



## EMERGENCY FOREIGN AID

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FRIDAY, NOVEMBER 14, 1947

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

The committee met at 10 a. m., Hon. Charles A. Eaton (chairman), presiding.

Chairman EATON. The committee will be in order.

Our first witness this morning is Mr. Mundt, who has done a very remarkable piece of work in his studies in Europe and will have something important to tell us. Mr. Mundt.

### STATEMENT OF HON. KARL E. MUNDT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

Mr. MUNDT. Mr. Chairman and colleagues, this is going to be an experience, I am sure, for all of us who are coming down as members of the committee today to double in brass as witnesses and then go back as members of the committee to interrogate our colleagues. While it is going to be a little bit hard experience at the time we are down here I think the idea is good because I am certainly glad to share the information which the others secured in their parts of this study which was made during the summer.

Our particular committee, which is comprised of six members of the House Foreign Affairs Committee and four members of the Senate Foreign Relations Committee, covered 22 countries, all of them in Europe, spending just about 6 weeks at the job.

The members of my committee are as follows: Smith of Wisconsin, Judd of Minnesota, Lodge of Connecticut, Jarman of Alabama, Gordon of Illinois, Mansfield of Montana. From the Senate we had: Smith of New Jersey, Hickenlooper of Iowa, Barkley of Kentucky, and Hatch of New Mexico.

As you know, we visited all of the countries over there except Russia and Yugoslavia. We did not visit Albania either because we were not positive whether it was an autonomous country, since we no longer have any diplomatic mission there. As to Yugoslavia and Russia, we did not even ask permission to go. We were interested more in studies of conditions outside that particular area.

I want to say now a few things based on our experience, and, of course, we have not completed the committee's report and what I say will be speaking as an individual observer and not speaking for the committee, as its chairman, because we have not yet compiled our written report.

On the basis of my observations and my discussions with my colleagues, the discussions we had over there, I am happy first of all that we are considering an emergency-aid program separately from an extended economic-aid program, because I think there is an urgency about this immediate situation.

In the first place, we could not give the consideration now which we are going to do, if we are to do the job adequately in working out an extended, more comprehensive aid program.

I think, therefore, that while both have the same objective, that of primarily strengthening the hands of those standing firm against communism, and that while both should be projected in conformity with largely the same principles and policies that there is in the countries listed—France and Italy especially, and to a lesser extent in Austria—there is an urgency about the needs which makes it necessary to give those countries prompt attention in this extra session of Congress.

I think that our committee, however, must give a considerable amount of careful screening in order to make sure that every dollar which we spend in an area which is going to seek aid, and perhaps needs many more dollars than we can probably make available, that every dollar that we spend must produce the maximum dividends in the three things, essentially, as I see it, that we seek to achieve by this whole program.

The first is the development of an economy among the free countries of the world which is going to provide the basis upon which they can build for security and for independence and for the development of institutions increasingly in line with the type of institutions we have in America.

Our second objective is to help maintain and develop political stability in the areas over there where political instability is threatening to bring about world insecurity.

And third, we hope to secure dividends in international peace, good will, and order.

As far as I am concerned, it seems to me that candor and honesty and integrity in good government require that we give the people of America the complete story, the true report of this program, and let it be fully understood that what we are providing here is not certainly what could be provided in a long and more comprehensive program of relief from starvation nearly so much as relief from subjugation, from an aggressive communism, because the number of people who are starving, or will starve from no aid at all from us is not so great as exists elsewhere. If we were looking at it purely as a matter of protecting people from starvation, there are other areas outside of Europe—in India and in China, for instance—where people are starving in much greater numbers than in Europe. But, it is the impact of the hunger that confronts them, as I see it; what happens politically from minds which are undernourished by bodies which are underfed and the very direct and immediate danger of the rights of others being subjugated to a way of living which has announced itself as being in opposition to our own ideas that provide the very persuasive arguments in support of such a program as we can supply and afford to support free peoples who are resisting the further advances of godless communism in Europe and China.

I think that if we proceed prudently and objectively that this emergency program, on which we are now working, can provide some experience tables which will be of value to us in considering a more comprehensive program, running over a longer period of time. Conditions change mightily rapidly over there, as indicated by the confusion of figures which have been presented to this committee thus far by the State Department and the White House. I think that the confusion of figures grows, in large part, from the fact that conditions do change, and we will not be looking at static figures in trying to determine the outline and shadows of the entire picture which is changing very rapidly. Consequently, our experience, as we move into this smaller area for emergency reasons to meet the urgent demands of low nutrition will help us, I think, if we keep in mind that back of this we are discussing the advisability of a comprehensive program, and that the condition that prevails is not a static one, and that insofar as we can we should adopt the same principles and the same policies for both.

I want to suggest some of these policies, growing out of what we saw over there, that I think we should undertake to put into action, because of the fact that the dollars and the supplies both of which we have available are going to be, in my opinion, considerably less than what the Europeans wish we had available and what they might well use if we had an unlimited availability.

I think we have to give first consideration to our national self-interest and consider our solvency and that we have got to try to make these dollars do double duty every chance where it is possible.

Now, let me give you an illustration or two of what I have in mind. I would like to see our committee, in writing the legislation, not write a blank check. I think that the members of this committee may, by and large, know as much about the situation in Europe as the members of the executive group, by and large, who wrote the legislation. I think collectively our committee probably knows more about the situation over there than the particular folks who wrote the legislation, because collectively we have covered the area pretty largely and pretty carefully with some very well trained and able expert assistance and leaders, and I think our chairman has done a tremendously magnificent job in what has already been done. We have the pattern to go on, at least; we can consider the bill with a knowledge and background of information for which we do not have to apologize to anyone, and I think we should measure up fully to our responsibility in writing into legislation the principles, the policies, the philosophies, and the ideas which should be a part of this type of program.

These may or may not be helpful suggestions, but they typify the type of thing I believe would help our dollars to do double duty in this very important program.

First is the use of our Liberty ships in transporting our supplies overseas. In every country in which there was a maritime institution at all, the suggestion that we make available to them, without charge, Liberty ships which they would, in turn, fuel and man and pilot and operate in carrying supplies over from our country to theirs or from some other country met with universal approval. Without exception, they said "We have the sailors; we have the men. If you desire, we would be happy to utilize those." And the great saving over the regu-

lar carrying charges on the oceans would mean our dollars would buy tremendously more food supplies or equipment for the people who need them.

So it occurs to me that since this is a project so large that even this, the richest of all nations, confronts it with a comparatively slim wallet, we should look pretty carefully into the desirability of utilizing some of the many, many idle Liberty ships which we have available. Let these countries use them during the emergency period and then return them to us, making no charge. It would cost us very little; it would increase very greatly the benefits of the program. To me, it is much better Government policy than loaning destroyers to other countries in time of war for us to loan constructive carriers to other countries in time of peace to help preserve peace and avoid suffering.

The second principle which I would like to see written into legislation or implemented somehow in the administrative policies so that it is there firmly is that we expect the maximum amount of self help in each of the countries which is being aided and that they also extend the maximum aid to their neighbors. I think, as Mr. Herter said yesterday, that most of the countries over there can work a little harder on this thing than they are now doing, and whatever we can do I think should be done to see that they work as hard as they can conceivably do to help themselves and their unfortunate neighbors.

However, I am frank to say since I made the trip I am a little more sympathetic with the reason why they are not working as hard as I would desire than I was before I went over there. You must keep in mind the thing that concerns us is that there is the very genuine possibility that if nothing is done and chaos ensues, the European continent is going communistic. There is flowing out of the east in Europe—and we know it has been operating long before—an aggressive organization now termed “Cominform”, which is another name for “Comintern”, which is trying to Sovietize the world. There is a very real and genuine effort to spread the doctrine of communism throughout Europe, and in all of the countries with which we are concerned there is an organized Communist group. Those Communists have, in large part, gotten control of the labor unions, the most important labor unions, because the Communist realizes even more than the free enterpriser that chaos is the mother of communism. They are in the business of spreading communism in Europe. They have tied up the port of Marseille and tied up production in France, slowed down the production of coal in France and England. They are retarding recovery in Europe by slow-down methods wherever possible. They are forcibly preventing many people from working their hardest or their best.

Obviously, then, the people of Europe who have those unions controlled by Communists are not working as hard as we would like to have them work and are not going to do so, because the Communist overlords are deliberately slowing things down so as to produce chaos and put an end to freedom. That is all part of the Communist strategy. They know chaos breeds communism.

Thus we are confronted with this: we have that situation, and we cannot expect foreign countries, until the governments become strong enough to do something about that kind of activity, to get the kind of production we consider the maximum in those countries. But,

within the limitations that are feasible, we should insist that everything that can be done should be done there to help themselves. However since we have seen Communist-dominated unions curtail production even in strong America we can better understand how they cripple production in weakened Europe.

In the third place, in my opinion, and I brought that out in my interrogation of Mr. Herter yesterday, I think we have looked at this too much in terms of American dollars. We have proceeded on the basis that if Europe cannot finance anything in terms of dollars, then Europe cannot finance anything at all. But dollars are not the only medium of exchange in the world. We do not have to look at it quite in such terms of black and white. If Europe is unable to finance in dollar payments some of the things we make available, Europe does have other ways of making payment which are perfectly legitimate, and I think we should keep that in mind as custodians of the Treasury of the United States.

Many of the countries over there are in pretty good condition financially in terms of their own currency. Some of them are beginning to have rather remarkable success now with income-tax collections, just as we are, because after a war there is a great demand for things, and those who have them for sale can make good incomes and they can pay taxes. So I think our committee should give consideration to securing direct payments in terms of the coin of the realm wherever that is available in the countries of Europe. I think there are things which we can do with that foreign money which will be helpful. I think it will help to maintain the self respect of the people of Europe; I think it will make available to them fully as much, perhaps more, of the things they need to stabilize their governments as if we give them away free, and it in nowise disturbs their financial situation, because they are not having to further reduce their precious dollar balances, which are admittedly very scarce. In addition we can make good use of this foreign currency in financing an American information program overseas and this we must do or in my opinion all is lost.

No. 4. With the sole exception of Luxemburg, every country in Europe owns its own radio station. Radio Paris belongs to France; Radio Rome belongs to Italy; Radio Ankara belongs to Turkey, and so forth. My thought is that they should make them available for free American use, both in the emergency program and long-range program. Certainly the least we could ask is that they make available to us on their state radios free time in which to tell the people of those countries about our program, in which to conduct a Voice of America program, which would cost us literally nothing, provided the Congress has the good judgment, which I am sure it is going to have, to establish in this coming session a permanent program of information so that we can turn out the type of manuscripts and radio broadcasts that we need. It would then enable us in each of the countries participating in this program to have time on the most popular wavelengths of the best radio stations in the day or in the evening for programs in the languages of the countries receiving aid to explain to them where this aid is coming from; that it has the label of the red, the white, and the blue, and not just the red; that it is an American program, and that we are not doing it for any reasons of imperialism; that we are not warmongers; that we are not trying to do the type of thing that Vishinsky has accused us of doing, but we are doing it for the reason we want

peace and order. The time is rapidly coming when we must also begin to answer, in my opinion, the very vicious program of misrepresentation of American acts. I do not want the United States to tax itself and spend its precious resources in feeding the stomachs of Europe while only the Russians are feeding the minds of Europe because I envisage, if we do that long enough, we will develop some well-fed Europeans who are going to have their minds poisoned against us, and then we will have another war.

We have to be careful that our food is not poured into areas subjected only to the vicious type of propaganda which is insidiously clever and highly persuasive in convincing the Europeans that we are there for no good purpose. If they get that idea firmly implanted, then the more we come, the more we do, the more vicious the propaganda we have against us and the less likely Europeans are to feel we are there as their friend.

We have an amazing amount of good will over there; we have to keep it; we have to maintain it. And certainly in any country at all where the radio belongs to the state, the least they can do is to say "What radio time you need you can have 'for free' on our state radio station, to conduct a program of education in this area."

The fifth thing I would like to have us consider is the fact that we saw many gratifying indications in Greece and Turkey, but especially in Greece, that at this particular juncture of their history American counsel is fully as important and effective as American cash. The presence of American advisers, the counsel of American friends, the suggestions of Americans who are chaperoning the things being done with the money we make available can be tremendously encouraging and helpful in fortifying the forces of freedom overseas.

I do not think the engravers of America can manufacture money fast enough so that Americans can buy peace in the world with that money, but I do think the men of America and the ladies of America, the methods of America and the leadership of America over there, accompanied by an adequate program of assistance, and material aid, can create an environment and conditions that are sufficient to preserve the peace.

So I plead now, and I shall plead later, that where we can, and as we can, we should provide that the money and materials which go overseas be accompanied by advisers and by friendly counselors in aiding those people to establish themselves along democratic lines.

Just as a sort of interesting anecdote—there may be no particular significance to it but it does sort of indicate what I have in mind—let me tell about the luncheon we had in Athens at which we had present the leaders of the two great parties of Greece. The Populists and Liberalists, who have been at each other's throats for many, many years, have gotten together now on what they should do, how they should do it, etc. And at this luncheon there developed this conversation and this luncheon speech. The members of the two parties commented on the fact that the leaders we had sent over there from America as counselors were Governor Griswold, of Nebraska, a Republican, and Governor Cochrane, of Nebraska, a Democrat, who were working there as a team, as associates and counselors, and that on the committee they had surrounded themselves with were both Republicans and Democrats. And they said, "If America can send Democrats

and Republicans over here to work together to help Greece, the least we can do is to work together to help ourselves." There was Mr. Sophoulis, the leader of the Liberal Party, and Mrs. Tsaldaris, the leader of the Populist Party. At this little luncheon, one of the leaders of the Liberal Party got up and said, "You know, we have been accusing the Populists for a long time of being Fascists. They are rightists, but they are not Fascists. They do believe in a different kind of government, but they are good Greeks. They are not Fascists, and we are sorry we have accused them of being Fascists." Then a leader of the Populist Party got up and said, "We have been talking about the Liberals as Communists. They are not Communists. They are leftists and have a lot of socialistic ideas, but we can work together as Populists and Liberals."

I think we can use fire to fight fire. That is what I have in mind. In other words, our counsel in the methods of using the money means fully as much as the money, and to do the one and not do the other, in my opinion, is apt to waste our resources and squander money which America does not want and can ill afford to do.

No. 6. A Voice of America program, to me, is an essential prerequisite now in the situation which we confront—telling the story not only over the state-owned radios, but telling the story of America's purposes, objectives, and policies—the policy of promoting peace throughout Europe on both sides of the "iron curtain" by every conceivable means we can, based along the lines of my bill (H. R. 3342) which we passed in the House after much controversy during the month of July. I hope the Senate will approve that legislation and do it speedily. That is essential. I think we set the minimum far too modestly, and I do hope when the bill passes the Senate and when we can grapple with the problem again that we are willing to spend not less than \$50,000,000 to do a man-sized program of information abroad at a juncture in history when doing something of that nature may be the one thing that can preserve peace. And as I suggested a few minutes ago in my third point, we can make much use of local currencies in foreign countries on our information and educational programs.

They tell me it costs about \$150,000,000 now to build a battleship; so I would like to spend at least a third of a battleship's cost a year for 6 years—that is the cost of two battleships—trying to make it unnecessary for the United States Navy ever to have to use another fleet in military action. I am convinced that the equivalent cost of two battleships spent in that way are going to have great influence in the world in the next 6 years, and that, hungry as Europe is for American food—and it is hungry in certain spots, which we have the responsibility to try to alleviate—hungry as it is for food, Europe is hungrier for American facts.

During those 6 weeks over there and since, I have spent a lot of time trying to figure out the criteria by which we can judge the efficacy and wisdom of an aid program, some sort of test that, in my own thinking at least, we should apply to the program. These following suggested criteria are mine and not necessarily the recommendations of the committee which it was my privilege to head on our overseas study trip, Mr. Chairman. I have seven of them which I want to read to you as I have worked them out carefully for this conference. They are not very long. I am going to provide them for the record and dis-



cuss them with you now. I look for a program of long-range aid, to be submitted by the State Department, that is more comprehensive than this now before us, but which also, it seems to me, should be kept in our consciousness as we consider this emergency program. As I indicated earlier, the one can be a pattern for the other, and some of my recommendations apply to both programs if there is to be an aid program of longer range and more comprehensiveness than the emergency-aid program now before us.

#### SEVEN TESTS FOR JUDGING FOREIGN AID

The first test I suggest is, does it safeguard our American self-interest by being compatible with our ability to provide the money or the materials involved in view of the fact that a bankrupt United States means a beleaguered and broken world?

You have to keep that in mind first. It was brought out by what Mr. Herter said yesterday—are materials available; are supplies available; are dollars available? It is brought out by the fact that the one big thing the Communists are betting on most in Europe today is that they can help precipitate an American depression. If they can wreck us, they will wreck the world. And as our chairman has said so eloquently many times and as he said in his invocation, I was going to say, to our committee when we started overseas, this Congress, and this country are the one big hope of the world today. We have to keep in mind at all times therefore that we must not destroy the world by going broke ourselves or by impoverishing our own farm or factory economy.

Second, is it accompanied by an adequate and intelligent United States information program abroad so American facts as well as American food can be used to aid in the restoration and preservation of world order and stability?

I have discussed that with you and with both Houses of Congress *ad infinitum, ad nauseam*; so I won't go into that any further, but that is a point we should consider. I am sure this committee agrees with me fully on this point.

Third, does it bring into use the maximum amount of available food and supplies from the rest of the world beyond the present boundaries of Communist domination?

America is not the only bread basket in the world. There are some sacks of groceries, at least, tucked under the counters in other areas, and I think we should do what we can to get all of those available food supplies into the stream of utilization in the areas where they are needed, and I would like to have us keep that point in mind. We must remember even American food supplies are not inexhaustible.

My fourth test is, is it flexible and adaptable enough to meet changing conditions and to avoid defining our pattern of performance so far ahead that it can become the easy and ever-present target for those desiring to see it fail?

I think one advantage these dictatorial countries have been exercising over us is that they always retain an element of surprise. They move quickly, can adapt themselves to changing conditions at once, and to different situations. We have sometimes committed ourselves too far ahead in our legislation and done everything we can to outline every single step, so that everybody knows our whole course of action in advance. I wish we would not do that this time; I wish we would

not define the thing so far in advance that everyone can know now what things we plan to do several years ahead and thus permit our adversaries to do what they can to see that the thing won't work in 1951 or 1952. We should retain on our side some of the element of surprise; we should retain maneuverability so that we can meet changing conditions as they arise. I hope that our commitments will be of such a nature, if we make commitments far down the calendar, that we can adjust, modify, and alter them to meet a new problem, and so that there does not develop a frozen feeling of expectancy on the part of the foreign countries, so that they can complacently figure and plan on this aid coming along regardless of what occurs.

I just wanted to emphasize that, because we do not want to run into a situation where we would do great damage to those people, and I want us to retain for ourselves flexibility of action so that we can do something that will surprise our adversaries occasionally, which is a highly important desideratum if we can ever operate on that basis. Let us not ourselves in the position of the clumsy boxer who telegraphs his blows so far in advance they are never effective!

Fifth, does it provide American counsel and leadership abroad as well as American cash and supplies so that continuing benefits can be produced which will perpetuate the gains beyond the period that we are able to extend material aid? Because, if we do not build for the future, if we do not project the benefits beyond the time we expend our resources, we are engaging in a rather futile activity. If our aid is going to achieve lasting results, it is going to require American counsel and leadership overseas; it will require American methods and American supervision.

Sixth, does it present a comprehensive program for containing the Communist aggression with its existing borders and for cleansing communism thoroughly from our own Government, or does it simply erect barriers to Communist aggression in certain areas of Europe while leaving the gates open at home or in other important areas of the world?

If we are fencing something in, we have to fence it in like a farmer does—on every side. A three-sided fence is no good for keeping in a wandering herd, and we cannot let there be a hole in the fence, which means that we cannot have Communists operating in our own Government. I hope certainly our Government is going to keep those things in mind, and I think our committee should keep those things in mind, because if we are trying to establish boundaries beyond which this great Red-Fascist philosophy does not go, we have to look at the entire picture and not let ourselves be blinded to something which has developed at home or developed in Asia or some other area of the world.

Seventh, does it envisage concurrent efforts to find a way to prevent a single power from blocking constructive peace-preserving programs by the United Nations so that organization can gradually move into its rightful function of preserving world order and stability, or does it propose only that America provide aid to friendly foreign countries which are in distress without endeavoring to establish a working and effective machinery for safeguarding their autonomy by international cooperation through the United Nations?

We can only undertake a program of expenditures and consider it as effective aid if we exercise increasingly a persuasive and persistent and positive leadership in the United Nations to eliminate the road blocks which are stopping that organization from doing anything of vast significance in an effective manner today. I think Secretary Marshall's "little assembly" plan is compatible with what I have in mind in that connection. Maybe that is the answer; maybe not. But the answer must be found, because the formula used by our ideological adversaries is very simple. It is a football tactic. They are going to block constructive peace-preserving measures from coming about, in the United Nations because they are already castigating Truman, Marshall, Vandenberg, and everybody else and arousing suspicion by their dilatory tactics and blocking the United Nations from doing the job. When necessary, they block by use of the veto. And, while they block, they build in Europe by acquiring new territory. They were just Russian Communists in Moscow when we fought with them as allies in the war; now they are Russian-controlled Communists in Lithuania, Latvia, Estonia, Albania, Yugoslavia, Hungary, Rumania, Poland, Bulgaria, Finland, and Czechoslovakia. Now there are these 12 that decide to oppose us, saying, "We will block the democracies from doing anything in Europe." During this period, they have continued to build their Communist domination; they have stolen a lot of real estate, and today there are over 300,000,000 people with their forces, farms, factories, and armies allied in a godless cause to communize the world. While blocking progress toward peace in the United Nations the Communist group has built rapidly toward its goal of world domination.

We cannot let this continue. If we let that blocking technique continue on the one hand and permit it to build up on the other while we try to feed a few people and keep them from starving and hope they will remain free, we are whipped when we start.

Consequently, any effective aid program must be accompanied by the United States exercising prompt and positive leadership in the United Nations.

Now, we can retain this position of leadership, in my opinion, but we must iron out the wrinkles which are preventing constructive decisions in the United Nations because I hope eventually the job which we are called upon to do now unilaterally can be done by the international family of nations helping its less fortunate members. But, unfortunately, the international family of nations cannot help its less fortunate members today because the family is divided against itself. I think we ought to try to get the family back together again, but, if we cannot, even with the absence of an obstinate prodigal son, let us do what we can with the good members of the family toward establishing a workable and working machinery for the preservation of peace and world order.

I thank you.

Chairman EATON. Thank you for your very statesmanlike, illuminating, and informative presentation. As I listen to young men of your capacity and high promise, I admire you, even if I cannot imitate you.

The next speaker will be Mr. Jarman.

STATEMENT OF HON. PETE JARMAN, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF ALABAMA

Mr. JARMAN. Mr. Chairman, and my colleagues on the committee, first, I did not realize until I listened to the able presentation of the of Chairman Mundt, that I was to make a speech this morning; but I reckon I am called upon to do it. But mine cannot compare with that which he made.

I just jotted down some notes particularly germane to this legislation. Before I commence, however, I wish to say how thoroughly I enjoyed visiting Europe under his able leadership; I mean, Chairman Mundt. He did a fine job of steering the committee. We all thoroughly enjoyed working with him and like him even better now than before we left the United States. That is not always true of travel companions, you know, but it is true, I think, in this case.

I did not hear the first part of his remarks, so I do not know whether he referred to our itinerary or not. I will do it, even at the possible expense of repetition.

We visited every country in Europe except Russia, Yugoslavia, Albania, and Ireland—there simply being no particular reason to visit Ireland—and we returned to the States in 38 days. Naturally, in practically covering that entire continent so hurriedly, it was impossible for us to secure the details which were undoubtedly gained by some of you ladies and gentlemen who spent longer periods in different places.

For instance, the gentleman from South Carolina, Mr. Richards, the other day, when we were inclined to disagree in the committee about some figures and I found he had spent 2 weeks in the country under discussion, whereas I had spent 2 days, I readily yielded to him in the knowledge that he undoubtedly learned more in 2 weeks than I did in 2 days.

However, our prime purpose, as Chairman Mundt has told you, was to look particularly into the functioning of our cultural relations program, to ascertain whether it is functioning properly, whether it should be increased, decreased, or abolished. And to do that, not much, if any, more time was really required in any country.

So I feel that despite the haste, the necessary haste of our trip, we performed our prime function and had ample time in which to do it.

I want thoroughly to agree with Chairman Mundt in his opinion—in fact, I think all members of our committee will do so. I think others of you gentlemen who visited Europe as members of other committees are also agreed that the cultural-relations program now is even more necessary than it was last year when that bill was in the House, or than it ever has been. Furthermore, I agree with his opinion that it is necessary that it be carried on on a much larger scale than we had in mind when we were considering it on the floor of the House.

Of course, while that was our prime purpose, it was but natural for any Congressman traveling in Europe at that particular time to be interested, at least secondarily, in the Marshall plan; and equally so for one who realizes as we all today do the impossibility of our ever remaining aloof, even for 2 or 3 years, as we succeeded in doing during the other two World Wars, from any other consequential

war anywhere in the world. I say one who realizes, as we all naturally do, the impossibility of our remaining aloof from any such war would be interested in the political and economic and other conditions of the countries that we visited. Because we know that when any considerable segment of the people of the world are hungry, terribly unhappy and there is widespread unrest, world peace is in danger.

I need not refer to the critical condition over there. We have had ample, and will doubtless have much more, testimony on that score. As to the need, there is no question, I think, of the need for our assistance. While I agree with Chairman Mundt, that other countries do have some sacks of flour under the counter, those sacks that perhaps can be provided by other countries, I am afraid, would not do an awful lot of good unless we contributed our barrels of flour to go along with them.

I have been frequently asked the question since my return from Europe whether we are losing ground in this critical situation. I imagine those who propound that question have in mind, as I do, when they say "we," both the United States and others who have anti-Communist concepts. I am very strongly of the opinion that despite the fact that the situation does grow more critical day by day, and despite the Communist efforts to which Chairman Mundt referred which are succeeding today at Marseilles and other places, in other isolated cases, I do not think we are losing ground in Europe. On the other hand, I believe that since the passage by this Congress of the Greek-Turkey bill we have not only not lost ground, we have not only stopped the advance of communism across the rest of Europe, we have gained ground.

It seems to me that we have evidences of that in several instances which have occurred in Europe during the last few weeks. I believe General Marshall indicated a similar opinion when he said something to the effect that this legislation is necessary in order not to stop the momentum which is in progress in the direction in which we want to go; or something to that effect.

I believe my colleagues who were in Europe will find themselves in substantial agreement with him in that opinion. Nor do I believe we are losing ground in Europe as a nation. Not only did we encounter widespread appreciation for our efforts, but there is great hunger for more information about the United States, to say nothing of the widespread desire of Europeans to come here to live.

Now, as to the causes for the situation over there, many have been given to you. But there is an important one that I have not heard referred to during the hearings, and that is the substantial loss of a generation during World War I.

Certainly it is necessary to go back that far, if not further, to ascertain the causes. In England, for instance, as you will recall, there was no conscription during the first two years of that war, which resulted very naturally in the flower of the youth of that land, their very best young men, and practically all of them, I am afraid, being killed in battle, being slaughtered in battle. That was during the first 2 years of the war, before the crucial period really commenced.

I have frequently wondered, and particularly since visiting London recently, if it is not a fact that the leadership which would have probably led England out of the slough of despond in which it unfortu-

nately finds itself, has not been sleeping in Flanders Field since World War I.

Of course, other countries suffered similarly but I believe England is the only country that had no conscription and perhaps suffered consequently more in that respect. Then, too, there was a great loss of manpower which would cause even that to which I have just referred to fade into significance in numbers, although perhaps not in caliber, during this war, in all countries. Of course, as far as Germany is concerned, several million of their men are still prisoners. We saw many of them. They are fortunate and seem to realize it. That is, those in the countries we visited are. I doubt that a similar condition exists in Russia.

I have also been very frequently asked the question whether the people of Europe are trying to help themselves. Of course, as Chairman Mundt also brought out, there is a constant and continued effort on the part of the Communists in Europe, and that effort will continue, of course, to prevent them from doing that. That Communist effort succeeds from time to time. There are exceptions, but by and large I gained the impression on this very hurried trip that generally speaking, leaving aside the occasional success of the Communist effort, those people not only are trying to help themselves but, when their handicaps are taken into consideration—handicaps such as the loss of manpower which I mentioned, the absolute destruction of fields, towns, homes, business places; the lack of farm animals and farm equipment, and seed and fertilizer, the difficulties of transportation from the farms and small villages to the cities and the terrible inflation that harrasses the land; and hanging all over that the tragic fear of the domination of their country, of each country, by communism; the realization that whatever they do accomplish, whatever they do save, may be through deflation or Communist domination destroyed next week—I say, I gained the impression that when all of those handicaps are considered, and we must not forget the very unfortunate drought, the people of Europe are, generally speaking, diligently attempting to help themselves. Yes, I think they are doing very well, particularly for hungry, undernourished people.

Of course, as I understand, one of the prime requisites of the Marshall plan is that they do that. Not only that each country do what it can to help itself but that each country contribute all that it is possible toward the rehabilitation of its neighbors before they come to us for assistance. I am in thorough agreement with the sentiment that they should do that, that they should help themselves all they possibly can before we contribute the knockout blow, which I hope and believe we will contribute by this and other proposed legislation.

But perhaps I should have inquired before having made that statement, whether it is our duty to help them at all. First, I am strongly convinced that it is our duty from a strictly humanitarian standpoint. The people of the United States have never failed to answer the call of suffering humanity when they could. I do not believe they wish to fail in this instance. I do not believe they ever will fail in the future.

But that is by no means the only reason. Whether we like it or not, this great country of ours, perhaps through no particular effort on our parts, but by and large because of its resources, its industry, the industry of its people, particularly since World War I, has just grown out

of all reason as compared with other countries. I am impressed that it has grown somewhat like Topsy, into a position of leadership and power in the world which places on the shoulders of our country a responsibility which theretofore had not rested there—a responsibility to the rest of the world that prevents it from closing its eyes when any great portion of the world is in trial and tribulation, as practically all of Europe is, and is in danger of losing its way of life. I say the position of leadership which is ours I believe also demands action on our part in the matter of assistance to Europe.

But is that all? I am impressed, too, that we owe a duty in the matter to ourselves, to our country, and particularly to the little 5-year-old boy who is playing around the fireside in the other homes of America and to his unborn children, to do whatever we reasonably can to prevent the domination of the rest of Europe and perhaps the rest of the world by communism.

I ask you to compare the cost of this legislation, whatever it may be, whatever finally the Marshall plan and its long-range program may cost, and the cost of whatever else we may do for Europe, with the cost of fortifying this continent and maintaining it as a fortress, with a standing army of a size we have never before thought of in peacetime, throughout the years—I do not know how many years—of the future. Certainly it is better for that little boy, that 5-year-old boy, to be called upon when he grows older, when he becomes a man, to pay a little more in taxes than to have to forfeit his life in what I hope and believe will be unnecessary, World War III.

It may sound optimistic to some people, but I have by no means abandoned my hope and belief that the United Nations is destined to succeed and to prevent World War III. I realize that the situation appears gloomy at times. I realize the necessity of such improvements as I was delighted to observe this morning in the Little Assembly matter, and I realize that other improvements will be necessary in the future.

But I say, I have by no means given up my hope in the United Nations and I shall not sell it short until I become much more pessimistic than I am now.

Somebody, some Member of Congress—I do not think he was a member of our group—very aptly described the situation upon returning from Europe when he asked the question: "What would it cost us not to aid Europe?"

Yes, my colleagues, the foreign policy of this country was at one time, to the average citizen, a very abstract thing, about which he knew little and cared less, which he was perfectly willing to leave to the State Department and to this committee and the Foreign Relations Committee of the Senate. While that was true in yesteryears, the foreign policy of our country has now entered the home, entered every home in America and it behooves every citizen to interest himself in it in the future, although he may have given no consideration to it in the past.

I do not know how many of you visited behind the iron curtain. I know quite a few of you did. I am impressed that it is necessary to do that, despite what we have heard about it or read about it, I am impressed that it is necessary actually to experience that feeling of pressure, that feeling of strangulation that one has behind the iron

curtain, in order to appreciate the situation that exists there and the absolute necessity of our doing whatever is necessary to prevent its spread and certainly whatever is necessary to prevent any danger of such a condition ever being present on these shores.

That may sound farfetched to you ladies and gentlemen—the reference to such condition coming to these shores. But I am afraid that there are people in this country—not Communists, either—who have not been behind the iron curtain and who perhaps do not know as much about the situation there as do the members of this committee, people who are conducting themselves in such a way, unknowingly, perhaps—I hope unknowingly—as to encourage just such a condition. And they are by no means all ignorant Americans, either.

Behind that iron curtain there is no freedom of religion, speech, action, even on the part of the Prime Minister and the leaders of the country. There is very little more freedom there than there is in a prison; and certainly not as much as there is in an army prison, where there is considerable freedom.

My reference to the freedom on the part of the Prime Minister reminds me of an occurrence—and Chairman Mundt spoke of a luncheon which also reminded me of it—of an occurrence in Warsaw, which was the second iron-curtain country we visited.

We conferred with the Deputy Prime Minister, in the absence of the Prime Minister. He was a highly intelligent, reasonably young man. I did not know anything about him; whether he had been reared or educated in Moscow, or whether he was a local stooge, or what his particular state of servitude was.

I think we all gained a pretty good idea. When we went in there were two stenographers sitting there. They looked pretty old for stenographers; one of them was bald-headed. Of course, we do not ever have any old stenographers around here! But they had notebooks, very similar to the notebook on the table before me now. They were taking down everything that was said. The conversation was all in Polish. It was not very long before Chairman Mundt asked the Minister a question. One of these stenographers told him something in Polish before he answered. That procedure continued. One of them would instruct him and then the other. Finally—or perhaps I should say soon—we began to suspect whether they were really stenographers or not. My opinion of the Minister began to rise in the same proportion as I suspected what the real situation was.

From there we went to a luncheon given by our Ambassador for us, at which were present some of the leading citizens and officials of Poland.

Now, I have been around here several years and have gained a certain amount of seniority. In fact, I am even senior to Chairman Mundt, but as he was a Republican, I was not senior to him on this trip. You know how they seat people at tables, according to seniority. Lo and behold, I looked across the table—and, of course, all of the Polish officials were seated according to rank, too—and directly across the table from me was this bald-headed stenographer. I looked at the chart they had given us to identify the guests, and found that he was Dr. Alexandrovich, or something like that.

Now, our excellent stenographer here may be a Ph. D.; but I do not believe we have a great many stenographers who are Ph. D.'s in this



country. I never did discuss it with any member of our group and I do not know whether anybody else agrees with me or gained the same impression, but my estimate of this Minister grew a great deal when I saw this gentleman sitting over there, because I became thoroughly convinced that the Minister probably was not a Russian, not a man reared and educated in Russia; that he was not even a willing Polish stooge, because if he had been they would not have guarded him so closely with these stenographers there to tell him what to say, and put down everything he said and everything we said to him. I became, therefore, a little hopeful for Poland.

I am sure that the others who conferred with him thoroughly share my gratification that that fine gentleman whose name is something like Mikolajczyk—I never can pronounce it—the great former Premier of the Polish Government in exile, got away. All of us who conferred with him in Warsaw a few weeks ago, I am sure, are equally delighted with me that he succeeded in getting out from behind that iron curtain and that surveillance to which he was subjected, because I do not think he would be alive now had he not fled.

One must experience it to realize how it feels to have every act observed. To realize that we could not leave anything in our suitcase in the hotel room, even though the suitcases were locked, knowing that the police would come around and search it.

We soon became able to identify these agents who were observing us. They generally followed the same pattern, I thought; men from 30 to 35, not over 40 years of age; without hats, but with their hands in their pockets, nonchalantly walking around in front of the hotel or airport from which we would leave in a few minutes, apparently paying no attention to us, but if you observed them closely enough you would see the furtive glances they would give us out of the sides of their eyes as they strode about.

We were told that in Rumania 30 of Russia's best agents were assigned, not so much to observe us but to observe the people with whom we conferred and doubtless to go back after our departure and put pressure on them to ascertain what we said and what they said.

And I hope pressure is all they were subjected to. I hope even that confinement is the worst that happened to some of them. I hope it was nothing worse than that because I need not add that life is very, very cheap behind the iron curtain. As an illustration of that, the week before we reached Sofia, that great, great democrat, Petkov, was—what shall I say?—legally murdered. Of course, in Rumania another great patriot, statesman, and democrat, Maniu, would have suffered the same fate this week but for the fact that their constitution prevents execution except for war crimes. And, as a matter of fact, since he is 75 years old, the same thing practically has happened to him, because he cannot possibly survive a Rumanian prison for a year.

I have already referred to Mikolajczyk, who was just lucky. As he stated to some of us he had no hope of living very long. He was just lucky that he got out. I repeat my great gratification that he did.

In conclusion, Mr. Chairman, I should like to say that I am in thorough agreement with the opinions that have been expressed that we should go very carefully into this legislation. I am always in favor of that procedure. That is democracy. By the same token I am equally opposed to needless delay.

I was impressed, when Chairman Mundt was speaking, and yesterday when Chairman Herter was speaking, that we do have so much more personal, first-hand information about this proposed legislation than any legislation I have ever had anything to do with and I imagine perhaps any legislation that has ever been before the Congress.

So that I am wondering if it does not behoove us to be sure that we do not go into the matter too laboriously, into all of the details and spend too much time and thereby lose, as General Marshall said, too much of that momentum which is now in progress, thank God, in Europe, against the spread of communism. I wonder if it does not behoove us to readily subdue any temptation relative to pride of authorship, publicity, or political benefit in the interest of our country. I do particularly hope we will not repeat the fiasco which occurred when the last relief bill was on the floor.

The President, as you know, called this committee and the Foreign Relations Committee of the Senate to meet last Monday for no other purpose than the consideration of this legislation. Shortly thereafter he called a special session of the Congress to meet next Monday for no other purpose, as I understand it, although I may be incorrect in this, until this is out of the way.

I realize the price-inflation situation is in his call, and I think we should take whatever action we can on it. However, I have gained the impression—I do not think that he said so—that this legislation has priority over that legislation, if for no other reason than the fact that the other committees are not considering that question at this time.

Therefore, I cannot refrain, in conclusion, from urging that we members of this committee, particularly in view of our knowledge of the facts in connection with this legislation—facts so much greater than we have ever had before—not permit that knowledge to cause us to go too laboriously into the finite details of this matter and thereby bring about what might prove to be a great loss, a set-back of this momentum to which Secretary Marshall referred as being in progress in Europe today. I can think of no meritorious reason why we cannot meet General Marshall's suggested dead line of November 30, particularly in view of the excellent reasons he gave for it.

Chairman EATON. Thank you, Mr. Jarman, for your very informative address.

Mr. MUNDT. I wonder if I might add just a word there, because I think Mr. Jarman's splendid testimony is typical of the fine type of men on this committee that were assigned to me. I am sure that no chairman ever had a more able subcommittee than the one that I was privileged to work with on this trip.

They were a most congenial group. They were tough-minded and approached the problems objectively. I was not only amazed but gratified by the fact that the Members from the two Houses of Congress, from every section of the country, equally divided between the two parties, should arrive at such a widespread area of agreement as we wrestled with the prodigious problems overseas.

Chairman EATON. The next speaker will be Mrs. Bolton.

STATEMENT OF HON. FRANCES P. BOLTON, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF OHIO

Mrs. BOLTON. Mr. Chairman, the unusual opportunity you are giving the members of the committee in bringing to an open meeting of this kind something at least of their findings and impressions gathered during the recess period is a most interesting development of your constant efforts to give vitality to the democratic processes that constitute America as they function through your committee. I regret only that there have not been enough hours in the last days of constant meetings to bring you anything more than a very informal story—a partial one. Our more formal report is in process, and will be submitted in the very near future.

Subcommittee No. 5, of which I have the honor to be chairman, is charged primarily with ascertaining as much as possible what are the effects of the application of Socialist controls; of the rapidly growing nationalist movements; of the inroads of Communist influence; infiltration; and controls; of health conditions; the status of women; and so forth.

In addition to these particular matters, we were asked to secure what information we could relative to the industrial and agricultural possibilities in the Near East, as well as the possible need for information facilities and such other matters as relate to the welfare and security of the United States.

When called by your cable advising us of these special committee meetings, we returned with a considerable part of our territory unexplored. However, it is our hope that the information we now have will be of vital and practical use to the full committee and to the House.

Your committee sought and secured information in England, France, Germany, Belgium, Austria, Czechoslovakia, Italy, Spain, Greece, and Turkey, and the Near East. Its members participated in first-hand reactions to the unexpected results of municipal elections in England, France, and Italy, in actual experience of guerrilla warfare in Greece, in the reaction to the plan for the partitioning of Palestine, and the Iranian decision relative to oil concessions. This could not have been, had we not decided at the outset to separate into small units and spend the major part of our time in those areas for which our interests and general background best suited us.

Therefore, Mr. Chairman, I will confine myself in these few minutes this morning to giving you a brief picture of certain phases of the studies that Congressman Merrow and I made in the Near East, he will touch upon others. The full report will attempt to cover the field far more adequately than can be done today. Mr. Jackson will give you something of the results of the experience that he and Congressman Teague, who accompanied him, had in Greece and Turkey. Mr. Maloney will cover some of the industrial angles.

It would be difficult to estimate the strategically important position of this bridge between continents, which is the Near East. Without question this will be increasingly evident as the oil developments bring it into larger focus.

Greece and Turkey form a part of the frontier between the western world and the world controlled by the Soviet Government, but it would

be the height of misfortune if we failed to recognize the strategic place occupied by Iran and also by the very much-less-noticed country of Afghanistan. It is a long frontier and a great deal is involved.

Prevented by the cholera epidemic from making Cairo our headquarters, Mr. Merrow and I, with our staffs, went first to Palestine. Arriving in Jerusalem almost simultaneously with the announcement of the United States' position on the partition plan, we felt the full impact of the dissatisfaction it engendered. Warned upon our arrival at the airport of the police orders to stand still when the siren blew until the all-clear, faced with barbed-wire entanglements strung around the five restricted areas and the constantly required passes, we experienced somewhat dramatically the terrific tension now existing in the whole area.

It was immediately apparent that no group was pleased with the UN plan. Although the Jewish agency (the Zionist headquarters) had accepted the partition plan, it seemed to be generally understood that they did so only temporarily.

The full-page statement of the Zionist Revisionists printed in New York refusing to accept partition was clearly reflected in Palestine where Revisionists are 20 percent of the Jewish population.

That the decision was most unpalatable to the Arabs was immediately evident, although we met with the utmost courtesy from them wherever we went. Unanimity between Arabs and Jews seemed to exist on two points only:

First, that the British withdraw, and at once.

Second, that whatever the results might be, each group felt able to handle the consequent problems.

These problems are not simple, for there is no present unity within the separate groups. Inquiries developed that both Jews and Arabs have definite armed strength. The Jewish agency's arm is the Haganah, which under existing law is an illegitimate organization, moderate in its action. There seems to be no doubt in the minds of the authorities that the armed force of the Revisionists is definitely the terrorist Irgun Zvai Leumi. The so-called Stern gang was more difficult to identify with any particular group, although the consensus of opinion seemed to be that they work with the Communists and fellow travelers.

In presenting the situation as a whole, all the elements should be considered. It is not necessary to dwell upon the Zionist attitude in the problem that Palestine has become, this is well known in the United States. Although their spokesmen insist that they represent the majority view of Jewry, an unemotional and objective study reveals that there are groups of considerable size not only in the United States but in Palestine as well who are deeply opposed to the Zionist program. The least known of these, at least to us, is the Orthodox group, who are strangely inarticulate but who feel that Zionism is the greatest tragedy ever faced by the Jewish people of the world.

The acceptance by the majority group of the partition plan has brought forward the Revisionist group who are as violently opposed to partition as they are to communism in any form and the Kremlin in particular. How all these contending forces within the Jewish group will settle their differences fortunately is not the responsibility

of any outsiders, but it is important that the fact of their existence be recognized.

The Arab view relative to our position is one that has had little airing in the United States. It would be impossible to present it adequately in these few minutes, but if a balanced picture is to be given mention of it should be made.

There is no need to dwell upon the historical claims of the Sons of Ishmael, Son of Abraham, to the land in question; that is well known. But we would be failing in our responsibility did we not give you something of the present Arab attitude, for little is known of this in America. Educated in American schools and colleges in the Near East and in the United States, they have believed the teaching that democracy rests upon majority rule. To be faced with what they consider our complete reversal of this fundamental tenet has not only confused them but has made them feel we have let them down both morally and spiritually. And they are as unmovable from their position as are the Jews; yet there is no complete accord among them, either.

