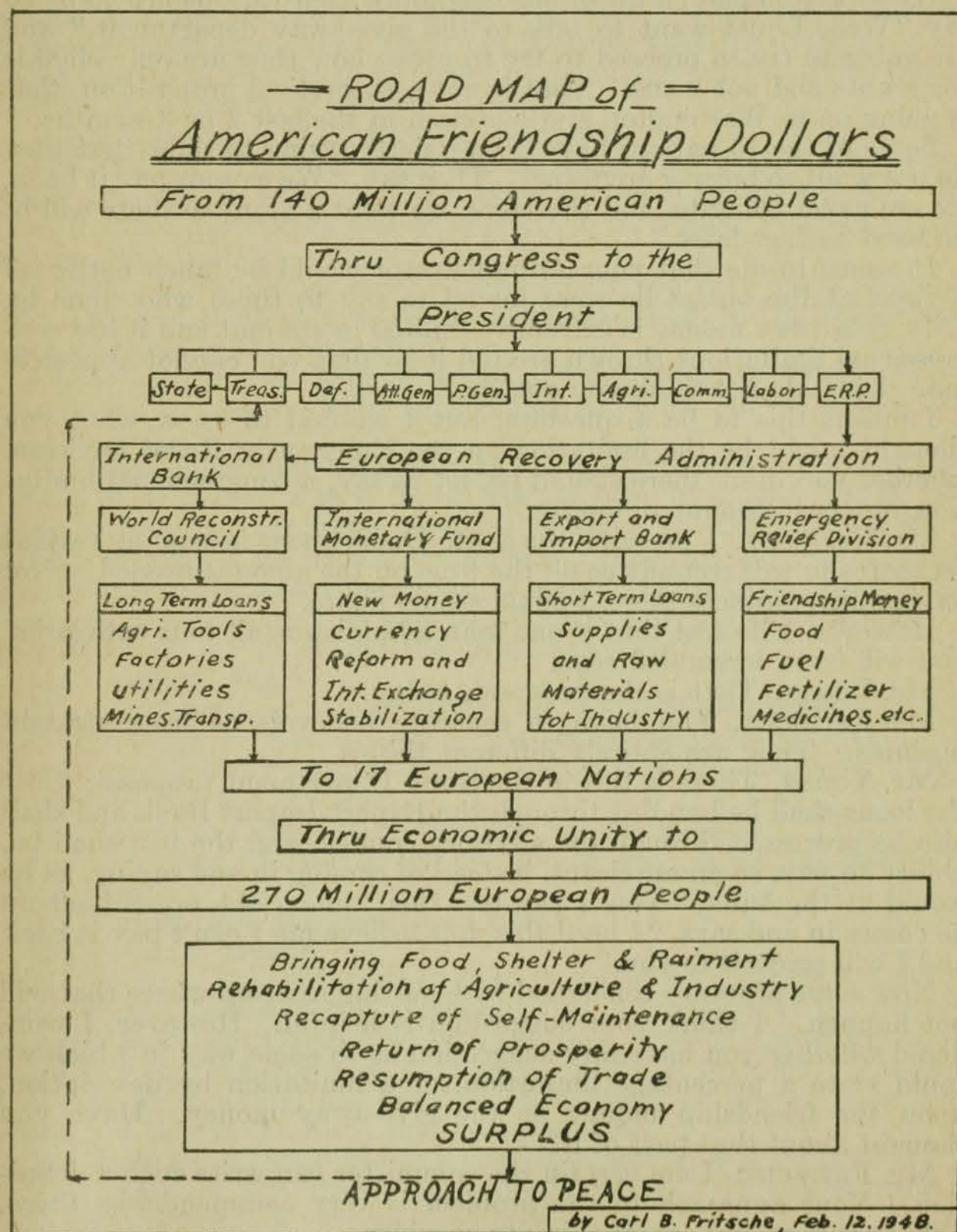
Rehabilitation of agriculture and industry, that means full employment. Recapture of self-maintenance means self-respect, too. Then

the return to prosperity, the resumption of trade, the balanced economy, and then the surplus will begin to accumulate. Not in all of them, of course. Then part of that surplus will flow back to the Treasury.