Discontent with the leadership within the Arab High Commission has led to the recent development of a group of young Arabs whose tendency to reach out towards the Communists is troubling thoughtful people, although communism is distinctly distasteful to the Arab whose whole life is centered in his religion.

We found the surrounding Arab countries giving evidence of their readiness to take part in preventing the establishment of the Jewish state. Syria had moved troops down to the border. Iraq probably has by now. The Trans-Jordan Arab Legion, used for some time for police duty within Palestine as well as on the borders, would naturally form a part of Arab strength should difficulties occur. Arms are not hard to come by, and have been brought in by both sides for some time.

The deserts where the battle occurred during the war are filled with ammunition dumps, with guns, and so on; these are brought in over smugglers' routes that have existed in those areas for countless centuries.

Another element which has developed considerable strength in the past few months is the growing popularity and power of the Mufti, Haj Amin Al-Husseini. Xenophobia is very much on the increase in all the countries of the Near and Middle East, undoubtedly subtly fostered by the Kremlin, but in the Near East openly led by the Mufti. He is a power and his announcement that all in disagreement with him will be liquidated will not help the peaceful solution of the partition plan should such action be definitely taken by UN.

At the moment, the United Nations vote has not been taken, and the situation appears to be growing increasingly complicated. What will result at Lake Success is unpredictable, but in submitting this résumé of the situation with complete objectiveness, we do so with the sincere hope that, difficult as the situation now appears, strength may be developed by those Arabs and Jews who feel that it is possible even yet that a peaceful solution may be arrived at. If there are a sufficient number of these it is conceivable that once the British are out and the two peoples are faced with the full responsibility for their common future, wiser counsel may prevail.

The effect upon our relationship with the Arab world is exceedingly difficult to prophesy. Until perhaps a year ago, thanks to the splendid work of the State Department through our Foreign Service officers, as well as the contacts established by the oil companies, the United States stood ace high with the Arabs everywhere.

Where we stand in the future will undoubtedly be considerably affected by whether their desire to see their oil developed for their own best interests is strong enough to hold the increasing animosity in check.

At the present moment the pipe-line contract with Syria, though signed, has not been ratified. Our information was to the effect that everything is being done by the Mufti and his group to prevent the ratification. There is without question a very real danger to the whole spirit of our dealings with the Arabs.

One of the matters which I mentioned we were asked to look into was the possible development of agriculture within the Arabian peninsula.

You will recall that centuries ago the Euphrates Valley was populated by millions of people. It is now inhabited by a very few people. The accumulation of silt and wonderful soil in the Euphrates Valley through the centuries has left a situation that is utterly unbelievable in its possibilities. A little water in that area could be made to produce an almost incalculable amount of food, grains, and so on.

There is a very old dam which was destroyed by one of the early conquerors of the area. This could be rehabilitated, as we say in these days, and could become again one of the means of profitable life for that great area.

If we could call upon Iran, Syria, and Saudi Arabia for some of the foods which now are not available to western Europe because of the Soviet domination of Eastern Europe, we would have a very great renewal of strength for the western area. Such a development is, of course, dependent upon whether we keep the friendship of those who inhabit that area. If the eastern Mediterranean were closed to export, then we would find ourselves in a very difficult position indeed.

Mr. Chairman, my colleagues are going to cover some of the other areas of our studies, but I want to make mention of one other matter, and that is the quality of our representatives in the Near East. Others can comment upon their quality in Europe, but I would like to express what was very strong in Mr. Merrow's mind, and my own, an appreciation of the very high quality of service that is being rendered by the members of the Foreign Service, by the stenographic force, who are civil service, and by the aliens who are employed in the consulates, legations, and embassies. It is quite impossible to express what one feels.

Take, for instance, in Tehran, where the water is such that one cannot even brush one's teeth with any safety. Women are there with little children. They are responsible for their health, having to have constant vigilance over everything they eat and everything they do. There are very curious and strange diseases. There are amazing dangers to health there which are little understood by the western physician. As a matter of fact, there are only two American physicians in Tehran. One is attached to the military mission; the other is Dr. Avery, who is with the Public Health Service, loaned to

the Persians. Both are amazing in their willingness to work over hours when any need occurs in the ranks of the Americans who are there.

In addition to our Foreign Service people there are those who have gone out representing the oil companies and representing other industries. There, again, the choice has been extraordinarily wise. The young men and women with whom we talked, and the older ones as well, have a deep sense of their responsibility to this country to represent us adequately. Their behavior is amazing because they are in a very alien land.

The Arab countries, naturally, under the Koranic law, restrict the activities of all women. In some of the countries the Arab women still go veiled but whether they do or not restrictions are there, whether for Arab women or aliens. It has been very difficult for the American wives and employees to retain adequate morale while able to do only those things which are permitted under the customs and traditions of these countries. I want to express what we felt very strongly—our appreciation of their attitude and their actions.

And a word about the information program. At every point we found a truly desperate need for books, magazines, and personnel to say nothing of a bit of a voice.

The other countries are all established. In Persia, for example, England has seven mobile movie units. And may I say in passing that it might be well for us as a nation to look into the direct results and effects of some of the very unfortunate types of commercial motion pictures, which are sent out into these areas. They undo, in many instances, anything which an information program might contribute to have us adequately understood as we are, in these areas.

Mr. Chairman, may I say just a word relative to the matters which recalled us from Europe to the special committee meetings, and to the special session of the Congress?

It became very apparent during these weeks of travel that the Soviet Government is focussing its strategies in the "cold war" upon which it has launched, upon France, Italy, and Austria. The viciousness of the attack cannot be adequately described. It is my considered opinion that the people of our country must be given a frank, calm, dispassionate picture of the actual situation of western Europe. If such a picture is given they will quickly recognize their responsibility not only to Europe but to their own future security.

What is going on—this that has been called a "cold war"—must be faced realistically. It is not a war between the great mystical people of Russia and the freedom-loving people of the United States and of the world. This is a cold, relentless, ruthless struggle for complete domination of the entire world by a small group of men—and alas by women, too—who, when they made the state their god, allied themselves with the terrible forces of destruction. Take from men the knowledge that there is a higher force, deprive them of the certainty that the body is only a house into which the soul comes for growth and experience, take from them this certain hope and you start them on a voyage of retrogression and self-destruction. This is the war that must be won, friends. Once won, the chance of a fighting war will recede into the distance.

But we shall not win it by leaving France, Italy, and Austria without hope of bread and of the tools and the seeds and the medicines with

which to strengthen themselves for the resistance they are making and must continue to make to the unbelievable pressures being put upon them by these purveyors of destruction in the Kremlin.

Exacting efficiency and judgment of those who will be in charge of the lifeline—for such this interim aid actually is—is imperative. We must study this measure with great care; we must insure its adequate administration, but this lifeline must be a strong line, strong enough here at this end (which means a strong America), strong enough to carry the load—not a penny-wise-pound-foolish bargain sale piece of hemp.

Chairman EATON. Thank you very much, Mrs. Bolton.

Mrs. BOLTON. Thank you, Mr. Chairman.

Chairman EATON. We are deeply indebted to you for this very fine presentation.

Mr. Mansfield, do you wish to proceed now?

Mr. MANSFIELD. No.

Chairman EATON. Mr. Richards wants to be the first at the afternoon session, so we have room for one more before we recess.

Mr. MERROW. I believe he is not here.

The next is Dr. Judd.

Dr. JUDD. I am not prepared to proceed now.

Chairman EATON. Mr. Lodge of Massachusetts.

Mr. LODGE. I beg your pardon.

Chairman EATON. I beg the gentleman's pardon for my lapse of lingua, Mr. Lodge of Connecticut. I believe you are the only Lodge that built his lodge in the vast wilderness of Connecticut.

#### STATEMENT OF HON. JOHN DAVIS LODGE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. LODGE. Mr. Chairman, I have no prepared statement. I appreciate very much the honor of making a deposition before this distinguished group.

I want to congratulate our chairman on the masterful and energetic fashion in which he has held the fort here in Washington during the absence of so many of us overseas.

I also want to pay tribute to Congressman Mundt and to my colleagues on the Smith-Mundt committee for the invaluable work they accomplished during our trip together. This was certainly no junket. It was a trip of backbreaking work, which required the utmost effort on the part of everyone.

I left the committee in Rome, or rather, I remained behind in Rome while they went on to Madrid and Lisbon and then back to the United States, my desire being primarily to gain as much information and special knowledge as I could of the Italian situation. Accordingly, with your permission, I shall address myself particularly to that situation, since other aspects of this vast problem have been so ably covered by my colleagues and by other witnesses whom we have had appear here before us. In the interests of brevity, I shall confine myself to a mere outline.

Now, in going into the Italian situation I was primarily preoccupied with three main aspects of the world dilemma.

The first is the USIS program.



The second is the post-UNRRA aid bill, Public Law 84, which is called the AUSA in Italy.

The third is the question of national security. Since I am a member of Subcommittee No. 1 under our able chairman, Mr. Chipfield, of Illinois, I thought it was incumbent upon me to look into that pre-eminent question in order to make a report to him and to the subcommittee upon my return.

In addressing myself to the strategical implications of Italy's position, I want it clearly understood that this approach takes into consideration the great ground swell of barbarism to which we are exposed in the world today—the fundamental challenge of liberty against tyranny—the demand upon us all to show how deeply we appreciate the responsibilities which are inseparable from our liberties, the challenge to our system, and the moral and spiritual factors which are involved. I shall not discuss these vital factors now.

There is, however, an immediate challenge in connection with Europe, and particularly Italy, to which I should like particularly to call your attention.

In the course of my time in Italy, I visited Rome, Naples, Salerno, Civitavecchia, Florence, Genoa, Milan, Turin, and other cities and also Trieste, which, although it is not officially a part of Italy, is nevertheless, for some rather obvious reasons, appropriately to be considered in connection with the Italian problem.

With the exception of my trip to Trieste my Italian travels were made by automobile, and that gave me a chance to look at conditions a great deal more closely than I would otherwise have been able to do.

I need hardly call to your attention the events of yesterday and today in Marseilles and Naples which serve to illustrate what has been my conviction for some time now with respect to the problems in western Europe.

There are a few facts in connection with the Italian situation which I should like to have you bear in mind in connection with the Italian problem:

First. The Italians are working very hard. I think that is the consensus of opinion of most of my colleagues.

Second. They are suffering primarily from overpopulation, and this is a situation which the Italians cannot solve by themselves. It should be studied by the Economic and Social Council of the United Nations. I believe that it is one of the most urgent duties of the appropriate United Nations groups to address themselves to that problem in order to relieve particular distress in Italy.

Third. They are, of course, suffering from the widespread destruction and ravages of war and from the confusions of the Anglo-American postwar policy.

Fourth. They are suffering from the effects of the Italian peace treaty and the uncertainty of the status of their colonies.

Fifth. They are suffering from communism, from the infiltration and disruptions of the Communists ordered by Togliatti and Lungo and from the pressure of the Yugoslavs on their borders. Here it is appropriate to point out that the Italians are generally speaking, Communists by default. Of the supposed number of 2,200,000 Communists in Italy, I believe as a result of my investigation, that the Italians are Communists by default rather than by conviction. The

number of Marxists is very small, and the number of actual Comintern agents is very small. They are Communists in the same way that they were Fascists—for lack of a sense of a constructive alternative. That is where we come in. I think it is important to bear in mind that the former army of liberation, the Partegrani, is now the center of the Communist movement and that the non-Communists have withdrawn from that organization. It can be compared to the FTPF in France which was a kind of byproduct of the FFI, which was largely disbanded after the war.

Approximately—and this, of course, is a rough estimate—one-half of the leading Italian Communists, are former Fascists. This is a measure of the cynical nature of the Communist movement.

I need hardly tell you that communism as it exists in these various countries is but the cynical tool of Soviet imperialism, and has no bearing on any truly ideological concepts. The proof of that is for example in the Warsaw decree that real Communists, the Leninists, or the Trotskyists, and the Marxists are the first to be liquidated. They are Public Enemy Number One. That is a matter of official record.

The same thing applies in Italy, of course.

Now, there are three stages in this so-called cold war: The first is the attempt to capture a legally constituted government by constitutional means; the second is the resort to internal force.

The third is war.

I will take up the third first.

In my opinion, there is no immediate danger of war. On the other hand, based on conversations which I had with the most responsible people—people in the highest official positions in these various countries, there is no question in my mind that if Russia chose at this point to capture western Europe by war she could do so in approximately 2 or 3 weeks, including Spain and Portugal.

I personally do not believe she will do that. I believe that in France and Italy, Russia has abandoned the attempt to capture these governments by constitutional means. That is largely due to our efforts to maintain liberty and independence in those countries. I believe that they have now decided to resort to internal force. Current events in these countries are an indication of what we may expect.

In Italy there are a certain number of factors which should be borne in mind in connection with this attempt:

First. The Italian Treaty is considered by most responsible people in Italy and in France to be a major catastrophe. As you recall, it provides for the withdrawal of United States troops. I had a conversation with General Javnes in Leghorn and he informed me that all United States troops will be out of Italy by December 3.

Second. It provides for a reduction in the Italian Navy to 25,000 officers and men. Here I might say that the Italian Navy is 100 percent reliable; there are virtually no Fascists and no Communists in the Italian Navy. That was true during the war and it is true now. But the Navy is small.

The Army is reduced to 165,000 officers and men, and then there are 60,000 Carabinieri who are on the whole reliable. The Army has begun to be infiltrated with Communists, but in their chief of staff, General Marras, they have a very fine soldier.

Third. The treaty provides for the defortification of the Italian frontier which results in much danger, particularly from Yugoslavia.

Fourth. The very cold winter ahead. The people will be largely unheated in Italy; whatever coal is provided will go first to industry.

Fifth. They will have, in spite of everything we can do, an austerity diet. It will be inadequate. It will be the best we can provide.

Sixth. Unemployment is increasing. When I was in northern Italy, in Milan, thousands of workmen were being laid off because the plants had no longer any means with which to pay them and there was a lack of raw materials. They had some Export-Import Bank funds in one organization, the Fiat company, where they were going at full tilt, but in general there was increasing unemployment.

Seventh. Fear. Fear is what really breeds adherence to communism. The Italians and also the French have been through such terrible sufferings, from the Nazi, that it is hard to overestimate how much their resistance to suffering has been broken. Human flesh and blood simply cannot stand any more of that type of treatment and oppression, and so out of fear they become Communists because many of them believe that communism is in the offing.

Eighth. The complete inadequacy of USIS. Congressman Mundt has elaborated on that and I shall not take the time of the committee with it. I should like to make a separate report of my observation in this connection.

Ninth. The inadequacy of publicity in connection with the post-UNRRA aid. Generally speaking, they do not know where it comes from. There are a few labels pasted on here and there, but by and large the amendment which, as I recall, our distinguished colleague, Mr. Vorys, introduced to the bill and which I thought was an excellent amendment, has not been implemented as it should have been.

Tenth, the shortage of raw materials.

Eleventh, and perhaps most important is the fact, that the most evil legacy which Mussolini bequeathed to the Italians is that he muddied the waters of an honest, decent patriotism; so that it is hard for Mr. De Gasperi, who is a very fine man, a good man, and an able man, to make a call on the patriotic feeling of the Italians without resuscitating latent fascism and without accusations that he is another Mussolini. That situation does not obtain in France, and this factor presents the Government of Italy with a very difficult problem.

Now, with reference to our position in Italy: In my opinion—our choice is between the De Gasperi government and communism. It may be that Mr. De Gasperi has had to resort to some measures which might be referred to as socialistic. The question of whether or not we believe in socialism is neither here nor there in this particular problem. It is a question of constructive alternatives. Unless we are willing to think in terms of constructive alternatives I feel that we are going to miss the relentless realities of the situation.

Now a coup, an internal coup, is very likely. The provisional assembly expires on December 31—it has already been extended six months, and of course, you all realize, I am sure, that the Government in Italy is not a permanent Government at this time. There are elections in March coming up. The Russians feel that time is running against them.

The Carabinieri are pretty reliable, but they are not more than 60,000 in number; they possess inadequate equipment, and there is reliable opinion among most of the thoughtful people to whom I spoke that the Communists who are well armed are in a position to dispose of them within about 3 days.

Due largely to United States aid communism is on the ebb, as far as popularity is concerned; and that is exactly the reason why, in my opinion, it is most dangerous. Because of the fact that it is on the ebb; an internal coup is more likely.

In other words, we have rendered great assistance but we have by virtue of the effectiveness of our assistance precipitated a situation in which we must now consider what we are going to do to safeguard our great past and prospective investments, to protect our strategic position, and to protect freedom in these two countries from the onslaught of Soviet tyranny.

The help which we have rendered to Italy is well known. I will not take your time to enumerate that. Suffice it to say first that in spite of the well-known inefficiency and misdirection of some of the UNRRA aid, nevertheless it was an important support and it did do a lot of good.

Second. There was the agreement renouncing approximately a billion dollars of Italian debt due in part to the expense of the United States Army of occupation, and I will not go into the details of that.

Third. There was the unblocking of \$45,000,000, with the United States Treasury, the release of \$15,000,000 with the Alien Property Custodian, and the transfer of some 200,000 tons of shipping to the Italians. This was provided for by a bill passed in the last 2 days of the last session.

Fourth. A large quantity of merchant shipping which was purchased from us by the Italians.

Fifth. The United States, while I was in Italy, renounced their share of the Italian Navy. This produced an excellent effect in Italy, and I devoutly hope that Britain will follow suit.

Sixth. The post-UNRRA aid, the AUSA aid, is of tremendous importance. I need hardly say why. As a passing comment I might remark that it is a paradox of human nature, that people are often willing to die for liberty but that they will give up liberty in order to live. AUSA aid has helped them to meet that problem.

Seventh. The Marshall plan and our interim aid has, I think, done much to consolidate the forces of anticommunism in Italy—I use the term “anti-Communist” because there are some 14 parties in Italy. Indeed it might be said that while there are in Italy some 14 parties and but 2 ways of thinking, in the United States there are only 2 parties but at least 14 ways of thinking.

Now, an internal coup seems to me unlikely before the end of the year. I believe that they will hold off for a discreet length of time following the withdrawal of U. S. troops. I am not a prophet, and of course there are many unpredictable factors; but based on the facts I am trying to present, it might well come around March before the elections. I believe it will be synchronized with general strikes in France. Therefore the burden of what I have to say is to direct your attention to aspects of this problem, which have nothing to do directly with economic aid, although of course it affects these various

problems. Economic aid may not be enough—and it is not that the amount that we appropriate by way of economic aid will not be enough. It is that economic aid and relief in and of themselves may well not do the task. Where the stakes are so high, can we take that chance? Lincoln said “Let us hope for the best and prepare for the worst.” Can AUSA amplified and extended by whatever we appropriate for intensive aid go far enough to help the De Gasperi government protect itself against internal forces, to protect the legality of the Italian Government against extralegal force. This is a matter of our own national self-interest.

The greatest danger is in northern Italy. That is the heart of Italian industry. It is an area about one-fourth the size of Italy but it contains one-half of the population. The entire valley of the Po is known to be organized by the Communists, stretching all the way from Florence, Piacenza and Bologna to Milan and to Genoa in the west and Venice in the east. That whole valley has been organized from the Mayors right down to the postmen. They are Communists, and in some of those areas they are paying no attention now to the edicts, to the regulations, and to the laws promulgated in Rome.

If Milan falls northern Italy goes, and then it would be possible—and, of course, I am not a military expert—but it would be possible for the Communists to draw a line south of Florence and to divide Italy in half. Although there are few Communists in southern Italy, southern Italy and Sicily could not hold out.

If Italy goes, I need hardly call attention to the fact that the position of Greece becomes untenable, the program in Greece is completely outflanked, the \$300,000,000 which we have invested there will be lost, and our efforts in Greece will have failed.

Now, of course, if Greece goes there is no question that Turkey cannot hang on, although the situation in Turkey is different because of the fact that there are no Communists within Turkey. Accordingly Russia would presumably have to resort to an overt act. In any event the position of Turkey would be untenable.

I had a 2-hour conversation with the Chief of Staff in Turkey and Mr. Sadak, the foreign minister. They said that the Turks will fight to the death for liberty, but they cannot hope to win.

And I am sure that most of you gentlemen would agree with this, that if Turkey goes the entire Middle East, and with it vital Arabian oil, the Suez Canal, and Egypt will be lost; north Africa of course would be helpless to defend itself.

As to whether France could hang on under those circumstances I leave to your imagination.

Accordingly we might wake up some fine day to find ourselves faced with the problem of being cut off entirely from Europe. We might find the Red tide at high tide on the Atlantic. I am not a military expert, but there is grave question as to whether England could be used as a base, because of the long-range weapons which are now in the offing, and the United States would find itself suddenly face to face with an enormously difficult and highly expensive strategical problem. Therefore, I believe that we have to reassess the threats to which we are now subjected. “A stitch in time saves nine”; “An ounce of prevention is worth a pound of cure.”

If I may say so, I think we have a tendency to indulge in certain superstitions and that these superstitions stand in the way of effective action at this time.

First, we seem to cling to the belief that there is a sharp dividing line between war and peace. The Russians, in spite of the fact that they have not been exposed to the humanism of the nineteenth century or to the freshening winds of liberty, in spite of the fact they live largely in a sixteenth century world, do not succumb to that particular superstition. They recognize that these disagreements are a part of the stream of human conflict, and they draw no such dividing line as we draw. We should not tie our hands at this time by adhering to the fiction that there is such a sharp dividing line. The expression "cold war" was happily coined, I think.

Secondly, there has been a sort of fetish that we must not intervene. The word "isolationism" has become an ugly word and, since the war interventionism has also become taboo in some circles. No one has bothered to explain how we can be both anti-isolationists and anti-interventionists at the same time. I believe it is important to understand that if we assume our world responsibilities, to that extent we automatically intervene. The question is, For what purpose do we intervene? We intervene not for the purpose of domination, but for the purpose of preventing domination by others. And no amount of distortions and lies, no amount of Soviet propaganda, can change that unalterable fact. We know that to be true; we know that in our own minds and hearts, and we need have no fear, therefore, to go ahead in this case to intervene to protect the integrity of those nations, safeguard our own national security and, with it, the peace of the world.

Third, there is a kind of feeling that we must either go to war or combat communism by economic aid and the influence of an information program; that those are the only means which we have of combating this thing. These are all very well in themselves and I am a firm believer both in economic aid and in an adequate information service. But those who are trying to capture these governments by force do not restrict themselves to that particular pattern of action. There is no reason why we should restrict ourselves to that pattern of action. Economic aid and USIS are designed to counteract the growth of communism as a popular movement. But it has been estimated that in Poland, Czechoslovakia, Hungary, Rumania, and Bulgaria only 5 percent of the population is Communist. Yet these countries are well behind the Iron Curtain.

As I said before, it does not appear likely there will be war for several years; but it is my considered judgment that the question of whether or not there will be another great war and the question of whether or not we shall win it will be decided within the next 2 or 3 years; in fact, the next 4 or 5 months are critical.

Let us not, Mr. Chairman, shrink from doing a fraction of what we would have to do in case of war, a fraction of what we propose to do for interim aid and the Marshall plan. I am not talking about aid; I am talking about protecting these countries from internal aggression, just as we would protect them from invading armies.

The Communists have a way of using our own forms against us, of using our own conventions, our own traditions against us. Those

forms, those conventions, are part of our tradition, and they are invaluable to us; but there are times when they can be an Achilles' heel. Freedom does not mean the right to yell "fire" in a crowded theater, as Mr. Justice Holmes once remarked, and freedom does not mean the right to destroy the freedom of any country. We in America have to consider our own economy; we have to consider our own dwindling resources. Those aspects of interim aid and the Marshall plan have been stressed. Yet the very thing which causes a greater drain on the American taxpayers and on our national resources is the fact that Communist agitation in these countries increases the strain on their economies. That makes it much more expensive for us in every possible way. That is the purpose of the agitation—to make it more expensive for us. Economic stability in Greece cannot be restored while the guerrilla war continues. Economic stability in France and Italy is difficult and highly expensive to achieve while the disruptive forces of Communist aggression have not been disposed of.

Therefore, I say that we must consider taking the relatively infinitesimal steps that are required in order to meet the vicious threat of force within these countries. Can we afford not to make this fractional effort which will insure our huge investments in relief and rehabilitation, diminish the needs in those countries by counteracting these destructive forces, and protect America and world peace by keeping those countries on the right side of the Iron Curtain?

There is a tide in the affairs of men which, taken at the flood, leads on to fortune. Mr. Chairman, this is it; this is the tide; it is at the flood; the rest is up to us.

I thank you. [Applause.]

Chairman EATON. Thank you, Mr. Lodge.

I must express, as chairman of this great committee, my profound happiness in realizing that our members are the best witnesses that any committee ever had. This has been a wonderfully instructive session, has been a liberal education to all of us, and we are perfect gluttons for education. So this session will adjourn until 2 o'clock, and we will finish then.

(The committee thereupon took a recess until 2 p. m.)

#### AFTER RECESS

(The committee reconvened pursuant to the taking of the recess, Hon. Charles A. Eaton (chairman) presiding.)

Chairman EATON. The committee will come to order, please.

We will have to depart from the regular order in one case, because our colleague, Mr. Jackson, is forced to leave, and we would like to hear him. So I will ask him to take the stand now.

#### STATEMENT OF HON. DONALD L. JACKSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. JACKSON. Mr. Chairman and colleagues, may I add a word of praise to the many that have been spoken relative to this procedure today. I know that I, personally, have found it a source of considerable information and a source of great personal pride to belong to a group, the other members of which are so able in their presentations of their various subjects.

I think it would be remiss if I did not pay high tribute to the gentlewoman from Ohio (Mrs. Bolton), the chairman of the subcommittee on which I had the honor to serve. She is a splendid person with whom to work. Long hours mean nothing to her, and it was a very real pleasure to be with her on this jaunt. You will notice I refrain from calling the trip a "junket." One of the humorous incidents which occurred during the course of the trip was when the bandits fired on us in Greece. Mr. Teague and myself were both nestling as close to the bosom of Mother Earth as possible, and I asked Mr. Teague if he had any particular reflections at that moment. He said "Yes. I should like to have about half a dozen constituents of mine who call these things 'junkets' here with me."

The congressional trips, I think, were an excellent idea, and I am sure the rest of the members of the committee do. I believe that the money appropriated for foreign travel this year was one of the best appropriations made during the entire session, in spite of the fact that the Greeks called the steady flow of Congressmen through Athens the greatest invasion since the Persians.

The following report is the result of the study trip, during which time Mr. Teague and I traveled through a number of European countries—England, France, Italy, Greece, Turkey, Germany, and, in my case, Holland and Belgium. But, inasmuch as the majority of our time was spent in Greece, my report and my remarks will be addressed largely to the conditions in that country.

During the period October 6 to 23, Mr. Teague and myself traveled hundreds of miles through Greece—to the northern frontiers, into Thrace, and, in general, covered as much of the country as it was possible to do. We had interviews with many personalities both in and out of the Government in Greece. In addition to this we talked to members of our Foreign Service. And I should like to add a word of praise to the compliments paid by Mrs. Bolton relative to the caliber and the character of the men and the women who represent us in the Foreign Service. We found them objective, honest in their approach to the problems, and extremely capable in the execution of what are at times not only difficult but actually hazardous obligations.

We talked also to members of the Greek press, American and foreign correspondents, magazine writers, officers and men of the Greek Army and the air force, priests, villagers, businessmen, and captured bandits. We have made an effort to prepare and submit our report in an objective manner as indicated by facts as we observed them.

It might be well to consider, first of all, and very briefly, the physical characteristics of this nation which is so much in the public eye at the present time.

Greece covers an area of 52,000 square miles, including over 100 islands with a total of 10,000 square miles. It is bounded, as you all know, on the north by Albania, Yugoslavia, and Bulgaria; on the east by Turkey, and on the south by the Mediterranean and Ionian Seas. The estimated population on December 31, 1946, was 7,600,000 people.

The military significance of Greece is of the utmost importance. Fate, perhaps in a mood of irony, gave Greece one of the world's most unproductive soils—rugged, mountainous terrain—and an unbalanced economy which has never in the history of the nation been on a favorable trade-balance side. Strategically, however, its importance cannot



be understated. It has been said that who controls Greece to a large extent controls the Mediterranean.

It is not enough to consider Greece as an integral unit in this day of the atom. The whole relationship of Greece must be studied from the standpoint of her relationship with the rest of Europe and, what is more important, from the standpoint of her relationship with the Middle East. Geographically, Greece stands on the flank of Turkey. Her island possessions dominate the approaches to the Dardanelles and the Bosphorus. Crete lies astride the communication lines of the Mediterranean, and the harbors of Greece, while not the best in the world, would offer facilities for repair and refueling in the event of a world crisis.

It is highly questionable whether Turkey could stand alone against military aggression unless her flank on the west is covered. The ancient gateway of invasion to the Middle East lies through Turkey and has, since the days of Attila, the Hun, and Ghengis Khan. The Iran-Turkey-Greece axis stands guard to the reaches of not only the Middle East but to Africa and the balance of the Mediterranean world.

It was for this reason, as you will remember, that America went to the aid of Greece in 1947. It was obvious that if our supply lines to the Near and Middle East were not to be placed in immediate jeopardy, we must take positive action to insure against aggression by militaristic communism and make every possible effort to insulate political and military infiltration outside the frontiers of Greece and Turkey. Since that time the economic, military, and political phases of life in Greece have changed considerably, but the purpose of the aid program, the original purpose for which America went into Greece, and the strategic considerations have in no way been altered. Powerful forces seek the defeat of the program of American aid, and it would appear that these forces are prepared to go to any length to insure that success does not crown American efforts to rehabilitate and reconstruct Greece and to insure a decent standard of life for the 7,500,000 Greeks who have done so much and suffered so greatly in the cause of human freedom.

The American program of aid has had a material effect on Greece and on its economy. As you will recall, in early 1947, the decision of the British Government to withdraw a large portion of its aid and military program in Greece precipitated an emergency of immediate moment. Combined with a drastic economic situation within its frontiers, Greece found itself also under military attack from without as large-scale bandit operations flared throughout the country and across the frontiers of Albania, Yugoslavia, and Bulgaria. The Greek Government appealed to the United States Government for aid in this crisis, and on May 22, 1947, the Congress of the United States approved financial, material, and technical assistance to avert "economic crisis, promote national recovery, and to restore internal tranquility." The legislation passed by the Congress authorized the President of the United States to furnish such assistance to the Greek people with an added charge that the sovereignty of the recipient nation was to be at all times respected and observed.

The economic task of reconstruction, rehabilitation, and aid has been greatly handicapped by political and military considerations, largely brought about by the depredations of Communist-inspired Andartes, or

bandits, throughout all parts of the country. But in spite of the obvious difficulties engendered by such bandit operations, the American mission has made substantial progress in several fields of operation.

Generally, the mission seeks to improve the standards of agriculture; to assist and advise in the reconstruction and repair of highways, ports, canals, railroads, communications, waterworks, and hydroelectric projects; and the development of such other legitimate work programs as may qualify under the terms of the aid agreement.

In addition to projects of a physical nature, the work of the mission also must take into consideration related problems of a more difficult character. Much will depend upon the physical resources of the Greek people and their individual resistance to disease and epidemics; so public health is of major importance. Public-health work in Greece has never been on a sound basis, and years of war and occupation by enemy forces have resulted in a still further deterioration in general health standards. Malaria and tuberculosis alike claim the lives of thousands of Greeks during the course of each year. Military operations, particularly with reference to northern Greece, have resulted in great and serious social displacement. Scores of villages have been deserted by terrorized inhabitants who have fled from their homes to cities and towns where Greek Army garrisons provide a greater measure of protection against the bandit bands.

The refugee problem is one of the most serious aspects of the Greek dilemma and must inevitably result in an increased expenditure by the aid mission for relief during the winter months and a still further lowering of public-health standards.

The sanitation standards in Greece are extremely low, as gauged by western criteria. Water- and filth-borne diseases, such as typhoid fever and dysentery, flourish throughout the country. Many of the sewage lines and other forms of sanitary installations were wantonly destroyed by the Germans prior to their withdrawal from Greece.

While we saw no actual starvation in Greece, ample evidence was seen to exist for the statement that there is widespread malnutrition, especially among children. The basic diet of the Greek farmers and peasants is and always has been bread, cheese, olives, meat, and wine. A strange prejudice exists against the use of canned products; and, for this reason, there are on the shelves of stores in Greece a vast amount of UNRRA food supplies. However, there is little question but that American shipments of cereals and pulses have been a major factor in averting the specter of mass starvation. Unquestionably, should such shipments be stopped at the present time, starvation on a large scale will develop in northern Greece, and the possibility of mass and widespread epidemics among the displaced refugee population is a most serious aspect of the entire Greek problem.

We made some extensive inquiries relative to the presence of UNRRA food supplies on the store shelves. Our inquiries disclosed that very little, if any, of those actually had reached the stores via what we know as the black market, but rather because of the prejudice of the villagers and the Army to the use of canned goods. The Army commissary officers and troop supply officers, whenever possible, would exchange the UNRRA goods for fresh meat and vegetables.

The prices asked for the UNRRA goods in the stores are so prohibitive as to be out of reach of the average Greek citizen. We made

several purchases, for example, in Alexandroupólos, Greece, of UNRRA items. We bought a can of the Argentine canned beef, a small can, for which we paid \$1.25, American money; a can of Australian cheddar cheese, for which we paid \$1.15; a small can of Portuguese sardines, for which we paid 40 cents; a package of American Army biscuits, from the American Army ration, for which we paid 25 cents—making a total for the meal, which was very welcome after the diet of Greek food, \$3.05. Inasmuch as the average Greek worker receives less than \$2 a day for his labor, it is evident that such foreign goods as are displayed for sale are not characteristic items of diet for the great majority of the Greek people.

Unfortunately, large quantities of UNRRA supplies and equipment in Greece still remain unsold and undistributed. Poor selectivity and inadequate study of Greek needs resulted in many instances in the dumping on Greek docks of supply items and equipment totally unsuited to the needs of Greece. These supplies remain warehoused in Athens under the direct control of the Greek Government. Complete inventories are lacking, and hardly a day goes by but that some additional supplies are discovered. The aid mission reports that every possible effort is being made to ascertain the type, quality, and quantity of such supplies and equipment still remaining in order that suitable advice may be given to the Greek Government looking toward the assimilation into the Greek economy of all of these products by June 30, 1948.

But in spite of what I have said relative to UNRRA, in spite of inefficient control and direction at times, there is little doubt but that the foodstuffs which were put into Greece, either directly or indirectly, were a major factor in avoiding widespread suffering during the post-war period. It is, however, to be hoped that those responsible for the administration of the American aid program in Greece will make such representations to the Greek Government as will result in the assimilation of those undistributed supplies into the Greek economy.

It should be borne in mind that UNRRA goods are not subject to American direction, as they were turned over in toto and fee simple to the Greek Government; so absolute direction by American authorities in disposing of these surpluses is not within American power.

There are many and diverse activities of the aid mission—too many, in fact, to discuss at any length in the brief time allotted to me today.

In all of the contacts established with Greek personalities, both in and out of Government service, we made every effort to determine whether or not undue political influence, in violation of the express intent of the Congress, was being exercised by any American officials or agencies in the conferences or in the many necessary contacts with the Greek Government.

In all instances it was stated by those interviewed that American participation in Greek affairs was being confined to advice and to proper suggestion as to the utilization of American funds, equipment, and personnel. No evidence was found to substantiate any claims which might have been made or might in the future be made that American authorities, as such, are bringing pressure of a political nature on the Cabinet or in the Parliament of Greece.

To the contrary, there is reason to believe that on occasion efficient operation and administration of the program of aid may suffer be-

cause of a reluctance of American officials to be more forceful in their contacts—properly more forceful, where American funds and equipment are concerned.

However, it may be stated generally that the relationships between the American Mission for Aid to Greece and the Greek Government appear to be on a sound basis of operation and cooperation; and that the personnel selected to administer the general program with its many diverse activities appear to be honest in approach to their problems, capable in administration, and able in the execution of their appointed duties.

Greece has long suffered the evils attendant upon an unbalanced budget, and the natural child of such a condition is fiscal chaos. One of the high-priority targets of the mission has been the achievement of a balance in the budget. Fiscal authorities, working in close cooperation with Greek Government officials, appear to feel that they are on the verge of success in this most important matter. If successful, the achievement of a balanced budget will be of inestimable value to the end of a sound fiscal state in Greece.

Recent military developments, however, would indicate that it may be necessary to divert still more funds to the prosecution of the war against the Andartes, in which case it may not be possible to achieve this balance in the national budget.

If undue emphasis appears to be laid upon the strictly and purely economic factors of Greece in our finished report, it should be remembered that in Greece the political, the economic, and the military factors are so inextricably interwoven that you cannot separate them. You pick up a thread that appears to lead to economy and it winds up in northern Greece somewhere between the Greek Army and the bandits. Wherever international communism is a major factor this situation is found to be true, but in light of active combat operations now going on in the mountains of Greece, the picture is even more confusing.

The primary mission of the Members, Mr. Teague and myself, was to be a study and report on international trends and movements. Obviously the principal of these, in connection with Greece, is communism both political and military.

However, it became immediately apparent after arrival in the country that such a study would necessarily cut across other fields of activity, across the jurisdictions of other committees and individuals.

As an illustration of the point in question, the act of blowing up a bridge is a military fact. The fact that reconstructing the bridge for useful operation is a matter of costs and accounting means that it is also an economic factor. Almost every difficulty faced by Greece today falls into the same category.

It is actually amazing, Mr. Chairman, in light of the conditions existing in Greece today, that a relatively stable government has been formed, in view of the obstacles and adversity; and I consider it a tribute to Greek determination and willingness to cooperate to the utmost in rehabilitation matters.

Remember that upon the arrival of the American Aid Mission to Greece a desperate situation was found to exist. Food was almost exhausted. Foreign exchange was largely expended. Bandit bands

were gaining in strength daily through voluntary enlistments. There was a terrorized population and an extremely low civilian morale.

There was an impossible political situation in which many Greek politicians were first of all party men and secondarily, Greeks.

However, since that time, the mission has achieved a somewhat remarkable record in bringing about a degree of financial stability, with the assistance of the great majority of Greek Government officials. Voluntary recruitment for the bandit bands has almost ceased, with replacements being on the basis of impressed recruiting, from which, incidentally, the impressed soldier takes the first opportunity to desert, making his way down to some Army garrison.

As to food, the food situation, due largely to the imports of American cereals, pulses, fats and oils, et cetera, is not too bad at the present time. Black-market operations, while by no means ended entirely, have been curtailed to a large extent. The Greek export trade gives evidence of some degree of recovery. A system of export-import licenses was recently instituted by the Greek Government. Income tax reform legislation will unquestionably be passed in the very near future, such legislation being intended to distribute the national wealth more equitably over the population and to rid the country of a situation which exists at present, whereby rich Greeks abroad are able to conceal their holdings and thus escape the force of income-tax legislation.

Important contracts for public works have been awarded by the American Aid Mission. Work is actually in progress on several projects including the dredging of the Corinth Canal and the clearing of harbor debris. A major general strike was avoided a month or so ago by mutual arbitration.

These factors represent a bright side of the picture in Greece. Unfortunately, there is a dark side—and an extremely dark one, in my opinion. Before passing on to the political situation as it exists today, I should like to point out that on the debit side of the ledger economically there is one serious condition. A measure of friction appears to exist between two American agencies; on the one hand, the State Department, and on the other, the American Mission to Aid Greece. It varies in degree depending upon the situation. But it is evident from discussions with all concerned that this matter of friction is in existence.

The chain of command is confused, in that equal responsibilities are shared by the American Ambassador, a splendid individual, and former Governor Griswold, who is a fine and able American. I do not think actually that the friction is between them as much as in the lower echelons of command. It is certainly to be hoped that in light of recent statements which look toward the solution of just such problems as this that the problem in Greece will be clarified in the near future.

The second of Greece's problems, aside from the economic, is the political; and perhaps nowhere in the world is there a more complex political situation than exists in Greece. The great heritage of the Greek past, together with the individual Greek's love for democratic processes, have combined to make individualism at one and the same time a blessing and a bane. It must be remembered, however, that Greek political thought in many instances goes back to the Agora, the ancient market place at the foot of the Acropolis. Some Greek politi-

cal thought and some procedures in the Parliament today stem directly from the Greece of 2,000 years ago.

I well recall one day when we discussed the political situation with five prominent Greeks; each one had his own solution; no other solution would possibly work and each one of the five predicated his solution upon the necessity of his being appointed Prime Minister. It is almost axiomatic that anyone who has been anything in Greek politics has at one time or another been Prime Minister.

Greece is the melting pot and the meeting place for East and West. It is here that rampant tides of invasion have swept back and forth across the mountains and the plains of Hellas. It is here that the indirection of oriental thought and action meets the direct processes of western philosophy and culture. It is here that the East comes face to face with the more direct mental processes of the West. In the merging of these different complexes, it is little wonder that the resultant political situation is something which neither of the progenitors recognize.

For instance, Greece has 27 political parties. A disagreement on the floor of the Parliament, in which one individual, a dominant personality, is outvoted, is apt to result in his forthwith emergence as the head of a "splinter" party. The parties rise and fall. They increase in number; they decrease in number. But I presume, by and large, 27 is a good year-round average for the political picture.

Greece has on many occasions been in a state of bondage to Turkey, to Bulgaria, to the Axis nations. It has been alternately free and slave.

The present political situation, in the light of all these difficulties, is again nothing short of a magnificent achievement. You must remember that for the first time, certainly in recent Greek history, the Prime Minister of the country is not a member of the majority party in Parliament. Mr. Sophoulis is the head of the Liberal Party and an old warrior of the Venezelist school. He is also Prime Minister in the coalition government between the Liberal and the Populist Parties. Mr. Tsaldaris, who would, under normal operating procedures, be Prime Minister, is Deputy Prime Minister instead.

In order to properly understand the present situation relative to communism in Greece, it is necessary to go back to the Metaxas regime—and I shall pass over this very rapidly because I do not want to bore you with too many political details.

Metaxas, the dictator, came into power as the result of a split between two major parties, a situation which could only happen in Greece. He was named by the King as Prime Minister and was permitted to assume the reins of power. His dictatorship, which was to have a great bearing on future Greek events, was not popular with the liberty-loving Greeks of that time, nor is its memory popular today.

But, for the sake of historical accuracy, it must be said that the Metaxas dictatorship, notwithstanding some of the external trappings borrowed from nearby Italy, was more nearly comparable to the dictatorships of Dolfuss and Schuschnigg in Austria or Salazar in Portugal. Metaxas, even according to people who were politically opposed to him at the time and who are now in the Government, was personally able and honest and is generally given credit for advanced labor legislation achieved during his regime.

Metaxas built the Greek Army, and he built a good army. Its usefulness was illustrated when suddenly, on October 28, 1940, the Italian armies invaded northern Greece through Albania. It was such a good army that it pushed the Italians back into Albania, and only the intercession of Hitler and his Panzer divisions made it possible for Italy to save her legions from disaster.

Metaxas died shortly before the Germans intervened, and the King, to escape capture, went abroad. Incidentally, one of the greatest tourist traffics in Greece seems to be that of kings going abroad and returning home again.

One unfortunate and unforeseen development of the Metaxas dictatorship was the growth of an underground Communist movement. The Greek is an individualist. For instance 72 percent of all the farms in Greece are of less than  $7\frac{1}{2}$  acres in size and are owned and worked by those dwelling on them. It is the highest percentage of home ownership among farmers in the entire world.

The Communists took advantage of the Metaxas dictatorship to go underground and build a strong, well-organized system of cells throughout the country. When the Germans invaded Greece, as was the case in so many other countries, the underground movement, or ELAS, formed a spearhead of the opposition against the aggression of the Germans. It became obvious to a great many Greeks during the occupation, however, that the Communists' ultimate goal, rather than the defeat of the invader and of the occupation forces, seemed to be directed in many instances toward the subjugation of Greece following the probable withdrawal of the German troops.

In the light of this, a great many of the leaders in the resistance movement withdrew from ELAS, the Communist-controlled army, and formed EDFs. And much of the history of the occupation in Greece is written around not the struggle between ELAS and the Germans but around the struggle between ELAS, the Communist movement, and EDES, the rightist movement. The Germans withdrew, and the Varkiza agreement was signed which requires the ELAS supporters to turn in their arms. A few arms were turned in, but more were stored away for future use, and in October 1944, following the withdrawal, the Communists launched an all-out civil war in an effort to obtain control of the Government of Greece and to establish a dictatorship of the proletariat. Due to the intervention of the British on that occasion, the effort was defeated.

Later, as you know, in 1946, an election was held under the joint auspices of several of the United Nations countries, and the monarchy was ordained by the majority of those voting, with the Communists abstaining.

There is every reason to believe that while there were minor excesses in the Greek elections, while there were some evidences of rightist outrages, the election by and large was a fair, free, and valid expression of the Greek people. In the words of the electoral mission:

It is estimated that the proportion of qualified voters who abstained—  
in this case the Communists—

for "party" reasons is about 15 percent and certainly between 10 and 20 percent. (The Communist and satellite parties and certain other small leftist groups boycotted the election.)

It may be said in general that the Greek election of March 31 ranks well as respects peace, order, and regularity of proceedings on election day when compared

with earlier national polls and that as respect public decorum, law, obedience, and orderly balloting it can stand comparison with conditions which prevail in France, Great Britain, and the United States on election days.

The mission concludes that notwithstanding the present intensity of political emotions in Greece, conditions were such as to warrant the holdings of elections, that the election proceedings were on the whole free and fair, and that the general outcome represents a true and valid verdict of the Greek people.

Now, the third and by far the most important situation relative to Greece today is the military. Of the three elements with which Greece has to contend, none is of greater importance. Both political and economic considerations dim into relative unimportance in the face of open and undeclared aggression and warfare throughout the country. Arrayed against Government forces, against the legally constituted Government, if you please, are a number of bandit bands, comprising some 18,000 irregulars.

Guiding spirits behind the activities of the bandits are most certainly the Communist elements of Greece, Yugoslavia, Bulgaria, Albania, and, by indirection, Soviet Russia. Trained observers estimate that some 10 percent of the guerrillas are philosophical Communists, another 10 percent victims of rightist outrages following the withdrawal of German troops but that the great majority, the other 80 percent of those comprising the membership of the bands, are peasants and farmers pressed into service during the raids on the villages of northern Greece.

The policy of the Greek Communists appears to be no less than the establishment in Greece of a dictatorship by violent means of the proletariat, which will be without organized opposition. Bands are unquestionably organized and directed by the party in a brutal and outright attempt to overthrow the Government and its legal functions throughout as large an area as possible.

It might be added, just in passing, that scores of villages, as I mentioned before, have been completely evacuated. Between 250,000 and 300,000 refugees have fled in terror from the northern provinces of Greece.

To achieve this military confusion and this civil chaos, the Communist Party has consolidated all of its agencies on both sides of the Greek northern frontier. As determined by the United Nations investigating committee, the Governments of Yugoslavia, Bulgaria, and Albania have actively aided the bandits who are fermenting this constant struggle within Greece. Assassination, murder, pillage, intimidation, are all weapons in daily use against the Government forces. These terrorized villagers—and I might say of all political demoninations and philosophies; rightists, those of the center, Communists—have all fled the villages. The bandits loot and kill with apparent abandon and with obvious disregard of the political concepts of their victims. This is the so-called national army of liberation and, as one Greek peasant said: "If there is anything we are being liberated from it is life, our liberty, our herds, and our flocks."

Forced service in the bands has become the standard medium for recruitment. Peasants are not only taken by force from their fields, if they are found working in isolated groups or individually, but during raids on villages, they are dragged from their homes by force.

The roads are so heavily mined with German Teller mines that no one with any intelligence at all travels the roads. Instead, they get



off the roads and go through the orchards and the fields to reach their destinations. Railway bridges are demolished nightly and so are highway installations.

Anything which serves a useful purpose or is constructive in its nature in Greece is a legitimate target of attack for these forces which seek to undermine, create dissention, and defeat the purpose of the American-aid program.

The guerrillas, with the help and assistance of Greece's northern neighbors, are in many cases better equipped from the military standpoint than is the Greek Army. Not only does a seemingly inexhaustible supply of German Teller mines find its way across the frontiers, but the individual bandit's personal arms are not only of an efficient type—English or German rifles—but in many cases absolutely new. Bandits interviewed by us after their desertion from bands engaged in operations against the regular Army informed the observers that they had received this equipment: 1 German rifle per man, 150 rounds of ammunition per weapon, hand grenades, a bandoleer, and canteen, and that had been sent across the international frontier. Further they stated that they had crossed into Greece from Yugoslavia with the permission, aid, and assistance of Yugoslavian frontier guards. In addition to the military commander of the band each unit has a political adviser, called a kapetan, whose sole function is the indoctrination of the recruits into the Communist philosophy. He is on an equal footing with the military commander, except he fills a political capacity rather than a tactical one.

Whatever the merits of the Communist argument elsewhere, the tactics of terror which are being employed by the bandits in the northern part of the country has not strengthened the Communist movement in Greece. The so-called national army of liberation, lauded by the world Communist press and by the fellow-travelers in all countries, represents nothing to the average peasant in northern Greece but a gang of murderous cutthroats.

One bandit, who had surrendered to the Greek National Army told us in Salonika shortly after his capture:

I am and have always been a Communist. I believe in the Communist doctrine. I am not, however, a murderer as well.

This was after his one and only raid with the national army of liberation on a Greek village.

It might reasonably be expected that the villagers in northern Greece would take reprisals against the families of known bandits. However, they do not. The Government furnishes these families with rations and, oddly enough, with a dependency allowance in drachmas, which is furnished to any widow without visible means of support.

The families are well treated in the villages. We spoke to a number of them. There have been no reprisals that we were able to determine.

Now that, sir, is a very rough and brief outline of the situation as it pertains to Greece. We are face to face with an hour of decision in Greece. The military situation is rapidly deteriorating, in our opinion, and I might say that what I have said here today is said with the concurrence and approval of Mr. Teague of Texas.

Unless offensive operations are commenced; unless some form of additional assistance is given to the Greek Army, it is entirely likely that before the winter is over Thrace may well be separated from the balance of Greece. If this happens, there will unquestionably be established in Thrace or elsewhere a Greek "democratic" government, a Greek puppet government. If this comes to pass there may well be the era of international brigades and so forth whereby the northern neighbors who now cloak some of such activities to a slight degree may openly come to the support of the puppet government. If Thrace goes or if northern Greece goes by the board, it is going to represent more than the loss of a certain degree of sovereignty to Greece. It is going to be an irreparable loss to the principles, the ideals, of the United Nations as an instrumentality for peace.

The decision is ours to make. The aggression is there in violation of the Charter of the United Nations, which states there shall be no aggression across an international frontier regardless of the political or economic situation within the country concerned.

The completed report, Mr. Chairman, will contain some recommendations which I shall withhold at this time.

Chairman EATON. Thank you very much. That was a very fine study of the Greek situation.

I think that we are ready to hear from the most distinguished gentleman of the Democratic Party, Mr. Richards.

#### STATEMENT OF HON. JAMES P. RICHARDS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH CAROLINA

Mr. RICHARDS. Mr. Chairman, at the outset I want to say that it has been a real privilege and pleasure to serve under your distinguished leadership as chairman of the Foreign Aid Committee and also under the vice chairmanship of the distinguished gentleman from Massachusetts, Mr. Herter, with whom I went to Europe.

As a member of the Herter committee, I probably have a two-pronged duty and responsibility, because I am not only reporting as a member of the Herter committee but I am reporting to the Foreign Affairs Committee of which I am also a member.

I have some hesitancy in making a presentation today on the subject of Italy, thinking that what I may say will probably be in the nature of an anticlimax after the splendid presentation by the gentleman from Connecticut this morning.

Mr. Chairman, it happened that I was assigned to the subcommittee on the Mediterranean of the Foreign Aid Committee. We studied particularly conditions in Trieste, Greece, and Italy.

As Italy is the only country involved in the proposed interim-aid bill, I shall be forced to make a few remarks concerning our impressions while there, and some of the things that we found out while there.

Unfortunately, I did not know Italy before I went there. Neither did I have the knowledge of the Italian people that some of the other members of the Committee on Foreign Affairs have. But that may be an asset instead of a liability since when you go to a country where already there are ties of enmity or friendship, those may influence human decisions.

The Subcommittee on the Mediterranean was composed of Mr. Jenkins, of Ohio, chairman; Mr. Mahon, of Texas; Mr. Nixon, of California; and myself. I might add that this committee was known as the Jenkins Raiders in the Mediterranean, and we dubbed our chairman with the name Pig-Iron Pete, because he was so tough. He did not even have a cold while the rest of us were sometimes afflicted with various and sundry minor ailments.

It happens that I am the only member of that subcommittee who is a member of the Foreign Affairs Committee, so I feel that I should at least add a few observations to those so eloquently expressed about the conditions in Italy by the gentleman from Connecticut.

While we were in Italy, Rome was our headquarters. Rome was our headquarters for 3 to 4 weeks. The members of our committee worked day and night, and we went to almost every section of the country. We talked with the people in the vineyards around Naples and in the rice fields in the Po Valley, and with the people in the Fiat automobile plants of Milan and the fellows who run the boats on the canals of Venice. We tried to talk with a cross-section of the Italian life. We talked with the Premier of Italy. We conferred with practically every member of his government. We had long hours of conferences with the different departments of the Italian Government. We talked with representatives of almost every one of the 14 political parties in Italy. We talked to the leaders of the Communist Party. We conferred with the leaders of the Catholic Church. We conferred with the leaders of civic organizations and chambers of commerce. We tried to qualify ourselves to bring back a true and accurate report here to you and to the Congress.

Now, just as the gentleman from Connecticut said, we found that there are two major relief problems in Italy, just as we found to be the case in every other country that we visited—the long-range problem and the short-range problem.

It is not necessary for me to say today so much about the long-range problem in Italy. That problem has confronted Italy for centuries, from an economic angle. It might be well to recall to your minds that here we have a country about the size of New Mexico. It is a country of 46,000,000 people, and that population has increased by 4,000,000 since the war. This is due to influx of returned Italians from some of the lost colonies, and to various other reasons. The population of Italy is increasing now by 500,000 a year, and when you consider the geographical make-up of Italy, the topography of the land, the available resources, the kind of crops they raise there, you realize it is a stupendous problem for any economy or economist when it comes to working out a happy life for those people under those conditions.

Take the matter of coal, for instance. Italy is suffering right now, more than from anything else, from a lack of coal. Before the war 57 to 60 percent of her coal—she had to bring most of it from abroad—was brought in from Germany. Now she is able to get only about 20 percent of the prewar intake from Germany. The rest of that prewar or 60 percent came from Poland and Great Britain. Today she gets only a trickle from Poland and none from Great Britain. All of that leads us back to the nub of this whole question, that you cannot have economic recovery in any country unless the basic causes

of dislocations and economic distress in the whole area of Europe are dealt with, particularly in Germany.

The Italians are a cereal-loving people. They do not care much about meat. They love cereals and pasta. About 60 percent of their food ration normally comes from cereals. The economy of Italy before the war was divided about 50-50 between industrial output and agricultural output. We found there the crops such as rice, fruit, and olives were adequate to meet local needs, and there was some to ship abroad; but the cereal problem, you might say the wheat problem, was the main one.

It is the solution of this problem that mainly concerned us. You might say that if Italy has a surplus of olives, if Italy has a surplus of grapes, or if she has a surplus of something else, why not sell it and buy the things she needs? But the trouble is that the normal markets for grapes and olives in Europe are dried up. Those people have nothing with which to pay for them. That is particularly true in the case of Germany. The result is Italy is short of dollar exchange needed to purchase from abroad certain commodities necessary to life in Italy.

There is one very encouraging thing I found the minute I set foot in Italy, and that was that the Italian people are working; in fact, the Italian people are working harder, in my opinion—and I have no doubt about it—than any people we visited this summer, and we visited 8 or 10 nations. You might say, "Why is that?" Is it because the Italian people are of a happy nature and love to laugh, eat, and sing? That may be true. People in this country, people in my district particularly, continually ask me why are not the people in Europe working harder to provide for their own?

Well, in Italy they are working just about as hard as you could expect people to work under those circumstances. You must remember when a person has a nervous break-down he not only has a nervous break-down, but the nature of the disease destroys his will, incentive, power to help himself. Now, laughing people and carefree people very seldom have nervous break-downs, and it may be that that is why the Italians are working harder and more cheerfully than others, and have in their hearts less bitterness for anyone than any other people I saw over there.

We have a few figures to prove that Italians are working hard. May I quote from our report:

Requirements for repair and reconstruction of the tremendous damage suffered during the war have been a heavy drain on Italian resources. It is estimated that the physical damage totaled approximately \$6,000,000,000. This figure is approximately equal to the prewar annual national income. Industry suffered destruction of 20 to 30 percent of its plants. Railroads, including rights-of-way and rolling stock, were 40 percent destroyed. Shipping at the end of the war was reduced to 10 percent of prewar tonnage.

Largely through United States assistance, shipping tonnage has now been increased to 50 percent of prewar. Great progress has been made by the Italians in the reconstruction of the railway system. Most of the destroyed bridges and viaducts have not been replaced with permanent structures. Rolling stock has been rebuilt from 40 to 50 percent of prewar.

Industrial production has been raised from 15 percent of prewar in 1945 to a current rate of 70 percent of prewar. This rate of production has been made possible to a considerable degree by coal and industrial raw materials either supplied by the United States or purchased in other areas with dollars.

I might add there for the credit of the weary American taxpayer that he has contributed directly and indirectly to the relief and rehabilitation of Italy already over \$1,500,000,000.

From the American press and the American people have come some expressions of dissatisfaction with the way the fight against communism has been handled there. Mr. De Gasperi, the Premier, made a very, very favorable impression on us. There is no doubt in my mind that he is an honest man; that he is a truthful man, and that he has only the best interests of the Italian people at heart. He is trying to work out Italy's problems with fairness, and his main danger is that the Italians in their hunger this winter may not wait the time necessary for democratic solutions to function.

Italy has this weakness of its Government, and the same thing is applicable to other governments of Europe. Necessarily there has had to be a coalition to form a line against communism. Well, I have never seen a coalition government work effectively in time of peace. Such governments do work effectively sometimes in time of war because of the danger from an outside enemy; but in time of peace, in a period when the united efforts of the people are needed for concerted effort to rehabilitate their country, it is one of the hardest things in the world to get such a government to work.

Now, the Communists, while probably not more than 2 or 3 million in Italy, are united. Many people wonder why a minority of the population in Italy, France, and other countries over there can be so effective in the fight for what they believe in. The main reason for their effectiveness is that opposition is not united, and it is the hardest thing in the world to unite it. That is De Gasperi's problem.

We asked him, "Why does not your Government take firmer and more effective measures against certain abuses going on in Italy?"

He said: "That is our aim; that is our desire, but if we do this, that or the other we may lose a group of our coalition and thus lose our majority in Parliament."

It is just such a situation as that the Italian Communists are waiting for. De Gasperi has a number of good men in his government. Some of them, I think, are a little disposed to be visionary. He could very effectively use a few more hard-headed businessmen in his set-up, but taking it all in all, with what he has to work with, I think he is doing a good job and will get over the hump in the fight against communism if he can go through this winter without internal revolution.

One of the principal troubles we found there, just as we found everywhere in Europe, was the instability of the currency. People are not disposed to work hard to make money if they cannot buy anything with that money, and they are not disposed to save that money when they have no confidence in its keeping its value. That is the trouble all over Europe. The result is that many people spend for things they do not need, and many people will not work enough to accumulate savings because they think in another week those savings may not amount to anything. That is the problem in Italy; it is the problem everywhere over there. That was one of the problems the Premier said he was directing his major attack against. If you have received any recent reports from Italy, you will see that he is beginning to be successful, because the value of the lira is rising steadily

on the free market in Italy. You will see also that he is meeting with success because the prices of foods are going down.

Now, we found the black market to be one of the worst things about Italy's situation—and we found it just as bad in France and I think even worse than in Italy. I want to say right now, the only people I saw in Europe this summer who were really punishing themselves and the only government I saw that was taking drastic and really effective measures to regulate its economy and blot out the black market was Great Britain. The situation was bad in Italy when we went there; it was somewhat better when we left.

You go to Great Britain and say, "I would like to buy an egg for breakfast." They will laugh at you. A man or a woman is allowed but one egg a week over there, and he does not get that very often. I thought I would try it out in the Savoy Hotel. I asked for an egg for breakfast there, and they looked at me as if I were crazy. Nobody else was getting an egg there. It did not make any difference whether you had a hundred dollars in your pocket or 1 drachma, you did not get an egg, and when you had food controls there, those controls applied to the highbrow hotels down there on Picadilly in the same way as they apply to the poor pub on the Thames water front. The sausages you ate in the Savoy Hotel were the same kind of sausages that you ate on the water front. That means about 1 percent meat and the rest meal. I take my hat off to them.

You could go to Paris or to Rome, and if you had money in your pocket you could get 6 eggs for breakfast if you would pay for them. That is where your black market is, and there is the injustice of the situation. That is why the poor people of Italy have some ground for protest, but in all fairness to this present Italian Government I want to say they are making headway against this thing and the black market is being restricted. The Italian medium of exchange is increasing every day in value.

Now, another thing that it is necessary to do and Mr. De Gasperi realizes it, is to balance the budget. That is a hard thing to do. They have one favorable circumstance there now that should help them to balance the budget. They do not have a big military establishment to keep up like they did in the days of Mussolini and the days when they were supposed to be the guardians, along with Great Britain, of the Mediterranean. But it must be remembered also in defense of the poor American taxpayer that the reason they do not have to keep up a great military establishment now is that the American taxpayer has taken over that obligation.

Now, what about this Communist business over there? I want to make a few remarks about that. The Communists are very strong. They are united. When we first went there I really had my serious fears about the outcome of the fight against the democratic government there. It looked like the Communists might take over at any time.

Mr. Togliatti, probably the strongest Communist leader I know of in Europe outside of Uncle Joe, openly said that he had 30,000 armed troops; and that they were ready to go.

In Rome, we saw enormous parades of Communists on the streets. I do not know whether they were all people who believed in that philosophy, or whether they were just hungry, or whether they were just tag-

ging along, but at least they had the label of being Communists. And, as the gentleman from Connecticut said this morning there is real danger from this movement, particularly in the industrial sections around Milan with its population of 1,500,000 people.

The disorders occurring while we were in Italy made it hard for me to evaluate the true feeling of the people.

I came to find out that the Italians, most of them, are used to demonstrations; you can see thousands of people up and down the streets on some afternoon, protesting against the decrees of the Government, without the Government being in danger. But to get a true viewpoint, you must contact the individual Italian in every walk of life.

The majority of those people told us that there was no long-range danger of the Communists taking over in Italy unless it happened this winter because of the shortage of food. They said, and I agree, that a hungry man or a hungry woman might try to adopt extreme measures.

May I digress for a moment to give you an experience in London. I was standing in front of the American Embassy one afternoon and saw an old man selling newspapers. I bought a newspaper from him and entered into conversation with him and asked him this question:

"Suppose there was an election now, would the Conservatives, or the Laborites, or the Communists win?"

He says "the Communists do not have a chance in Great Britain, if we can get a little more food here. What is communism anyway? A British Communist is a hungry man out of a job.

"What is a British Laborite? A laboring man with a job. And, what is a Conservative? A man with property who wants to keep it."

And while applying that illustration to Britain it may well be applied to some of the other countries over there.

The Italians are a friendly people, and there is a great reservoir of friendship for the United States in Italy.

They know something of what we have done for them, a lot of them; they know they have sent their sons and their daughters over here and they know what we have done for them, but they do not know enough.

I want to join in with what my friends, Mr. Mundt and Mr. Jarman, said this morning, that it is absolutely necessary for the Information Service of the United States in Italy to get on the job..

It will take additional action by the Congress to provide money to do the job, but results will justify the expenditure.

Now may I get down to the immediate matter we have under consideration: There is no doubt in my mind that there is need for emergency aid in Italy to carry them over this winter. I think it would be wise for the United States to supply additional aid to cover the period until March 31, next year.

There is some need, I admit, for a long-range plan, in view of the economy of Italy, but the question before us today is whether or not, in view of the statements that have been made by the Secretary of State, we are going to authorize funds for stop-gap aid.

I hope everybody in the whole world understands that the United States is not obligated to restore the economy of Italy. They were formerly our enemies. Sometimes people forget that. Our only obligation to Italy is from the humanitarian standpoint, or on the other hand, from our national self-interest standpoint.

Now both the Italian people and the American people should be told the truth. There is no use for us to authorize shipments of so much grain if it is evident that the grain will not be available.

Now, the State Department estimates that there will be available for Italy 1,145 tons of cereals. According to the figures we have been able to obtain there is in all probability, or will be, only 618,000 tons of grain available for Italy.

I do not know whether it is wise or not—it may be—to authorize this money and then when we find out how much grain we will have let the Appropriation Committee go ahead and appropriate the money if the grain is available. That may be the best course.

I am not going to quarrel with the figures, but by all means the Italian people should be made aware of the fact that from the figures of our own Agricultural Department the grain earmarked for their relief is not going to be available.

I believe, too, from the evidence we gathered in Italy, that the State Department's estimate (\$227,000,000) of Italian needs for this period may well be cut to about \$175,000,000.

In closing may I put in this one warning, about conditions in the United States in regard to food, particularly in regard to grain, which the Italian people need so much and which other sections of the world need so badly.

This year's wheat crop, it is anticipated, will be about 250,000,000 bushels more than we had last year. Now, the corn crop figure we have is about 829,000,000 bushels less than we had last year.

The deficit this year in these two cereals combined is 578,000,000 bushels.

Now do not forget that 578,000,000 bushels is about as much as was shipped abroad in 1946 from the United States.

How are we going to do it? Are we going to meet the figures introduced by the State Department? If we cannot do it I do not believe in telling the people anywhere in the world that we are going to do so.

I do not know how much we can save under the Luckman plan and other plans, but if we are to provide the cereals and wheat which the State Department proposes, then the American people are going to have to tighten up their belts somewhere; they are going to have to deny themselves, and they are going to have to face some controls.

There is a responsibility on the part of the people of the United States to help relieve suffering. The people of the United States have never turned their backs on that responsibility; they have never failed to give succor and aid to those who are hungry.

And, just a word about the national self-interest of the United States. It is my unqualified opinion that it is in the Nation's self-interest for the United States to help the Italians over this hump as far as we can. The welfare of Italy merits not only our consideration from a humanitarian standpoint, but the welfare of Italy and all of Europe is necessary to the economic welfare of the United States in the long run.

Mr Chairman, there are military consideration too.

If the Communists take over Italy, Greece and Turkey will be outflanked.

If the Communists control Italy they will eventually control the Mediterranean.



Therefore, we have got to strain ourselves to the extent of our capacity to do this job, but let us not hold out false hopes to the peoples of the world; and let us take our own people into our confidence that they may know the costs.

The CHAIRMAN. Thank you very much.

This has been very fine for the chairman, who has stayed at home while our distinguished former chairman, Mr. Bloom, did not stay at home, to see that these Democrats and Republicans who went abroad have returned and have given us such fine statements. It is great stuff that we are hearing today.

We will next hear Mr. Smith.

#### STATEMENT OF HON. LAWRENCE H. SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. SMITH. Mr. Chairman and my colleagues of the committee, I have no prepared formal speech this afternoon. I regret that I was not able to be present before today. I therefore do not have the benefit of previous testimony.

At the outset I want to state, Mr. Chairman, without any equivocation that I join with the other members of the committee who were abroad in stating that I believe it is absolutely necessary to augment the so-called information program.

You may recall my own reservation in this matter. I became a convert on this trip, and I want to state that for the record.

I was particularly impressed with the so-called library service. I think that we have got to expand the library service three or four or five times what it is today.

I have some reservations in my own mind regarding the so-called Voice of America program, and I listened with great interest to suggestions made by our very able chairman, Mr. Mundt, on that trip.

Certainly we must meet this Russian propaganda in no uncertain terms, and I believe that the information program will go a long way in doing that very thing.

Now we have before us this matter of temporary relief, stop-gap legislation. I have not heard the presentations made in support of that legislation and I will reserve my opinion regarding it except to say this: That certainly where there is need for aid it should be given and without stint.

I think, however, there is an obligation on the part of those who advocate that measure to show positively and beyond doubt the need for it and our ability to meet that need.

Now the approach to the other basic question we will have soon before us is this matter of the long-range legislation, and I trust that we will not become involved in theories in its consideration. I presume all of us who were in Europe perhaps gained different impressions as to what the real problems were, but in my opinion there is only one basic problem, and that is the question of state socialism.

It seems to me that we must consider any long-range program from that standpoint, and I think we ought to bear that in mind whether it is the socialism of England, the socialism of France; or the socialism of Russia, all forms of it are bad. Production under it has failed utterly. Now what is behind this European socialism?

In 1917 Lenin wrote, and I quote:

It is clear that the international proletariat involves preparation and the question of its relation to the state is of economic practical importance.

And in 1920 the Communist International made this statement, and I quote:

In order to overthrow the international bourgeois and to create an international Soviet republic as a step to complete abolition of the state, the Communist international will use the means at its disposal, including force of arms.

Then we get down to the basis of the Marxist theory, and I quote:

A heavy, progressive, income tax; abolition of the right of inheritance; centralization of credit in the hands of the state; extension of instrument of production owned by the state.

Today we see this very program operating in this country. Now are we going to play into the hands of those sponsoring the cause of socialism, which is contrary to our American way of life? I believe that in the problems as presented in England today we find that much of its trouble is caused by the principles of socialism.

Marquis Childs, writing on October 18 from London, said:

Anyone who travels across Europe today must, if he looks at the facts, come to at least one conclusion: The tides of political and social change cannot be reversed by any fiat laid down in America.

Here in the home of the mother of parliaments and the mother of parliamentary socialism, that because even more obvious than it is on the Continent; millions of Britons have grown up to believe that socialism will bring greater rewards and satisfactions than capitalism ever could.

Three days later he wrote as follows:

The trade-union leaders who direct Britain's government today face a dilemma inexpressively painful. They must try to convince their following that the only salvation for England lies in more production with less pay.

This is contrary to all the doctrine preached for at least a generation. A Socialist-Labor government was to usher in an era of shorter hours and more pay. It was to begin something like the millennium.

That is the picture still in the minds of millions of earnest men and women who have absorbed trade-union doctrine. They were brought up on the parliamentary socialism of Britain's labor party. The trade unions, the cooperative movement, the party itself, were all instruments of education, teaching the belief that socialism (and the millennium) could come peacefully by the ballot box.

Now in appraising the situation, as we come to consider the long-range program again it seems to me that we must consider whether or not we are going to give to these people who are today in charge of the governments of those countries we visited the money to continue the kind of program which has failed to produce even the ordinary necessities of life?

Production is most urgent in Russia; production is the most urgent thing in England, and in France and every other country in Europe.

The one bright spot was Belgium, and we found Belgium prosperous because the government has got out of the way and the people are running their own affairs pretty much to their own liking.

I have a wholesome respect for the British. I shall never forget a conference that I was privileged to attend with the other members of the Herter committee when Mr. Cripps said:

Gentlemen, we need your aid; we want your aid. But, gentlemen, do not forget that if we do not get it we will work our way out.

And I took my hat off to him, and I believe that is exactly the situation and I think that the time has come to let these peoples of Europe work out their own salvation; we can assist them, but the major job is their responsibility.

Now I want to introduce into the record as a part of my statement, and to quote from an article which appeared in the current issue of *Look* magazine, in which the Queen of Greece tells of her own love story. It is by Willie Ethridge, and she is talking about her own people, in this article, and I quote from it as follows:

She has voluntarily taken upon herself the deep responsibility for finding ways to bring the Greeks out of their deplorable state. Then she says:

We must stop waiting for other people to help us—  
the Queen argues soberly—

We must go to work with what we have. We must begin.

I commend the whole of this article and especially that portion of it to the members of this committee.

I want also to read a letter which was given to me this last week when I was home, from a very prominent man in industry, which I believe has some weight upon this question of people doing something for themselves. This letter is addressed by my friend and reads:

MY DEAR FRED: I hope life is treating you kindly, and that you are sharing in the tremendous wave of prosperity which we understand is sweeping the United States from end to end.

I fear that you are being told that we are having an awful time. This is not true. Austerity certainly continues, but is largely due to the much greater purchases that result from everybody being at work, instead of having a couple of million unemployed.

Furthermore, it is the Englishman's most important line and privilege to take a deeply gloomy view of everything.

I do feel it is very humiliating to hear our public men say we have no future unless your country is prepared to hand over unlimited quantities of dollars. We should be perfectly capable of standing on our own feet, even if the going may be particularly hard at times.

My object in writing is to assure you that England is not in the state people make out.

Now, what hope is there so far as our efforts are concerned when we consider the refusal on the part of those nations to effect anything like a unification of Europe?

The members of the committee will recall that we spoke to individual Cabinet members about that matter, and I think without exception the answer was that unification is a long, long way off. As I recall it, Salazar frankly said that the matter of unification was very remote and that in the meantime the nations themselves very likely would continue on their own merry way.

I merely make these suggestions and offer these observations in the hope that when we come to consider all of the problem, we will certainly explore the possibility that, after all, the necessity is the mother of invention, and that applies to nations as well as individuals.

There is a great reservoir of friendship for the United States abroad, and I believe the nations will be most reluctant to take on communism as compared to our way of life and their way of life. I am not attempting to evade the issue of whether or not we ought to help them

at this time. We ought to do all we possibly can. But I raise the question—and it is a sincere one—can we expect from these nations any more in the future than we have in the past so long as we give and give?

I just had a most interesting trip back in my district. There is deep concern on the part of the public. I could not meet the engagement requests that were made, but I know from my experience that the people are certainly expecting this Congress to explore every possibility there is to give as little as we possibly can, because our own resources are not inexhaustible, at least over the long range period.

I thank you.

Mr. VORYS (presiding). The committee will next hear from Mr. Merrow.

#### STATEMENT OF HON. CHESTER E. MERROW, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW HAMPSHIRE

Mr. MERROW. Mr. Chairman and my colleagues on the committee, I want to join my colleague on the subcommittee, Mr. Jackson, in paying tribute to our tireless and energetic chairman, Mrs. Bolton, who displayed such able leadership of the subcommittee in our visit to western Europe and the Near East.

I was particularly pleased to hear my colleague, Mr. Richards, in his closing remarks, say that whatever we do in the various countries must be done in terms of the security of the United States.

In my brief remarks, I would like to call attention to the strategic importance of Iran, to the Russian infiltration in western Europe and the Near East, and to the importance of oil in the Near East, and the importance of aviation in that area.

In the first place, the legislation now under consideration, which is interim aid to France and Italy, must be considered as a part of the larger picture. I would place the western front against communism and the drive for expansion by the Soviet Union as running from Germany through France and through Italy. In terms of our security, it is necessary that we prevent chaos from gripping those two countries. There is a favorable political outlook at the moment in France, and the situation in Italy is also favorable, due to the fact there are no Communists in their Governments. However, the political situation depends upon the economic situation, and economic deterioration or economic chaos would probably wipe out the present favorable political condition in these two countries.

We are called upon to appropriate something over \$500,000,000 of aid to these countries and then as we think of the long-range program, there are anywhere from \$16,000,000,000 to \$20,000,000,000 more to be appropriated. I have often stated that this is a small amount of money in comparison to what it cost to win the war, which was a sum in excess of \$350,000,000,000. More important than that were the lives we sacrificed. So, considering what we have already spent in Europe and considering what we propose to spend during the next few years looked at in any way you wish, it is small in comparison to what we spent in our efforts to win the war. I have often stated that the battle of winning the peace would be far more difficult

and probably would take more time winning the war. Whatever is necessary to be appropriated to prevent these nations from going communistic ought to be appropriated. I think the spending of our money to rehabilitate western Europe will prevent the continent from going communistic and will stop the iron curtain from reaching the Atlantic Ocean and the Mediterranean. Italy and France constitute the western front. There is also a southern front and that southern front includes Greece, Turkey, and the eastern end of the Greco-Turkish axis, which is Iran.

I was glad to hear my colleague make such an extended report on the situation in Greece. It seems to me—and this is the only comment I will make on Greece—that if the Soviet Union should decide to draw the issue and continue unlimited supplies to the bandits, there is only one course which the United States should follow, and that course is to extend our help until the bandits are liquidated in one way or another. If we withdraw, it will mean loss of the investment which we have already made. If we had not gone to the aid of Greece and Turkey, probably Greece would now be in the hands of the Soviet Union.

As one goes across the southern front, one comes to Iran, and I want to stress the importance of that country for just a moment. The Turkish Army is strong and efficient, but Iran is at the eastern end of Turkey in a very strategic position. Iran borders on India, Iraq, Persian Gulf, and Russia. If Iran should fall into the hands of an unfriendly power, that power would have immediate access to the Middle East, the Persian Gulf, and India. The Iranian Army at the moment is somewhat in excess of 100,000. The question often arises: Will Iran be brought into the same policy or be included in the Truman doctrine, if we want to classify it as such, the same as is Greece and Turkey?

Iran has already asked for \$25,000,000 in credit from the United States. She has a little different proposition from the situation in Turkey. I will not go into that in detail, but it seems to me since Iran is so strategically located, if we were to spend money in assisting this country in developing and equipping her army, whatever we spent would be well invested. Even if Greece and Turkey were to hold and Iran not hold, it might be that Russia or an unfriendly power could move out around Greece and Turkey in the way the Maginot line was outflanked. We often lose sight of the strategic importance of Iran. We should realize that the eastern end of the Greco-Turkish axis does have strategical importance to the United States.

In the second place, we found in all of the countries that we visited that there is extensive propaganda being disseminated by the Communist-controlled radio, the press, and so forth. Through the Arabic world they are broadcasting in Arabic against the United States day in and day out. I need not say any more about this unfriendly propaganda and its importance. It is being spread all over the Middle East and western Europe. We ought as soon as possible, to develop a program that will give the essential information concerning the United States to these countries in an effort to offset this abusive and derogatory propaganda that is being disseminated against us every day.

Everybody, of course, recognizes the fact that the oil of the Middle East is exceedingly important and that the American Arabian Oil

Co. in Arabia is probably the greatest single American interest outside of the United States. We have interests there; we have interests in the Kuwait field, and also have interests in the fields of Iraq. I believe for the first time in the history of the country, our imports of oil during the present year will exceed our exports. Our reserves were depleted to a great extent during the war. We can readily see that the oil of the Near East is most important, and it is to the self interest of the United States to have the countries in the Near East as friendly to us as possible. This oil would be valuable to an enemy in a negative way, because if the fields were put out of operation and the refineries destroyed, we would not have the use of the oil. Oil is very necessary for our country in peace, and it will be a deciding factor if we were to get into another war.

I think in considering our policy in the Near East or Mediterranean, we should constantly keep in mind the vital importance of the almost unlimited petroleum reserves around the Persian Gulf.

In speaking of oil and the Near East, this leads me to call attention to the importance of aviation in this area. We have a large airfield for instance, in Arabia that was built at a cost of 3½ million dollars. We should do everything we possibly can to have access to this field in the future, to have friendly relations with the governments in that area, realizing that in the event of future trouble air power will undoubtedly be a deciding factor. I think it is a disgrace that during the past 2 years our air strength has deteriorated to such an extent. I have often said and will repeat—and I was convinced of this as I went from country to country—that in addition to our assistance to western Europe and to other countries, in an effort to prevent the march of communism, we should adopt another important principle concerning our foreign policy, and the principle is simply this, that we should appropriate whatever money is necessary to give us supremacy in the air, to build an air force that is equal to any other air force or any combination of air forces in the world, realizing that by resoluteness and firmness we can make our will felt for the right.

I believe that oil and aviation in the Near East are connected very closely and that we should not forget the strategic importance of the Near East.

We are in the position of a nation which has had world leadership thrust upon us. We have important decisions to make in the near future. We ought to make these decisions with firmness. By facing the future unafraid we will make a tremendous contribution to world peace and will fulfill the position that destiny has given us.

This struggle to win the peace will be long and will be arduous. I never heard anyone ask the question, when we were fighting the war, "Can the United States of America afford to expend the effort and the substance that is necessary to win?" I do not know why we should ask the question now: "Can we afford what is necessary to win the peace?" We must win the peace for our own survival and for the freedom and independence of liberty-loving people everywhere.

I thank you.

Mr. VORYS (presiding). The committee will next hear from Mr. Judd, who will give us a report on a mission of the committee to other parts of the world.

STATEMENT OF HON. WALTER H. JUDD, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF MINNESOTA

Mr. JUDD. Mr. Chairman, I want to join my colleagues in expressing my appreciation for the great privilege, as a member of this committee, of going on two study trips this fall, to Europe and to Asia; and for the chance to visit the front lines in the midst of the social economic, and political war which Russia and her stooge governments and parties in various parts of the world have declared on us and on everything we believe in and stand for.

The outcome of this warfare is still in doubt. Their totalitarian philosophy, and even more totalitarian practices, have made a great deal more progress, in my judgment, than we are inclined to think.

The Soviet's war for men's minds and hearts and for control of their lives, goes on 24 hours a day. Most Americans assumed that when the Japanese and the Germans surrendered, the war was over, just like the final whistle in a football game, and there was nothing to do but to go home. This never was that kind of a war.

During our trips to Europe and the Far East, all of us I am sure noted many illustrations of the success they have had with their propaganda—for example, the cleverness with which in both Europe and Asia the Communists have attacked us at the one point where they could more successfully turn many people against us than at any other, namely, by playing on the fear of Germany and of Japan. The only way to turn against us the Poles and Czechs and French, who historically have been so well disposed toward us, is to persuade them that we are building up Germany, giving priority to her, the aggressor, over those nations which were her victims. The propaganda, which they carry out day and night, reiterates, skillfully, that we are preparing Germany to become again a great military state, to be our buffer, or even ally, in the war against Russia which we are alleged to be preparing. The fact that we know the charges are wholly untrue should not blind us to the fact that it is making headway. They are hammering away at it constantly, and we found Frenchmen, Poles, and Czechs, even Norwegians, Danes, and Dutch, who all their lives have been among America's best friends, profoundly disturbed, wondering whether we really are building up Germany and giving her preference as an enemy over those nations which have been and still are allies. If the propaganda succeeds, the people in those countries who have suffered so from German aggression will go with Russia, not us.

The same thing in Asia. The propaganda goes on that Generals MacArthur and Hodge are building up Japan and Korea, particularly Japan, as allies, or a buffer against Russia, giving them priority over China. It has a very devastating effect in China; because the one thing which, more than any other, could turn the Chinese against us would be if they came to believe we were making a deal to build up Japan as a military power or giving her preference over them, after all that Japan did to hurt them and us, and all China did to help us.

Then there is the propaganda that our so-called Marshall plan is for selfish and sinister motives; that we are exporting to Europe only to ward off a depression in the United States; that we are doing it to capture European markets for American capitalists and then these capitalists will put everybody in shackles in Europe as they assert

has been done in America. If they knew how hard it is to get the support of big business for such a program as this, I do not think they could get away with the story that it is just a capitalistic trick. When they claim that capitalists went to war to eliminate Japan and Germany and their competition in the world markets, and that now the same capitalists are working to restore Japanese and German industry, it does not make sense. But they are utterly cynical in their propaganda. The main thing is not whether it is true, but whether they can make the people believe it is true—until they can get into power.

It was interesting in some of the countries whose economies were just about to fall to pieces, to find their greatest worry was not about what is happening to them right now, but about the terrible depression which they are told is about to hit the United States. Some of them do not have enough to carry them through the end of this year without help from us, yet they seem less critical of their system which has brought them to such disaster, than of ours which is certainly better off than theirs but which they are sure is just about to collapse. Why? Because Karl Marx, somewhere over on page so and so, said that after a great war there always comes a great depression in the capitalistic system, and therefore a depression just must take place here.

It was difficult to persuade them that our American economy would be far better off if we did not export anything at all to them in the next 3 or 4 years, even supposing they were able to pay for it; that if they and we do not want us to have a depression, then we certainly ought not to adopt the Marshall plan or this interim aid bill; and that the surest way to get a real depression in America is to overexpand our productive capacity on farms and in factories in order to export to them and build up their production till they won't need our supplies, leaving us with overexpanded productive capacity, then unemployment and then depression.

If they want help under the Marshall plan, then they and we have to take the risk of such a depression here in 4 or 5 years. If they so greatly fear a depression in America, then they should not ask us to grant their requests under the Marshall plan.

They want us to help them now, thereby increasing the danger of an American depression; yet at the same time they half believe the Communist propaganda that we are helping them in order to stall off a depression, and to make them semicolonies of the United States.

Those on our subcommittee have heard me put to the members of almost every cabinet group we met, this question: "If we do not help Europe, we are called selfish isolationists; if we do offer to help, then we are selfish imperialists. But we must either help or not help. So whatever we do or do not do, whether we give or do not give, it is interpreted as indicating we have selfish and sinister motives. Just what can we do to convince you we do not have any such evil designs on Europe?"

A member of the Norwegian cabinet, when we were talking about this, said the basic reason most people in Europe do not understand us is because they have not lived in America, as he said he had for 6 years. He said they have no concept of the basic generosity, almost sentimentality, of the American people; that seldom have they ever known any European country to do anything except on the basis of what it intends to get in return. "Therefore," he said "they think



it is too good to be true; it just cannot be that a country would consider pouring out \$20,000,000,000 in goods and money unless there is in the scheme somewhere an opportunity for it to make some great gains in money, territory, or power."

When people tend to feel there just must be some dark ulterior motive somewhere, and the Communists are telling them 24 hours a day that there is such a motive and that it is to establish United States control over Europe, then you can be sure that the propaganda makes great headway, especially when we ourselves do so feeble a job of telling them the truth.

I think the recent Warsaw declaration of the Communist parties of Europe, when they established the so-called Cominform in Belgrade, may indicate a basic change in the party line. The Communists have run up against the hard fact that in some places there is a force which gives promise of being stronger than theirs, and that force is nationalism. They can get a lot of Frenchmen to go along the Communist way as long as they think it is an economic philosophy, but when they discover it puts Russia ahead of France, then many of the French followers are likely to put France first, and many of the supporters of communism in Italy prove to be first Italians. Witness the recent swing back in some countries from international communism to nationalism.

Therefore, under the Warsaw declaration, the Communists switch from emphasis on internationalism to a frank appeal to nationalism. Where previously the line has been that first loyalty of all Communists everywhere must be to the workers of the world, this new manifesto indicates that from now on adopting communism is to be portrayed as the way to promote the interests not of a class, as heretofore, but of individual nations. Frenchmen must join to save France from American capitalism. The Poles, even while utterly enslaved by the Russian stooges and puppets, are told communism will serve their Polish nationalism.

The Communist strategists see that the nationalistic feelings of the people of a country have turned them toward us as a means of getting help to save their country. The Communists now frankly try to capture that nationalism for themselves, utilize it instead of opposing it. They are smart; they reverse themselves overnight when they think it is to their advantage.

The technique in Europe and America by which they try to take over a country, or an organization, is the same as I saw it in China way back in the twenties. You may be interested in the way the Chinese describe it. They say the Communist procedure or technique has three stages, three "needs," described by three terms in which the Chinese word "t'ou," meaning "head", appears.

The first stage is called "kou t'ou," which has become the English word "kowitz." It means to bow the head, even to the ground. This is the state of infiltration, cooperation, working for a united front, or for a coalition. They profess to be interested solely in working for the downtrodden, the peasants, the minorities. They harp on all the injustices or discriminations or imperfections that can be found in the existing society. They find out what each group desires most and adopts that as their slogan—for the time being.

In Paris, they shout "Join the Communists and we will see that your wages are higher and your food prices lower." Then they go out to the farmers and say "Join us; we will see that your grain prices are higher." If anyone notices the contradiction, he is an evil capitalist.

That is the stage of "k'ou t'ou," trying to get people to come along or cooperate with them on the basis of extravagant promises. Tehran, Yalta, and Potsdam were in this stage on the international front.

The second stage is called "yaot'ou" which means to wag the head back and forth, as in declining or refusing. It is the stage of stalling, delay, noncooperation, almost but not quite to the point of rupture. It prevents any progress in getting a settlement, it buys time in which they work feverishly to improve their position. Anyone who has tried to work with Communists—whether in a labor union or a political group, or a veterans' organization, recognizes this stage.

We went through this stage at London, Paris, Moscow, for months at a time. The Korean Joint Commission was stalled along thus for 5 months. No proposal by others quite satisfies them. There must be further study, speeches, conferences, delays. By weakening or wearing out their associates, they maneuver things to a place where they can stage a coup, or get control of election machinery so a rigged election gives them dominance.

When they move into complete control, as in Bulgaria a few months ago, and in Roumania last week, then the third stage begins—called "sha t'ou," or cut off the head. They promptly cut off the heads, politically if not actually, of their former associates in the coalition. Witness Petkov and Maniu as the most recent examples.

I thought those three terms were the best and most succinct description I had heard of the skillful techniques by which the Communists everywhere proceed through pretended cooperation into a coalition where they systematically bring about deterioration until an organization or nation is weakened, the people confused and desperate, so they can seize power. Then they move swiftly to the ruthless destruction of all opposition.

So this war of ideas is critical because, if we don't win it in western Europe and Asia now, before they reach the third stage, then we will have a military war, and under most difficult circumstances.

To win the war of ideas will require a far larger concept of the real task, a much bigger program, in my opinion, than has been generally realized. It must be a program both of action and of words.