I think a plan like this can cut the over-all estimate of the Marshall plan in half. In other words, we will have valid security behind half of it that is recoverable.

Acting Chairman MALONEY. Without objection, the chart entitled "Road map of American friendship dollars" will be included in the record at this point.

(The chart referred to is as follows:)



Mr. KEE. I think you have made some wonderful suggestions and I cannot see where it would not be possible for the Administrator to make use of these agencies to administer the funds as suggested by you. I think it could be done by him without any change in the act as now proposed.

I thank you.

Acting Chairman MALONEY. Mr. Vorys.

Mr. VORYS. Mr. Fritsche, I am like the others, in that I am tremendously impressed with the constructive statement you have made.

Coming back to your statement, here is what perplexes me if the same person is handling short-term loans, long-term loans, and also "give-away" money; a lot of our neighbors from Europe are going to say "Well, I just want to talk to the give-away department," and are going to try to proceed to try to prove how they are only eligible for grants and not loans. That is not a theoretical proposition, that is going on in Washington and has been in the last 2 or 3 months.

Some of the 16 nations have been quietly trying to show that they do not want to borrow anything. They say, "We cannot pay it back, we are never going to, and therefore, we want a grant so there will be no hard feelings later."

It seems to me that your Administrator would be much better off if right at the outset he were forced to say to those who come in, "My give-away money is extremely limited in amount and it has congressional limitations, thrown around it so that you cannot appeal to me. I just do not think you qualify."

I meant this to be a question, but I wanted to know what you thought might be the limitation on the Emergency Relief Division, whether you think there should be, let us say, a congressional limitation on that amount or not.

Mr. FRITSCHÉ. I presume the State Department is sending revised estimates to this committee all the time on the amount needed. Not having any contacts there, I could set no figure.

However, I do feel that if one man administers all four categories, you will have scrambled eggs.

Mr. VORYS. That is the proposal, today.

Mr. FRITSCHÉ. You have to separate benevolence from straight business. They are entirely different things.

Mr. VORYS. There is this in the State Department proposal: That the loans shall be handled through the Export-Import Bank and shall also be processed through the advisory council, and the test shall be, ability to pay, so an applicant, instead of coming in and saying, as he would at the bank, "Now I can pay this," under the present set-up he comes in and says, "I need this, but believe me I can't pay it back and I will prove it to you."

Now some of us are concerned with getting a set-up where that will not happen. I think your suggestion is helpful. However, I wondered whether you have any suggestion as to some way in which we could state a percentage limitation, or a limitation by description, upon the friendship money or the give-away money. Have you thought about that part of it?

Mr. FRITSCHÉ. I am certain the committee can write such a definition. Your approach to the problem is very commendable, there. I think it is an important thing to consider.

Mr. VORYS. You see at present we have been told that it is estimated from 20 to 40 percent of the 6.8 billion dollars which is proposed as the absolute minimum, which will be in the form of loans; we are told that the balance will be in the form of deposits of local currency in these countries, for the most part, but under no provisions which will ever involve repayment to the United States of any such balance.

I wish in view of the perfectly brilliant analysis you have presented here to us, that you once more, as a public service, you and your associates study that problem, which we must face right here.

It is a problem of designation of the amount that is to be for grants.

Let me say this, that as far as I am concerned, I would be quite willing to authorize the full amount requested, the 6.8 billion dollars, if proper provisions were made for insuring that the bulk of it or three-fourths of it were to be part of a revolving fund and not three-fourths of it possibly give-away money.

Acting Chairman MALONEY. Mr. Jarman.

Mr. JARMAN. You see from the reaction here, I was not wrong when I told them what a good witness you were going to make. In fact, if I had not known you were going to be a good one, you would not be here, frankly.

I knew you would be, and I wish to thank you very much for your very able and thoughtful analysis of this situation, which has proven very valuable to the committee.

I have a little note here from one of the ranking members of this committee. It says, "your constituent certainly put something on the ball. He is good."