When we were talking with the prime minister of one country about the American information program and how we could improve it, he said: "If there are also coal and wheat, then the information program is invaluable; but if our people do not have coal and wheat, then the information program alone won't do the job." That is certainly true. But it is also true that no matter how good our deeds, the words, the explanation, are also necessary.

May I in passing suggest two or three improvements necessary in the information program, if it is to succeed. First of all, it must be run by people who really believe, all of them, in the United States of America, people who are as enthusiastic about our basic system of freedoms and have the same sort of zeal for and devotion to the basic political and economic concepts on which this Nation was founded and

grew healthy and strong, as the adherents of communism and nazism have for those systems.

Then we have got to have people handling the program who are professionally top-notch; people who can do a bang-up job; just as good a job of selling our basic ideas of freedom and democracy as others do of selling soap.

We must study and build our program, not only on what we have to tell, but on what those people want to hear. For example, in Bulgaria people said, "Why do you spend 15 minutes of your Voice of America program giving us American jazz? Our people do not understand or want to hear American jazz. They don't listen."

I thought of the Norwegians and the Swedes and the Danes up in my district in Minnesota. How many hours a day the local radio stations play the polkas and the schottisches of the old country, which they naturally love to hear. Why do we not give the people in other countries more of the kind of programs, and books, and films, and press releases, and lectures that they understand and want? That is the way to get them to listen or see or read our material, and have confidence in it. Then they will hear what we say when we have most important ideas to present to them. The British are doing a better job professionally than we, in plenty of places.

It has been suggested that we change the name of our radio program from the Voice of America to the Voice of Freedom or the Voice of Liberty, and I approve. It should be such a program that people in other countries will want to listen to it not because it is from America, but because it mobilizes the spirit of all who love and will fight for freedom. Let them feel that they are participating in this crusade even through listening.

It is our ideas that we want to sell, not ourselves, and not just indoctrination in some American customs and habits in which they are not particularly interested.

Then, again, in our attempt to avoid any possible criticism that we are giving too favorable and not a balanced picture, we have leaned over backward too far. If anybody in the United States, no matter how insignificant or unimportant, makes a statement criticizing our Government or our policies, that is always given prominence, even though it may not represent the opinion of 1 percent of the people.

I see no need to do that sort of thing, and certainly no advantage. We should not attempt to give a false picture—we do not need to. And we should not attempt to conceal anything that is true about America. But we ought to get our picture into proper balance with stress on the great advantages of life under such a government, despite the admitted weaknesses.

For example, Ivory soap is not sold on the basis of advertising that it is 0.56 percent impure, although that fact is not in the least denied or concealed. It is sold by emphasizing that it is 99.44 percent pure. Likewise, we can properly, with perfect truthfulness, and with far more effectiveness, call attention to the good without in the least concealing the bad.

Mr. Chairman, it has been our help, since last March, which I think has turned the tide against communism in Greece and France and Italy. When we talked to the Italian Cabinet it happened to be the second day after an all-night, or practically all-night, session, at which

three motions of nonconfidence in the Government had come to a final vote. The Government of Italy had hung in the balance. It was a crucial moment. Just before the vote the announcement was made of America's relinquishment of her claim to a share of the Italian Navy. The delegates, all but the Communists, rose and cheered. De Gasperi and his Cabinet won.

We congratulated them on the victory and were told: "It was not a victory for us; it was a victory for America." It was what America had done during the preceding months in support of free peoples in Europe which had won. It had given them hope, they had rallied their courage and had saved the Italian Government from going down.

We have turned the tide toward freedom. Now it is incumbent upon us, it is imperative for us to accelerate that tide, to carry through to full success. It is useless to give to any of these countries less than enough to enable them to resist the threat of their independence. In fact, it is worse than useless, because after we build them up, then somebody else would take them over and use what we gave them against us.

It is likely to be useless also if we do not give enough to win on all fronts, on all the boundaries of that great land mass which is controlled by a handful of individuals in Russia forcing their will upon all their own people and on their neighbors.

And that brings me to the question of Asia. I think we have got to win in Asia, too, or we will ultimately lose in Europe. I cannot myself vote to put \$20,000,000,000 into holding the line on one front and then ignore another front equally vital to our future.

Asia is vital to the program in Europe, because it will be all but impossible for England and France and several other European countries to get back on their feet, despite the assistance of the Marshall plan, unless they are able to return to something like the prewar pattern of trade that they had with Asia. And the key to the situation in Asia is China. If China is taken over by Communists, how long can India, Malayasia, the East Indies, even the Philippines, resist the pressures?

In Japan it is perfectly clear that the great problem today is not to get the Japanese to want to build a democratic nation. The great majority of them have caught the idea and are making unbelievable progress. The problem in Japan is how to get her economy on a sound basis and her security assured so that the United States can withdraw her subsidies and her soldiers as soon as possible.

There simply is no way we can even get Japan on a self-supporting basis, unless Japan can have access to the raw materials and the markets of Asia, and particularly of China and Manchuria. How can she do that when China is being systematically plunged deeper and deeper into chaos and economic disorganization, or if China is taken over by the Communists and an iron curtain comes down there as around eastern Europe?

We disarmed Japan. We wrote into her constitution that she shall never go to war again and hence shall have no army. If China is controlled by the Communist armies, how will Japan be defended when American troops are withdrawn? She too will have no way of keeping out of the Soviet fold where all her technical abilities will be turned against us.

An American doctor on General MacArthur's staff told me that it has recently become difficult to get Japanese doctors to work with the occupation forces. I was astonished. I said, "Do you mean to tell me that even scientific men, and humanitarians, are hesitant to work with you in a program to build up public health in Japan? Why is that?"

He said, "Because our failure to have a firm policy with respect to the spread of Communist control on the continent of Asia, such as we have with respect to the spread of communism in Europe, is leading the Japanese people to believe that we are likely to walk out on them as we have on China, leaving them to the mercy of the Russian, Chinese and Korean as well as Japanese Communists, who will take over, seize those who worked with the Americans, brand them as quislings and cut off their heads."

When the Japanese know we fought them rather than accept their splitting of China, and then see us failing to support against Russia the Chinese Government we supported against them, they can only believe that we are so politically immature we are likely to walk out and leave them to be taken over by the people whom they see sweeping over Manchuria and north Korea and China.

General MacArthur's extraordinary success in Japan will stand or fall on what happens in China. Unless we are willing to abandon Japan, and all our promises and our labors there, we must either help China stop communism, as we are helping Greece, or we must pour American dollars and American soldiers into Japan endlessly. Take our choice.

Look at Korea for a moment. I spent some time talking to one of the great Korean leaders who for 40 years never ceased to fight against Japan for Korea's freedom. The Koreans are greatly discouraged and disillusioned about us. We came in and promised elections and a democratically chosen government, but we have not been able to carry out our promises—largely because we hoped, and still hope, for an agreement with Russia that will reunite north and south Korea. We have spent all these months trying to solve on the international level the problems we created for Korea by splitting her with Russia. In a sense the Koreans have been used as pawns in our struggle with Russia and have lost much of their confidence in us.

The Koreans told me frankly—several of them—that they are economically worse off today under us than they were under the Japanese, which was a rather startling statement, but I do not think it can be refuted. They prefer us, if there is hope they will get their freedom. But not if we are just a transition stage from control by the Japanese to control by Russia.

I said to this Korean leader, "What should we do now to be most helpful to you? Should we delay elections still further in order to try to get a United Nations committee to come in and supervise an election for all of Korea, or for south Korea? Or should we go ahead at once on our own to set up the provisional government we promised?"

He said, "It does not make much difference what you do or do not do now. There is no way you can get an independent Korea that will be secure and self-supporting until you solve the Communist problem in Manchuria."

I asked various other questions, to all of which he replied in substance, "There is no way you can solve the problem so that we can be independent and secure until you help China remove the Communist menace in Manchuria."

The program to which we are committed, of working for the independence of certain nations in Europe and Asia, will fail, in my judgment, unless we make progress quickly on the internal situation in China. What is the situation there and how did it get that way?

The first explanation, and the easiest, of the confusion and disorder in China is the fact that the Chinese went through 8 years of war. That would be enough, I think, to cause considerable trouble in almost any country. Georgia did not look very good after a year of Sherman. China had 8 years of defeats and invasion and occupation, with disruption of her communications and destruction of her economy, along with all of the break-down, the moral break-down as well as the economic and social break-down, that go with so long and exhausting a war. The miracle is that she was able to stay in the war at all under such difficulties.

But there are additional causes besides those due to the Japanese war. The first is that the Chinese Communists have had a systematic plan all these years to destroy the Government of China. I would like to read to you a directive that was issued to his followers by Mao Tseh-tung, the Communist leader, in October 1937, just a month after he had entered into a solemn coalition with Chiang Kai-shek, following Japan's attack in July 1937. The Communists had reached the end of their rope. They were down to a few thousand men isolated in five or six counties. Japan's attack saved them. They pledge themselves to abandon their activities and fight loyally with Chiang against Japan—but their real purposes were contained in the secret directive.

I have read it to hundreds of audiences during the last 6 years or so, but almost nobody took it seriously. Now it reads like a book of prophecy:

The Sino-Japanese war affords our party an excellent opportunity for expansion. Our fixed policy should be 70 percent expansion, 20 percent dealing with the Kuomintang, and 10 percent resisting Japan.

That is precisely the policy that they followed, 10 percent of their efforts devoted to resisting Japan, just enough to get the acclaim of the world as being Chinese patriots, while they devoted 90 percent of their efforts to expanding their forces and their territory and to harassing the Central Government of China, with the object of knocking that Government out as soon as they could.

Then Mao continued in the directive:

There are three stages in carrying out this fixed policy:

The first is a compromising stage. \* \* \*

That would be the "k'ou t'ou"—

in which self-sacrifice should be made to show our outward obedience to the Central Government and adherence to the three people's principles—

the basic principles of the Kuomintang laid down by Sun Yat-sen—

but in reality this will serve as camouflage for the existence and development of our party.

The second is a contending stage—

that is the yao-t'ou—

in which 2 or 3 years should be spent in laying the foundation of our party's political and military powers, and developing these until we can match and break the Kuomintang, and eliminate the influence of the latter north of the Yellow River.

That has almost been achieved. It may be an accomplished fact shortly, if we continue to delay help to our hard-pressed ally.

While we are waiting for an unusual turn of events, we should give the Japanese invader certain concessions.

Which, of course they did—after it was clear “Mother Russia” was safe, and when it worked to the disadvantage of the Chinese Government.

For example, Japan made her last all-out drive on China in the summer of 1944. It began right after Japan made some sort of agreement with Russia in February, as I recall. It is an agreement whose full details we have not been able to ferret out, but among other things the Russians granted Japan fishing concessions in Russian waters for 5 years, as against 1 year previously, thereby giving Japan assurance of her major protein food supply for the next 5 years. Apparently assurances were also given the Japanese that they would not have anything to fear from the Russians in Manchuria, because immediately after the agreement, the Japanese began to pull their crack Kwantung army, their best divisions, out of Manchuria where they had been all during the war, and moved them south through Communist-controlled territory, in an effort to knock out the Chiang Kai-shek government in southern and southwestern China. Trainload after trainload of Japanese troops and supplies went through the Communist-controlled territory for weeks, and not a train was reported wrecked. Evidently “certain concessions” were given to the Japanese.

Contrast that with the fact that, when the Central Government, after the surrender of Japan and under instructions from MacArthur, the supreme commander, tried to move its trains north through that same territory, up to Peiping and Manchuria to take the Japanese surrender and disarm the troops, the Government trains were wrecked and the rails were torn up by the Communists for mile after mile after mile. No “concessions” were given to the Chinese Government by the Communists.

Then Mao Tseh-tung further said in this directive:

The third is an offensive stage, in which our forces should penetrate deeply into central China, sever the communications of the Central Government troops in various sectors, isolate and disperse them until we are ready for the counter-offensive and wrest the leadership from the hands of the Kuomintang.

That is, ready to destroy the Central Government of China. The Communists are entering this third stage—the “sha-t'ou” stage. In the last few weeks, they have moved south across the Yellow River, down into central China, to “sever the communications of the Central Government troops in various sectors and isolate and disperse them.”

That was and is the plan, known since 1937. The incredible thing is that some of our leaders insisted on ignoring it, as some ignored *Mein Kampf* and others ignored the Communist manifestos. Instead of listening to the Chinese, we told them. We thought we knew better, and as a result, China which would have been the greatest bulwark

of peace and security in Asia is in danger of itself being dragged behind the iron curtain and having its resources and manpower used on the other side against us.

I was in China 3 years ago and when I came home I reported to you in the Congress that there was in China widespread and inevitable deterioration—of all sorts.

Today the deterioration is quite understandably still worse, except that the health of the people, and the nutrition, at least in the large cities I visited, is better now than it was then, largely because of the food shipped in through UNRRA and because fortunately there have been no widespread droughts or very extensive floods in the last 2 years. They have had fair crops in most places and if the Communists would allow them to distribute commodities through the country, there would be little or no starvation in China now.

The economic situation is deteriorating alarmingly. But when you consider what China has had to face, it is not surprising that things have at least gotten out of control. China has had progressive inflation for 10 years, due to blockade, inability to export, expansion of currency to pay war expenditures, and so forth. It is remarkable that they were able to hold it down as well as they did for 8 years. I dislike to think what the United States economy would be like if we had suffered the last 10 years as China has, if we had had such loads placed upon our economy on top of all the destruction, first from the Japanese, and now still worse, from the Communists.

Here again the Communists have proven themselves brilliant as usual. The one commodity in China that ties the economy together more than anything else is cotton textiles, because cotton cloth is the one thing that all Chinese have to use. It is the industry where labor is best organized and best infiltrated with Communists.

The Communists guerrillas waited this year until the cotton harvests were in, and then, within the last month or so, they suddenly cut every artery of transportation—railway, highway, or waterway—whereby the cotton could move from the fields to the great cotton textile mills in Tientsin and Shanghai. If cotton from America or elsewhere does not reach China within the next few weeks, those textile mills may have to close down and hundreds of thousands of men and women will be thrown out of work. There will be well-organized riots against the government and that could start a chain of disorders precipitating the fall of the government.

The political deterioration and the moral deterioration are serious. The break in morale of Chinese people especially at higher levels is even more serious. They are discouraged as I have never seen them before. Many among the educated classes suffering terribly from depreciated incomes are approaching the desired state of despair where they are tempted to resign themselves to communism, thinking nothing could be worse than their present conditions.

In addition to the carefully planned and executed attempts to destroy the government in China, there has been an equally skillfully executed plan to destroy the Government of China abroad; that is, to discredit it, by a systematic, organized propaganda campaign, in the United States and elsewhere.

It, too, began in March 1944, just after Russia made the agreement with Japan which freed the Japanese troops to move from Manchuria



down into China. Apparently Moscow, already confident of victory over Hitler, and having diverted Japan from Russia to China, sent out the word to start the campaign, for it began all over the United States, just as if one man had pulled a switch and all the lights in a city went on.

That propaganda, as you know, was largely led by about 20 or 30 writers and lecturers and commentators in America, and by some men who became Far East advisers to our State Department or "experts" on the staffs of organization supposedly dedicated to enlightening the American public on Asiatic affairs or foreign policy. There were some of the group in what has become widely known as the "Red cell" in the State Department, the Far Eastern Office. It has been openly said that some of these "experts," both in and out of the Government, are members of the Communist Party, although I have no personal knowledge of that. But certainly they have consistently followed the party line with respect to the Chinese Communists. One of them openly boasted that, while they had not succeeded in all they wanted, at least they had gotten rid of Grew, Hurley, and Hornbeck, who were the three who knew the facts about the Communists' wiles and who tried to carry out Roosevelt's policy of supporting the Central Government of China.

The propaganda began in this country in 1944 with the usual character assassination, especially with smears against the generalissimo—you probably have forgotten them by now, but they did great damage—such things as alleged family troubles, moral charges, and so forth, all of which were completely untrue, but which helped to start the undermining of confidence by the American people in the leadership of China.

For almost 4 years the propaganda has gone on relentlessly. The emphasis is constantly upon the weaknesses of the Chinese Government, and nobody can deny some exist. The impression is given that there have been and are no strengths in the Chinese Government, whereas the facts prove the latter far outweigh the former, although China cannot recover without help any more than England, France, or Italy can.

Charges are made, just to mention a few of the commonest ones, that the Chinese Government is undemocratic. That, of course, is true, according to our standards. But according to China's standards, her present government is unquestionably the nearest to democracy she has had in hundreds, if not thousands, of years. And it continues to move in the direction of the democracy to which it is pledged, just as the Communists are pledged to ultimate dictatorship.

The convention to establish a constitution was called to meet in Nanking, November 12, 1937. But Japan plunged China into war in July 1937. That delay certainly cannot be blamed on the government.

When the war was over and the long-delayed constitutional convention was called, the two parties which had clamored loudest for a constitution, refused to participate—the Communists and the Democratic League.

The Democratic League originally was a coalition of so-called liberal groups. Eventually the genuine liberals had to withdraw, just as the true liberals withdrew from the American Labor Party in New York when they discovered that it was largely being used by the Communist members, as a cloak, as a screen for their own activities.

Just so, the true liberal elements, the non-Communist elements, including the Young China Party and the Social Democratic Party withdrew from the Democratic League. I talked to the leaders of both these liberal parties. Both are today participating in the Chinese Government. But the left wing remained in the Democratic League, and, while pretending that it is a "liberal" party, continues to obstruct all efforts to establish its new democratic constitution.

When General Marshall went out to China, the Communists posed as "democrats," dragged out negotiations, stalled for time, worked feverishly to expand their power and then when they had succeeded in expanding the territory under their control from 60 to about 300 counties out of some 2,000 counties in China, they took off the mask, blasted General Marshall mercilessly, until he himself wrote:

The course which the Communist Party has pursued in recent months indicated an unwillingness to make a fair compromise. It has been impossible even to get them to sit down at a conference table.

It is possible to get agreement in almost any controversy, no matter how great divergence there is at first, if both sides really want an agreement. But if, for any reason, one side does not want an agreement, then there is no way to get an agreement. We have learned that the hard way with respect to Communists; at Moscow, Paris, Lake Success.

The Chinese had learned it in 1927; unfortunately we did not realize it until 1947—20 years late.

Of course, Secretary Marshall's mission was doomed before he started, as plenty of persons who knew China and who had dealt with Communists, in China or elsewhere, advised. But the thing that made certain his failure to get the Government of China and the Communists together, was a sentence in the public statement the President issued on December 15, 1945, announcing the purposes and conditions of Marshall's mission. I have not been able to find out who wrote this sentence, who phrased it as it is, but it is the hooker which made it impossible for him to succeed. I read from the last paragraph, which begins:

As China moves toward peace and unity along the lines described above—

Those lines were first, establishment of a coalition government; and second, disarming or integrating the Communist forces into the government armies, the Communists themselves becoming just a political party instead of an armed rebellion.

As China moves toward peace and unity along the lines described above, the United States would be prepared to assist the National Government in every reasonable way to rehabilitate the country—

and so forth.

Of course, it sounded innocent enough. Americans who don't understand Communist jargon approved; the left wingers, who do understand it, cheered. Why shouldn't they? There was no chance for General Marshall to get unity after that one sentence was published, because it told the Communists of China exactly what they needed to know in order to encourage them to resist unity. It told them that if China achieved peace and unity, then the United States

would support the Government of China; which meant that if it did not get peace and unity, then we would not support that Government. So that all the Communists had to do to cut off American aid to the Government, and thereby destroy it, was to see to it that China did not get "peace and unity."

Never was a great soldier sent on a mission that was more hopeless than that on which General Marshall was sent. The cards were all stacked against him before he left—in my judgment, by people here at home.

If the President's statement had said: "As China moves toward better government, wider civil rights, greater democracy, more efficiency, less corruption, and so forth, the United States would be prepared to assist,—" that would have been a legitimate set of conditions and within the power of the Chinese Government to fulfill. But instead we laid upon that government conditions which we placed in the hands of its opposition!!

The only way to get unity with Communists anywhere is to surrender to them. We had no right, wittingly or unwittingly to lay down such conditions.

The answer to the charge that the Chinese Government is not democratic, is to say that of course it is not democratic yet; but it is trying to keep China free, and if it stays free it can and will become a more democratic government. The pressures toward democracy in China are so great that no free and independent Chinese Government could resist them, even if it would, provided that that government is not in a war for survival. Any Chinese Government that is independent will inevitably move toward greater freedom and democracy and wider civil rights. But a government which is under the Chinese Communist Party, subservient to Russia, will be no more free and can no more move in the direction of greater civil rights and democracy, than can the one in Poland. The only hope of getting democracy in China is by helping it defeat the Communists.

I do not know when, if ever before in history, some 30 or 40 persons in and out of a government, have been able to lose a great victory so almost completely as this handful of Communists and fellow-travelers and misguided liberals in America has succeeded in doing with respect to the victory over Japan which 4,000,000 brave Americans won at such a cost in blood and sacrifice. I do not like to make so strong a statement, but I do not see how anyone can look at the facts and come to any other conclusion.

The charge of inefficiency has been constancy leveled at the Chinese Government, as if that were an adequate reason for withdrawing American support from an ally. Well, the Chinese Government, a young government struggling against almost insuperable obstacles after 4,000 years of absolute monarchy, had not become an efficient government before this war, and the war has inevitably reduced its efficiency as with every other refugee government in an invaded country. Then the war ended suddenly. The Chinese Government had to try to set up a dozen provincial governments and move back hundreds of miles and take over at once. Some of those governments were exceedingly bad.

May I inquire of you gentlemen who come from States in the South how efficient were the governments that the North sent down

into the South after the Civil War. Do you think those that came into Mississippi and Alabama, in the carpet-bagger days, were 70 percent efficient, even after 10 years? The same sort of thing took place in China, I am sorry to say.

I would even ask General Marshall if the army that he commanded was 70 percent efficient in the use of its funds. Most of the GI's with whom I have talked thought that at least 50 percent of the money used by our armed forces was wasted.

I make no attempt to whitewash inefficiency anywhere. I merely say that we ought to look at inefficiency in China in terms of the over-all picture, and with a sense of perspective, and in terms of what the alternatives are.

On the other hand, the stories of inefficiency which are always well publicized can be matched with records of great accomplishment which are seldom mentioned. The Chinese went into Manchuria, and despite opposition from the Communists, and Russian blocking of the major port, they got many industries going in a remarkably short time. The Communists had torn up the railroad south of Changchun, and the best experts that we had in China said that the Chinese could not rebuild it in 6 months. They completed it in 4½ months. The first train was to run over it on China's national holiday, October 10, a month ago. Just the week before, the Communists tore up 70 miles of new railroad, turned the track upside down, ignited the ties with kerosene, so that the ties got burning along the whole 70-mile strip. The heat twisted the rails so they are useless. The railroad is gone. But the Chinese had built it in a month and a half less than the Americans said it would require.

Today, Nanking is again a boom town. I had not been there for some years, but reconstruction and new construction there under this allegedly rotten, incompetent government are greater than I saw in any European city except perhaps Warsaw.

One of our military advisers to the Chinese Government told me that they could never ask for more wholehearted and effective cooperation anywhere than they have received from the Ministry of National Defense. Together they worked out a unification program. They streamlined the organizational set-up of the Chinese Army, Navy, and Air Force, from the ministry on down, and it is a better set-up than we were able to get here in our unification bill, because we had to save the faces of some of our present officials and officers.

Under this reorganization, the Chinese have reduced the civilian employees of the Ministry of National Defense from 80,000 to 20,000. I wish there were some way we could get some of those "inefficient" officials of the Chinese Government to come over and help us get half as big a cut in desk personnel in the Pentagon Building.

I wish we would take the restrictions off our military advisory commission in China so that it would be permitted to help the Chinese streamline and get efficient organization in lower echelons too, those that do the fighting.

The Chinese Government in all areas that it controls has resumed the establishment of health centers that the war interrupted. I visited some and was struck by the number of Chinese women volunteers, under government sponsorship, who are working their hearts out trying to get better health for their people, better maternity and child-care centers.

I am able to say confidently that at least in the upper one-fourth or one-third of the Chinese Government there is as high a percentage, if not higher, of very able men and women, working at greater personal sacrifice and under far greater difficulties in their efforts to improve their Government and serve their country well as there is in Washington or any other government that I have visited.

The salaries of top officials today are about \$30 or \$40 a month. Most of those men are exceedingly high grade and well trained. Some have other resources which they are using up in order to keep going. What about officials who don't have private resources?

That brings me to the next charge, that the Chinese Government is corrupt. Of course, there are corrupt people in it. I will admit that there are corrupt people in the Republican Party, and I do not think members of the Democratic Party will claim that there are no corrupt persons or machines in that party. But that does not mean that the parties as such are corrupt. Just so, in China. Graft is a century-old problem. It was not created by the present Government; it is what that Government has been struggling with, and with remarkable success until the war began 10 years ago, since which time the Government has had its hands full trying to keep China an independent country.

Corruption has been in China for thousands of years and will be there a long time after we have passed on. But no one can deny that the present Government is far better, even under the strains of war and inflation, than was the war-lord governments it replaced, and the war-lord governments were better than the Manchus they followed. Corruption, like most things, is relative. We haven't too good a record ourselves. The important thing is the direction in which things are moving over the decades.

Furthermore the Chinese as an old and mellow people seldom have absolute standards. If the Government cannot pay adequate salaries and the only way a man can feed his children is by what we call graft, bribes, and so forth, they say, "But there was nothing else he could do."

You may ask, "Why does the Government not pay its officials and civil servants more?" Because, until it can win the war and get the economy going so its military expenditures can be cut down and its revenues increased, it can pay higher wages only by printing more paper money. But that would lead only to still greater inflation. The value of the money would go further down and at the end of the month they would not have any more purchasing power than they had before.

The Chinese are up against the problem of terrible inflation, and they cannot solve it without help from us, any more than Greece or France can without help. You can be sure the Chinese do not like the situation. But just what can they do? I wonder what we would do under the same circumstances.

General Lucas, who is the head of our military mission in China, told me that he was ashamed last winter when he saw how the high Chinese officials with whom he dealt were sacrificing their own comforts in order to provide coal at some twenty-odd dollars a ton to keep every American officer and his family comfortable in Nanking. When he went over to see the Minister of War, General Pai-Chung-hsi, he found his house unheated.

I repeat, that among the Chinese at the top there is a higher percentage of men of great ability working at almost impossible tasks

with greater sacrifice and less reward than I know of among comparable officials here in my own Government. Most of us here are pretty comfortable.

I talked to the mayor of Peiping, a man who years ago was a student in this country. He studied philosophy at Beloit College. He got his master's degree in political science at the University of Chicago. He went back to China to teach and inspire young men with his ideas on building the new China. They asked him to go into politics, to start applying the needed reforms, and he became Governor of Shantung Province. He was not a war lord; he was a college professor. Yet for 7½ years after Japan struck the man was out in the mountains, trying to hold together his provincial government and his poorly equipped and half-fed troops and his people against the Japanese invader. He hid out in little boats on the river and canals when the Japanese almost caught him on the land. For 7½ years they hunted him, while he struck back at them to wear them down. His wife and children were captured by the Japanese, who sent messages saying that if he did not surrender they would kill his family, or that if he attacked Tsinan, the capital, they would put his wife and family in the front line; yet, for 7½ years, he held on, underfed, underclothed, cold—yet fighting on for his country—and for ours. He said to me, "It hurts me when your papers say that our Government is all corrupt."

Let me sum this up by saying that the real test is the record. There is plenty of corruption in China, but no party or government that is wholly corrupt and unworthy to support could ever have accomplished what the Kuomintang Party has. How many political parties in history can surpass or even equal its record?

It overthrew the Manchu Dynasty after 267 years of despotic control and set up a republic.

It succeeded in eliminating all but one or two of the war-lord governments. It would have had them out, too, if Japan had not attacked.

It united China under a Chinese Government for the first time in almost 300 years.

It succeeded in getting China free from more than a century of imperialistic domination by foreign powers.

It inspired and guided, between the period of 1932 and 1937, the only 5 years of peace it has had, a program of reconstruction and development, of democratization and modernization, of improvement in education, communication, transportation, and public health that cannot be surpassed by any large nation in history in a comparable period of time.

It saw the nature of totalitarianism of the Japanese Fascist type long before we did, and fought against it for 8 years—alone for 4½ years, long before we had sense enough to recognize its nature and to know that the Chinese were fighting on our side, too.

It saw the nature of totalitarianism of the Communist type 20 years before we did and has resisted it alone, not just since March 1947 when our Government finally woke up, but since 1927. It is still resisting, still practically alone.

Show me another party with a better over-all record of actual accomplishment. Unfortunately, we were skillfully told only its weaknesses—and they were there; we were not told of the enormous strengths in China, and, believe me, they were there too.

We Americans ought never to forget this one fact, which outweighs every other consideration—namely, that when our fleet lay at the bottom of the sea and Japan had carried out in 6 months the single greatest conquest in the history of warfare, only one thing prevented her from completing and organizing her new empire and turning all her efforts against us. It was this—the keystone was missing. Old, backward, corrupt, undemocratic, inefficient China refused to yield. Chiang could have had peace on very generous terms and saved his people most of the suffering and the economic dislocation and the Communist civil war. Instead he chose to buy for us the precious months and years in which we could rebuild our fleet and capture the islands one by one and build the atomic bomb and ultimately bring our superior air power and the bombs to bear upon Japan and give her the final blow.

That is the fact that takes precedence over every other in the picture. •China held the line. Does that count for nothing with us?

There are strengths in China, including moral strengths, and let nobody ignore or underestimate them. The nation is now terribly weak from the suffering and exhaustion through which she has gone. Have we no sense of obligation or responsibility to help her in the peace as she helped us in the war—and with help that really will help?

For us not to help China, because her Government is portrayed as unworthy of support, is not only being victims of distorted propaganda; it is ignoring our own history and our own interests. A great American out in the Far East said to me, "For the first time in the history of our relations with Asia, we have endangered the paramount interests of the United States by confusing them with an internal purification problem in China. It may prove to be the greatest single blunder in the history of the United States.

That is the best description I have heard of our policy—"confusing the paramount interests of the United States with an internal purification problem in China."

Let me review a little of our history on this point. In 1899, when the other nations were dividing China up into spheres of influence, the United States announced the "open-door" policy through John Hay, Secretary of State. We insisted on support of the Government of China against all efforts of the British, the French, the Japanese, the Russians, and the Germans to divide her up. Why did we support the Government of China? Because it was democratic? Or liberal? Or efficient? Or free from graft? No; it was the old Manchu government, one of the rottenest governments in history. We supported it because we saw that the most important thing was not that the government be democratic, but that it be a sovereign Chinese Government. Under a Chinese Government desired changes would be at least possible; under foreign governments, they would not be possible. We kept first things first.

In 1922 the Washington Conference was held at a time when there was another attempt to divide up China, this time spearheaded by the Japanese. We did not then make the present mistake of failing to support the Government of China against outside powers, even though the Government of China that we pledged in the Nine-Power Treaty to support was completely undemocratic, inefficient, and corrupt; it was the war-lord government. We supported it because we saw clearly that

the all-important consideration was that the Government in China be Chinese and not subject to any foreign power.

Come down to 1939. In the note which Cordell Hull handed to the Japanese envoy on November 26, 1941, certain conditions were laid down for a return to normal relations between Japan and the United States; the one condition that the Japanese would not accept and which led directly to the war, was as follows:

The Government of the United States and the Government of Japan will not support—militarily, politically, economically—any government or regime in China other than the National Government of the Republic of China with capital temporarily in Chungking.

That was the very same government we now say is unworthy of our support. Was it democratic then? No, not as much so as now? Was it efficient? Did it have wholly honest administration? Certainly not. Yet we went to war with Japan rather than have that government, or even just Manchuria, come under the complete control of an expanding foreign power. We did not make the present mistake of confusing our paramount interests with the problem of purifying the Chinese Government. We had sense enough to remember that the key thing was to have a government dominated by Chinese and not by a foreign power. We kept first things first.

And in August 1945, as part of the bargain at Yalta, we got the Russians to sign an agreement with China, in which they too promised to support the Central Government of China. May I read from that treaty signed August 1945:

In accordance with the spirit of the above treaty, and for the implementation of its general ideas and policies, the Soviet Government is ready to render China moral support and assistance with military equipment and other material resources, this support and assistance to be given fully to the National Government as the Central Government of China.

As a result of Russia signing that agreement the Communists knew that their hopes were shattered. There was nothing Mas-Tseh-tung could do but come to terms. He got into a plane and went to Chungking to work out a political, rather than military, settlement. He assumed, of course, that after we had supported the Chinese Government, no matter how bad it was, for almost 100 years as our basic policy in Asia, and after we had forced Japan to support it and had persuaded the Russians to support it, we, too, would support it.

Up to that point we had kept first things first in Asia. If we had continued to do so there would not have been any civil war in China. Or, at least, it couldn't have been of any magnitude. China could and would have resumed her march toward better government and the reforms we say we want.

But instead we made one of the most amazing reversals of history. Instead of supporting our ally, the Government of China, we chose the very moment of the success of our policy, to abandon the policy; and to withhold our support from China unless the Chinese Government first achieved "peace and unity."

We adopted the Communist line that to support Chiang would lead to civil war, when in reality it was the only way to prevent civil war.

When we announced that all Mao had to do to block American aid to Chiang was to block peace and unity, naturally he went back to Yenan to block peace and unity. Like Gromyko and



Molotov at other conferences, he stalled along the negotiations under General Marshall until he had gained control of much of North China and Manchuria. Russia helped enormously, in violation of her treaty, but I can hardly blame Russia for not helping the Government of China when we ourselves intervened against that government and in favor of the Communists by halting shipment of lend-lease ammunition promised to China, and military airplanes, and a loan already authorized and earmarked.

Victory was in our hands in Asia—and we threw it away. The anti-Kuomintang and pro-Communist propagandists—and Russia—won. America and the Chinese lost.

Earlier I said that the Communist plan had two objectives, to destroy the Government of China at home by economic, social, and military measures, and second, to discredit it abroad. As a matter of fact, there was a third part to the strategy, namely, to sell the Chinese Communists as the great heroes and patriots and liberals of China, whom we should support.

We were told endlessly that the Communists were just agrarian reformers, trying to get land for the poor peasants of China. Of course, the picture was painted to suggest there was great landlordism in China with huge estates, as in Poland, Rumania, and other European countries. That was a false picture, but few Americans knew enough about China to recognize the deception.

Actually, there is less landlordism in China than in the United States. Sixty-one percent of Chinese farmers own all their own land, whereas only 58 percent of American farmers own all their land. Landlordism as ordinarily understood has not been the major problem in China. The major problem is not wider distribution but better utilization of land.

The Communists call a landlord anybody with more than 10 acres of land, and set up a cry to take it away from him without recompense. Their primary purpose in China, as in Poland, is to bribe the people to come with them and get something for nothing. It is a smart plan, although completely immoral.

I was told that if an election had taken place in north Korea last year the Koreans would have voted overwhelmingly for the Communists, because they had taken the land of every person who had more than 3 acres and distributed it to the landless. But I was told further that if a free election were held now, not one-half of a percent of the people in north Korea would vote Communist, because after the harvest this year, the Communists came to the farmers and said, "We have the problem of defending ourselves against the American aggressors in south Korea, so in return for our giving you this land last year, you will voluntarily contribute to us 80 percent of your crops—plus your son for our army."

In south Korea I think 25 or 30 percent might vote for communism—they haven't yet had their noses rubbed in it. I was told from all sources that in north Korea, not more than half a percent are pro-Communist now. But it is too late to repent now. Once the Communists are in control, the citizen has no recourse.

They have carried on the propaganda that they have democracy and point to the so-called "people's courts" as a proof. That too is a cheap and cruel fraud. Their people's courts are precisely like that ancient one in Jerusalem when the crowd was organized to cry "Release Barab-

bas. Crucify Christ." A handful of trained persons in a crowd can usually determine its decisions, especially if people know which decision their rulers want, and that it would be "unpatriotic" to disagree. Such "courts" never yet led to justice. They are window-dressing.

A lot has been made of the discipline and enthusiasm of the Communists, and it is true they have both to a very high degree. As I said here 3 years ago, they are almost monastic in their devotion to their cause. But that does not mean that it is a good cause or that we should support it. The Nazis had that devotion and enthusiasm. The average Nazi soldier behaved about as well in Europe, as an individual, as did the average America GI. They had stricter discipline on the whole. But their cause was still bad.

No one can say that the Japanese did not have almost unbelievable devotion to their Emperor and their cause; but the fact that they had devotion, discipline, and enthusiasm does not prove that it was a good cause.

The net result of a careful reexamination, from many reliable sources, of conditions in Chinese Communist areas, is, first, that there are no freedoms whatsoever, no freedom of speech, no freedom of press, no freedom of assembly, no freedom of movement, no freedom of religion. No propaganda or camouflage can make that out as democracy.

Oh, yes, they say that you may have a meeting of your church group if you desire. When do you want to have it? If at 11 o'clock, then you can expect to have a patriotic meeting called at 11 o'clock, frequently in the church. Or if it is down the street, everyone has to go to it or be tried for disloyalty. So you have freedom of religion on paper but you cannot actually carry out the exercise of it.

Second, there is no question but that the Communist Party in China is subservient to Russia, and has always been, just the same as the Communist Party in Poland or Yugoslavia is, and as the Communist Party in the United States is. The latest indication of that, of course, is the way in which the Chinese Communists are following the Moscow line on the Marshall plan. The No. 1 enemy now in their propaganda is General Marshall. He is blasted every day as the arch imperialist, capitalist reactionary, enemy of the common people, and so forth. Zhdanov announced the Soviet determination to defeat the Marshall plan. So General Marshall to the Chinese Communists becomes No. 1 Fascist and enemy; Chiang Kai-shek is now down to second; and Chen Li-fu has slipped clear to third.

After the way General Marshall leaned over backwards and, in my opinion, even discriminated against the Central Government, in order to make sure nobody could say that he was favoring the Government against the Communists, it is instructive to observe how they reward his fairness and his faith in them—the same way they rewarded Petkov for his faith.

They are now almost in the "sha t'ou" stage with respect to China. They think victory is almost in the bag, and they don't need to carry on pretenses much longer.

Perhaps one thing will wake Americans up more than all our arguments these many years, and that is Mr. Vishinsky's speeches.

If you will read his attacks on us and change just a few words, you will think you are reading the Chinese Communists', or their American apologists' attacks on the Government of China. Vishinsky

accuses us Americans and our Government of all the same crimes and evil designs the Central Government of China has been accused of. When we know that those attacks against us are not accurate, perhaps some Americans may begin to have some suspicion regarding the accuracy of similar attacks against China. I only hope that we will wake up before it is too late.

Mr. Chairman, I think I am more aware of the defects of the Chinese Government and its personnel than most people in America can possibly be. I am aware of some defects in the American Government and its personnel, too. I am also aware that the first objective of an intelligent nation's foreign policy must always be its own security, and that an internal purification problem in China, important as it may be, must never be allowed to deflect us from those policies which are essential to the security of this country.

Let us approach it this way: If we cannot decide what is best in China, because we think neither side is good, then, like a physician confronted with only bad alternatives, let us decide what is worst. What is the worst thing that could happen in China? There can be no question about that. The worst thing that could happen in China, from the standpoint of our own interests, those of the Chinese people, and of world peace, is for China to come under the Communists and become another puppet of Russia. Therefore, that is the thing that at all costs we must, if possible, prevent. If we cannot be wholeheartedly for either side, then we must at least be against that which is most dangerous. Insofar as we do not help the Central Government, we are helping that which is infinitely worse.

We must get first things first, and the first thing is not a better Chinese Government, but an independent Chinese Government. Such a government can become better and will become better. It can and will become more democratic and efficient and honest, and will widen civil rights; whereas a Communist puppet government cannot become any more democratic or liberal in China than it can in Yugoslavia.

So my position is that we must quickly take a strong stand, not against Russia, not against the Communists as such, but for that which has been our basic policy for 100 years and from which, unfortunately, we have recently departed. We must return to our historic policy of standing for "the sovereignty, the independence, the territorial and administrative integrity of China." That phrase from the Nine Power Pact is still the best statement of the real requirements.

Why should we have fought 4 years against Japan to defend that policy and now abandon it? The first thing we must make secure is not democracy, or competence, or honesty, or even peace in China; but the independence of China. That cannot be maintained if it comes under the Communists.

In summary, our failure to give vigorous support and assistance to our weakened ally, China, in the postwar period, encouraged and assisted the Communist armed minority in its attempt to destroy the Government of China. The disruption of the Nation's communications and of its economy, and the warfare which requires more than three-fourths of the Nation's budget to be for military purposes are causing a break-down of economic processes, of government machinery, and of the nation's morale to the point where the government may soon be in danger of collapse.

Such a collapse would have the gravest consequences for the United States:

1. It would bring the enormous resources and manpower of China under the control of a ruthlessly efficient and totalitarian Communist government subservient to the Soviet Union.

2. It would drastically reduce in Asia the prestige and influence of China's supposed allies, the western democracies, especially the United States; it would greatly accelerate the already rapid spread of Soviet influence in Korea, southeast Asia, India, and the Philippines. It would give new life to the Communist movement in Japan and dishearten the democratic forces there.

3. It would make impossible the restoration for Japan and Korea of their prewar pattern of trade with China which is absolutely essential if they are to become self-sustaining and secure without receiving hundreds of millions of American dollars every year and being defended for an indefinite period by American soldiers.

4. It would make it difficult, if not impossible, for certain European countries, especially England, France, and Holland, to restore their prewar pattern of trade with Asia, thereby endangering the success of the Marshall plan in Europe.

5. It would give Russia satellites and security all along her Asiatic front, enable her to take bolder and more aggressive action against us in Europe, relieve her of the necessity of fighting on two fronts in the event of a war, and thereby enormously increase the danger of such a war. Furthermore, it would greatly increase the difficulty of our winning it, if it came, or even of surviving it.

The disastrous effects of all these factors on our own economy and our security are obvious. These conclusions seem to me inescapable:

1. It is much sounder and involves much less risk to build on the existing Government in China than to have a collapse with completely incalculable risks, or to have a Communist victory. Our choice is not between the present Government in China and something better; it is between the present Government in China and something infinitely worse.

2. Immediate economic or financial measures can help China greatly in the present period of strain, but they cannot solve the situation until the military drain on China's money, resources, efforts, and morale can be reduced, and until the communications destroyed by the Communists can be restored. These objectives can be accomplished only by defeating and disarming the Communists south of the Great Wall and at least holding present positions in Manchuria, if it should prove to be already too late—tragically for China and for ourselves—to overcome the Communists in all of Manchuria at this time.

3. The Communists in China cannot be defeated without United States help, any more than they can be in Greece. Therefore, United States help to be successful must be military as well as moral and economic. By military I mean surplus munitions—at little or no cost to us; and an expanded program of training and advising Chinese forces at all levels.

By moral I mean a forthright statement of our support of the Chinese Government in its struggle against the attempts of the Communists to destroy it, similar to the support we are giving Greece, France, Italy, and others, even though some of those governments, too, do not meet with our full approval.

By economic I mean providing, under adequate safeguards, American grants, loans, and personnel to help the Chinese Government balance its international payments, stabilize its currency, and develop specific sound reconstruction projects of great importance to the Nation's economy. Without such help it cannot improve local government and make possible better living conditions for the people, regain their confidence and full support, and thus overcome the Communist propaganda by actually doing for the people what the Communists promise.

We are not justified in doing anything unless we do enough to enable China to resist the threat to her national existence.

The amount of new money required to accomplish the above objectives is very small as compared to similar requirements in Europe.

4. Once the military situation is stabilized and the military expenditures reduced, more real recovery can be achieved in China for far less cost to us than in Europe. In fact, China could then recover, although more slowly, without any further grants at all from us, because her economy is basically sound, the country is practically self-sufficient in food, fuel, fibers, and essential raw materials, and the people have enormous industry and vitality.

5. Given peace, no independent Chinese government could resist, even if it desired to, the internal pressures toward greater democracy, more competence and efficiency, and broader civil rights. The strides toward better government would again be as spectacular as they were during the period from 1932 to 1937. It should never be forgotten that it was the success, not the failure, of the Chinese Government, to give increasingly better government, that led to Japan's attack in 1937.

6. The risks to the United States in vigorously helping the Chinese Government and people resist the ruthless attempts to subjugate them are far less than the risks in not helping. The risks in delay are far greater than the risks of action. It must be taken at once.

Chairman EATON. The committee will meet Monday morning at 10 o'clock in the committee room in executive session.

(Whereupon, at 5:20 p. m., the committee adjourned, to meet in executive session on Monday, November 17, 1947, at 10 a. m.)

## EMERGENCY FOREIGN AID

MONDAY, NOVEMBER 18, 1947

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

The committee met at 10 a. m., Hon. Charles A. Eaton (chairman) presiding.

Mr. VORYS. Mr. Chairman, before we start our hearings, I wonder if I might present for the record at this time a series of rather elaborate answers to questions on the agricultural situation which I submitted to Under Secretary Lovett the other day. The answers have been prepared and given to me over the week end, and I think they will be of interest to the committee in our hearings. May I hand these in at this time?

Chairman EATON. Yes, Mr. Vorys; and they will appear in the hearings at this point. For the information of the committee, I will also insert in the record two letters received from the State Department with reference to the situation in Italy.

### *Question 1*

Bread-grains requirements for France and Italy.

### *Answers*

France.—French consumption requirements of bread grains are estimated at 350,000 tons a month to support a daily 250-gram normal ration per month.<sup>1</sup> Monthly domestic collections are estimated to average 170,000 tons a month,<sup>2</sup> leaving an import deficit of 180,000 tons per month for metropolitan France. The deficit of French North Africa is estimated at 30,000 tons a month.<sup>3</sup> Since French stocks of bread grains will have fallen to less than 1 month's consumption requirements by the end of 1947,<sup>4</sup> import requirements for the period December 1, 1947, through April 30, 1948, are estimated at 1,050,000 tons plus 100,000 to restore stocks to more adequate levels.<sup>5</sup> If present expectations of United States export availabilities of 520,000,000 bushels for the year 1947-48 are realized,<sup>6</sup> France could be expected to receive 770,000 tons from the United States in the 5 months December 1 through April 30. Exports from the United States are presently at the rate of 130,000 tons a month,<sup>7</sup> or 650,000 for 5 months. If exports can be raised by 30,000 tons a month for 4 months, the anticipated exports of 770,000 tons from the United States for the 5-month period can be realized. On this assumption, the following wheat imports into France during the 5-month period might be effected:

<sup>1</sup> French official Government estimates as screened by the IEFEC and accepted by experts in Departments of State and Agriculture.

<sup>2</sup> French Government official collection goals.

<sup>3</sup> Estimated by Department of State on basis of tentative IEFEC screened requirements of 333,000 tons per year.

<sup>4</sup> See answer to question 2. Stock figures were estimated by Department of State on basis of information from Agricultural attaché, United States Embassy, Paris; information from IEFEC and information reported through Government channels to Departments of State and Agriculture on shipments to France from sources other than the United States.

<sup>5</sup> Department of State estimate of amounts needed to prevent stocks from falling below precarious levels in following months.

<sup>6</sup> Estimates of officials of Departments of State and Agriculture. See answer to question 7.

<sup>7</sup> Department of Agriculture export program for November and December 1947.

*French imports for bread grains and source of supply December 1, 1947–April 30, 1948*

Source :	Quantity in long tons
United States-----	770,000
Australia <sup>1</sup> -----	<sup>2</sup> 275,000
Near East <sup>1</sup> -----	40,000
Argentina <sup>1</sup> -----	50,000– 100,000
Canada <sup>1</sup> -----	50,000
 Total-----	 1,185,000–1,235,000

<sup>1</sup> Australia, reported by United States Embassy, Paris, on basis of information received from French National Cereals Board. Near East, estimates of Department of State based on movements last crop year; Argentina, based on current shipments reported by United States Embassy, Buenos Aires, plus information on French procurement plans reported by French Embassy, Washington, and United States Embassy, Paris; Canada, contracts reported to Department of State by Canadian representatives on IEFEC.

<sup>2</sup> About 50,000 tons expected to be shipped after Apr. 30, 1947.

IEFEC current tentative screened import requirements for France are at 1,770,000 tons plus 330,000 tons for French North Africa for the crop year 1947–48 or a total of 2,100,000 tons. These are based on the assumption of only 4 months at 250-gram ration, the ration in the remaining months being assumed at 200 grams. In effect, this means that French import requirements for 8 months are estimated at 1,250,000 tons (or 160,000 tons a month) for a 200-gram ration; plus 850,000 tons (or 212,500 tons a month) for the other 4 months at a 250-gram ration.

The interim aid program of French bread grain needs is based on 5 months requirements at 210,000 tons per month plus 100,000 tons to restore stocks to an adequate working level. (France interim requirements are calculated to cover 5 months' procurement since the November payments against December shipments have not yet been made by the French and have been excluded from French expenditures in November in calculating dollar resources available as of December 1, 1947.)

*Italy.*—The basic assumption in the computation of Italian cereal requirements is the maintenance of the present bread rations in Italy. The present rations allow the "normal" urban consumer 270 grams of bread or its equivalent. The "average" nonfarm population (including heavy workers, miners, policemen, and other categories receiving extra rations) receives a ration 15 or 20 percent higher. The total caloric intake, including free and black market, is estimated by the United States Embassy in Rome at 1,916 calories per day for the "average" nonfarm population.<sup>8</sup>

The maintenance of the present bread ration requires about 370,000 tons of bread grains per month,<sup>9</sup> or a total of 4.4 million tons of cereal for the consumption year 1947–48. Expected domestic cereal collection goal over this same period is below 2 million tons;<sup>9</sup> Italy will, therefore, require total imports in the consumption year, under reference of 2.4 million tons, maintaining 1 month working stocks. To maintain the present ration, Italy will need to obtain for shipment from January to April (excluding December which is covered by the foreign relief program), a total of 912,000 tons from this country or 228,000 per month, assuming receipt of 160,000 tons from Argentina and 133,000 from other sources.<sup>10</sup> Except for Argentine cereals, imports from all other countries require dollar payments. These are stated in table II, page 43 of the blue book. Since domestic supplies in Italy during the early months of 1948 will be at lowest levels it is expected that allocations from the United States will be increased for the period January through April. If present expectations of 520,000,000 bushels of exports available from the United States are realized, it should be possible to increase Italian grain allocations well above the recent levels of 115,000 per month.

<sup>8</sup> Data on rations and caloric intake reported by United States Embassy in Rome, and generally accepted by experts in Departments of State and Agriculture.

<sup>9</sup> Estimates by Department of State on basis of reports by United States Embassy, Rome; and recognized by IEFEC, accepted by experts in the Department of Agriculture.

<sup>10</sup> Data on requirements from the United States estimated by Department of State on basis of total monthly import requirements, after taking account of imports from other countries. Data on probable imports from Argentina based on assumption of maximum use of terms of Italo-Argentine trade agreement, as reported by Italian Embassy officials to the Department of State. Imports from other sources estimated by Department of State on basis of analysis of bread-grain movements during the past crop year.

To the extent that the supply situation does not permit allocations from United States in the full amount of 228,000 tons per month, it is planned to substitute increased amounts of pulses, and some amounts of sugar, horse meat, soy flour, alimentary paste, and other miscellaneous foodstuffs (see attached table), up to 9.7 million dollars per month would be used in such a substitute program.

*Tentative monthly program of alternative supplies to Italy*

Commodity	Price (per metric ton) <sup>1</sup>	Quantity, in metric ton	Total cost <sup>1</sup>	Sources of supply
Soya flour.....	\$187	2,000	\$374,000	United States.
Miscellaneous pulses <sup>2</sup> (largely garbanzos).	282	10,000	2,820,000	United States, Canada, Angola, Mexico, Turkey, Chile.
Horse meat and canned meat from Mexico. <sup>3</sup>	510	1,000	510,000	United States, Canada, Mexico.
Sugar <sup>4</sup> .....	176	8,000	1,408,000	Cuba, United States.
Canned fish <sup>5</sup> .....	360	5,000	1,800,000	United States.
Soups <sup>6</sup> .....	280	2,000	560,000	Do.
Total.....		28,000	7,472,000	

<sup>1</sup> Cost, insurance, and freight included.

<sup>2</sup> Pulses: The quantity given would provide 290 grams per person per month. At present, pulses from local production are available on the free market and only imported pulses are distributed as rations to a few special classes of consumers. Per capita consumption for the whole population in 1947-48 is estimated at 5.5 kilograms, or less than 50 percent of prewar.

<sup>3</sup> Horse meat: The quantity given would supply somewhat less than 30 grams per person per month. At present, only imported meat is distributed as a ration to a few consumer categories, mainly for relief and social welfare.

<sup>4</sup> Sugar: The quantity given would provide 175 grams per month above the present ration of 300 grams per month for all normal consumers, besides meeting the existing import requirements at the present ration.

<sup>5</sup> Canned fish: The quantity given would provide about 150 grams per person per month.

<sup>6</sup> Soup: For institutions.

*Question 2*

In considering shipments of wheat and other grains that are now being sent to France and Italy, plus indigenous products in each country, will France have a sufficient supply to last until March 1 and Italy to March 31?

*Answers*

No. France, after receiving shipments scheduled from the United States for November and December of this year, will have less than 1 month's supply left at the end of 1947; Italy will have about 6 weeks supplies.

The following table indicates the bread grains situation of both countries between November and December 31, 1947.

*Bread grains situation in France and Italy, Nov. 1-Dec. 31, 1947*

[In metric tons]

	Italy	France
Stocks as of Nov. 1, 1947: Nov. 1.....	475,000	490,000
Shipments November-December:		
From United States.....	230,000	260,000
From others.....	120,000	30,000
Collections in November and December.....	400,000	200,000
	1,225,000	980,000
Distribution November and December.....	740,000	<sup>1</sup> 724,000
Stocks as of Dec. 31, 1947.....	485,600	256,000

<sup>1</sup> Including North Africa.

*Question 3*

Describe the distribution system used in France and Italy of the grains and other foods shipped by the United States to each of the respective governments. What is the price of bread in each country? Do the people in the lower income groups have sufficient money to pay for food that they need through regular commercial channels and in the black market? Is food available in the black market? For both countries, what is the general price level of food?



*Answers*

*France.*—Bread grains imported into France from abroad are taken into the wholesale distributive system under the control of the supply authorities of the French Government and distributed to bakers.

Each individual receives, on a 2-month basis, ration tickets which he presents to the bakers for his daily bread. The size of the individual ration depends on his age and occupational status. In the case of the normal adult consumer, the daily ration is now 200 grams, compared with 300 grams a year ago and 500-600 grams prewar. A similar ration system is followed for butter, sugar, and some other items in short supply.

The price for bread, paid at the time of the presentation of the ration ticket, is 22 francs per kilogram.

The people in low income groups do not have sufficient money to buy the food they need. While they can cover the cost of rationed bread and rationed foods, they lack purchasing power to obtain sufficient additional food in free or black markets.

Black markets exist in France for foods which, relative to demand, are in extremely short supply.

The price level for foods received under the ration system, which meets only partial subsistence needs, is not markedly different from the level in the United States. Free market prices are 10 to 15 times prewar and 2 to 3 times United States prices.

*Italy.*—Bread grains and other imported foodstuffs are distributed by the Italian Government Agency "Federation of Agricultural Consortia" under the control of the High Commissariat for Alimentation and the Ministry of Agriculture.

The price of rationed bread is 55 lira per kilogram. In the black market bread last July sold for 170 lira.

Low income group people have sufficient money to buy rationed foodstuffs, but do not have enough to purchase black-market commodities in any amounts.

Food is available on the black market for people in high income groups. However, the total amount of food available in such markets is very limited.

The general price level of food in Italy in July is about 60 times prewar (the index of 6100 compared with 100 in 1938).

*Question 4*

Does either France or Italy have a relief program to take care of the people who do not have the income or wages with which to purchase food at the prevailing price level?

*Answers*

*France.*—Unemployment is negligible and hence outright relief to unemployed is a minor problem. While there are private relief agencies, the French Government does not conduct any relief program, other than assistance provided under its regular social security system.

*Italy.*—Several relief programs are in operation in Italy today, the most important is that conducted by ENDSI, which is organized under mixed United States-Italian leadership. With the collaboration of the Catholic Church, the Italian Red Cross, and the Italian Government, ENDSI distributes relief goods collected and shipped to Italy by American Relief, Inc. Myron Taylor was president of ENDSI.

*Question 5*

How many bushels or tons of wheat does the interim program contemplate to be shipped from the United States?

*Answers*

The program contemplates financing the following shipments: Austria, 132,000 tons (or 4,800,000 bushels); France, 770,000 tons (or 28,500,000 bushels); Italy, 912,000 tons (or 33,750,000 bushels).

These totaled 1,814,000 tons (or 67,050,000 bushels).

*Question 6*

Name the countries which are expected to contribute wheat and other grains for the aid program.

*Answers*

During the period under consideration, France may receive from countries other than the United States the following amounts in long tons: Australia, 275,000; Near East (Syria, Lebanon, and Turkey), 40,000; Argentina, 50,000 to 100,000; Canada, 50,000 (see p. 31 of Department's booklet).

These amounts will have to be purchased by France in dollars except in the case of Australia where sterling will be paid. In addition to these items it has been reported that the French may receive 300,000 tons of bread grains from the Soviet Union before August 1, 1948, in exchange for manufactured and other goods of equal value. From the information available it does not appear that any significant amounts will arrive during the period of the interim-aid program.

*Italy.*—Italy may receive up to 40,000 tons per month from the Argentine, on credits under terms of the Italian-Argentine trade treaty. It is expected that Italy will be able to obtain 33,000 tons per month from Turkey, Syria, Canada, and sources other than the United States.

*Question 7*

In view of the serious drought in the Winter Wheat Belt in the United States, do you feel that it is safe to export as much as 500,000,000 bushels of wheat from the 1947 crop?

*Answer*

The Department of State is not in a position to estimate the effects on availability of a prolonged drought in the United States Winter Wheat Belt. The Department of Agriculture has informed the Department of State that over-all export availabilities can be estimated at a figure of 520,000,000 bushels of grain.

The Cabinet Committee on World Food Programs some weeks ago estimated United States export availabilities of the current crop year 1947-48 at 470,000,000 bushels of grain. The goal of the conservation program is to save 100,000,000 bushels more by a program of voluntary conservation. Announcements have already been made that some 80,000,000 bushels are expected to be saved as a result of conservation measures already adopted. In addition, the Bureau of Agricultural Economics of the Department of Agriculture now believes that wheat feeding on farms will be 75,000,000 bushels below the estimates previously used. In the light of this, it is quite possible that exports in excess of 520,000,000 bushels of grain will be achieved.

DEPARTMENT OF STATE,  
Washington, November 18, 1947.

The Honorable CHARLES A. EATON,  
*Chairman, House Foreign Affairs Committee,*  
*House of Representatives.*

DEAR DR. EATON: I am deeply concerned by questions which have been raised as to the Italian bread-grain requirements included in the interim aid program. My letter of November 17 on the other matters raised by the Herter report refrained from comment on the grain requirements and availabilities pending further discussion with the Department of Agriculture. That Department concurs in the contents of this letter.

The question contained in the Herter report reads as follows:

"Need funds be provided for the purchase of 202,000 tons of grain per month before March 31, in view of the Department of Agriculture estimate that a much smaller quantity will be available for allocation to Italy?"

It must be recognized in the first instance that any estimates of grain availability for any particular country for the first 4 months of next year are subject to a wide degree of flexibility. In view of the very acute shortage of bread grains the world over, the amount which may eventually be shipped to Italy from this country may very well be less than the 912,000 tons which is contained in our estimates for interim aid. However, such a quantity is so urgently needed to maintain only the present low ration of 270 grams of bread equivalent per day, that we feel it necessary at least to provide the funds for this quantity of grain, especially when many things may still occur which might permit the achievement of the goal or its equivalent in other foods.

We do not yet know the full response to the efforts of the Citizens Food Committee which could very readily exceed our expectations; prospects for the United

States winter wheat crop might turn rapidly upward. Rains of the past few days have raised hopes for a better crop than previously anticipated. The flow of supplies from eastern Europe in view of the good crop there might relieve this country of the necessity to ship to some countries which are currently large recipients of our supplies. As long as these prospects remain and as long as the need is real and undisputed, we feel it essential that financial provision at least be made for the minimum figure of 912,000 tons which measures food needs and not availability at the moment. Otherwise, if some of the possibilities for increased supply should develop, we would not be in a position to take advantage of these prospects.

We are fully aware of the necessity to avoid any suggestion of commitment in the presentation of the estimates of needs and availabilities against them. Because of our concern in this matter we have made it crystal clear to the representatives of the countries concerned that the figures used in our submission to the Congress are in no sense commitments and have emphasized that there is serious danger of not meeting these requirements in full. Italy has a representative on the International Emergency Food Council. We believe all parties are fully aware of the uncertainties of the situation and the fact that the figures are purely estimates. Specifically in the case of the Italian grain requirements, the ration of 270 grams per day is the minimum for bare working efficiency. The Italian Government is fully aware of the results which would develop from failure to meet this level. Consequently, they have a most powerful incentive to make the fullest efforts to find from their own indigenous supplies the greatest possible share for their rationed population.

Since some question has been raised as to the factual basis upon which the 912,000-ton figure of estimated grain requirements was based, may I submit the following for your information:

The interim aid program for Italy as submitted to your committee by the Department contains a statement that, "To maintain the 270-gram ration, Italy must import, during the 4 months under consideration, 912,000 tons of bread grains from the United States in addition to 106,000 tons of wheat from Argentina, and 133,000 tons from other countries (mainly the Middle East)." (P. 44.) It also points out that recent allocations from the United States have been approximately 115,000 tons per month, as compared with a need for 228,000 tons per month in the period under consideration if reductions in the ration are to be avoided.

The maintenance of the present bread ration of 270 grams per month requires a monthly issue of 370,000 tons of bread grains. On an annual basis, the following calculation indicates the prospective availabilities to meet the monthly issue of 370,000 tons for 12 months, or 4,440,000 tons. There is also indicated, as a residual, the requirement from the United States from January through April 1948:

	<i>Metric tons</i>
Requirements from all sources July 1, 1947-June 30, 1948, to maintain ration-----	4, 440, 000
Probable collections from July 1, 1947-June 30, 1948, from in- digenous supplies-----	2, 069, 000
Prospective shipments, July-December 31, 1947:	
United States-----	560, 000
Other sources-----	255, 000
Prospective availabilities January-April:	
United States-----	(1)
Argentina-----	160, 000
Other sources-----	133, 000
Required shipments May-June 1948:	
United States-----	204, 000
Other sources-----	147, 000

<sup>1</sup> Quantity required from United States January-April to meet deficit, 912,000 metric tons.

The above calculation indicates the basis for the residual need for 912,000 tons to maintain the ration during the January-April period. In view of the very short cereal supplies from all world sources, the actual allocation to Italy during the period in question may well be less than 912,000 tons. To the extent that this amount is not available substitutes will be required.

The total availabilities of grain for export from the United States during the year 1947-48 is only one factor in the amount which will be shipped from the United States to Italy during the interim-aid period. It is impossible now to hazard more than preliminary estimates of total probable United States exports. If it becomes possible to export a total of 570,000,000 bushels from the United States, the chances will be greatly increased for providing amounts more nearly approaching the 912,000 tons required by Italy.

In view of the possibility that the 912,000 tons may not be reached in the allocations from this country, the original documents submitting the interim program to your committee pointed out (p. 44) that "substitute foodstuffs would be included which would partially offset the decrease in caloric intake resulting from a decrease in bread rations." The attached table indicates the estimated maximum program of imported substitutes which could be utilized if bread grains do not materialize in sufficient quantity to maintain the ration. The items included are miscellaneous pulses, soya flour, sugar, canned fish, horsemeat, and dried soups. The total value of these items for the 4 months' period would be about \$30,000,000.

The substitutes up to the value of about \$30,000,000 could be used to replace a maximum of about 100,000 tons of grain on a calorie basis. However, the cost of the substitutes would be about two and one-tenth times as great as the equivalent amount of cereals on a calorie basis. The funds for the grain could therefore be fully utilized for substitutes to replace up to 210,000 tons of grain. It should be pointed out, however, that substitutes of this kind will provide desirable additions to the diet, particularly to supplement protein deficiencies. They probably would not, however, fully compensate from a morale standpoint for a deficiency in bread rations.

It is our opinion that we should not foreclose the chance to maintain the current ration levels in Italy by a failure to appropriate the necessary funds at this early date. In other words, adequate funds should be made available so that full advantage could be taken of any favorable change in world supplies.

Sincerely yours,

C. TYLER WOOD,

*Deputy to the Assistant Secretary for Economic Affairs.*

*Maximum alternative January-April program of substitute foods to Italy*

	Price, <sup>1</sup> metric tons	Quantity, metric tons	Total value <sup>1</sup>	Source of supply
Miscellaneous pulses (largely garbanzos).	282	40,000	\$11,280,000	United States, Canada, Angola, Mexico, Turkey, and Chile.
Soya flour.....	187	8,000	1,496,000	United States.
Sugar.....	176	32,000	5,632,000	Cuba, United States.
Canned fish.....	360	20,000	7,200,000	United States.
Soups.....	280	8,000	2,240,000	Do.
Horse meat and canned meat from Mexico	510	4,000	2,040,000	United States, Canada, Mexico.
Total.....		112,000	29,888,000	

<sup>1</sup> Cost insurance freight.

DEPARTMENT OF STATE,  
Washington, November 17, 1947.

The Honorable CHARLES A. EATON,  
*Chairman, House Foreign Affairs Committee,*  
*House of Representatives.*

DEAR MR. EATON: In general, the Herter report on interim aid for Italy and France coincides quite closely with the most recent estimates submitted by the Department of State for interim aid requirements. Specifically, however, the Herter report raises questions with respect to several items in our estimates for which "additional justifications are, in the committee's judgment, needed."

The items are with respect to cotton imports, bread grain availability, availability of funds from Export-Import Bank, and Italian dollar holdings.

With respect to the above questions, except bread grain availability for which a separate letter will be sent you, may I submit the following comments to supplement the justifications in our report to your committee:

"(a) In view of existing stocks of cotton now in Italy, are further imports of cotton necessary prior to March 31, 1948, and, if so, can these imports be financed by the Export-Import Bank?"

Italy imported, in 1938, about 160,000 tons of cotton and about 40,000 tons of wool (the 1929-38 average of wool imports was 58,000 tons). The \$15,000,000 included in the December-March requirements for cotton, wool, and other fibers correspond to only 1 month's consumption, and assume that during the period under consideration Italy will be able to secure substantial amounts of fibers from other areas for sterling, while reducing its inventories to bare minimum working levels. Estimated Italian purchases in this country are assumed at only a fraction of the amounts procured during the first 6 months of 1947.

According to official Italian estimates, cotton inventories on October 30, 1947, amounted to 70,000 tons, as compared with minimum working balances of 34,000 tons. This latter amount represents 8 to 10 weeks' consumption at present rates. Assuming that stocks will be reduced by 36,000 tons during the 6 months November-April, Italy must still procure before March 31, 1948, about 50,000 tons of cotton, to cover remaining requirements. Of this 50,000 tons, only 16,000 are included in the December through March requirements from the dollar area, chiefly from United States. The balance represents (a) procurement in October-November from the dollar area and (b) procurement during the 6-month period from the sterling area.

Wool inventories on October 30, 1947, were estimated by the Italian Government at 28,000 tons, as compared with minimum working balances of 15,000 tons. Assuming that stocks will be reduced accordingly, Italy still must import substantial amounts of wool during the period under consideration. Only \$3,000,000 are included in the December-March requirements for wool and other fibers (1,600 to 1,800 tons of both) from the United States and South America, assuming that most of the requirements will be met from the sterling area. During the first 6 months of 1947 Italy imported 28,000 tons of wool, wool rags, and other fibers from the Western Hemisphere.

No new credits for cotton have been extended by the Export-Import Bank to Italy since the \$25,000,000 line of credit extended in 1946, of which \$8,500,000 has been repaid to date, and the balance of \$16,500,000 is payable in future installments. No new application has been made to the Export-Import Bank by Italy for a cotton loan. It was felt by the Italians that it was inappropriate to submit such an additional application while so large a portion of the present \$25,000,000 loan was still not repaid, and negotiations for speeding up the use of the general \$100,000,000 line of credit made available by the Export-Import Bank were in such an active and urgent stage. In view of the suggestion of the Herter committee, and the fact that the other negotiations are now completed, the possibility is being further investigated as to whether the bank would finance \$12,000,000 of cotton contained in the calculation of requirements in the interim aid request. In the meantime, the authorization of this amount would seem desirable, since the cotton imports are definitely needed, and there is no assurance that a loan would be granted. If the loan is granted by the bank, appropriate adjustment could be made by a corresponding reduction or by a set-aside of the funds.

"(c) Is it not possible to increase the funds which will be available before March 31 from the Export-Import Bank loan from \$60,000,000 to \$90,000,000, the amount allocated in this loan for coal and industrial raw materials?"

Because of the question raised by the Herter report, we have again discussed the matter with officials of the Export-Import Bank and have been informed that they anticipate \$60,000,000 is an amount which can reasonably be expected to be utilized during the period. As stated in the original presentation to your committee, the Export-Import Bank estimate was used by the Department in the calculation of resources, although the loan agreements require a procedure which, in our considered opinion, and even with the utmost effort in expediting, is likely to result in a utilization of less than \$60,000,000 of the funds during the period December 1, 1947, to March 31, 1948.

"(d) Could interim requirements be decreased by making use of at least a part of the estimated fund of \$42,000,000 which was held by the Italian Government on October 1, 1947?"

The Italian foreign exchange position has steadily deteriorated during the last several months. Dollar holdings amounted to \$57,700,000 at the end of June 1947, \$42,300,000 on September 15, and \$37,100,000 on October 6, 1947, which is the last date for which detailed information is available in Washington.

The Department of State strongly believes that no part of the current small dollar holdings of the Italian Government reasonably can be counted upon to finance its requirements during the period before March 31, 1948. These are already dangerously low, and any further depletion might leave insufficient working balances to prevent a break-down at some of the many points where small balances are required to keep the wheels of normal commercial transactions from grinding to a stop. No economy can operate in the markets of the world without some minimum working balances. If these should be spent without being replaced, the effect on Italian imports and trade would be most serious and would result in a deterioration which it would require far more than the \$37,000,000 involved in this item to repair.

The break-down of the \$37,100,000 of balances follows:

(a) Exporters' accounts .....	\$24, 000, 000
(b) "Cambital," the Italian Exchange Office:	
Net balances with correspondents abroad.....	4, 000, 000
Funds "in transit" through correspondents in Italy.....	9, 000, 000
Total.....	37, 000, 000

It should be reemphasized that these funds cannot be considered as resources available during the period December 1, 1947-March 31, 1948, because of their character of working balances.

*Exporters' accounts.*—At the beginning of October 1947, \$24,600,000 were in the so-called conti valutari (exchange accounts) or exporters' accounts, belonging to private firms, which had earned them through exports or bought them from other exporters, in order to pay for essential imports.

The Italian exchange-control regulations allow exporters to retain a part (normally 50 to 75 percent) of their receipts from exports, while the balance must be sold at the official rate of exchange (350 lire per dollar, as compared with a free rate of about 610) to the Italian Exchange Office (Cambital). The purpose of this regulation is to liberalize as far as possible exchange transactions originating from foreign trade. At the same time existing regulations require that the entire proceeds of exports be used for essential imports. In effect (a) 25 to 50 percent must be sold to Cambital; (b) the balance must be used for essential imports within 4 months.

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

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

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

It must be explained in this connection that—

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

(b) A part of the Cambital funds (about 9 to 10 million dollars) is constantly represented by funds "in transit" between the importers who are selling the 25 to 50 percent they must turn over and banks which act as "agents" of Cambital; this part of Cambital's funds is, of course, of less immediate availability than the rest.

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

I trust these comments provide satisfactory answers to the questions raised in the Herter report. We shall be very happy to submit any further information which you may request.

Sincerely yours,

C. TYLER WOOD,

*Deputy to the Assistant Secretary for Economic Affairs.*

Chairman EATON. Mr. Dirksen is our first witness. We are very glad to welcome him back to hear his statement.

**STATEMENT OF HON. EVERETT M. DIRKSEN, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF ILLINOIS**

Mr. DIRKSEN. Mr. Chairman and gentlemen of the committee, may I preface what I have to say this morning by dipping for a moment into history? It was about 1,700 years ago that a great Greek general by the name of Pyrrhus marched an army into southern Italy about the time Rome was being beset by the Gauls and Etruscans, and there, according to the history books, he gained a very considerable victory but left the most of his soldiers on the field. But even today we pay testimony to that great engagement, for so very often we refer to the "Pyrrhic victory."

I have sometimes wondered, since freedom is something of a fetish and a faith with me, whether World War II might not yet eventuate as a Pyrrhic victory and particularly so if freedom and the purposes for which the war was fought are the ultimate casualties.

That is a rather tragic thought, and there is a strange irony about it—I suppose the irony of all mankind—that, having won the victory, we are now compelled to pick up the broken pieces and to set the world's house in order in the hope that we can still retrieve the purposes of war and the purposes of peace. The healing we had looked for has not quite set in. Certainly, as we lift our eyes, the peace has not been achieved. I would say categorically that more freedom has been leached away since VE-day than was won on the battlefields of Europe in World War II.

That is a pretty tragic confession to make, but no one can survey the events abroad without coming to that conclusion. The evil shadow that has already extended itself over all of eastern Europe and that is thrusting westward and thrusting in our direction is the best evidence that freedom has been leached away in great measure since VE-day.

Now, we have before us a proposal to retrieve the purposes of war and peace, and in approaching it, of course, we have to justify it with the people of this country.

I presume the members of this committee have received many letters, as I have received many letters, expressing the hope that perhaps we could build a high wall around the western hemisphere and abandon the rest of the world. It becomes necessary in the face of that kind of thinking and those conclusions that we enunciate a program that will commend itself to the people of this country and, of course, that is a job for leadership and a job for salesmanship.

Obviously, war is a form of political action, and it is justified on the ground that the welfare of the country and of the people is involved. What is here proposed by way of aiding the countries of Europe and subsequently the long-range aid program must be justified on the

ground that it is in the interest of our country and for the welfare of our people. And I firmly believe it is.

We are dealing with food rather than fireworks and dealing with money rather than munitions and dealing with construction rather than destruction; but in every case the food is derived from public proceeds that we must tax out of the people, or we must borrow it on the public credit.

So I become rather interested in this program, Mr. Chairman, and before I venture any further I think the record ought to show such feeble qualifications as I possess for discussing it.

In 1945, it was my privilege to go abroad for 100 days at the instance of my people back home who supplied the funds and who urged that I take a trip over the world. At that time I touched some 21 countries, spoke to many of the leaders there, and sought, as best I could, to assess and appraise the conditions then extant and their possible effect upon our own country.

I had no desire to go abroad in 1947. The chairman of the Armed Forces Committee first suggested to me that I should go abroad. I demurred to his idea. Subsequently, the chairman of the Appropriations Committee talked to me about it, and out of those discussions a special committee was developed consisting of members of the Armed Forces Committee and members of the Appropriations Committee, and it was my privilege and my pleasure to serve as chairman of the group.

I went abroad with the distinct understanding that when the committee reached either Munich or Vienna I should be privileged to leave and return to Germany for a more intensive effort. That was agreed to. So, after surveying the conditions in different parts of Germany and Austria, I took my farewell of the committee at Vienna and returned to Berlin for further work with economic experts, other officials in the military government, and then to go about Germany and talk with everybody from whom I could contrive to get some kind of a story and from whom I could derive some information. That embraced children in the schools and teachers; it included coal miners up in the Ruhr and those who worked in the steel mills. I visited with a number of the leaders and members of the steel workers union. I visited with refugees and expelees and infiltrates. I had long sessions with Ministers-President of the various states that were set up by election under the new constitutions. Over there they call them lands or länder in the plural, and they are equivalent to the States of our Union.

I had those sessions not only with Ministers-President but with members of the cabinet; I had sessions with the constitutional judges who were set up under the new constitutions. I had the benefit of the language of the country, because in World War I, I was with Military Intelligence for about 8 months.

So what I shall say to you today, Mr. Chairman, will be based upon both of those surveys, the one made in 1945 and the one made in 1947.

In addition, too, I tried, insofar as I could, to brief myself from all the documents and all the data. I fancy that during the trip I went through over 200 pounds of reports, material and data, both in German and English.

So I come to this first basic conclusion, that the problem before us today as a country is a moral problem. I believe it was Francis Bacon



who once said that every political problem is economic and every economic problem is moral; therefore every political and economic problem is moral. And when I say "moral," I mean it is a problem that relates to people.

After all, the shattered cities in Europe mean nothing except as they were the habitations and dwelling places of people. Whether they have inflation and have an inflated currency means nothing except as people may seek to exchange that currency for a livelihood. Communism, as such, is not important except as it relates to people; the Ruhr coal is not too important, except as it relates to people, as the coal that warms their bodies and powers the machines that produce goods and services for the people.

The frigid winter they had and the awful drought that swept through southern Germany and France, the worst in 133 years, is important only as it touches the substance and livelihood and the welfare of the people.

Finally, I might say that the imminent collapse in Europe today is important to us only as it relates to the millions and hundreds of millions of people.

Now, the welfare of these people is important to us. Economic and continued stagnation in Europe simply means if there is a spark of humanity in us this load is going to be on the backs of the American taxpayers for a long time to come. I have said that this condition is not unlike the illustration that derives from the old Domesday Book, which is a survey of British conditions away back in the days of William the Conqueror, nearly 900 or 1,000 years ago. In the ordeal trial system in effect at that time, it is related in the Domesday Book that when a homicide was committed, the family of the victim had the right to demand that the perpetrator of the felony, the guilty one, should have that body strapped to his back and should carry it around until death encompassed him.

Some of the countries of Europe are moving in the direction of economic corpses, and, if the world wishes to carry them on its back, it will mean infection; it will mean putrefaction; and it will mean the ultimate destruction of the whole world economy. I do not believe it can be escaped without continued stagnation which will, of course, produce the desperation of hunger, and hungry people are easily intimidated and hungry people are easily the prey of every evil and festering virus.

Now, then, enslaved people, if there is to be an enslavement, will no longer be free to express their desires and their wants; and, when they are enslaved, that means a great segment of the free markets of the world to us will have been foreclosed.

As I say, freedom has become a fetish with me, and I would remark, just for the purpose of recalling history, that tomorrow is the eighty-fourth anniversary of a speech of only 2½ pages that is probably the greatest speech in all history. I am referring to the speech of Abraham Lincoln at Gettysburg which was delivered 84 years ago tomorrow. There, of course, he stated the fact that the country was conceived in freedom; he stated it was dedicated to equality; that we were on the testing ground, and then he uttered the sublime hope that it could have a new birth of freedom. And, of course, freedom is an indivisible fabric, and what hope is there that it will be secure

in our own country if freedom disappears from all other sections of the world.

So I am interested in what we do from the standpoint of our own freedom to escape regimentation in our own country. And I do not believe it would take very long, measured in terms of years for the one great free market where, through advertising, wants and desires have been created and which is the greatest industrial market of the world outside of our own, to one day slip away and become fettered even as other countries have certainly become fettered. So I start from that broad ground as I address myself to this better-than-even gamble.

Now, there are three choices that are before us. It has been freely uttered in letters I have received and different witnesses on the subject that we abandon Europe altogether and abandon the people of Europe. Doubtless you have received in the mails similar letters in recent days, the same as I have. I am confident there are not many people in the country who, if they are informed, will be wanting us to abandon Europe and to abandon our responsibility. It might be well to take just a moment to examine the implications of abandonment. Of course, it will mean that we take our troops out of Austria; of course, it will mean the division of Austria and the flanking of the line we have at the present time along the Elbe and Neisse Rivers; of course, it will mean retreat from the Elbe River; it will mean the withdrawal of our troops from Germany; it will mean the ultimate establishment of the Soviet bridgehead on the Atlantic; it will mean communism's engulfment of western Europe, and that will mean we had just as well pull our diplomatic representatives back home, for all the value they will be.

It will mean the shrinking of our trade outlets. It will mean greater burdens in building up the economies of countries in the Western Hemisphere. It could mean an insuperable burden in building up a tremendous Army, Navy, and Air Force such as we have never envisioned before.

Then, of course, it would mean that we should be prepared to have the Kremlin take over.

Now, let us be realistic and let us not pull any punches. I do not believe in this appeasement business, and I do not believe in soft talk any more. We have arrived at the point where the days of soft talk are over and we are playing for keeps. No one who has intelligently surveyed the situation in Europe can come to any other conclusion.

When I say that we must be prepared to have the Kremlin take over, Czechoslovakia will be next on the list. I think you will agree. Fear is everywhere there today. Already new powers have been delegated to Prime Minister Gottwald, who is a Communist Prime Minister, and in my book I would give Czechoslovakia another 120 days under that squeeze. Some 120 days ago Hungary fell. It was the last, notwithstanding the fact that there was an election and in that election the Communist Party polled only 17 percent of the vote. Today they are in charge.

Communism has invented a new technique, Mr. Chairman, that I thought ought to be expressed for what it is worth for the record. It is the technique of ice water enemas. You see, when they took Mikhailovich, they beat him into insensibility and wrung a confession

from him, but of course somebody might see it, and a photographer might take a picture; so the Soviet physicians and surgeons have developed a more interesting technique, the technique of ice-water enemas. Ask your family doctor what it will do. It will make you fore-swear your God, king, and country before you get through. So, notwithstanding a minority election in which they won only 17 percent of the vote, they have Hungary and they are policing Hungary in American jeeps. That is one of the great ironies of history.

After Czechoslovakia, of course, will come Austria. It is next in the squeeze. There are 41,500 Soviet troops in Austria. That is more than the American, British, and French troops combined. The squeeze is on.

Before I left Europe three chiefs of police in the three largest cities in the Soviet zone of Austria were seized and removed—that is, cities outside of Vienna. They were not playing the Communist line, and General Kurasov means business in Austria. All that you have to do is pay attention to your knitting and be a good observer and you will get the story.

I might say for the record today our military telephones in Austria are tapped. There is no use of pulling any punches. I think that our people are entitled to know the story.

When the committee got to the Bristol Hotel we had a meeting in my apartment. I said, "There will be no telephone calls. All documents of a restricted and classified nature will go into a safe. We can take no chances because we are under pressure here."

Do not forget that Austria is important to the Danubian Basin. Trace out the Danube watercourse sometime across southern Germany north of Munich, and then to the city of Vienna, and then to Budapest and then to Belgrade and then east between Bulgaria and Rumania, and finally where it empties into the Black Sea.

Of course, Austria means much to that watercourse. I think there the purpose of the squeeze is to divide Austria, and I expect to be reading in the front pages of the newspapers almost every day that Austria will have been divided by General Kurasov, with the Soviet troops behind him. When that time comes Europe will have been partially destroyed and our line along the Elbe River will in part have been flanked, and that is pretty serious business.

When they get through in Austria, Mr. Chairman, the squeeze will be on Germany. I have said over and over General Clay is insulted every day, orally and in writing, by Marshal Sokolovsky, his counterpart. There is no question about the pressures there. They are there for anybody to see.

And one needs only to lift his eyes like Ishmael in the wilderness to see what the story and objective is.

It may be well to refresh the committee on the fact that the broadcast of the military parade in Moscow on the 7th of November was in both English and German. It was so important, you see, that the Germans get that story from radio Moscow. They must be impressed, and so by a course of harassment and intimidation they mean to carry through and take over if they can.

When I think of that pressure, I think of what Lenin said, that whoever controls Germany today controls Europe.

With Austria and Germany under intimidation and pressure, and the objective of controlling the rim lands of Europe, how long can Belgium, Holland, France, and Italy finally hold out? It is a part of the pattern. The squeeze on Greece and the squeeze on Turkey is the thing; so that one day, of course, the rim lands will be brought into the orbit of the Soviet Union, and then, of course, from there on it is easy.

May I say in connection with Italy, because part of the emergency aid is meant for Italy, that one of the sore spots is now at Trieste. It is not that Tito needs Trieste, because he has Fiume. It is not that the Italians need Trieste because they have Venice. But Trieste is the contact point between western culture and the Oriental ideology of the Soviet Union, and so millions of people will be glowering across that little contact point, and that is why Italy is so important and that is why Togliatti today has received word from the Kremlin to start the ball rolling in what they call a "cold" war. It is not very cold. I have never conceived it as a "cold" war, when people, Soviet troops and chiefs, are riding in so many countries in Europe today. There is nothing very cold in that sort of thing. So that is one of the fever spots along with the Danube, which means Austria.

If we propose to abandon, let those who would follow that course, Mr. Chairman, spell out every implication, because one day the dream that was enunciated by Peter the Great for a window on the Baltic may become a bridgehead on the Atlantic, and let us not forget that then the thrust will be in our direction.

Parenthetically, I said to one of the high officials when I was there, "You have been to Moscow; you have been an Ambassador over there"—and I would rather not see his name mentioned—"and you know Stalin very well. What does he have in mind?"

"Oh," he said, "he is only interested in a cordon."

I said, "What are the east and west limits of the cordon? Vladivostok on the east, but what about the west?"

He said, "Of course, Stalin would not like to see a strong power that might menace him on the Atlantic."

I said, "My good sir, that is the equivalent of saying that he must control all the rim lands of Europe in order to feel secure, and that would leave Great Britain and America as two islands in a great Red Sea."

Finally he said, "Of course, they are large islands," but what an unhappy expression it was from one of the high policy-makers.

Mr. Chairman, I did not like it. It is disturbing, and so this whole picture is disturbing. Those are the implications, as I see them, of a course that would abandon Europe and set a wall around our own country, because involved there is the regimentation of the industrial and agricultural economy of our own country. Spelled in terms of years, it would not be too long.

That is the first choice, Mr. Chairman, that we could make.

The second choice we might make is niggardly—niggardly—aid. I have been on the Appropriations Committee for more than 10 years. I know the fashion by which we have sometimes dealt with appropriations. I can speak personally, Mr. Chairman. Niggardly aid is going the first mile. You know the story very well, but the thing

that mankind forgets and what we forget in reading our Scripture is that it uses the word "compel." Now, conscience may compel us to go 1 mile, but, Mr. Chairman, that makes an unfinished journey, and this may be our last chance, and I do not want to see an unfinished journey. I do not want to see this aid be niggardly.

I can give you one experience or example out of my own experience as to what I mean by niggardly aid. I remember that in the Department of Agriculture we cut back one of the scientific bureaus. We took out, I think, half of the money and very quietly, a few days later, a friend of mine who worked in this bureau came up to see me about it.

He said, "I am not here to lobby you on that appropriation, but you did an awfully inefficient job."

I said, "Why?"

He said, "Why did you not take all the money out instead of just half? By taking out half you have destroyed two steps in the scientific approach to a project objective that we have, and so while we may spend half the money, it will be as surely wasted as it can be."

Now, you know that inefficient aid is wasteful aid, and if we should supply niggardly aid but not enough to do the job, then, Mr. Chairman, it would be exactly the same as if we had wasted all the money. So, because we are playing for keeps, I do not want to see this thing done on a niggardly basis, but that is a choice.

We can take whatever the estimate is and say, "We disagree." We can refine it and say, "Oh, they can get along with half of it, or two-thirds of it." Possibly so. They may be able to get along, but the question is, "Will we do the job, Mr. Chairman?" And remember, the chief objective is that we are playing for keeps.

There is a third choice, and that is the choice that we must make. I want to make it. I have been back home. People have talked to me about giving away my country, and I have talked to them with tears in my eyes, and I have said, "Look, let us examine this whole picture." And it is amazing to me how the people back home have changed their minds on the basis of such facts as you disclose to them.

I am not afraid of the reaction of the people of this country. I am confident that in proportion as we do our jobs as representatives of the people and bring the story to them—and it is our responsibility to bring them the story—that they will go along with the third choice, and the third choice in my book is immediate—adequate—aggressive—and selective aid.

My formula, Mr. Chairman, is very, very brief. Do it—do it now—and do it right.

When I say it must be immediate, of course, time fights on the other side. The crop conditions were pretty bad in Europe this summer. I counted over 2,200 vessels, tugs, barges in the Rhine River. I counted over 300 in a little town called Boppard, 40 miles below Coblenz. There is 3½ feet of water in the Rhine River today, and I mention it only because it is testimony to the severity and the aggravation of the drought that has swept southern Europe.

I have seen the gleaners and the scroungers in the fields. I have seen people picking up a single grain of wheat in the field. I have seen them picking up the rotten apples from the ground and retrieving them because there was a little food value there. And there is so much of

that condition abroad today. So it presents an immediate problem. This will not wait. And, since we are playing for keeps, we must stir some hope over there because aid is the vehicle of hope. So this aid must be immediate. We cannot toy with it any longer.

Secondly, it must be aggressive. Food and fuel and credit are the weapons; they are the munitions in a cold war. Let us use them as weapons. Let us quit this insane business of pretending. If sacrifice and skimping and fretting and worrying for nearly 4 years means anything, then let us be just as aggressive for freedom, which is the core of our own free enterprise system, as they are over on the other side for their ideology with which they would communize the world. And when I say "aggressive," of course, that means to publicize.

I would go a little further than section 6 of this bill that is before us. I would buy time on the radio over there. I would buy space in the newspapers. I heard it said once if Stalin had provided the same amount of money for Greece that we provided, and for Turkey, there would have been \$50,000,000 for personnel and \$100,000,000 for supplies and \$200,000,000 for propaganda.