My friend over there, the way he looks, lighting his cigarette, the reason he is in the fix he is in, he has not been in a fight, but he fell down on the ice and broke his arm. That is the trouble with him. That is all that is the matter with him. I think his suggestion about the Foreign Relations Committee is good. They have closed their hearings, but they may be able to get his statement in the record.

Mr. CHIPERFIELD. Would the gentleman yield?

Mr. JARMAN. Yes.

Mr. CHIPERFIELD. I would like to see, too, the members who were not here today receive a copy of his statement, because I think it should be especially brought to the attention of the members of our committee who are not here.

Mr. JARMAN. I agree with you, and we will do that.

I do not know whether he has enough, or not. If not, we can have some made.

Mr. VORYS. Will the gentleman yield?

Mr. JARMAN. Gladly.

Mr. VORYS. I would suggest that it would be extremely helpful for us to get copies of this statement to the members of the Senate Foreign Relations Committee who are now wrestling with the provisions of the law, for such help as it would be to them. I regret that Mr. Fritsche did not have an opportunity to appear in person there, but that is one thing that could be done.

Mr. JARMAN. I think that is a good idea and we will do that.

You spoke of Mr. Brown of Johns-Manville. He was a witness here last week, and a very good witness.

Again, I want to thank you very much for your able presentation.

Mr. FRITSCHÉ. I want to say that the interim reports you have been

giving to us down home, following your trips to all parts of the world have helped not only to sustain our interest, but to give us the information that inspires us to be helpful. I am glad it is my first opportunity to testify before your committee, rather than the committee at the other end of the Capitol.

Acting Chairman MALONEY. Mr. Jonkman.

Mr. JONKMAN. I want to join the others in complimenting you on your splendid statement. I want to say to you that it is such a businesslike approach that I only wonder if I really understand what you say in this statement of yours.

You are dividing the relief work, so to speak, and the economic reconstruction work, are you not?

Mr. FRITSCHÉ. Yes, sir.

Mr. JONKMAN. Up to this time, the administration witnesses take the position that even the reconstruction work—this industrial reconstruction—may be a matter of grants and loans, and that if they are loans, they are going to be not loans that have the usual character of loans in this respect: For instance a country that wanted to borrow from the banks in New York, would have to make certain representations to secure that loan. Now they say the Export-Import Bank releases some of those conditions. In other words, your loan from the Export-Import Bank, while it is a repayable loan, has not got the usual characteristics of a loan.

Now they say in this situation we are going to create a third class of loans that even the Export-Import Bank could not handle, because they have not sufficient promise of being repaid under their rules.

Now the point is this: Why not, for instance, put the actual expenditures of relief money in the hands of the Administrator, but when it looks to him as though it should be a loan, send them to the Export-Import Bank and let them meet the requirements of the Export-Import Bank. If they cannot do that, then send them back to the Administrator to make the grant.

In other words, what I am saying is, if you are going to create that third class of loans, you are going to spoil the whole sum that comes in that category because if some are left to feel that they are not expected to repay, why should they all not feel that way?

Now is that what you mean, for instance, that where there is possibility to pay and probability of repayment, that then it should be handled by the Export-Import Bank for short-term loans and by the World Bank for long-term loans?

Mr. FRITSCHÉ. That is exactly it. The Administrator in that respect would be like a floorwalker in a department store, he would guide the customer to the counter where he could get what he wanted.

Mr. JONKMAN. It is a very healthy approach and I shall again read your statement with much interest. I wish we could get both committees to absorb considerable of it.

Acting Chairman MALONEY. Mr. Fritsche, we thank you very very much for coming down here, because this has certainly been a very fine approach to this matter.

If there is nothing further to come before the Committee, we will adjourn until Tuesday, February 17, 1948.

(Whereupon, at 4:55 p. m., the committee adjourned, to reconvene at 10 a. m., Tuesday, February 17, 1948.)

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George C. Marshall Foundation, Lexington, Virginia

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EUROPEAN RECOVERY PROGRAM

HEARINGS

COMMITTEE ON FOREIGN RELATIONS

UNITED STATES SENATE

WASHINGTON, D.C.

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