You know, we have hid our light under a bushel for a long time, but you know as a Christian nation it is about time that we become aggressive in the cause of freedom because you know the Apostle Paul said in Corinthians, where the spirit of the Lord is there is liberty. You can turn that around, Mr. Chairman, and say, "Where liberty is, there is the spirit of the Lord." So this becomes something of a crusade, and it has to be placed upon an aggressive basis.

Too long we have taken a basket of aid and set it on some nation's doorstep after sundown. I want to set it there at high noon, and I want them to know what it is about. Moreover, I want to see it publicized.

When the Soviet goes into France, they put the stuff on the truck in Marseilles, or they send it up to Paris with signs on the sides of the truck, "This is a gift of the people of the Soviet Union," and we have been so stupid as to not capitalize our own approaches to it; so I think that it ought to be publicized.

Now, you know that you cannot always publicize bulk goods. I remember seeing whole truckloads of sugar being hauled through Africa and I got behind the truck and while the marks were on the bags I knew that those bags would be dumped and when the customers got the sugar they would never know that the sugar came from the United States.

Now, it could be that way with flour and with the wheat that we send over, the wheat that may be milled and baked into bread. It gets to the average consumer as a long stick of French bread, perhaps, or Italian bread. I used to be a baker one time years ago. I was a bench baker, and I operated a small wholesale bakery in a small town.

The way that people used to identify whether it was your bread or not was either by cellophane or a paraffin wrapper, and if it was hearth bread, you put a band around it and printed on the band "Dirksen's Superfine Bread." I am not self-serving because I am not in the bakery business any more. What would be the matter with printing bands and requiring them put around those loaves of bread so that when a consumer gets bread that is baked with the wheat and flour from America he will have the message that it comes from us.

Mr. Stalin and his Politburo will not be squeamish about anything like that. They are taking the full benefits, and we are fighting for keeps, Mr. Chairman. This is a war of ideology that could eventuate into a hot war.

So I think that section 6 (c) should be spelled out so that we get the benefit and credit for food and raw materials, because they are the weapons in this war.

Therefore, first, this aid must be immediate. Secondly, it must be aggressive. Third, it must be selective.

You can get 100,000 calories in the form of flour for \$3.50, or rather, in the form of wheat. In the form of flour it may be \$4. I do not have the formula quite in mind. If you get the equivalent calories in fruits and canned vegetables it will cost you more, but, you see, we have two jobs to perform. The first one is the impact of this program upon our own economy; the second is the necessity for making it an adequate program.

Obviously, as custodians of the public's purse, I know our hope is always to get the maximum amount of aid for the least expenditure of dollars. But it may be, Mr. Chairman, that the smallest initial expenditure of dollars may not be the best course to pursue. It may be that finally, measured from the standpoint of its impact upon our economy, a larger expenditure of dollars in the first instance may be the most efficient and the most economical course that we can pursue.

Some of the experts of the Department of Agriculture have spelled out a formula, that an increase of 50 cents in a bushel of wheat spells itself out in terms of \$2,500,000,000 in the consumer economy of our country. To be sure, wheat could be bought cheaper initially than any other food, but what would be its effect here at home? There are canned goods in warehouses today. There are oil seeds. There are dried fruits. There are many things. Of course, if we buy them in this food program they will cost more to begin with. The appropriation would be larger, but the economy and effect upon our country would be infinitely cheaper. So, when we talk about aid, it must be immediate; it must be aggressive; it must be selective, because we have two objectives to pursue.

In connection with selective aid there must be some flexibility. I saw a statement by one of the members in the paper that it was going to be a rigid program. Certainly, I share the hope that we want to make it an effective program. Perhaps we must not carry rigidity and inflexibility to the point where some of the basic purposes of the program will be defeated.

Now then, further with respect to selectivity, it is a fact that food production is down everywhere in the world today, and let us not have the idea that this is a 1-day or a 1-year or a 4-month program. Mr. Chairman, it is not. Food is going to be the great problem of the world for the next number of years to come, and if the cleavage between eastern and western Europe is complete, and I think it is—and I think that maybe we have to regard it as a *fait accompli* in dealing with the Soviets in the Soviet zone of Germany today—there will be bigger demands upon the Western Hemisphere for food than there was before, and so this becomes something of a hemispheric problem.

I am wondering whether there should not be something in your bill directing or authorizing or encouraging the President to assign additional responsibilities to the Secretary of Agriculture, to get the ministers of agriculture and the secretaries of agriculture in the Western Hemisphere together, and perhaps we should use the term "western world," to look at the food problem in the large, because it is going to be on the world's doorstep for some time to come.

After all, there are tropical oils that we ought to take a look at. There are fish in the blue waters that we ought to take a look at in the hope that we can encourage greater fish production and make it a part of the program.

Now, before I left for Europe, Mr. Chairman, I saw the scorching sun kill the corn crop of my native State at the rate of more than 1,000,000 bushels a day. It made me pretty heartsick when I went to Europe because I knew that it would spell itself out in terms of demand upon a great wheat crop for feed grain to provide for the cattle and the hogs of the country. I saw that crop killed, and so already I began to see its implications upon our own economic horizon.

Now then, we had many, many years of good growing weather, good moisture, good spring conditions, good land conditions, but the law of averages finally overtakes us, and who can be sure, in view of the drought conditions in the Southwest today, that this picture will not become more aggravated.

So, we must not lose sight of the fact that we are dealing with a food problem that is going to present itself for a number of years to come.

Among other things, we must marshal the resources of the hemisphere and perhaps of the western world. Therefore, this aid must be immediate; it must be aggressive; it must be selective; it must be adequate; it must be the second mile, because, Mr. Chairman, we may not get another chance. If Europe is engulfed—and they are playing for keeps; let me reemphasize that—then, of course, inadequate aid may be the greatest disservice that we ever rendered to mankind.

I said that it must be flexible. And so, those are my notions, Mr. Chairman, about this emergency program. I hope the committee will indulge me for a moment when I say a word about the long-range program. It is not before you at the moment, but I want to say it now.

By way of preliminaries to that program—and I shall not take too long—the Kremlin wants to kill the Marshall Plan. Let me say here and now as emphatically as I can, I am for the Marshall Plan. Perhaps it is not a plan yet; perhaps it is only a principle; perhaps it is only a suggestion, a cooperative venture, but I am for it. And the Kremlin wants to kill it.

I read the newspapers in Austria and Germany and in Britain. I examined not one but thousands of excerpts from the information files in Berlin, from the papers everywhere, and there is no question but that the Kremlin wants to kill the Marshall Plan. They are making an effort to stir up political disagreement here at home. Oh, I hope it will not eventuate. But the Communist Party in the United States wants to kill it. What boldness there is right here in the bosom of freedom on the part of the Kremlin expressing itself through the Communist Party. If you have missed their letter of November 8, Mr. Chairman, I want to take just a moment to quote from that letter



because I went over it pretty carefully. I found it on my desk when I got back.

These are quotes from the letter of the Communist Party addressed to every Member of Congress, dated New York, November 8, 1947:

The Government itself has barred us from that market—meaning Soviet and eastern Europe—with its warmongering and its “get tough policy” with Russia. The people’s judgment was set aside by the major political parties which take their orders from Wall Street.

The aid Congress has granted to Great Britain, France, and Italy has jeopardized the national sovereignty of those countries without strengthening their national economies.

By its endorsement of the Truman-Hoover doctrine, this under the pretext of helping western Europe, they propose to place Europe and the world under Wall Street’s domination.

The Marshall plan is the 1947 version of the disastrous Dawes-Hoover plan of the 1920’s.

Congress should defeat all proposed measures for implementing any aspect of the Truman doctrine and the Marshall plan.

That is from the Communist letter dated November 8, addressed to the Members of Congress. That is the Kremlin speaking.

I marvel at the boldness with which they speak in attempting to destroy this policy that I hope the country will embrace as the last hope of pushing back this evil creeping blight of Communism.

They have a plan, Mr. Molotov’s plan. It is 50 percent complete. There are Poland, Finland, Rumania, Bulgaria, Yugoslavia, Albania, Hungary, and next in line is Czechoslovakia and next in line is Austria and next in line is Germany, and from then on it will be easy. It is 50 percent complete. They propose to carry it to completion, and that is the engulfment of Europe, if through indecisiveness, niggardliness, and lack of perspective, we let them do it.

Now then, I thought that there ought to be an implementation of the Marshall program and the Marshall principles. How long we have talked about freedom, Mr. Chairman, and how little we have done about it. How much we have said about free enterprise and what little we have done to demonstrate its virtues and its value to people over there. Those on the other side demonstrate their economic approach.

They grabbed—I mean the Soviet Union—grabbed 340 plants in Austria. They have set up an agency that is the equivalent of the Office of the Alien Property Custodian in the United States that will administer those plants. They are supposed to have been external war assets. And, that Soviet agency will administer them where they are. And then they will be integrated into the Soviet controlled corporation, so, Mr. Chairman, that is the way they exemplify in practice their economic approach.

In Germany the story is the same. In the eastern portion of Germany today the industries are compelled to work and to produce. That production is grabbed and they send it to Russia—not to Russia; there is no such thing as Russia; there is the Soviet Union; Russia died a long time ago. They send that production into the Soviet Union. The operators of those plants put out their money and when they use their credit they go to the banks and they borrow money, and they make them continue that process until they become bankrupt until they can get no more money, and then the bank steps in and takes over and the plant is integrated into the Soviet-controlled corporation

which exemplifies and demonstrates their economic way of life and their method of doing business.

Now are we going to quit this insane pretense that we have had so long or are we going to demonstrate the vitality and the value of the free enterprise system, the very core of which is freedom?

How can we do it? I think there must be a flow of private capital from here to the countries in need. There must be some incentive from American business to re-establish itself in those countries, for in proportion as that can be brought about, the more quickly they can get into production the more quickly they can be taken from the backs of the American taxpayers.

Now, how is that to be done? Mr. Chairman, I hope your committee will give thought to a program, if a board is to administer the Marshall plan, of setting up an insurance revolving fund, collecting a premium of some amount, from American business and American capital, if you please, and for that premium to insure business and capital against certain hazards over which they have no control. Let them assume all the normal risks of security and employment and materials. But how can they take the risks of nationalization? Suppose they set up a plant in France or Italy or Germany? What assurance is there that it will not be nationalized and that they will be paid off in some form of just compensation for their plant in the form of currency of that country. What could they do with the currency?

I do not propose for one second to stand in the way of any Government if it decided it wanted to nationalize industry, including American plants, but I do believe that American capital and American enterprise is entitled to this insurance that if it does happen that in return for the premium which they paid into a revolving fund, to be administered by the Marshall Plan Board, that there will be a fund out of which they can get dollars for the foreign currency that they must be compelled to take as a result of Governmental action. That is one.

Secondly, when American capital and American enterprise goes in it must as a matter of good business operation set up reserves for depreciation. But how convert those reserves from foreign currency and into American dollars? The only thing that will do them any good when there is a replacement program is to have an insurance premium just like the premium that we collect on bank deposits in this country or that we collect under the Federal Housing Administration to insure that foreign currency can be converted into dollars.

Finally what American industry wants to put its money into an enterprise, a part of which is going abroad to help in this reconstruction and rebuilding program, which must depend upon being paid in foreign currency, which it could not spend in Woodward & Lothrop or in Marshall Field's or at the corner grocer store. They have got to have dollars. And, if there are dividends and they have paid insurance premiums, there must be a plan of convertibility of these dividends in terms of dollars. Then we will have developed some incentive for the flow of capital, because, Mr. Chairman, the flow of private capital is several times better and more effective than the making of government loans if it can be contrived. And, that exemplifies the free enterprise system of America, and it not only does that, but it demonstrates to the other countries of the world who are

looking to us for help and who will see for the first time that we have taken an aggressive step to match certain ideologies that would liquidate freedom in all corners of the earth.

The cost of such an insurance program would not be too much: It might start as high as one and three quarters or 2 percent and I imagine that it could get back to 1 percent or even less than that.

But those are hazards. They are not the normal risks of business, because they lie in the unpredictable judgment of foreign countries and the insurance against those hazards would not be too difficult to set up. That, of course, would implement the Marshall plan which would implement it in turn, and there would be some assurance that it will succeed.

Mr. Chairman, I have taken more time than I should. I hope that we have immediate, selective, and aggressive interim aid program, one that is not niggardly. I hope there will be a long-range program. I hope it can be implemented with some kind of an insurance program to stimulate the flow of capital to the sections of the world needing it, and also, Mr. Chairman, I conclude by saying that the police state with its theories and communism and the ideologies that are trying to run the world, will not wither away by the pretty speeches that we make in committees or on the floor of Congress or from the platforms in the country. They are tough. They mean business. They play for keeps. And if freedom is not a failure, if it is effective, then let us quit all the pretense that has been so abundant for such a long time and get down and exemplify to the world the virtues of this thing we call freedom and demonstrate that America still has charity in its heart.

So, Mr. Chairman, I conclude by saying let us do this: Let us do it now and let us do it right.

I thank you for your indulgence, Mr. Chairman.

Chairman EATON. Thank you very much for your very informative statement, Mr. Dirksen.

Mr. DIRKSEN. Thank you, Mr. Chairman.

Mr. MUNDT. May I ask a question, Mr. Chairman.

Chairman EATON. Yes.

Mr. MUNDT. I was very much impressed and interested in your very eloquent and persuasive testimony. I know you spent a great deal of time in Germany, this summer, because I crossed your trail and I read the reports of your fine work.

I was in hopes this morning that you would touch on another problem—which you may have while I was out of the room a few moments answering the telephone—and that you would comment a little bit on the impact of the so-called Morgenthau plan on the recovery of Europe and its participation in the problem now confronting us. I wonder if you would supplement your statement by some suggestion as to what you think we should do, in the utilization of German coal and German steel as a part of the recovery program. Would you care to comment on that if you have not already done so?

Mr. DIRKSEN. Mr. Chairman, probably one of the tragic mistakes of judgment of the last 50, if not the last 100, years was the so-called plan by which they sought to convert an industrial country into an agrarian country. They lost sight of the people; 65,000,000 people whose hands must be kept occupied and whose minds must be kept

occupied, because idle hands and idle minds are a frightful combination. And so they set a level of industry that was a colossal blunder of judgment.

Now, we have got to undo that. There was a level of steel production of 5.8 million tons. It has been revised upward to 10.7 million tons. The equation is very simple. In proportion as they produce and that their production is sold in the world market for money and to convert the money into raw materials and food, and to continue the process over and over again: Raw materials and food and also industrial production and selling that in the markets and convert it into raw materials and food again.

In that picture, of course, there is this whole question of coal production. No coal, no steel. That is simple, just as simple as can be.

But, Mr. Chairman, how to get the coal out of the various deposits in Germany, in that area, in the Ruhr about the size of Rhode Island, with 1,600 mines. It takes people to get coal out of the ground. It takes miners to go down and blast it off, or to use the cutting machines like they do in my own section. I have over 3,000 coal miners among my constituents, and I have been brought up among coal miners. But, it takes human vitality to get the coal out.

And, if you get no coal, you get no steel; no steel, no steel products; no steel, no rolling stock to keep the coal and products moving. So it all goes back to the mines in the Ruhr. It all goes back to human vitality.

Now when I was a student of physics in high school, many years ago, I learned this formula and it is just as good today as it was then: Work out equals work in; energy out equals energy in. Everybody who has spent time in a physics laboratory has demonstrated that for himself. Physical energy out, in the form of coal production equals energy in, and that energy in is calories that are derived from coal.

Now then there must be enough. When rations went down last year coal production went down. It takes food, it takes energy to produce coal. I think that was explained to me very effectively by a man who was handling dolomite that was going into Essen. I said to him: "My friend put down your shovel and come over here." He happened to have been a shop walker in the steel workers union and had been there for a long time. They go around the field. He was working 50 hours a week. I asked him about production and food.

He said, "Well with my family it is very simple. You know the ration is too little to live on and too much to die on."

There is the solution of our program, Mr. Chairman: It is too little to live on and too much to die on. And here was a man who was working in the steel mills, and the coal mines are in exactly the same fix. It all gets back to human vitality, which means food, which means coal to get the steel, to get the products to sell in the world market to get money with which to buy raw materials and buy food and to finally get those people from the backs of the American taxpayers. It is a very simple equation.

Mr. MUNDT. The gentleman is a very distinguished member of the appropriations committee, and he realizes that during the period while we compelled the Germans to remain in comparative idleness because they could not engage in industrial pursuits, we had the sit-

uation of either having them starve or having to tax the people to feed them, so being a Christian country, a humanitarian people, we pursued the rather incongruous but inevitable policy of taxing our people to feed an erstwhile enemy while they were retained in comparative idleness. I wonder if you would not agree that to start this whole recovery program in Europe it is essential that in some way we get this German coal available not only to Germany but to the other countries that have to rely on it in the production of steel? In other words, if they do not produce and export coal out of Germany it is just inevitably going to retard recovery in Europe and it will require that much more aid for them from us if economic collapse is to be averted.

MR. DIRKSEN. Mr. Chairman, might I just add one additional thought. First of all I asked of a manager of a steel mill in Essen how many workmen did not show up that morning, those working the first shift in production. He said, "22 out of every 100 did not show up." I said "Where are they?" He said "The farmers started to dig their potatoes this morning and they are in the fields."

You see, they permit them to glean in the fields, even as Ruth gleaned in the fields of Boaz, so they were out in the fields gleaning everywhere—they were in the fields, not working in the mills—they were there trying to get the few potatoes, because potatoes meant food. In other words, they would rather forego the 11 marks, because the marks meant nothing. The little potatoes had some food value.

But there is one other thing, Mr. Chairman, that I feel that I want to emphasize in this program, and I hope that it will be given consideration in drafting this legislation, that the committee will give special attention to the children.

One of the most encouraging highlights of my trip was going to the schools in Stuttgart, Heidelberg, and in other cities, and take the youngsters on my knee and to see the luster in their eyes because they had just had their food at 10 o'clock, and it was a great thrill to me, Mr. Chairman, after these children had had their food, made of macaroni, potatoes, sometimes sausage, sometimes a little meat cooked in a sort of stew. This was served around 10 o'clock.

I talked to teachers; I talked to superintendents, but also to the children, and they said to me that this was the Hoover food. You see, former President Hoover has inscribed his name in the hearts of millions of children. And, there are 15,000,000 children in Germany under the age of 15.

Now, if we are going to write the message of freedom it must be written in somebody's heart. That is the thing that is going to give hope, most of all in those European countries, so there ought to be some special emphasis in the bill and in the language of the bill on a children's program. Thank you again, Mr. Chairman.

MR. MERROW. I want to take just a moment to compliment my colleague on his great insight and his wonderful statement in reference to the issue that is before us and the problem that exists in the East and the West.

And, I believe there is, as he has said, this situation: They are playing for keeps and I would be very happy to hear him comment

on another question related to the Marshall plan and to the plan of recovery.

I think this has a very important part in our foreign policy, and I think there is also another principle. Perhaps he noticed an article on the front page of the Washington Post this morning, containing a statement by General Spaatz, that our air force is much inferior to the air force of the Soviet Union. I am wondering if the gentleman would agree along with this premise, that he has adequately expressed, that in giving aid for the purpose of containing an aggressive march of freedom, and for the purpose of protecting the Atlantic and the Mediterranean if we should not immediately take steps to build a very powerful air force in order that we might supplement our program of aid from this country.

Mr. DIRKSEN. I hope to say so today, Mr. Chairman, on the floor of the House when I present my report to the Congress.

Mr. LODGE. I want to congratulate my distinguished friend from Illinois, on his excellent statement.

I would like to ask whether he believes that the German plants should have been dismantled.

Mr. DIRKSEN. Are you speaking now of the war plants?

Mr. LODGE. Yes; I am speaking of the plants that were dismantled.

Mr. DIRKSEN. First, let us say that of course all military plants should have been dismantled under the demobilization program. Now, of course, a program is going on under the Potsdam Agreement, to which we signed our name, providing for capital repatriation, so, of course, there is first that factor. The theory, of course, is that the probability is that it will take a long time for them to use some of those plants. For instance, they are taking soap factories. The theory is that it will take a long time before they can use a good many of those plants. But there will be need for them. And we will have to help replace a good many of those industrial facilities.

But it is high time, Mr. Chairman, that that old Potsdam Agreement be reviewed. It is a tragedy of the first kind, and let us say so now and say so emphatically. But our name is attached to it. That is one of the real difficulties. It is not too late, perhaps, to undo that difficulty because the rebuilding work is going to be ours.

Mr. LODGE. Thank you very much.

Mr. DIRKSEN. Thank you again, Mr. Chairman.

#### STATEMENT OF HON. AUGUST H. ANDRESEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Chairman EATON. Our next witness will be our distinguished colleague from Minnesota, Mr. August H. Andresen.

Mr. ANDRESEN. Mr. Chairman and members of the committee, I am sure that we can all subscribe to the high purposes of the statement made by the gentleman from Illinois.

I am appearing as a member of the Subcommittee of Agriculture and Food of the Herter committee. Our committee visited 11 countries in western Europe, those coming in under the Marshall plan, in our study of the agricultural and food situation in those countries. I am appearing today for the purpose of being as helpful to the com-

mittee as possible in formulating an interim aid program for France and Italy, and I hope that the committee will take my statement in that spirit.

All countries in Europe have suffered the most severe drought in some 50 to 100 years. It is quite apparent that as a result of this severe drought there will be a shortage of food in western Europe many months before another harvest, and that is the problem with which this committee is confronted.

I understand that the program is designed as a grant to the aid of peoples in France and Italy. I will not discuss Austria because Austria is one of the occupied countries. I will, therefore, confine my remarks to the situation in France and Italy.

These countries will need to import a substantial amount of grain before another harvest. You have had figures and data submitted to you by Mr. Herter, the chairman of our committee.

I am sure that we are all interested in doing our part to preserve freedom for western Europe and to assist in producing food for hungry people. Food is the particular item in the program to stop the spread of communism in France and Italy. The principal part of the legislation before this committee deals with supplying of dollars to those countries for food.

People cannot eat dollars, and therefore we must translate those dollars into available supplies of food in the United States and other parts of the world.

The statistics furnished by the officials in the respective countries on production and collection of food are not always reliable. I am convinced that government officials in France and Italy could secure larger food supplies, especially grain, from farmers, if an effort would be made to do so. Farmers in the respective countries have lost confidence in the value of the money that they receive for their products. Farmers can make more money by feeding their grain to livestock and in marketing meat through either black market or other channels.

In Italy, where the population—that is, the farm population—is approximately 45 percent of the total population, we find that the producers are very well taken care of when it comes to having enough food needed on the farm to feed themselves and their livestock. I saw the livestock in Italy; the cattle certainly looked as fine as any cattle here in the United States. The same was true with hogs. They appeared to be well fed; they looked good, and I feel that a decision could be made on the part of the government officials in those countries to secure more food for the population in the cities and villages rather than to have so much of the feed for livestock. It is evident that more grain could be collected from the farms.

Whatever we do, I feel we must be realistic about it. The whole world is looking to the United States for wheat and other grains. In allocating bread grains to needy countries throughout the world, we must be realistic enough to consider available supplies in this country. While the American people are willing to sacrifice and give, it is up to Congress to protect our domestic economy from scarcities of vital food products and ruinous inflation.

Figures have been submitted to our committee and to the Government that the requirements for bread grains will be approximately 50,000,000 tons. Available supplies are estimated at around 29,000,000

tons. The Chairman of the FAO, Sir John Orr, stated that the needs would be around 39,000,000 tons. So there is a deficit in grains throughout the world of approximately 10,000,000 tons. You will find that in the report which was submitted to your committee on the subject of grain.

This tremendous deficit in the world's supply of bread grains demands a realistic approach in finding available sources of supply. It appears that the United States will be the main supplier of bread grains to western Europe and many other countries. Our supplies are limited. When supplies of grains are made available for the interim aid program, the American people want to make sure that our gift of food will be received and consumed by hungry people. From personal observation I am satisfied that the present distribution system of food in France and Italy does not actually get the food to the people who need it the most.

As long as this is to be a gift from the United States to the people—and I think that is clearly understood, because the peoples in those countries do not have the ability to pay for grain now or at any time in the future, and we did not find in our investigation that they intend to pay for any of it, and therefore it has been properly construed as a gift by the people of this country through action taken by the Congress, and it should be treated as such. And when that is done, we should see to it that the people who are in need and who are the most susceptible to Communist influences should receive it.

Secretary Marshall used a figure of 520,000,000 bushels of wheat that would probably be available from this country for export to Europe and to the other countries of the world.

In my opinion, 520,000,000 bushels of wheat, at the present time at least, is far in excess of the amount that should be made available for export.

The Department of Agriculture and the Cabinet Food Committee agreed on a figure of 400,000,000 bushels of wheat for export and 70,000,000 bushels of other grain, making a total of 470,000,000 bushels.

Now, the reason I mention the 520,000,000-bushel figure as being available is due to the fact that the mere suggestion of such a large amount of wheat being available for export from this country raises false hope on the part of the people of France and Italy that we will have that much available for them, and in trying to figure out what funds will be available we should first take an inventory of the stocks on hand in this country and the minimum needs of the American people so that we can tell them realistically what we will have and what we will be able to give to them without destroying our own domestic economy.

Mrs. BOLTON. Mr. Chairman, may I ask a question?

Chairman EATON. Mrs. Bolton.

Mrs. BOLTON. May I ask the gentleman at this point whether he would clarify this: He has just been talking in terms of tons, and then he talks in terms of bushels, and the balance of it I am vague about. What is the relationship between them?

Mr. ANDRESEN. We talk in terms of bushels in the United States, and I would prefer to talk in terms of bushels, but all of the figures of the international organization in the foreign countries deal in tons.



I might say that a million tons of wheat is equivalent to 37,000,000 bushels.

Mrs. BOLTON. Thank you.

Mr. ANDRESEN. And it is a little different for the other commodities, but since we are primarily dealing with wheat, or bread grain, I will try to work it in so that the committee will have the benefit of the information which we have assembled.

What is the situation in the United States at the present time? We produced this year a wheat crop which is the largest in history, 1,407,000,000 bushels.

The carry-over on July 1 of this year was estimated by the Department of Agriculture to be 83,000,000 bushels, which gives us a total of 1,490,000,000 bushels of wheat.

Now, the Department's figures for domestic consumption in the United States by human beings is set at 510,000,000 bushels. For feed and waste, and there is some waste, they have set a figure of 325,000,000 bushels. For seed, 87,000,000, and for industrial uses, 5,000,000 bushels. That makes a total of 927,000,000 bushels of wheat for domestic use.

The Department of Agriculture has allocated 400,000,000 bushels of wheat for export. That gives us a total for domestic consumption, seed and feed, plus the 400,000,000 bushels for export of 1,327,000,000 bushels, and leaves a carry-over for next July of 163,000,000 bushels.

Personally I feel that this carry-over is too small in view of the serious drought situation in the Southwest where practically 50 percent of the winter wheat was produced for this year's crop.

I want to say a word about the drought situation in the Southwest. About 60 percent of the wheat has been planted in the Southwest area, that is, western Kansas, Oklahoma, and Texas where we had the big crop of wheat this year, and where they raised over 500,000,000 bushels of wheat. If that wheat is not planted in the fall and does not get into the ground to germinate and stool and form roots before the heavy frost sets in you cannot expect much of any wheat crop in that area next year. So, our big crop of wheat is the production in the winter wheat areas, and the winter crop must be planted in the fall and must secure its growth in the fall before the frost comes, and if it does not we will have a short crop.

It is estimated by the Department that next year's crop will be approximately 1,000,000,000 bushels. I do not know upon what they predicate that estimate, because a great deal of the winter wheat in the Southwest has not been planted and has not germinated.

We had some rain down there last week, from a quarter of an inch to an inch in certain places, and the rain was quite general, but it was not sufficient, according to the experts who have been on the ground, to get the seed planted and to get the crop growing with any degree of certainty so that it would mature into a wheat crop next June or July.

I feel that until the size of the winter wheat crop can be determined next spring, we should set aside a carry-over of approximately 350,000,000 bushels to make sure that the American people will have wheat, and that there will be some available for export in 1948.

We have not planted the spring wheat crop for 1948. That will not be planted until May or June of next year, so nobody can predict what the wheat crop will be in 1948 with any degree of certainty.

The subsoil moisture in the winter wheat area is very low and we are lacking in subsoil moisture in the Dakotas where hard spring wheat is raised and, therefore, I am sure that the committee will understand the difficulties that experts may now have in estimating what the 1948 wheat crop will be.

To play safe, and until along about the 1st of April, when the size of the winter wheat crop will be determined, the safe course to pursue is to have a carry-over of approximately 350,000,000 bushels instead of 163,000,000 bushels that is now proposed as a part of the export program. If 520,000,000 bushels are exported, the carry-over would be reduced to 43,000,000 bushels.

The Marshall target, as announced to this committee, was 520,000,000 bushels of wheat and 70,000,000 bushels of coarse grains, making a total of 596,000,000 bushels. Under the circumstances I do not see how this goal can be reached or how it can be held out to the world that such a large export of wheat from this country can be made.

It would be a serious error on our part, and wrong, to promise the people of Italy, France, and the other countries that are expecting to get wheat and cereal grains from us to tell them now that they are going to receive wheat from us on the basis of 520,000,000 bushels when we may not be able to deliver that next spring.

Of course, I think everyone recognizes that we must take care of our domestic economy. That is very vital.

The President called that to our attention yesterday when he demanded legislation be passed to stop inflation in this country.

Well, the prices of food products are exceedingly high, and they will go higher if we export more than our economy can stand of the foods that have been produced in this country.

The President asked for \$227,000,000 for Italy and \$328,000,000 for France. People cannot eat this money, and whatever money is appropriated should be on the basis of available grain and for the money to be spent by the American Government and the food supplied to the people in France and Italy under this interim-aid program rather than to turn the funds over to them so that they can go out in the world market and bid prices up, which will, in turn, reflect on the price level and cost of living in this country.

I am sure that the American people as a whole want to do what they can to help people in the other countries. They are paying the bill for it. They pay in two ways. They are taxed by their Government to raise money to pay for the grains and other foods, and, secondly, they are taxed much more in the increased cost of living for the prices that they have to pay for the food that they must buy.

It has been stated that some of the grain supplies for France and Italy will be available from other countries. I am sure that a thoroughgoing investigation will disclose that the British have virtually tied up all of the grain from Canada and Australia. The Australian crop is not as yet made. Canada may have a surplus over and above the 160,000,000 bushels that they have contracted to sell to the British at \$1.55 a bushel, and then taking out their own needs they may have a surplus to sell of around 35,000,000 or 40,000,000 bushels.

Argentina, where production was cut down this year, and the crop will not be harvested for a couple of months, may have some to sell, but

Argentina and Canada and these other countries demand payment for most of their export wheat in American dollars.

Russia has produced a crop that is 58 percent larger than the crop of 1946, so Russia is the one big producing country in the other continent that should be able to supply a considerable portion of bread grains to countries that are in need of it.

As long as the food and wheat that we give or provide for France and Italy and other countries is in the nature of a gift, I feel that we should invite Canada, Australia, Argentina, and Russia to also give into a common charity pool the wheat and grain that they now want to sell for American dollars, and in that way we can all do something for suffering humanity rather than to tax the American people to provide the dollars to pay Russia and to pay Argentina and Canada and these other countries for the wheat that they may have available. That is a sensible proposition, and I think it is only fair and right that we should give these other countries an opportunity to join us in this cause of humanity.

Last year we read about the tremendous gift of wheat that Russia made to France. It appeared in our newspapers, and it was heralded in the newspapers of France that the shiploads of wheat came into France from Russia, and there were three of them. They were lend-lease boats. The Communists brought bands out and they blared it over the radio and in the headlines in the newspapers that here comes Russia and makes a gift of 500,000 tons of grain to save the people of France from starvation.

Well, what are the facts? Our committee had occasion to get the facts in France from the officials over there. We were first led to believe in the United States that the wheat was a gift from Russia to France. Those were the stories in the newspapers, but here are the facts:

Russia did supply 500,000 tons of wheat and barley, 400,000 tons of wheat and 100,000 tons of barley, but it was paid for in American dollars and at the American price, and 70 percent of that wheat was hauled in American boats. Dollars paid the freight. Russia used three ships, Lend-Lease ships, and we paid the freight on the wheat that the Russians used to haul the grain to France. It was not a gift. American dollars paid the entire bill for that so-called gift from Russia to the French people. The Russians and the Communists got the publicity and we did not get any of the credit whatsoever. We are not getting a great deal of credit now for what we have done in the past to help the people of France, Italy, and the other countries.

Unfortunately we found in the 11 countries that we visited an erroneous idea as to the American people. Most of the people with whom we came in contact thought that everyone over here was a multimillionaire. I tried to convince them in the speeches that I made that 99 percent of the people in the United States had to work for a living every day to earn their bread.

They also had the erroneous idea that we had a big barrel of food containing every product, grain, and other things that would never go empty, and when we tried to convince them that we had a serious drought in the corn areas of the United States they could not believe it.

Maybe there is a reason for some of those people to feel the way they do about Americans, insofar as the amount of wealth that each

one is supposed to have, because some of them may be a little careless in dealing with the money that they handle in other countries. We dealt with 12 different kinds of money in 30 days, so that it was rather difficult to keep up with the money and the value of it in each country.

Now, I know that people forget what you do. As a Member of Congress it is not what you have done, it is what you are going to do that really counts, but we have not been so niggardly in trying to provide for the rest of the world.

In 1945 to 1946 the United States supplied 17,300,000 tons of food for export. Some of that was given away, and some of it was paid for.

In 1946-47, that is, this last fiscal year, we increased that up to 19,200,000 tons of food for export.

Now, I know when you are dealing in tons, Mrs. Bolton, it is pretty hard to visualize how much 19,200,000 tons of food is when you put it in a pile, and so I am just going to break it down.

Nineteen million two hundred thousand tons of food required 480,000 standard freight cars to haul it in, 480,000 standard American freight cars to haul it in. Those freight cars would make up 9,219 trains of 52 standard cars in each train or if you put it all into one train you would have a train 3,681 miles long, extending virtually from Washington to Paris and a little farther.

Grain exports have been announced by the Agricultural Department for the 6-month period beginning July 1, 1947, at 7½ million tons. France will have received 531,000 tons up to December 31, 1947. Now, it would take 13,285 freight cars or 255 trains, or one train 102 miles long to get that food transported to the coast.

For the month of December, there has already been allocated 130,000 tons, and for the 6 months 531,000 tons.

Chairman EATON. Will the gentleman yield?

Mr. ANDRESEN. Yes.

Chairman EATON. That is food or grain?

Mr. ANDRESEN. That is grain.

Chairman EATON. Grain?

Mr. ANDRESEN. Yes, sir.

Italy for the same period has been allocated 540,000 tons of grain, and for the month of December they will have 115,000 tons of grain already allocated, ready to be shipped to take care of their needs for January.

I mentioned something about the collections of grain in the other countries and the distribution of food. We found it was admitted in Italy that about one-third of the bread was sold in the black market. The Italian farmers are allowed a bread ration of 630 grams, while the bread ration for the people living in the cities and villages is 270 grams. It occurs to me that a greater effort could be made on the part of the Italian people to get more of that grain in for taking care of the needs of the people in the urban sections.

I want to point out here, because the aid program only extends to March 31 of next year, that the food situation in Europe and in France and Italy, in particular, will be much more difficult after March 31 than it will be prior to March 31, because they will not harvest the grain crop until in July and August of 1948; and when the farmers in France and Italy harvest the grain crop, they do not thresh it right

away. The farmer threshes that grain over a 12-month period during his leisure time; and such of it as is made available in commercial channels—and most of it does not come into commercial channels because of the loss of faith on the part of the farmers in the value of the lira and the franc—but whatever does come into commercial channels only comes in gradually over a 12-month period rather than immediately after the harvest, such as is the practice we have in this country. So that, if we send out now the amount set forth by the State Department, and if we do not produce a good winter wheat crop, I am wondering who is going to take care of these people after March 31 and up to the time that they may have some domestic production.

Mr. JONKMAN. That has disturbed me quite a little. You take last spring, in connection with the \$350,000,000 aid bill, there was constant talk of carrying them over to the next harvest. Why did they hit upon this 3-month period in the present instance?

Mr. ANDRESEN. The only reason I can figure out is that the so-called Marshall plan would be approved by Congress and be in operation by that time; is that the correct answer, Mr. Chairman?

Chairman EATON. That would be my interpretation of it, which proves that hope still springs eternal in the human breast.

Mr. ANDRESEN. I might say this in that connection—as to shipping out such large supplies as Secretary Marshall suggested, before we can determine what the crop of this country will be and what the crop in Europe will be—that the people over in France and Italy do not have the storage facilities with which to store the grain that we send over to them. If large quantities are sent now and we do not produce a large crop of wheat in this country, next year they will have consumed a larger portion than they should have out of the supplies had they been husbanded in this country. I would suggest that whatever program is initiated, talking in terms strictly of grain rather than dollars, that what aid we give be sent gradually, so that the people over there will have the benefit of it when they need it most.

I heard a broadcast last Sunday—and I am sure that some of the members of this committee also heard it over the Columbia Broadcasting System—where there were people, ordinary people, talking from Britain, from Germany, and from France and Italy; and when I heard one of them talking from one of the countries that we are trying to help, it reminded me of some of the arguments used in the United States at the present time. This lady said this—that the prices on food had gone up so fast, that the incomes of the people and the wages of the people had not gone up in proportion, and so they did not have enough money to buy the food, and that they were hoping that the United States could supply enough food over there to bring the prices down within the reach of the common people.

I know that we are all interested in the common people both in this country and abroad, but we are also having the same trouble in the United States in the case of many people who are living on low incomes and low wages—that they do not have the means with which to buy all of the higher-priced food that they desire and need to maintain life. We have a lot of those people in this country, but there are more in the countries like France and Italy and in most of the European countries.

I said a few moments ago that these low-income people who were hungry were the people who were most susceptible to Communist influence, and I think that is correct.

I desire to help hungry people in both the United States and other countries, but will they get the food intended for them? I do not think so, under the present system of distribution in those countries.

Here is the way it is handled: We send wheat to the Government of France. The Government of France gets it for nothing under this program and sells it at a price to the millers in France and the same is true in Italy, and the millers sell the flour through regular channels; and a great deal of it goes into black-market channels, but it goes into channels of trade, whether black market or regular channels, for sale to the people of France and Italy, and the prices of food are higher over there than they are here in the United States, in most instances.

Bread in Italy that used to sell in 1938 for 2.3 lira a loaf is selling now for from 53 lira to 205 lira on the black market; 53 lira is the official price. And you can buy all the bread you want on the black market up to 205 lira a loaf, and the price varies in the different areas. In Rome it is 205 lira a loaf in the black market, and in Milan it is a little lower.

Mr. Parker tells me that is a kilo. I am used to dealing in loaves, but that is a kilo, which is about 2.5 pounds to the loaf.

Chairman EATON. How much in our money would 200 lira be?

Mr. ANDRESEN. In our money, you could buy at the official rate about 550 lira for a dollar, and on the black market you can buy them up to 600 for a dollar, from those who engage in the black-market activities.

In France the official rate for the franc was 118 for a dollar, and they had so many international bankers on the streets of Paris that you could get from 250 up to 300 francs for a dollar, whereas the official rate was 118 for a dollar. The high price levels of commodities throughout Italy and France are based on the black-market price of the franc, not on the official rate.

Now, as long as we want to help the people who are hungry, I am going to propose a system for the distribution of this food that we are going to give to Italy and to France that may not meet with the approval of some people in this country. But the American people are interested in seeing to it that their food goes to the people who are in need. They are willing to go along on any program that will accomplish that objective. The present distribution system does not get down to the hungry people who do not have the income and the money to pay the price in the market. So I am going to propose that at least 50 percent of the grain that is sent to Italy and France be earmarked for distribution through the International Red Cross, through the Friends Society, and through the reliable church organizations—so that the hungry people in the low-income groups will know it is a gift from America—and that every package they get will have an American flag on it.

As it is now, under the present system of distribution, the people do not know that the food is coming from the United States; because when we send wheat over there it is mingled with their domestic wheat and sold at either the regular commercial price or the black-

market price. And the people have to pay a high price for it, and the source of the supply does not make much difference to them, as long as they have to pay for it.

We are told we are dealing with a crisis in France and Italy, and the principal crisis is to stop communism; and the way to stop it is to get the food to the people who are hungry and who are most subject to the Communist influence.

I introduced a bill yesterday to provide for free postage on all gift packages of food and clothing that went to the people of these and other countries designated by the United States as being eligible for relief purposes. The reason I did that is because the food supplied by American people, individuals, is paid for by them, and they pay the postage on it and it goes to people, mostly, who are in need in those countries. The postage on those packages costs more than the food in the packages. During the last 12 months, the Post Office Department advises me that approximately 600,000,000 pounds of food packages were sent out of the United States to these countries. Now, I propose we legislate—and I think it should be included in this bill—that those food and clothing packages that are sent to certain specified countries should go postage free. I think also that the food gathered up—like on the Food for Freedom Train, which I feel is a splendid idea, and which is being distributed in these countries by the Red Cross and church organizations—that the transportation should be furnished for that food, and it should be distributed in the same manner as I have suggested—by the people who are on the ground, working under our supervision.

We want the people over there to know they are getting things from America. We can teach them best, in that manner, the benefits of our democracy and what we are doing to try to help save them and their freedom.

I agree with Mr. Dirksen about "playing for keeps." I also agree with him it is necessary for us to publicize and let those people know what we are trying to do to help them, to save their freedom and their way of life for them.

I have pointed out three ways that we can publicize it by providing this food directly to the people who are in need. I mean only in this emergency; I do not want to see a permanent, world-wide WPA. We tried that in this country. There are too many people in the world who are ready to sit back and live on a mere subsistence if they know they have a rich uncle ready and willing to provide it for them at all times.

As I said at the beginning, Mr. Chairman, we have to be realistic about what we have to distribute. There is a shortage of 10,000,000 tons of grain in the world, principally of cereal grains. At best, we cannot guess what we will save out of this year's crop over 400,000,000 bushels to export. If our winter wheat crop materializes, we may reach the higher goal; and then if the food program which has been initiated saves 100,000,000 bushels, we will have more to spare. But let us see how this program works; let us find out what our next crop will be; because if we only give aid up to March 31 and it stops then and the people of Europe do not produce another crop and we do not have a big crop in this country, the distress will be greater and the hate against us will be more intense.

Just one thing in conclusion: Europe has had its most serious drought in 100 years. We are having a drought in the Southwest. To get rain is something that we cannot legislate on. No president or king or dictator can issue a decree for rain. We have to depend upon the good Lord and nature to provide it. And it might not be a bad idea, Mr. Chairman, speaking as a preacher's son to you as a man of the cloth in former years, I can say in all sincerity, it might be a good idea for the people of the United States and the world to pray for rain—to pray for rain in this country in the areas where we produce the food, and also in Europe; because, if they do not get rain, they won't produce food; and if we do not get it, then we will not have any food to supply them, and then they certainly will be fit subjects for Communist influence, because the Communists promise everything and never deliver anything.

I thank you, Mr. Chairman.

Chairman EATON. Thank you, Mr. Andresen.

We have two other witnesses, and they are very anxious to be heard, and we want to finish up in this session. So I will now call on Mr. Javits, who has a very brief statement to make—at least, he alleges it is brief; although, he being a lawyer, there is no way to prophesy how long it will be.

#### STATEMENT OF HON. JACOB K. JAVITS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. JAVITS. Mr. Chairman and my colleagues, in speaking today I shall confine myself entirely to the economic phases of the observations which Mr. Fulton and I made in Europe as members of the Economic Policy Subcommittee of our own Foreign Affairs Committee. We did a displaced-persons job which has been reported on, and there is no need of my going over that. I would not have asked to speak at all if we had covered in the course of the testimony one very critical point which I think needs emphasis and upon which members of the committee might like to be informed.

We have learned from all the witnesses that Europe is prostrate, as we all know it is; but I do not think we have sufficiently emphasized here that its prostration is attributable to lack of production management especially in areas where the Soviet activity in Europe will be the most critical.

As has been said here truly, neither speeches nor being tough will determine our position in Europe. Those things may have their place, but the immediate need is to supply the people of Europe with two things—goods and confidence—neither of which they have. If they get goods from us and promises from the Russians, then they are not going to become Communists when they see the democracies produce, but they are not going to listen just to speeches and promises. And if they get confidence from us in their own future and in their governments, that is all we need to worry about.

Our observations took place in Germany and France primarily, but I can tie that in with my own experience in Italy at the end of 1946, and the situation remains in substance the same.

Europe, in addition to being prostrate, is also, so far as her economy is concerned, channeled into a ruin; because it is a fact, as any one of



us knows who has observed the situation, that what the Nazis did was to channel every bit of Europe's economy and to see, wherever production took place and wherever the roads of commerce lay, that they led into Germany, and Germany is now a ruin. As a result, Europe's prostration is made certain by the fact that production and lines of communication lead into Germany, and that whole process has to be reversed if our program is to accomplish its objective.

For instance, in Germany they are producing about 240,000 tons of coal a day in the Ruhr. What they need is 440,000 tons of coal a day in order to get anywhere. They had an output per worker of 1.9 tons per shift per day before the war; today the comparative figure is 1.2 tons per shift per day. When asked as to the problem, we are told by the people running the coal mines there it is a lack of food and housing, which is something we can do something about over here; but also, they say, it is mining supplies and transportation; and even if you mine the coal, you cannot move it. Therefore, you have the real question in production—to provide the technical production skills. Now, the reports which we have been handed show substantially the same thing.

The damage to the plants is evidenced as being very great, and the damage to the transportation system is evidenced as making it impossible to move the stuff, even after they get it.

Therefore, you have those two points: One, that Europe is prostrate from an insufficiency of production; two, that the whole European economy is channeled into Germany.

Now, the final point as to the destruction of this European production machine. The Nazis not only destroyed the production machine, they not only channeled the European economy into Germany, but they also destroyed the technical management, and, together with the lack of production which Europe now has, is the lack of technical management and labor management.

The technical managers of European industry were men much more involved in public affairs than they are here in this country. They were the intellectual leaders of those countries, and when the Nazis stepped in they were either killed or they became collaborationists. And you cannot blame the people of Europe, after what they had been through, if they refused to entrust their economies to collaborationists.

I would like to mention one other thing on which I think this program depends more strongly for its success than anything else. This blue book handed us by the State Department, called Interim European Aid, has one very interesting juxtaposition of figures. The French exports for the 4 months during which we are called upon to help—that is, from December 1 to March 31—are \$40,000,000; yet the French need is \$556,000,000 during that same period for all of the other necessary imports which France has to provide; that is, the difference between what they have got to get, \$556,000,000, and the amount we are going to lend them, \$328,000,000, represented by loans or other assets which represent France's capital, does not represent production. So, as far as production is concerned, the issue can be stated as \$40,000,000 for France, and she needs \$556,000,000.

In Italy's case the situation is just as alarming. Italy is going to produce \$77,000,000 of exports in those 4 months, and she needs \$386,-

000,000. Everything else she gets from us, either under this bill or as the returns from those capital resources.

Now, the prescription, as I see it, in the European situation boils itself down to its production. That is the crisis, and production is the real answer to the Soviets.

Of course, we must have interim aid, and we must have interim aid immediately. We cannot argue about that. Mr. Herter said western Europe will certainly need no less than \$600,000,000 if we consider interim and reconstruction aid. We all know that. We could spend a lot of time figuring on this and you will still have need for \$600,000,000 ultimately and probably a great deal more. But we certainly know we are going to do at least that; and if so, why haggle about it? And what is the difference between November 30, when Secretary Marshall says he needs it, and December 31, when Mr. Herter says they must have it? Let us give it to them on November 30, and then we will have done the job boldly and properly.

Interim aid is the best answer to the strikes in Marseille and the strikes in Paris and the Communist revolt against the constitutional government in Italy. The Communists have declared they would defy the legally constituted government, and if America comes over with some money, it gives the democratic elements some heart with which to fight. Now, what we expect them to do is to fight, not on empty stomachs, but if we give them food, they will have some heart to fight with and something to fight for.

The first thing to give them is interim aid; the second is political assurance that we will stay in Europe. That is the thing Europeans are afraid of. They fear a war between us and the Soviets on Europe's blood-drenched soil, they are afraid we will do as we did after the First World War—that we will pull out. And by "pulling out," I mean the Europeans' very simple way of stating it; that our forces which today are on the Elbe, in Berlin, Vienna, and Trieste will "pull out," regardless of the speech-making in the United Nations. So that we have to tell them now, at the same time we give them aid, that until the time our responsibilities are discharged our forces will stay on the Elbe, in Berlin, Vienna, and Trieste.

Next, we have to keep trade open to the east. The east of Europe will die without the west, in time. The figures show, as to Czechoslovakia itself, that 12 percent of its business is done with Soviet Russia and it does 88 percent of its business with the rest of the world, the most of it with western Europe.

The figures for Poland are about 45 percent with Soviet Russia and 55 percent with western Europe.

The figures for Rumania and Bulgaria are about 65 percent with Soviet Russia and about 35 percent with western Europe.

Ultimately these nations have to trade with the west, and all we have to do is to keep our shirts on and carry through and call the bluff that is being made, and in time each one will trade with the other.

Finally, as I said, what we need is technical management more than money in this particular situation, and only by the combination of technical management and money will we come to get what we want to do in western Europe. Without management we could not get reconstruction and could not get construction. America is famous for

industrial, technical management, both among workers and businessmen. It is the one commodity we have preeminently over any other country of the world, and that is the commodity we have to put at the disposal of the Europeans.

I recommend the way to do that is through a board of European reconstruction exactly like the War Production Board which did that for American industry during the war, and in that connection I would like to make reference here to the testimony given us by Mr. Herter. He said this in response to a question by me on this matter of setting up an agency: "I do not know that you need to set up another agency if you have faith in one. It requires a lot of technical skills to do a screening job, and I should hope we can set up one that we will all have confidence in." I do not think a corporate form of agency like the Reconstruction Finance Corporation or a bankers or business corporation is what we need and, if we do that, it is only in connection with a future substantial program to come.

Then I asked: "In other words, the nubbin of the thing is confidence rather than an agency. We need an agency because we need confidence, rather than an agency per se, as lawyers say?"

Mr. Herter replied: "The Reorganization Act that we adopted last year created an agency which has the responsibility of seeing that it functioned all right."

So the nubbin of this thing is not a screening agency to screen what comes through from the Europeans. We have lots of agencies to do that. The nubbin of it is confidence rather than an agency, and the best way we can assure success is by giving them not only to give them money, but to give them technical management, and the way to give them management is the way we tried as a democracy—through the War Production Board of the United States.

So, to recapitulate, based on my observations, I would say—one, interim aid, now, immediately, without haggling because we certainly know they are going to get that, if they get nothing else.

Secondly, the political assurance we are going to stay in Europe and not pull out, and that means that our forces will stay until our international obligations are discharged.

Third, keeping the door open for trade between eastern and western Europe because the east must ultimately trade.

Fourth, technical production management and money as it supplements such management.

Chairman EATON. Thank you. We are sorry to have you go, but we wish you well in your going.

#### STATEMENT OF HON. JOHN M. VORYS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. VORYS. May I take just about 3 minutes? I had intended to say some other things, but I wish to comment on the interim-aid program.

Last June Secretary Marshall stated at Harvard, in discussing economic aid:

Such assistance, I am convinced, must not be on a piecemeal basis as various crises develop. Any assistance that this Government may render in the future should provide a cure rather than a palliative.

I agree with what he said then. Unless this present interim aid is part of a cure, an installment on a long-term plan, it is unjustified. It is only part of the immediate needs of a long-term world-wide program.

China is omitted from the proposal. China should be in for all the reasons that apply to Europe.

In June 1939, I said on the floor of Congress: "I think we are making a great mistake trying to determine our possible conduct in a future war in Europe before we determine our present conduct in the present struggle in the Orient." That same thought applies now. As we look at this long-term plan, we must beware of not only doing too little too late but doing too much too soon in one limited part of the world, and thus crippling ourselves in the world-wide long pull.

Germany is not in the present proposal, although everyone now recognizes that Germany is at the heart of the European recovery.

General Marshall, however, stated to us and the President reminded us yesterday that we will need increased appropriations for our occupation. General Marshall said there would be \$500,000,000 more for occupied countries, including over \$300,000,000 for Germany.

The present proposal is a small part of the whole international problem we face. It is the same type of relief we provided last spring under Public Law 84, the relief assistance bill. It is a balance-of-payments proposition, with emphasis on relief items, such as food and medicine.

The same administration is proposed that is used for administering Public Law 84. Therefore, we should amend Public Law 84 by increasing the authorization to take care of the new total and including France. Italy and Austria are already included. We ought to ration ourselves to one or two, not three, stopgap bills a year and not get up a new one now.

I am not very happy about all the provisions of Public Law 84, but that bill was the product of 3 months of debating last spring, it has worked for nearly 6 months, and is about the best Congress can do in 1947 short of spending a great deal of time again. If experience has shown that certain amendments are needed, we can amend Public Law 84. If we start all over again and set up a third emergency administration in 1947, we will not get through until it is time to start on our 1948 model, which I believe is going to be entirely different. We need a new way of going about it for long-time aid. To give ourselves time to think this through we should give those who are now handling interim aid added amounts in a familiar framework by making a few changes in Public Law 84, which had exhaustive consideration, rather than by exhausting ourselves and France, Italy, and Austria by debating a new interim bill for interim aid.

Mr. JAVITS. On that one point, would you feel that if we had a new bill, a new bill instead of Public Law 84, it would represent a recognition that this was not the end of the relief program but the beginning of an European recovery program? Do you feel that is valid or invalid, and the reason for a new bill?

Mr. VORYS. You state the dilemma we face due to the fact that the last measure we provided was insufficient earlier in the year. We have to face this simple proposition, that what is needed is a new way of going about it in Europe and all over the world. If we stop

now to get that up, we will delay the aid that is said to be needed by the end of November. If we simply pick up this existing legislation and the existing administration and give it enough to continue to function while we discuss long-term plans, we then have a way of doing both the things that are needed so much at this time. The grave danger is we will get up a third proposition this year, a third administration, not only relief assistance, not only Greek-Turkish aid, but a new interim-aid administration with a lot of new limitations and rules, and then proceed to get up a fourth one for 1948, and I do not think there is time to do all of that now.

Chairman EATON. This closes the very illuminating and necessary public hearings this morning.

The committee will adjourn to meet tomorrow morning in executive session in the committee room at 10 o'clock.

(Whereupon, at 12:30 the committee adjourned.)

## EMERGENCY FOREIGN AID

THURSDAY, NOVEMBER 20, 1947

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

The committee convened at 11 a. m., the Honorable Charles A. Eaton, chairman, presiding.

### STATEMENT OF HON. ELLSWORTH B. BUCK, REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. BUCK. Mr. Chairman, thank you for this opportunity to appear here briefly this morning.

This past summer, at my own expense, I rode in my own car some 5,500 miles through the highways and byways of France.

I lived in village inns, luxury resort hotels, and all the gradations in between.

I was routed neither by French nor American brass. I selected my itinerary and took my own interpreter.

I didn't talk to a single French official, but I did talk to hundreds of ordinary people, storekeepers, farmers, mechanics, waiters, laborers, industrialists, and white collar workers.

I think that was a cross section of the people making up the French Republic.

My remarks today are based on what I learned from these people and what I saw with my own eyes as I drove along.

Last Monday President Truman told us food stocks in France "are now near the vanishing point." Gentlemen, the President has been misinformed. That statement is just not true.

No less an authority than the President of France was quoted not 2 months ago in the Paris edition of the New York Herald Tribune as stating that there are more head of livestock in France today than before the beginning of World War II.

Can that be reconciled with any plea that food stocks in France are near the vanishing point? It cannot.

We are asked to provide \$328,000,000, a third of a billion dollars, in emergency relief over the next 4 months. I want to address myself to certain of the items which make up that \$328,000,000.

Before doing so, however, let me touch briefly on existing conditions in France.

France is roughly 50 percent urban and 50 percent rural. In the urban areas there are severe food shortages and devastatingly high black market prices.

In rural areas there is plenty of food, and disposition of production, where it takes place, is at black market prices.

Why does this situation exist? We must go back a bit into history for the answer.

Before World War I French peasants constituted the greatest class of bondholders in the world. That was the time when they could exchange their bonds for gold.

Expressing the status of those bonds in terms of United States dollars, pre-World War I, the peasant's franc was worth 20 cents. After World War I his franc was worth 5 cents. He had lost 75 percent of the capital he had put aside.

Post World War II the franc has gone down to 1 cent. The farmer has lost 80 percent of what he had left. The official rate of the franc, when I was in France, was 118 to the dollar. The black market rate and the rate obtainable in Switzerland or any other bordering country where there was a free market was 300 francs to the dollar.

The French peasant has been burned. He does not want francs. He only wants things. Hence the produce of his farms does not reach the cities. The cities, generally speaking, have only francs to trade. Therefore, you have hunger in the cities.

Now, let us touch on some of the items included in the \$328,000,000.

Wheat, first. Rising bread prices, of course, are unpopular in a country where bread is a staple diet.

Being politically minded, the French Government put a low ceiling price on wheat, so low it was not attractive to the peasant. He reduced plantings of wheat, and planted corn and other crops which would be more advantageous to him. Hence the wheat shortage. Hence we are asked to donate \$111,000,000 of wheat to make good the bad judgment of the French Government.

Milk products, fats, and oils: I have said before the farmer will not sell dairy products or animals. Naturally, there is a milk and animal product shortage. We, in America, are asked to have more regard for the people of the French cities than the French peasant has for his own countryman. We are asked to give \$23,000,000 of milk products, fats, and oils for 4 months.

Petroleum products: there is still pleasure driving of automobiles in France. It is true that gas is rationed, but there is a great deal of pleasure driving.

The French are still maintaining a navy. I do not know the quantity of petroleum products required to maintain that extensive navy. But the requirements certainly are large.

The military expenses of the French Government are 24 percent of this year's budget.

Is it proper to ask us to contribute petroleum products while pleasure driving still persists, while there is still a sizable navy?

Cotton: raw materials are wealth producing. Why should cotton be sent as a gift? Why is this not a straight banking proposition?

Fertilizer: the French peasant is sitting on top of the world. He wants and needs fertilizer. Why not trade this \$9,000,000 of fertilizer for the meat, cheese, milk that the peasant is withholding? There would be something in which he would be interested.

Gentlemen, the dire food situation in French cities is largely the result of bad judgment and lack of courage on the part of the French

Government. It is also a result of the fact that the Government lacks the confidence of a large segment of the French people.

Even so, I favor some relief for France this winter. We want no starvation, however caused. But, gentlemen, there is a limit to our resources. What we have given already has hiked prices in our own country. Our further giving should not permit the French to sit back and fail to take measures politically unpopular to solve their own interior problems. Our giving, in my opinion, should be the minimum which will force the French to put their own house in order. The Lord helps those who help themselves. We are not called upon to outdo the Lord.

Gentlemen, I have talked solely of France because that is the country with which I am familiar. It may be that some of the things I have said about France have applicability to other countries as well.

That is my statement, Mr. Chairman. Thank you.

The CHAIRMAN. Thank you. I am very sorry that I will have to leave because I have another engagement of long standing, but I am going to ask Mr. Chipperfield to take the chair. I hope the committee will meet this afternoon and tomorrow morning because we have to push through this legislation if we are going to keep anywhere in sight with the Senate which is moving rapidly.

Mr. BLOOM. Mr. Chairman, before you leave, I would like to make the motion that the hearings be closed and we start now to study the bill.

The CHAIRMAN. Is that motion seconded?

(Motion seconded, voted upon, and carried.)

The CHAIRMAN. Thank you for the motion, Mr. Bloom.

(At this point the chairman left the room and Mr. Chipperfield became acting chairman.)

Mr. CHIPPERFIELD. Are there any questions?

Mr. VORYS. Mr. Buck, you said that we ought to do something. What would you think we ought to do for France instead of giving the \$328,000,000? Do you have a plan figured out?

Mr. BUCK. I have nothing on which I can put my finger, but I think we ought to make a sufficient percentage reduction to force the French to put their own house in order rather than give them the entire figure they have asked for.

Mr. VORYS. We could do two things: we could cut down the amount which might indirectly force them to do something that they have never done so far, or we could give whatever we give subject to certain conditions.

What would be your judgment as to the effect on the French of conditions thus attached?

Mr. BUCK. I am afraid attaching conditions might make them think we are interfering with their sovereignty.

Mr. VORYS. That is all. Thank you.

Mr. CHIPPERFIELD. Mr. Bloom.

Mr. BLOOM. Was this your first trip to France?

Mr. BUCK. No, sir.

Mr. BLOOM. Well, of course, what we are trying to do here is to prevent something from occurring over there that might be very dangerous and disadvantageous to us; is that not correct?

Mr. BUCK. Yes, sir.



Mr. BLOOM. Do you think it is worth while taking the risk of reducing this amount, or trying to get these people to do something, as you suggested in your statement here? Do you think it is worth while taking the chance?

Mr. BUCK. Sometimes a man is sick and the cure prescribed is very difficult for him to take. For a cure to be effective, he must be forced to take the medicine. I do not think the French Government has had the courage to tackle its own problem, and it is easier politically for it to sit back and let us do the job rather than for it to jump in and do it itself.

Mr. BLOOM. Yes, but we are the patient in this case. It is not France. We are not thinking of France any more than we are thinking of ourselves. We might be endangered if we do not do these things that we are supposed to do, to try to help cure that situation so as to protect ourselves. Now, we are not sick, but still we are the patient.

Mr. BUCK. Mr. Bloom, you have a cleavage between the city and the country in France. If we supply the food needs of the French cities, we are not doing anything to cause that cleavage to be smoothed out, and I think if we make it a little difficult for them, it would be an inducement for the agrarian population and the city population to get together on some sort of a basis where the produce of French farms would reach the cities.

Mr. BLOOM. Let us take 1870. There was no fear of communism or anything else. It was just a question that they had to raise this money within 48 hours and they did so because there was no other fear of anything else in France. The Germans exacted this amount of money and the French peasants came forward and gave it.

But at this time, when we are trying to prevent communism from taking hold of France, then, we are the patient. Is it worth while taking the risk? Take off a hundred million or fifty million, whatever you want to take off. Is it worth while, looking at it from the mercenary point of view, as a business proposition, is it worth while reducing this amount and then failing in our efforts to achieve the objective we are trying to achieve?

Mr. BUCK. Well, I say that by merely making good the food requirements of the French cities, we are not taking steps which will put the interior of France in order.

Mr. BLOOM. You may be right in everything you have said, but the only question that I am trying to bring out is this: Is it worth while taking the chance, when we are the patient, and we are the ones who are interested. It is all right. France will go down. But what will happen to us?

Mr. BUCK. I think we are taking the chance the other way, Mr. Bloom.

Mr. BLOOM. How?

Mr. BUCK. By solving their problems with our food and our money.

Mr. BLOOM. That is all, Mr. Chairman.

Mr. CHIPERFIELD. Mr. Jonkman.

Mr. JONKMAN. Mr. Chairman, I would like to ask Mr. Buck whether he still does not think, if we are the patient, and France is well, that France could do something for herself.

Mr. BLOOM. I didn't say France is well.

Mr. JONKMAN. You say we are the patient.

Mr. BLOOM. We are the ones who are going to suffer by it. We are not doing this to help France and then stop. We are doing this to help France and protect ourselves.

Mr. JONKMAN. For that reason, Mr. Bloom, you make us the patient. I do not mind your saying you are interested, but when you go so far as to make us the patient—

Mr. BLOOM. Well, what difference does it make?

Mr. JONKMAN. It makes a world of difference. Mr. Buck is trying to bring out that France has to do something for herself and we can't do that for her. You say we can because we are the patient.

Mr. BLOOM. We are taking the chance. That is what I asked Mr. Buck—whether it is worth while taking the chance by reducing this amount materially or in a small way. We are the ones who are going to lose by it. We are not doing this for France.

Mr. JONKMAN. France isn't going to lose by it.

Mr. BLOOM. France will lose by it, there is no question about it. But we will lose more than France.

Mr. JONKMAN. Don't say, then, that we are the patient as compared to France.

Mr. BLOOM. To my way of thinking, we are the patient.

Mr. JONKMAN. That is all.

Mr. CHIPERFIELD. Mr. Jarman.

Mr. JARMAN. No questions.

Mr. CHIPERFIELD. Mrs. Bolton.

Mrs. BOLTON. Mr. Buck, I am very much interested in your analysis of the differences between those who live in the country and those who live in cities. I have a district that is composed of both these elements, and I am sure that similar conditions exist in this country that exist in France. And I cannot help but remember the parable about the motes and beams—that we have to take into consideration the human elements in this thing and then have to evaluate our part in the world's future not on the basis of our own security but on a human basis.

Now, granted that the French peasant has a complete suspicion of the franc—and with reason—and therefore is not going to put his trust in it, he is going to keep the things which he knows are of value because that is life, that is what he works for—do we not have to try, at least, to do our thinking and base our actions upon something more than just a percentage reduction and hope that France will do something about it?

You say that you would give her this provided that that would not be interfering with her sovereignty. Is it not up to us to find ways to bring about the things we all desire, which is the disgorgement of grains, and so on, by the farms? And while we are doing that thinking, do we not have to recognize the fact that that is one of the problems which are facing us as a country?

Mr. BUCK. Well, Mrs. Bolton, if, for example, we were to cut down on the amount of fats and oils that we were to supply to France—bearing in mind that there is a great livestock census in France—would not the very fact of our cutting down on our oils and fats be a spur to the French Government to work out something whereby the livestock on the French farms would be marketed?

Mrs. BOLTON. I do not know how much you got into this end of it, but is this not so: The French Government, last spring, took an ex-

ceedingly courageous step when they put out the Communists. Since that time the Communists have brought out first small arms and then little artillery, and they are now turning on the heavy artillery, with the possibility of giving the "fire" command.

Now, to expect that particular Government to bring things about that have such a human element as this—when the cities are short of bread, which is the Frenchman's life—has not that Government got to have some very real assurance that they can get bread to the cities, or they will have the Communists back in the Government, regardless of how much they try to avoid that, and then nothing they can do that is constructive will be of any value?

Mr. BUCK. Well, of course, a step in getting bread back into the cities would be to pay the peasants a price that would induce them to raise wheat and possibly redistribute that in the cities with a subsidy from the Government. I mean I want the French Government to take steps of their own that will help ease this situation rather than our taking their burdens on our back.

Mrs. BOLTON. I think we are all very much of the same opinion. I do not think that any of us feel that any PWA would be tolerable. At the same time, the interim aid situation is such that we must take a gamble; yes; but if we do not take a gamble, where are we? We lose. The interim aid is to hold the situation.

The long-range plan, it seems to me, might well be worked out with more emphasis on that. Some emphasis now on your point should be had—which is an excellent one, I agree—and, for myself, I think emphasis should be placed on it.

Thank you, Mr. Chairman.

Mr. CHIPERFIELD. Mr. Richards.

Mr. RICHARDS. No questions.

Mr. CHIPERFIELD. Dr. Judd.

Mr. JUDD. I was interested in your remark about fertilizer because it seems to me that that is pretty much an iron-clad case. That is a commodity that the farmers have got to have, and there is no justification for just giving it to them. Certainly they are going to be willing to release their cattle or their wheat to get that fertilizer.

Mr. BUCK. Right.

Mr. JUDD. Maybe you should not answer this question—or perhaps Mr. Elliott should. Under this bill as we now have it, would that \$9,000,000 of fertilizer go to them to distribute free?

Mr. ELLIOTT. Of course, your bill is not yet drawn, sir.

Mr. JUDD. I mean is that the general plan?

Mr. ELLIOTT. The one the State Department put in gives you no guaranty that that would not happen, but the Senate bill has attempted to put in a proviso. And I think it was fair to say that the State Department did not intend to give it free, that they wanted to use blocked currency. But it left no real stipulation in the bill that would prevent it. Blocked currencies could be used.

Now, the question of blocked currencies I would like to raise with Mr. Buck later on—whether they could be used in doing exactly the things he wants done.

Mr. JUDD. Well, of course, the French Government would have to pay more to the farmers in order to get them to sell their wheat, but if it has to pay in the same francs the farmers do not want, they still

may not sell it. If it has the fertilizer with which to pay, then they will release the goods. But if it just raises the price of grain higher than it is now, but still pays in francs, it is not likely to get the wheat, is it?

Mr. BUCK. I think that is very apt to be true. But, as I understand it, the official price of wheat is about a third of the present black-market price, and, of course, even though the francs are bad and the farmer has no confidence in them, the more of them he gets, the more inclined will he be to sell it.

Mr. JUDD. All right.

Next question: In order for the Government to pay those francs it has to print them?

Mr. BUCK. Yes, sir.

Mr. JUDD. So that the more it prints, the more inflation goes on, the more the franc depreciates, so that at the end of the month, or at the end of 6 months, they have no more purchasing power than they had before, and all you have done is to deteriorate the economy still further.

Mr. BUCK. I want the French Government to save by economies in other directions in order to have this additional money with which to pay higher prices for farm products.

Mrs. BOLTON. Where can they economize?

Mr. BUCK. On military expenses and bureaucratic personnel. As an example of that, I went into the Bank of France and cashed an American Express travelers' check. It took me 35 minutes to cash the travelers' check and it went through the hands of 13 people.

Mr. JUDD. And they cannot there bring the argument that they can in Italy that if they do not keep them on the pay roll they would be unemployed and have to be provided for at the relief station, because there is a shortage of manpower in France; is there not?

Mr. BUCK. That is what I am told.

Mr. CHIPERFIELD. Is that all, Dr. Judd?

Mr. JUDD. That is all.

Mr. CHIPERFIELD. Mr. Gordon.

Mr. GORDON. Mr. Buck, you recommend that a cut should be made in the aid to France. With the present political trends do you not think it would cost us doubly at a later date, say, in the way of a communistic set-up?

Mr. BUCK. No; I think it would be a spur to France to put its house in order. Why should they be worried about coal strikes, if the United States is going to supply all their coal needs?

Why should they worry about wheat, if we are going to make good their wheat shortage?

Mr. GORDON. I think it would cost us double if we did stop the aid on those items at this time, would it not?

Mr. BUCK. I do not agree.

Mr. GORDON. That is all.

Mr. JUDD. Do you not think they are worrying about the coal strikes?

Mr. BUCK. Yes; I think they are worried because coal is short. But I do not think they are as worried as they would be if they knew that they had to rely almost exclusively on their own coal production.

Mrs. BOLTON. Would the gentleman yield?

Mr. JUDD. Yes.

Mrs. BOLTON. Have you any concept at all of the possibility that the coal strike is one of the means by which the Communists are moving in and, therefore, the government is pretty helpless?

Mr. BUCK. Yes; I think that is true, but I think that will implement the definite trend in France for the more sound elements to take over. This was indicated by the recent municipal elections.

Mr. JUDD. Would you call De Gaulle a sounder element?

Mr. BUCK. I would.

Mr. JUDD. Well, my guess is that the Communists are not trying to take over right now. They are trying to force De Gaulle into power and then they can really go to town against him whereas they have a pretty hard time trying to take over from Blum and Ramadier and the Socialist government.

Mr. CHIPERFIELD. Mr. Fulton.

Mr. FULTON. I think you hit one of the crucial points very squarely that I have agreed upon and have been questioning at times myself; that is getting the various countries—Austria, Italy, and France—to make use to the utmost of the assets such as food and the things that they have themselves.

My point in questioning has been along the line of getting them what we call inducement goods. If we send wheat over there or buy it in the Argentine, it may cost somewhere between 4 and 6 dollars a bushel, but if we get it from France we might get a lot of wheat for a carton of cigarettes. We might get a lot of wheat for a pair of shoes, or we might get a lot of wheat for some surplus cotton that has been made into a fabric, or surplus wool. We might put in as amenity goods, some of these surplus foods, that the Department of Agriculture has bought up and not yet used.

Would you be in favor of working this into this program? Something in the nature of a barter idea, to buy up some of these goods that we have here in surplus, sending it over there and using it to buy the wheat right in France?

Mr. BUCK. A barter would be very useful in inducing the French peasant to part with his farm products; yes, sir. In fact, that is the thing that would appeal to me most. I don't think you can do it by sending food, because the peasant is not interested in food. He would be interested in farm equipment, clothing, machinery, and so forth.

Mr. FULTON. You could use that with the farmer, but in the cities, in order to release other things, you would use food?

Mr. BUCK. Right.

Mr. FULTON. So that you would have a double program of barter. Do you think that is practical to set up in such a bill as this? That is the next question.

Mr. BUCK. I would have to think about it more as to practicability.

Mr. FULTON. But you believe that would be the best way to get it financed?

Mr. BUCK. Yes; the agriculture area of France wants things. They do not want money.

Mr. FULTON. I can tell you that the same thing is true in Austria and Germany and Italy.

Mr. VORYS. You have used the term "barter." The same result could be obtained if the consumers' commodities were placed in the country stores at reasonable prices, so that it would be a sale proposition; isn't that true, Mr. Buck? That is, you would get the results,

not necessarily through literal barter, but by placing consumers' goods in the stores and making them available in the right spots, and at the right prices?

Mr. BUCK. I think that is true.

Mr. FULTON. But you would have to have some sort of stock control, because there are some who are very rich in France and very rich in Italy, and they would buy it all up. So unless you had a control right to the farmer, or whoever you wanted the merchandise to reach, I am afraid it would be bought up before it gets there.

Mr. CHIPERFIELD. Mr. Morgan.

Mr. MORGAN. In your tour of France did you talk to anybody who was interested in the political situation?

Mr. BUCK. Yes; I did. With regard to General De Gaulle, the consensus, as I got it, was that he is a great general, that he has the best interests of France at heart, but they do not know how good a politician he is. In the agricultural areas, people certainly favor what General De Gaulle stands for.

Mr. MORGAN. What did they think of the present French Government in the agricultural areas?

Mr. BUCK. They have no use for it.

Mr. BLOOM. Will the gentleman yield?

Mr. MORGAN. Yes.

Mr. BLOOM. De Gaulle has no national government at all. It is only local, municipal government.

Mr. BUCK. Yes; but he has circularized all France, appealing to the French people.

Mr. BLOOM. But he still has no national connection at all.

Mr. BUCK. That is true.

Mrs. BOLTON. De Gaulle's right hand man told us that his group is not a national party, but it is national movement.

Mr. BUCK. Side by side on billboards and posts you see the statement by De Gaulle and the statement by the Communists.

Mr. JARMAN. You say the run-of-the-mine folks you saw had no use for this government, that is, the government that seems to have gone out yesterday. What did they think about it? What was their criticism? I am just curious.

Mr. BUCK. One criticism is the low ceiling prices; they do not feel that they want to market their produce at those prices. They dislike the strikes that are tying up coal, that are tying up industry in general. They just do not feel that there is a strong government intent on restoring France to what France was prewar. Lack of confidence.

Mr. BLOOM. Do they blame the Government for the strikes?

Mr. BUCK. I think so. The farmer and storekeeper are working long hours and they cannot see why industrial workers should not do likewise.

Mrs. BOLTON. Neither can our farmers.

Mr. CHIPERFIELD. Mr. Javits.

Mr. JAVITS. Mr. Buck, may I say that of all people who have appeared here to testify, we consider you as conscientious an observer as there is in the Congress. I think you are very sincere.

Mr. BUCK. Thank you.

Mr. JAVITS. So the questions I ask you are designed only to educate us, because I want to know, too. I would like to ask you a few ques-

tions of fact. It is a fact, is it not, that you found no material production of consumer goods in France? In other words, the city people are not doing the same thing to the country people as country people are doing to them. They are not holding back goods they are making?

Mr. BUCK. No; I think there is every inducement on the part of producers of consumers' goods to get them into the country.

Mr. JAVITS. So that there is no agricultural prostration, but there is industrial prostration?

Mr. BUCK. The industrial prostration is partly due to the destruction of factories, lack of machinery, and lack of raw material.

Mr. JAVITS. But that is basic.

Mr. BUCK. Yes.

Mr. JAVITS. And if that were not the case, you would have an interchange?

Mr. BUCK. That is right.

Mr. JAVITS. The second point is this: You mentioned, for example, the point of coal. Do you happen to know the coal-need figures? In other words, do you know the figure as to the amount of coal that France needs for keeping its factories running 4 days a week and lighting and heating its homes in the year 1947-48?

Mr. BUCK. I beg your pardon?

Mr. JAVITS. Do you know actually France's deficiency in coal?

Mr. BUCK. No.

Mr. JAVITS. Well, it is 20,000,000 tons of imports. And do you know how much of that the United States of America is supplying?

Mr. BUCK. No.

Mr. JAVITS. They only supply 5,000,000.

Mr. BUCK. Well, I am in favor of supplying coal to allow France to meet her requirements because I think that is fundamental.

Mr. JAVITS. One other question. You said something about the army. Would it be your recommendation that French expenditures for army and navy be reduced, and do you think that would save the United States money, and, if so, how?

Mr. BUCK. I think that if France were to lay up the great *Richelieu* and some of her other big naval units, it might not be necessary for us to supply \$9,000,000 of petroleum products.

Mr. JAVITS. But do you think we would have to supply a great deal more in terms of military strength ourselves in order to make up for whatever deficiency was there?

Mr. BUCK. I cannot see any use for a French navy at the present time.

Mr. JAVITS. You see no relationship, then, between France as a military power and—

Mr. BUCK. I am speaking of the navy for the moment. I can see no justification for France, in her dire straits, to spend money to maintain a navy.

Mr. JAVITS. Do you say that because you consider navies obsolete from a military point of view?

Mr. BUCK. No. Here is a nation on its uppers, coming to us with its hand out, and here are great naval vessels on which she is spending billions of francs.

Mr. JAVITS. The land threat being a threat from whom?

Mr. BUCK. Russia.

Mr. JAVITS. So that your view is a purely military view, really; that is what it comes down to, isn't it? It is a military point of view. In other words, if you are wrong on the strategy of it, you are wrong, then, on the whole argument.

Mr. BUCK. I do not think I am wrong from a naval angle.

Mr. JAVITS. But if you are, then, the whole point falls.

Mr. BUCK. Well, if France must maintain a big navy, then, I am wrong in saying that she could economize on petroleum products by laying up the ships?

Mr. FULTON. Would you yield?

Mr. JAVITS. Yes.

Mr. FULTON. You know that France has colonies, do you not?

Mr. BUCK. Yes.

Mr. FULTON. And you know that France has had trouble in her African colonies and far-eastern colonies; some of the greatest troubles of the French Empire have been there?

Mr. BUCK. Yes.

Mr. FULTON. You also know that the French colonies in Africa are one of our major defense keys, do you not, on the western coast of Africa?

Mr. BUCK. Yes.

Mr. FULTON. That is, United States defense key?

Mr. BUCK. Yes.

Mr. FULTON. Do you not think, then, along this same line of questioning, that it is a necessity for France to maintain her life line which runs halfway around the world to have a navy?

Mr. BUCK. Would not the United States Navy and the British Navy be in the picture in the event of great French naval needs?

Mr. LODGE. The British Navy is not in a position at all to substitute for the French Navy. Neither is ours. There is no question about that. We would have to expand our Navy in order to take over whatever the French were not in a position to undertake.

Mr. BUCK. I cannot conceive personally of a situation where the French Navy would have to be called into active use.

Mr. FULTON. In French Indochina or down there in Africa. Do you not think it would be a little anomalous for the American Navy to be acting against French navals?

Mr. BUCK. Who in Indochina is going to bring a naval engagement against France?

Mrs. BOLTON. The French might have to send a battleship down to protect an island or city or an airfield, might they not?

Mr. JAVITS. I have just one other question. It is a fact, is it not—the gentleman, I think, is quite aware of political realities—that there is a point at which we would not want the French Government to be so courageous that it might cause its downfall and be supplanted by a Communist government, even though we might think it should take measures to strengthen itself in certain areas. After all, they are in France and we are here. They know a little bit about what goes on there in their country. There is a point, will the gentleman agree, that we would rather have the present Government be not too strong and remain rather than fall and be supplanted by a Communist government?

Mr. BUCK. I do not think the present government would be supplanted by a Communist government. It would be supplanted by a



government far more to the right than anything they have had recently.

Mr. JAVITS. And does the gentleman feel that that government far more to the right, let us say a De Gaullist government, would, in turn, not be supplemented by a Communist government?

Mr. BUCK. Having in mind that about 50 percent of the French people are agriculturalists, I am not particularly worried about France going Communist.

Mr. JAVITS. Then, would the gentleman say that it is fair to certainly put a quotient upon the gentleman's observations based on his own political beliefs?

Mr. BUCK. That is true.

Mr. CHIPERFIELD. Mr. Lodge.

Mr. LODGE. Mr. Buck, I was tremendously interested in your remarks about the French situation because the French situation is one to which I have given a great deal of thought and attention over quite a period of time, and while I think it is tremendously interesting and valuable to have talked with the people of France, I also think it is very valuable to be on an official trip and talk to political and military leaders.

Mr. BUCK. I agree.

Mr. LODGE. I was not in France this particular year as long as you were, but I did have occasion to go rather deeply into political questions. As politicians ourselves, it seems to me that we must have great sympathy with what the French politicians are sincerely trying to do. You mentioned pleasure driving; and I would just like to point out that while I was in Paris there was supposed to be no gasoline on sale, and yet the streets were full of automobiles. This is due, of course, primarily to the fact that the scarcer a thing is, the more of a black market you have. That was our experience in this country. That is the reason some people were against the Office of Price Administration, because they thought it stopped production and created a black market. I personally do not feel that the fact that you have breaches of the law through the black market, by way of pleasure driving, is sufficient reason for withholding any aid on our part.

You mentioned that they could save money on their bureaucracy. That, of course, is perfectly true. And we are certainly in a position to appreciate that in this country where, in certain instances, we spend between eight and nine times as much for the same operation as the French spend. I can refer you specifically to the question of mental hygiene. We have a department in this country, in Washington, which absorbs eight times as many people for exactly the same operation as the French absorb. So that sometimes they are ahead of us in bureaucracy.

Of course, as to the army and navy, I believe they should both be increased at this time, particularly the army. My conversations with the Chief of Staff of the French Army and the Commander in Chief of the French Navy led me to believe that it would be a good investment for us to follow the French to maintain adequate forces with which to deal with their troubles.

It seems to me that what we have to do is to bolster the French Government to the point where they will be able to afford such courageous political maneuvers as you advocate. The very reason they cannot make them is because of the lack of a constructive alternative.

Mr. BUCK. I do not think that is the only alternative. I think the tendency in France is rather to the right than to the left.

Now, if I could come back to the gasoline problem, it is true that gasoline is short in Paris. It is also true that there is an official black market. I could buy gasoline in any gas station in France without coupons if I would pay the additional price.

Mr. CHIPERFIELD. That is right.

Mr. BUCK. In Brittany I was not even asked for coupons.

Mr. LODGE. We have had black markets here, too.

Mr. BUCK. Yes; but regular price for gasoline, in Brittany, without coupons. The farther you get away from the big cities, the less Government regulations apply.

There is tremendous pleasure driving in France. England has eliminated pleasure driving. I do not see why we should give gasoline to France as long as their people can embark on pleasure driving.

Mr. LODGE. To my mind, of course, the whole point is, as Mr. Bloom brought out that the question of American national security is at stake here, and our choice is rather limited. If we do not do this, or if we do cut this down to the point where we will weaken the anti-Communist forces in France. Where does that place us, if France goes communistic? And, of course, I do not agree with you as to the lack of danger of an internal coup in France. I think the danger is very real, based on the conversations which I had, not so much with the white-collar men, the farmers, the industrial workers, as with the politicians, the Government leaders, the army generals, and the navy admirals, and the police.

Mr. BUCK. Of course, they are biased.

Mr. LODGE. Based on that, and also on some other information, I would say that the danger of an internal coup, or an attempt to take over the French Government by internal force, is very great, and that is precisely the reason why the people have flocked to De Gaulle. Out of fear.

Mr. BUCK. Of course, if I were a French Government official, and I had been restrained by political reasons from taking certain drastic steps that would be unpopular, I would certainly try to get the United States to put in everything that I could get in order to bolster my weak Government. I say that every official of France has a bill of goods to sell, which bill of goods is to get everything he can from America.

Mr. LODGE. I would agree with that, except that I would add this: That it is a happy coincidence that we have the same interests as France. In other words, we are interested in France's survival now just as we were during the war, and, therefore, there is no divergence of interest, there is a coincidence of interests, which it seems to me is a very important thing to consider.

Mr. BUCK. The whole point of my argument is that if we can force or induce France to set its internal house in order, then, we will be bolstering ourselves and France against communism to a greater extent than as though we merely hand out what they need, and let the bad internal situation continue.

Mr. LODGE. I quite agree with that. I think we should so induce them. I think it is a question of whether you will induce them by withholding aid. Thank you.

Mr. JAVITS. May I say I agree with that statement, Mr. Buck.

Mr. CHIPERFIELD. Mr. Maloney. Mr. Buck, in discussing the wheat shortage, you attributed this shortage to the frame of mind of the farmer and the lack of value of the franc. Now, have you taken into consideration the drought and the bad winter they had last year?

Mr. BUCK. I do not know anything from personal observation about the bad winter. I did carefully observe the matter of the drought. As to the part of France through which I traveled, the only area where I saw evidences of drought was in the section that lies between Paris and Switzerland. Other areas of France showed no evidence of drought. Pastures were green and rivers were full of water. I think the drought has been grossly exaggerated, as far as France is concerned.

Mr. MALONEY. We heard differently. I don't know.

Mr. BUCK. There is the best argument in the world on the part of French officials for us to pour wheat in there. Did they talk to you about the fact that French peasants would not sell wheat? Probably not.

Mr. MALONEY. I do agree with you to a point, but I still feel the drought and bad winter had a great deal to do with it.

Mr. BUCK. I will agree that it must have had something to do with it, but I think it has been exaggerated by French officials—and it is easy to understand why they exaggerated it.

Mr. JUDD. Are there not official figures on that?

We were told that the crop was to be only a little over a third of normal. We got various estimates from various people, but none of them got up to as high as half the normal crop.

We were told by officials of the French Government that there was a 20-percent reduction in the planting this year below normal or average years, and that certainly is a factor. But we were also told that, on the record, this was the lowest wheat crop in, as I recall, 133 years. That is a matter of actual statistics, is it not? We do not have to guess.

Mr. BUCK. Well, my understanding is that agricultural statistics of the French department of agriculture are very sketchy and very deficient. That was also confirmed by the Herter committee in its report. The French peasant is just not giving out information if he can help it.

Mr. MALONEY. That is all.

Mr. JUDD. I think Dr. Elliott had a question.

Mr. ELLIOTT. I merely wanted to underline something which Mr. Buck has said, because it certainly bears out some of the reports.

It is fair to put in about the failure of both France and Italy, and other countries, to mobilize their own resources, particularly the grain resources, and the excessive animal populations, and so on.

And, on that basis, I can put in, if the committee wants to do it, certain cuts in appropriations that might be made. But looking at it as a student of politics—and I have lived in France a great many years; I went over there and fought the First World War there and stayed there, and I suppose I have lived in Europe as much as most people in this country—I have been very much worried by these things—and these are the questions I would like to put to you.

There actually is not a government in France at the present time. We are looking at the elections coming up next spring, are we not?

Mr. BUCK. Yes.

Mr. ELLIOTT. I share your views that probably the De Gaullists are gaining. The trend is in that direction, and it probably will occur. But, in the meantime, whatever government is going to exist is going to exist on such a slender margin that it cannot do these things in this brief period of 3 or 4 months that we have between us and the elections without perhaps risking very large issues.

Now, would it be possible to put into this bill, in some way, either by increasing the percentage of off-shore purchases so that we could ourselves go in and buy some of this wheat—and in that I see no reason why some barter program or some attachment, through certification to the consumers' goods, fertilizer, farm machinery, and so on, might not be put in—so that we could actually get this wheat out of the people?

My second point is the economic probability, with which you are thoroughly familiar. Any government in France has got to hold down the cost of living, otherwise the wage situation immediately reflects that by giving a justification to the Communists in these strikes, which gets them a lot of support from people who are not Communists at all. That is what we are scared of. That is what you mean by strong measures, is it not?

Mr. BUCK. Yes.

Mr. ELLIOTT. How can you do that by paying the farmer more for wheat than the black market operation? The strong measures would probably kill every overweight hog you have. Overweight hogs are suffering in this country. They are being put on the market because they eat up a lot of grain.

Mr. BUCK. Well, what I have in mind by strong measures would be, for example, to curtail the use of petroleum products; to, if necessary, exact a capital levy on farmers in order to force them to market some of their livestock.

Mr. ELLIOTT. Well, now, look at that politically very carefully. The only strength of a government that is going to make headway against the industrial workers, who are controlled by Communists, though I do not think they are predominantly Communists in their political leanings even though they vote a substantial percentage of the French vote—If you weaken your support out on the farms in this interim period before we can get a test of strength next spring—when I think the test is likely to come—

Mr. BUCK. But, possibly, the sooner this government falls completely, the sooner we will get a sounder government.

Mr. ELLIOTT. That may be. But in the meantime, if you are antagonizing the elements of support which are politically the base of the kind of government both you and I want to see in France, I wonder if the method is right. Later on, I think it is, and it is the biggest argument that I can think of that the Herter committee suggested, namely, an instrument that can do all this toughly, because you can't go over there from government to government and talk to France and tell them they have to do something. But if you hand out these supplies then you can do an awful lot of these things which right now are so difficult to do in the interim aid.

You see, I am looking at my own recommendations, which are substantially like yours.

Mr. CHIPERFIELD. I am going to follow them.

Mr. ELLIOTT. Well, I am afraid of them. I have warned you against them. And I warn you against them for the very reason that these things, looking at it from the point of view of the timing, it is my duty as a staff member to put up to you the very things Mr. Buck has said, and I do not think you will find much difference between my report and Mr. Buck's, and yet, politically speaking—and that is what you gentlemen are here to judge, and after all I am a student of politics and I have spent my life studying these things—I am scared to death of pursuing the kind of immediate tactics that would seem to me entirely indicated in the long run.

If you do not get that situation stabilized you are not going to get production out of the country. You don't stabilize it by increasing the inflationary pressures, which would be done by allowing the wheat to be sold at three or four times the existing price. If you do not subsidize it in some way and hold down the cost of living you will not get results. Your price structure already costs the industrial workers, as far as the Herter committee's report shows, something like 100 percent of his daily wages.

Mr. BUCK. I think that is right.

Mr. ELLIOTT. Going back over that, you are going to have a wave of strikes—in this very period. Do you see my point? If you could just hold down the cost of living, by any kind of subsidy, I believe that would be helpful. What I am thinking about, sir, is this: Consumers' goods, plus those blocked francs. If we could use those blocked francs, and attach to those blocked francs a certification to the effect that they can be used only against these consumer goods, and issue the certificate along with them—namely that they could be used to buy nitrates, fertilizer, and so forth—you might be able to get more of this wheat out of the French farmer than you would by trying to put a capital levy on them.

Mr. CHIPERFIELD. May I ask a question? Have you read Henry Hazlitt's *Dollars Saving the World*?

Mr. ELLIOTT. There is nothing wrong with his reasoning so far as the dollar saving the world is concerned, but there is a big gap in his reasoning if you talk about stabilization of currency all over the world through production. I think that is where his reasoning goes off. You cannot expect these countries to do that with the kinds of governments they have. It is absolutely idle to talk about strong governments in countries in the position of France and Italy. They do not have them and they cannot get them until the next election. The party structure is now, as you know, in the period of formation in those countries.

Mr. CHIPERFIELD. Thank you very much, Mr. Buck.

The committee will adjourn.

## EMERGENCY FOREIGN AID

FRIDAY, NOVEMBER 21, 1947

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

The committee met at 2:30 p. m., Hon. Charles A. Eaton (chairman) presiding.

Chairman EATON. The committee will be in order. Mr. Case, we are glad to have you with us and should be glad to have your statement.

### STATEMENT OF HON. FRANCIS CASE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

Mr. CASE. Mr. Chairman and members of the committee: My observations will be limited to that portion of the matter before you which deals with emergency aid for Austria. I was in Austria September 17, 18, 19, and 20 as chairman of the Austria-Germany subcommittee of the Select Committee on Foreign Aid. What I am about to say, however, I am saying on my own responsibility, for it has not been discussed as a subcommittee position with the other members. They are, however, Mr. Vorys, of Ohio, of your own committee; Mr. Vursell, of Illinois, Mr. Cox, of Georgia, Mr. Brooks, of Louisiana, to whom I refer you for further opinions or data, if desired.

My own opinion is that additional aid for Austria is not needed in the interim bill. This is based upon the following considerations:

First, that no mention of additional funds as immediately necessary was given to our group in Austria either by our own representatives or the Austrian officials.

Second, that the only reference to a possible shortage in funds available, which I can find in my notes, relates to a possible deficiency of \$13,000,000 if nothing were done to clarify the inspection requirements of last year's act, Public, No. 84, authorizing aid to war-devastated countries. This deficiency can be met either, first, by an interpretation or a stipulation that the physical inspection of each relief delivery is not required, if permission to make it is granted by the autonomous Austrian Government, and if our representative in charge is fully satisfied that the supplies are being used as intended; or second, by a clause in the bill similar to that which I understand the Senate committee already has endorsed, which would have the same effect.

The third consideration is that even if rising costs have created additional demand for funds, there are economies available which will meet much of that demand.

And fourth, that any interim emergency before action on the general relief program could be met if the Austrians were to use a portion

of their share of the so-called gold pot of \$40,000,000, which they have received as their share.

I understand that the suggested figure for additional aid to Austria is \$42,000,000. Obviously the \$40,000,000 of the gold pot would almost offset that amount, regardless of other possibilities.

Is there any reason why Austria should not consider using that fund? Was it not made available in the first instance so that Italy and France could use it; that is, to meet their emergencies? Among the economies that should be considered are these:

Turning the DP camps over to the Austrians themselves to administer. Dr. Joost, the Austrian Minister of Interior, told our committee that administration of these camps by the Austrians would be considerably less. When asked how much more it cost the United States to administer otherwise, he said, "five times."

Second, shipment of coal into Austria via Trieste instead of Bremerhaven. The testimony was that the freight is \$3 per ton more when it comes via Bremerhaven.

The question also should be asked, why the quota of funds for Austria in the first quarter of 1948 is put at only \$16,000,000 out of the foreign-relief program, whereas the allotment in the final quarter of 1947 was \$47,000,000.

The further question should be raised—and I presume some justification has been brought before your committee on it—as to whether the caloric diet should be increased in Austria. The request has been made, I believe, that it be raised to 1,800 calories. The basic caloric diet in Germany is 1,550. I believe the data before you suggests that the estimates are based upon a 1,700-caloric diet. I do not know just what considerations are responsible for suggesting that we raise it to 1,700, but on the basis of costs for increasing the caloric diet in Germany, it would appear that the cost of increasing the caloric diet in Austria from 1,550 to 1,700 would be about \$24,000,000.

That concludes my statement, unless you have some questions.

Mr. VORYS. I see that the pot of gold outlay for Austria is not included in the State Department's table of available resources on page 6 of their statement, but it is discussed on page 9. I wonder what you think of the discussion on page 9, Mr. Case?

Mr. CASE. I have read that Mr. Vorys, and I did not think that it presented any convincing reason why it should be considered. As I recall, the pot of gold was to be made available, or was made available at the time that it was, to make it possible for France and Italy to meet an emergency situation. If France and Italy were expected to use their share in the pot of gold for meeting emergencies, I do not know of any logic that would say that Austria should not do the same thing.

Mr. MALONEY. I want to state that in 1936 the Austrians had \$46,000,000 to support their currency at that time. Now, recently, they have not had anything, and is their currency better now because they have this \$40,000,000?

Mr. CASE. The currency situation in Austria, Mr. Chairman, is fantastic. \$40,000,000 worth of gold will not have much effect on it one way or the other. The monetary situation in Austria is such that its improvement and change is essential in my judgment to meeting the Austrian problem, but I think that is a part of your long-range program and not part of your emergency program.

Chairman EATON. Right.

Mr. CASE. The official rate, if I recall correctly, is 10 to 1, shillings to a dollar. The black-market rate, however, is about 100, or 109 to 1.

Mr. JAVITS. How much would actually be saved in money if the Austrians ran the DP camps?

Mr. CASE. As I recall, the cost of operating DP camps in Austria during the past year was \$70,000,000. With the increase in cost it was estimated that for the first 6 months of this year it would be \$42,000,000. Now, if Dr. Joost was correct in saying they could operate them for one-fifth of what the Americans used, obviously you would save 80 percent of \$42,000,000 in each half of the fiscal year.

Mr. JAVITS. Was that \$70,000,000 the cost of the Austrian Government?

Mr. CASE. He gave that as a general statement about the over-all cost of operation.

Mr. JAVITS. I would like Mr. Case to explain this to us, because it is a fact that some of the camps in Austria are run by the IRO; some of them are run by our occupying forces, and some are run by welfare agencies like the American Joint Distribution Committee. I just wonder whether he has given us any description that would fit the situation accurately.

Mr. CASE. I think there are 100,000 of the 500,000 DP's in Austria living in the camps. The rest of them are on the general economy.

Mr. JUDD. I cannot figure out how you can say they could do it for a fifth of what we are doing it for. That discrepancy is so enormous that it is hard to understand.

Mr. CASE. It was rather striking, but we questioned him back on his statement directly, and that is what he said.

Mrs. BOLTON. Did he give you any figures, where they would save, and how they would do it differently?

Mr. JUDD. That is a tremendous difference. After all, supposedly most of the costs of a DP camp go for food, and you cannot reduce the price of food 80 percent. That is so startling I think it ought to be elaborated on a bit.

Mr. CASE. For one thing, if the Austrians operated them, they would all be subject to the Austrian law which requires those in the DP camps to work.

Mr. JUDD. Are they operating any camps themselves now, the Austrian Government?

Mr. CASE. I do not think so.

Mr. JUDD. So they do not know for sure. That is a mere estimate. Do you have any figures as to what it costs the IRO, or the private welfare agencies as compared to those operated by us?

Mr. CASE. The figures in my notes are here. For 1946 the costs were \$70,000,000; for the first half of '47 they were \$42,000,000.

Mr. JUDD. What I would like to know, if you have the figures, is how much more does it cost our military government to take care of 10,000 DP's than it costs, for example, the private relief agencies, or the IRO to take care of 10,000 DP's?

Mr. CASE. The IRO was only taking over when we were there.

Mr. LODGE. As I understand it, the total amount available for IRO is \$115,000,000, which includes \$73,500,000 from us; is that correct?

Mr. CASE. That is correct.



Mr. LODGE. How will we make that suffice if \$70,000,000 of the loan goes to Austria?

Mr. CASE. I do not know about that. These are the figures that they gave.

Mr. CHIPERFIELD. Mr. Chairman, I notice Mr. Mansfield is now here. Mr. Case, I wish you would repeat your statement so far as it concerns the need of appropriations at this time for interim aid to Austria.

Mr. CASE. My statement was that on the basis of such information as is available to me, there was no need of emergency aid to Austria in the interim bill. That was based, first of all, on the fact that neither the Austrian officials nor our own military government at the time that we were there, in September of this year, made any such statement to us. The only reference that they made to a possible deficiency was to a \$13,000,000 which might be necessary to supply the foods which might otherwise come from the Russian zone in Austria, but which were not forthcoming because of our requirements for inspection, and since the Russians were not agreeable to our going in there it was assumed that they could not meet the requirements of Public No. 84.

In the discussion of that, both with General Keys and with the representative of the Administrator, Mr. Gibblin, the United States adviser on United States relief in Austria, I pointed out that that restriction which appeared in Public No. 84 was repeated in the appropriation bill last summer, and not merely with the express knowledge of General Marshall and Secretary Lovett but with their recommendation, in fact.

Moreover, I asked General Keys whether or not in his judgment there was any question about the food or supplies being properly used if it went into the Russian zone, and whether or not it would be a good trade for us to let that food go in there in return for the indigenous food which would come out of the Russian zone.

He said in his judgment he thought that the purposes were fully met and the food would come from the Russian zone; in fact, it could be put up on a reciprocal basis.

At the same time, the general position was that Austria has an autonomous government, even though a treaty has not been made with it. Austria has its own government, and it occurred to me that the purposes and the intent of the law might be satisfied if we had a full and complete promise of the Austrian Government to make the inspection. If both our representatives are satisfied and the Austrian Government was satisfied and it brought \$13,000,000 more food, some clarification of the requirements in Public No. 84 could be made.

I understand the Senate has proposed some language to do that.

The CHAIRMAN. Have you anything to offer, Mr. Maloney?

Mr. MALONEY. I can only say that when I was in Austria, General Keyes made no statement of any need for interim aid there—none whatever. That is rather on the negative side, but there was no statement made by him indicating that any interim aid was needed.

Mr. JONKMAN. General Balmer said yesterday, with all the chips down, that they could get along until the middle of February without any interim aid.

Mr. MANSFIELD. Perhaps it might be well to say in that respect that General Balmer was going on the supposition, I believe, that there would be some way whereby the \$16,000,000 which had been diverted

from Austrian funds under Public, 84 could be brought back into the kitty for use in that country. I am quite certain, from what General Balmer said—by the way, he is Deputy High Commissioner—

Mr. CASE. I met him over there and was with him for some time.

Mr. MANSFIELD. General Balmer is very seriously concerned about the proposition and that the \$42,000,000 will be just enough to keep the Austrian food economy going until about June 1, at the latest—somewhere around there. And he is very much concerned about the situation as it exists. He came before this committee and talked to us about half an hour, and questions were asked for about an hour.

Mr. CASE. If I may, Mr. Chairman, I would like to say that the statement of General Baumer with respect to the supply of food until February corresponds with the statement which appears in the information and background before your committee at the top of page 9, where it says that if the \$16,000,000 is available at the beginning of 1948 it would suffice to procure food for Austria only until early in February.

Mr. VORYS. Mr. Chairman, I would like to repeat what I said in the public hearings when the question of the Austrian situation came up, giving the reasons why there was no report pending from the Austrian subcommittee of the select committee.

I said that the German-Austria subcommittee when in Austria received no information which made them think that Austria would be considered at the special session, and the President's first speech on the subject did not include Austria. Therefore it was presumed by the subcommittee that no immediate report would be necessary.

That is one of the reasons why there is no subcommittee report.

But I think, as has been noted, all of those who were in Austria in September got the same impression, that there was no need of a character that would require consideration at the special session. Perhaps there have been developments since we were there.

Mr. CASE. There is one thing, Mr. Chairman, which occurs to me, which I think should be said in justice to the whole Austrian situation; and that is that there has been a tremendous lag in the procurement, particularly with respect to seeds. I do think that in measuring funds for Austria, some consideration should be given to the procurement of seeds in time so that they will be available for proper planting.

Last year we were told that some of the UNRRA money which went for seeds did not bring the seeds to Austria until August and as a result they were useless as far as the harvest last year was concerned.

In your detailed examination, I think consideration of that seed problem is worthy of your attention.

Mr. VORYS. Just one more word on the \$16,000,000 from the foreign relief program. The testimony we have had during our hearings from Mr. Dort, who was administering that program, was that this \$16,000,000 is part of the last unobligated and unallocated amount in the \$332,000,000. He spells out where all the rest of it either spent, allocated, or obligated, so that the reason it is so small is that there was not any more in the appropriation, according to Mr. Dort. And since it has been determined that this \$16,000,000 is part of the balance in the so-called children's fund reserve, it would not be available.

The reason for the figure being so small, according to Mr. Dort, was not because the need, the quarterly need, differed so much from the fall quarter, but because there was not any more money.

Mr. CASE. Or because the money that was originally proposed for Austria had already been allotted or that the portion of the money which was to have been allotted to Austria in the third and fourth quarter of the fiscal year had been diverted to some other country or purpose.

The CHAIRMAN. Mr. Jarman, have you any questions?

Mr. JARMAN. Mr. Chairman, I have no questions. I am sorry that I arrived just at the tail end of the distinguished gentleman's remarks. Had I known he was going to be a witness, I should have been a little earlier, so that I might have profited by his statement.

Mr. CASE. Thank you.

Mrs. BOLTON. Mr. Chairman, I wanted to bring back to our memories what Mr. Lovett said here, that things are moving with such rapidity, that countries we thought yesterday were all right are today coming in with definitely changed situations. It might be possible that September is a long time ago in Austria; maybe not, but I simply wanted to throw that into our discussion of this general matter.

Mr. MANSFIELD. I should like to make a request of you, Mr. Case, and your committee, and that is that you and the committee meet with General Balmer, who is very much concerned about the Austrian situation, and talk additional details with him. He has been back in this country only a week.

Mr. CASE. I should be very happy to, if the other members of the committee agree.

The CHAIRMAN. If there is nothing further, thank you very much, Mr. Case.

#### STATEMENT OF HON. E. E. COX, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. Cox. Mr. Chairman, I wonder if you would permit me to make an observation?

Chairman EATON. We should be glad to.

Mr. Cox. I did not hear Mr. Case's statement, and that I regret. I hope he spoke to you in the raw, with complete disregard of the demands of diplomacy calling for the use of soft words.

The story that we hear as to hunger and nakedness in Europe has not been exaggerated. But I want to say to you that if this interim relief that you are providing, and this long-term aid that is spoken of, if you expect to get value received for the money that you put into the enterprise, then there is necessity of your setting up an organization responsible to Congress to administer the funds.

Our situation is critical. It is the result of the blunderings for which we are responsible. There has been appeasement everywhere. We found it even here in the State Department a few days ago when they reversed their position with regard to the dismissal of security-risk employees.

It has brought us to the very brink of ruin. Germany is the heart of the whole European problem. We may not like to say it, but we need Germany as badly, at the moment, as Germany needs us. Maybe it is not politic to say it, but it is the truth, and the story ought to be made known to the people.

If the spiritual will found in Germany to survive breaks—if Germany should, in her hopelessness, turn to the east, then there is no

power this side of Heaven that could keep western Europe from falling over itself and going in the same direction.

With that happening, it would not be long before we would be completely encircled and wake up to find ourselves confronted with a hostile world organized against us by Russia. So one of the important tasks that you have at hand, one of the big questions that you must decide, is who is to administer the fund that you are providing.

Although there has been improvement in the State Department, the Department, Mr. Chairman, is still somewhat suspected. If it is left in the State Department, the same crew that has been steering the ship of state, that has been doing our thinking and our acting, will take over. The old crowd is in town in full force. There is lots of free money that is about to appear and this same crew wants to handle it.

That is a big question, Mr. Chairman, and I hope that whatever bill comes from this committee will carry a provision for the setting up of an entirely separate agency. I do not want the State Department completely eliminated; I do not want the State Department, with all the flexibility of the law they insist upon, to be given *carte blanche* authority to do whatever they wish. You have to bring a little more common sense and a little more just common, honest Americanism to bear upon this proposition if you are to expect best results.

Mr. JUDD. May I ask our colleague a question? You will remember, sir, when you appeared before the House and assured us, on the basis of your own knowledge and speaking advisedly, as you put it, that conditions had been improved in the State Department and we could go ahead with confidence. Are you reversing that opinion?

Mr. COX. No; I am not reversing that opinion. The State Department has steadily improved, but the State Department is a tremendously big organization, and the people who have headed it—and I mean no criticism—have been little more than painted fronts. You know that.

Mr. RICHARDS. I think there is a misunderstanding on the part of Mr. Judd. When you made those remarks, you were talking about the information program.

Mr. COX. That is right. I plead for it.

You found a cartoon in yesterday's Post which carried my idea. The Voice of America is just a little faint squeak in the wilderness. The Russian program is booming 24 hours out of every day, and it makes the United States look ridiculous. And you are not going to get the full benefit of this money unless you can tell the beneficiaries, the people of the world, where it comes from.

Now, we talk about relieving suffering peoples in those broken and war-torn countries of the world, and that is all very fine. But we are not making this investment for reasons of that kind. This money is an investment made for security. Personally, I want to help on purely humanitarian grounds, but as a Government you just cannot do that. You cannot justify the pouring of these billions into this engagement, this undertaking, or enterprise except on the ground that you are doing it as a matter of security. And I do not know whether it is going to save Europe or not. I am afraid not.

Mr. RICHARDS. I generally agree with what the gentleman said about setting up an organization, but you realize this particular bill is for—

Mr. COX. I know.

Mr. RICHARDS. Wait a minute—for about \$600,000,000 and for three countries, and would that justify setting up a new organization at this time?

Mr. COX. The agency into whose hands you put the administration of this relief fund, this interim aid, if you do not mind, will be the agency that will administer the long-range program, and that ought not to be the State Department.

I can give you many, many reasons why it should not happen.

We have been pulling and pushing in our European program as we have been pulling and pushing here. There has been a lack of consistency everywhere. We talk about saving Germany because we need Germany, but at the same time we are destroying her means of production; and production is what Germany needs, production is what Europe needs, production is what must be had if they recover. And you cannot have a recovered Europe in the absence of a revitalized Germany. We may just as well make up our minds to that.

The Morgenthau plan—insane, wicked, and stupid as it is—has brought us many troubles, many problems, Mr. Chairman. We ought to have the courage, the decency, and the understanding to admit the errors that we have made and set about doing in the American way.

The truth of the business is that just one act of simple, common, human pity would pay a greater dividend in a greater part of this war-torn world than the money that you are going to spend.

Chairman EATON. Your political leader has just arrived, so you had better go pretty slow.

Mr. COX. There could not be found a person more completely disregarding of the political consequences of what he has to say than I am at the moment, because I realize that we are in peril and that unless we can save western Europe and stop Russia, it is not going to be very long before liberty will perish from the face of this earth.

Chairman EATON. The Chair agrees with that statement 100 percent.

Mr. VURSELL, do you wish to say anything?

#### STATEMENT OF HON. CHARLES W. VURSELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. VURSELL. I agree with everything that Congressman Case has said as to the conditions that we found, and the information we got.

Mr. COX. What about your other colleague on this committee?

Mr. VURSELL. I am 100 percent with my colleague, Mr. Cox, that the Morgenthau plan has held back the recovery of Europe.

I do not think any sane person that has ever been over there would question that statement.

Furthermore, I agree that as soon as we can, whatever relief is rendered in Europe in the future, it better be set up and screened and directed by some sort of a corporation rather than allowing the old crowd, as he says, in town, who are doubtless ready to take over the responsibility of saving the world and employing themselves at the expense of the American public.

I was out of my office for a change, and was just notified about 5 minutes before I came here, down in the House restaurant, that some testimony might be wanted in reference to Austria from our subcom-

mittee, so I must apologize for being completely unprepared except as to what I might say from memory.

Really, I was impressed with the fact that the Austrian Government was well enthroned and well entrenched and seemed to be on top of their troubles.

We drove some 100 miles through Austria, and in much of it there was no evidence that a war had ever happened. The people were busy and I thought conditions showed a marked improvement over the conditions that we found just prior to that in Germany.

We spent considerable time, as Congressman Case has said, with General Keyes and the army of occupation and the technicians trying to determine the most urgent problems that were facing them in the hope that we might better understand them and make some sort of contribution to the Congress when we returned. We had quite a long session with Ambassador Erhardt; and from the men surrounding General Keyes, our American civilians and officials, we got a report on the various phases of the economy of Austria, including the problem of the displaced persons.

I would like to recall that I think the Chancellor in his testimony said it was unfair for Austria to be established as the poorhouse of Europe. Of course, the DP problem is rather a serious one, but the thing that impressed me; no one in government, either from Austrian officials or General Keyes, or Ambassador Erhardt, indicated that the food situation was such that we would need to send them emergency relief.

Now, of course, the drought has retarded one of the exports of Austria, which is hydroelectric power, and the drought has also affected the growing of crops; yet I found the people in Vienna and everywhere we went seemingly happy and a little more interested in entertainment, and there is considerable entertainment of which our committee saw none, I will have you know.

I was a little surprised to note that they had asked for emergency aid for Austria. I am not saying it is not necessary, and we shall look for further information in our conference with General Balmer. General Balmer seems to be active and well informed; at least that was my observation when we were in Vienna. I had occasion to check some of our loans with the Congressional Library this morning in looking for some general information that I thought might be of interest in considering these problems in the future; and I might just say in conclusion of my testimony that I ascertained that since VJ-day we have given to the world in loans through our various institutions, grants, and so forth, \$24,100,000,000. That is quite a sum of money, as you all know, and that is why I am inclined to not recommend any emergency relief, or relief of any kind unless it is pressingly necessary.

I think that Mr. Case forgot to say to you that General Keyes with considerable pride pointed out that we were paying in dollars all of the indigenous personnel employed, running into many millions of dollars a year, which was very helpful to their economy. In fact, I came away under the impression if Russia held still and the treaty could be consummated which is under consideration in London now, that Austria might get along with a minimum amount of aid in the future. I do realize the importance of Austria in our picture, getting

away from the call of humanity, and I realize it is largely strategic from the standpoint of the defense of western Europe.

Having that in mind, I would be willing to go as far along, since we are playing the game that way, as possible to see that this country of doughty and strong people were not left to fend completely for themselves in their opposition to communism.

I would like to say to this committee it is my personal observation that the Austrian people are very strongly anti-Communist. I might go a little further and say—and this is off the subject just a little, but not quite entirely—that in my judgment, badly as Austria has been treated since the last World War in having her agricultural section of the country segregated, that with her timber, minerals, and particularly her water power, if she would try with the same intelligence in the future as she has in the past, she would not need much relief, imminent or long-range.

Getting back again to the testimony of the officials of Austria before our subcommittee, if I recall rightly, there was no reference to emergency relief, but they sought to give a bill of particulars as to what they would need under the long-range Marshall plan, which, as I recall, amounted to something like \$1,500,000,000 for a country of probably 8,000,000 people.

(Discussion off the record.)

(After discussion off the record.)

Mr. MANSFIELD. Mr. Chairman, I gave Mr. Case a copy of the Senate bill with that reference as to how food should be distributed in Austria if the aid program is passed. I wonder if we could have his comments on that.

Mr. CASE. Mr. Chairman, Mr. Mansfield has handed me this print of a Senate bill amendment. It seems to me, as I read it, that that would meet the situation very well, which I described, relating to this \$13,000,000 possible deficiency. The language reads:

Provisions of this Act relating to the United States 'supervision, control, or observation of distribution of supplies made available under this Act shall not apply to distribution of supplies in Austria: *Provided*, That the President shall have determined upon recommendation of the United States High Commissioner for Austria that supplies furnished to Austria hereunder are being distributed under controls such as embodied in agreements between the High Commissioner and the other occupying authorities of the Austrian Government which assure compliance with the objectives of the occupation and with the provisions of this Act which are consistent therewith.

I think that does meet the situation.

Mr. Chairman, I was interested in this other amendment suggested by Mr. Fulton, I believe, relating to the stoppage of the dismantling of plants. I understand that the bill you have before you deals with interim aid for France, Italy, and Austria and does not deal with Germany. The language of this amendment relates to Germany; and to the extent that it does, I do not see how it would fit into the situation.

Dr. ELLIOTT. Mr. Chairman, I should hesitate to speak for Mr. Fulton, but his thought, as expressed in the amendment, which the committee has before it, is that a great many of the shortest items that we are being asked to supply in interim aid—in the interim aid program—notably strip and sheet steel, and ingot steel, can be furnished from Germany, if some of these plants are not dismantled.

Lists of dismantled plants will be duly made available, at the next meeting of the Herter committee, and it presents a very alarming situation. Plants which could be producing for the very purposes mentioned are now being scrapped, and many of them earmarked for Russia and some earmarked for other countries in Europe where they would not be available for production under a year or two.

MR. CASE. Mr. Chairman, may I say, as a general proposition, I certainly feel that the dismantling of the plants in Germany or in Austria should be subject to review by this committee or an appropriate committee of the Congress and that no further dismantling should proceed until it has been reviewed by a committee of the Congress. That is my own conviction.

I feel very much as the gentleman has just said, that the dismantling of these plants in many instances interferes directly with what we are trying to do and is costing the taxpayers of the United States a great deal of money.

One very brief illustration is that of the ball-bearing plants which are being dismantled. They are not being permitted to produce ball bearings. Yet part of the figures in the Marshall plan cover money to supply ball bearings.

There ought to be some coordination between what we are doing with one hand and what we are doing with the other hand. The purpose—the intent of this amendment—is good. I think the language of it perhaps should be checked a little bit to see how it could fit into this bill, since it appears to have relation to Germany.

Mrs. BOLTON. Under what agreements—Potsdam or Tehran or Yalta—are those plants being dismantled? By whose order?

Mr. VORYS. The Potsdam agreement.

Chairman EATON. How far could this committee go in changing those agreements?

Mr. VORYS. On that subject, Mr. Chairman, while it is not appropriate in this interim aid bill, because we are not attempting here to take care of the situation in Germany and occupied countries, and while we are including Austria as a so-called liberated country, it seems to me that it would be quite appropriate for this committee simply to express itself on that subject generally and to have the views of the committee brought to the attention of General Marshall as he goes to London to do the very things that they are talking about there, to review the Potsdam agreement, with the hope that it can be followed by a treaty.

In any case, it seems to me that it would be quite appropriate for the committee to express its considered views, after considering the facts, for whatever that would be worth, to the Secretary of State in the present negotiations that are to start so soon, although it might not be practicable to incorporate it in this bill, where it has so little effect and where it does not apply to the countries involved.

Mr. CASE. Mr. Chairman, I want to thank you and the members of the committee for your very generous attitude toward us, and for your courtesy.

Chairman EATON. You have been very illuminating and helpful to us, and we appreciate your coming.

Mr. VORYS. There is just one thought, Mr. Chairman, which I think may be of interest to the committee. It was a great advan-



tage to travel with an influential, ranking member of the Appropriations Committee. Is it not a fact that the present Army appropriations available for occupied areas are sufficiently under the control of the Army that interim aid of a substantial character might be furnished out of those appropriations, as, for instance, the paying for the monthly cost of occupation which Mr. Vursell described?

Mr. CASE. Of course, the money that was appropriated to the War Department for relief and for government in occupied areas did include some for Austria, about \$5,000,000, as I recall, to be used primarily for education, information, reorientation, and so forth. Austria was to get its food aid from the fund for relief in war-devastated countries. But I do not know just what the present status of that fund is, whether or not it has been diverted or drawn upon more heavily because of rising costs, or whatever explanation may be given as to this other fund with which you are dealing.

The question which I raised at the conclusion of my original statement was that I thought some inquiry should be made as to why there is only \$16,000,000 available for allocation in the first quarter of 1948.

Mr. LODGE. It is my understanding that \$24,000,000, not \$16,000,000, is the residue.

Mr. CHIPERFIELD. I wonder if Dr. Elliott could indicate whether he thinks this amendment should be put into this interim aid bill?

Dr. ELLIOTT. In my opinion, it should be, and I will tell you why; but as I am hipped on this subject, I want to put the committee on notice that this happens to be one of those points on which I am hipped, like stock piles, and Russia, and a few other things like that. So I warn you in advance.

You are asking the taxpayers of this country not only to take over the burden of supporting our zone in Germany but both of the other zones; and you are asking them to do it within a month. Mark my words, there will be a bill in within a month. In the meantime, the steel that France is asking us for and the steel that Italy is asking us for cannot be taken out of the steel that we have in this country without grievous shortages in this country.

There is the steel-making capacity in Germany today that could be put to work very quickly if anybody had the will to do it, much of which is being removed, and covering these very tightest items: Strip, sheet, tubular steel, 24-inch pipe line that will mean the difference between filling European requirements for oil from the Near East or taking our petroleum in the course of the longer range Marshall plan.

I have got the list of these dismantled plants or plants to be dismantled. I would like to make it part of the record of this committee, the plants that are now marked, many of them for delivery to Russia. The Russians have denounced the Potsdam agreement and are not living up to it in any particular whatever.

Chairman EATON. Or any other agreement.

Dr. ELLIOTT. Or any other agreement. We are continuing to ship from that zone at this time, when we are drawing upon our own economy. Why is it not relevant to say that during this period of interim aid, until this language might be adopted, or until this matter has been reviewed by Congress, that the further dismantling of these plants should not be allowed in those countries to which we are giving

interim aid? I see nothing irrelevant in that. The question of tactics is a question of your judgment, not mine; but the administration is in no position to resist that, because it has to have this bill.

Mr. JUDD. May I ask this question, Mr. Case? Assuming that a case can be made out that relief should be given to Austria, and having in mind Mr. Cox's statement concerning the way the State Department has been administering things is it your judgment and that of the members of your subcommittee that it would be better to have the administration of relief assistance to Austria handled through the Army rather than this relief set-up?

Mr. Cox. I am sorry that I did not hear the last part of your question.

Mr. JUDD. Do you think it would be better to have relief assistance, if any is provided in this bill, handled by the Army, or the military forces in Austria, rather than by the civilian forces under the State Department?

Mr. Cox. Let me speak just for myself. I have much greater confidence in the Army in the way they are performing than I have in the State Department.

General Clay is not only a great soldier but a great administrator. He and his organization are doing a beautiful job. Their embarrassment, I dare say emanates from instructions they get from the State Department.

Mr. JUDD. Is not the Army carrying on something of a relief program? I judge from Mr. Case's remarks that some of the relief is being handled by the Army. Do we have two relief programs in Austria, one by the Army and one by the State Department?

Mr. CASE. As I understand it, the relief program in Austria is primarily handled by our High Commissioner, Lieutenant General Keyes, or his deputy, with an adviser from the State Department, Mr. Gibblin. If you bring about any changes, I think—in order to be consistent, looking at Austria as an autonomous unit—I think we should expand our agreement with the Austrian Government and put the relief in the hands of the Austrians, after telling them what you want done with it.

Mr. JUDD. That would have to be done unquestionably through the State Department, which would make these bilateral agreements rather than the Army.

Mr. Cox. You will find nothing of the professional uplifter in the Army. What is happening in Europe, and in our program there, is a repetition somewhat of what happened here during the depression. The whole world had found its way out of the depression, when we were still within the depths of it. Recovery was deliberately held back in order that this cockeyed reform, that has reformed us out of much of our Americanism, might come along with it. And in Europe they are laying stress upon reform rather than upon recovery. That is the trouble, gentlemen: Stress is being put upon reform rather than recovery.

Mr. JARMAN. May I ask you about that cartoon that you spoke of in the newspaper, which I did not see, but I can imagine what it was, comparing the Voice of America, as a small voice, with the voice of Russia, as a big, booming voice? You do not feel that the State Department is responsible for that disparity, do you?

Mr. COX. No; but I do feel that the State Department is responsible for the juvenile characteristics of the program. I do not want to criticize the State Department in the handling of this program, but the State Department at no time completely freed itself of the influence of the old OWI.

Mr. LODGE. May I ask you this: When you were over there you probably recall that Senator Bridges made an attack on the dismantling of the German plants. I recall seeing something about General Clay answering that. As I understood it, General Clay's position was (a) that he had to do it because of the Potsdam agreement, and (b) it is my recollection—and I share your admiration for General Clay—that he said that the plants that were being dismantled could not operate for lack of raw materials, and therefore that it was no loss to us. Did you gather that from his statement?

Mr. COX. I would not be willing to say anything that would in the least embarrass the general, because I want to repeat that he is a fine soldier and he is a fine executive.

Mr. LODGE. He certainly is. I was referring to a public statement.

Mr. COX. As a soldier, he takes orders, and as a soldier he executes them. If the general were given a free hand and not bothered with directives dictated by politics he could do better.

Mr. VORYS. Would our colleague, who has given such a splendid estimate of General Clay's ability, give us a word or two of background and tell us what his native State is?

Mr. COX. The general is a product of my State. He is the son of one of our great Senators. He has made his own way.

Chairman EATON. Thank you very much, gentlemen. You have been very helpful to us.

The committee will now return to its executive session.

(Whereupon the committee went into executive session.)

## EMERGENCY FOREIGN AID

SATURDAY, NOVEMBER 22, 1947

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

The committee met at 10 a. m., in executive session, Hon. Robert B. Chipperfield presiding.

Mr. CHIPPERFIELD. The committee will please be in order. At this time we will hear Dr. McGovern.

### STATEMENT OF DR. WILLIAM M. MCGOVERN

Mr. CHIPPERFIELD. Dr. McGovern, before you proceed with your statement, for the purpose of the record will you please state your background and experience?

Dr. MCGOVERN. Mr. Chairman and gentlemen, I think perhaps what would interest you is the fact that I spent a good deal of my boyhood in Japan and China and knew the language quite well. At one time I was professor of Chinese and Japanese languages in the School of Oriental Studies. In later years I have served as professor of political science in Northwestern University and in connection with my work there have been back to Japan and China many times.

During the war I served as a naval officer with the Joint Chiefs of Staff and was attached to the Joint Strategic Survey Committee there and was asked many times about plans dealing with Japan, China, the Philippines, and Korea, of an economic and political nature.

Mr. CHIPPERFIELD. What was your rank in the Navy?

Dr. MCGOVERN. Commander.

Mr. CHIPPERFIELD. Would you state your connection with the Foreign Affairs Committee?

Dr. MCGOVERN. I was engaged to serve as a consultant to the Foreign Affairs Committee and the Herter committee. In connection with that, I went over and spent nearly 2 months in Japan, China, and Korea again. Actually I traveled with the Armed Services Committee out there and I came back with the Foreign Commerce Committee. But, of course, in one sense I represented you gentlemen in investigating conditions. Incidentally, I had the pleasure of seeing Dr. Judd over in Japan.

Mr. CHIPPERFIELD. There are a number of members of the committee who are extremely interested to find out what the situation is in China. I wish you would give us what information you can on that subject.

Dr. MCGOVERN. Yes, sir. I am preparing a written report on the subject which will be in next week, but I may make a sort of verbal

summary of the conclusions to which I came. I have also prepared a report on Japan which will be in the hands of the committee, so I shall not deal too much with Japan.

By way of introduction I should like to point out a basic strategic concept which I learned during the war; namely, any nation or group of nations that dominates the whole of western Europe is a potential menace to us, but not necessarily an actual one. In like manner, any nation that gains control, or any group of nations that gains control, over the whole of the Far East is a potential menace to us, but not necessarily an actual one. But any nation or group of nations that controls both Europe and the Far East no longer is a potential, but an actual menace to us, because he who controls both Europe and the Far East also controls Africa; and therefore the whole of the Old World, and the Old World, with its greater population and resources, is potentially far more powerful than the New World.

Because of this strategic concept eastern Asia is just as important to us as western Europe, and while dealing with relief to Europe it would be unwise to ignore the problem of what should be done with the Far East.

Therefore eastern Asia is of great importance directly. In addition, you really cannot deal with Europe without keeping Asia in mind, because so much of the normal trade of Europe is with the East.

Many European countries, especially such countries as England, France, and the Netherlands, depend in large measure upon their trade with Asia to support their own economy. If the Orient falls a prey to chaos and anarchy or if it falls into the hands of the Communists, our efforts to restore economic order in Europe may well prove completely useless. That is an additional reason that we have got to handle the Chinese and Japanese situation as an integral part of the world picture.

If I may summarize briefly, I might say, sir, that I think the situation in Japan looks very well from the military point of view and the political point of view. The trouble in Japan is fundamentally economic rather than military or political.

In China, on the other hand, you have a situation in which the really fundamental troubles are essentially military in character rather than fundamentally economic. But, before going into detail on this matter, I should like to call to your attention certain general factors that are likely to influence the course of events in China. There are certain favorable factors in regard to China, and there are certain unfavorable factors. I want to deal, if I may, with both those favorable and unfavorable factors.

One favorable factor is that there is in China a national government, which in spite of many weaknesses, is fundamentally favorable to democracies in general and to the United States in particular.

I think whatever else can be said for or against the government of Chiang Kai-shek, it definitely stands with us in opposition to communism and would like to be friendly to us.

Another favorable factor is that China has a vast labor pool and a very good labor pool. Most of the 450,000,000 Chinese are hard working and intelligent, fairly well skilled in agriculture and craftsmanship, adept at commerce and small industry. It is good material with which to work.

Another very important factor is that China should be self-supporting. From the point of view of raw materials, strategic and otherwise, China is in a far better position than Japan or Italy or even England. China should be self-sufficient as regards all of its raw materials. In spite of its huge population China should be self-sustaining as regards food. Now it has to import an average of 2,000,000 tons of foodstuffs a year, but that is due essentially to lack of communications. If communications were open, China would have a food surplus rather than a deficit.

The same thing is true as regards other raw materials. China is not nearly as richly provided for as, say, the United States or Russia, but, on the other hand, it has enough coal, iron, and other things, such as tungsten and other ferroalloys, to be self-sufficient.

In time it should be able to grow all the cotton that it needs. So, again, it is a question of communications as regards its raw materials. Those are the fundamental favorable factors.

Now, we come to the unfavorable factors that affect us at the present time. One of them, of course, as we know, is the fact that China has no one great commodity which it can export to us and get dollar credit for. In other words, there are a lot of little things. There is some tea, some tung oil, some silk, some tungsten, and some antimony, but there is no single commodity which we wish to buy in large quantities, so they have to make up for that by selling us a great number of small things.

The second unfavorable factor I call political. There is no question but that there is a good deal of inefficiency in the Chinese Government's administration, and that on the lower level at least a lot of corruption in the Chinese Government. That makes it hard for us to give aid to China, knowing that much of the money we provide may be misused. We would have to watch any money that we would give China, to see that it was not frittered away by corruption, inefficiency, or both.

There is another factor that sometimes has an unfortunate effect, and that is the nature of the family system in China. It affects not only the Government but business as well. It is very difficult for a large joint stock liability company to do business in China because of the family system. No one else will put any money into a firm owned or dominated by another family. If my name is Li, I would not put any money into a firm owned by Mr. Wang? Mr. Wang would not put any money into a company owned by Li. Therefore, in trying to see how we can develop the industrial side of China, we have to bear that family system in mind.

There is another factor that I think is very bad at the present time. That is overcontrol of business. Obviously, in this postwar world some controls are necessary, but the Chinese, I think, have gone too far with their controls and are very inefficient in the handling of their controls—import licenses and the rest of it—which means that American businessmen, for example, find it next to impossible to do business in China at the present time.

Equally unfortunate is the fact that in many cases large industries are directly operated by very inefficient government monopolies.

But the most important of the unfavorable factors, is essentially military in character. What do I mean by that? The real trouble

with China is a break-down in communications, and the break-down of communications is largely due to the civil war going on.

If I may give you a specific instance, when I was in Tsingtao the cotton mills there were closed down. Why? Because there was no coal. Actually there was coal only 80 miles away in the same Province of Shantung, but they could not get the coal for those mills 80 miles down to Tsingtao because the Communists had cut the railroad line, and therefore the textile mills were shut down and thousands of people were thrown out on the streets.

The same thing was true when I was in Shanghai. There was a great threat of a power shortage because much of the electric light and power in Shanghai, which used to be provided by Chinese coal from northern China—and they cannot get that coal down there—is being generated with petroleum from Arabia for which they have to spend dollars.

I found the factories in Tientsin closed down because they could not get the carpet wool from northwest China. That is another case of communications.

If you could get communications reestablished then you would be able to restore China's economy. On the other hand, there is no use pouring \$1,000,000,000 or \$10,000,000,000 into China unless you have some kind of a restoration of basic communications.

In addition to the cutting of communications, the Communists have adopted a deliberate policy of demolition and destruction. When they seize a village or a community, what they want to do is to blow up whatever mill or whatever factory is going there. They have no idea of developing it for their own use; they simply destroy as much as possible.

Incidentally, the destruction frequently affects noncommercial things. They will destroy temples, churches, and hospitals; in other words, it is just sabotage; they obviously wish to create chaos and anarchy on the ground that that condition would be favorable to their cause.

I may add that this situation has had one good effect, from our point of view. A few years ago there were many of the middle-class Chinese who said, "Oh, well, the Communists are not so bad. Maybe we can do business with them." That, I found, is no longer true. I talked to hundreds of people in different parts of China who had fled from Communist areas and now I find that the bitterness against the Communists is very strong among these same middle classes there. They realize that you cannot do business with the Communists; that the Communists are simply out and out for chaos and revolution.

The final unfavorable factor there, I think, is the enormous cost of the military operations. In other words, China is really a very poor country and is now spending nearly three-fourths of its total revenues for the cost of their army and other military operations. That is undoubtedly the chief cause of the enormous inflation in China. I do not think you could get really a favorable solution for China until you reduce some of these military costs.

After this review of the factors, favorable and unfavorable, which affect China, I should like to make a few suggestions as to which we can and should do with respect to China. I do not think we not only can, but we should for our own purposes—selfish purposes as well as

humanitarian purposes—help to correct the present Chinese situation.

The Chinese Government, inefficient and corrupt as it is, is a friendly government, and what is more, highly placed and responsible people in this government realize its inefficiency and are willing to take steps to bring about a reform. As a matter of fact many of my Chinese friends have said, "I hope to goodness the Americans do put pressure upon us to bring about reforms. If they give us money they should give it with the distinct understanding that for every \$1,000 that they give or lend, they insist upon so-and-so being done with it, not simply hand it over ad hoc."

I think that one of the things we might well do is in strengthening our Army advisory group in China and in permitting it to be of real aid to the central government.

We have an Army and Navy advisory group out there, with excellent Army and Navy officers attached to it, but who have been told very strictly, both in written directives and in verbal directives, that they must do nothing in any way to directly aid the National Government in its conflict with the Communists.

So here we have an able man like General Lucas, the head of the Army advisory group, who is permitted to help the Chinese in re-arranging their general staff in G-1, G-2, G-3, and so forth, but who is not permitted to offer any advice on a tactical level. Oh, no; we cannot help on that matter that would look as if we were not impartial.

And as for arms—the Chinese now have American arms but no ammunition to go with them.

Our Air Corps advisers are permitted to give over-all strategic advice to the Chinese Air Corps, but they are not permitted to aid in tactical training. They cannot provide them with planes, even obsolete fighter planes, nor spare parts for what planes they do have.

I think that it would be a little thing to do, comparatively, and that is to allow our Army advisory group there to offer real aid to the Chinese. I do not think that we should send in soldiers, marines, or sailors to China, but I think we should simply allow the Army advisory group to do the job they are supposed to do.

The Russians are directly aiding the Communists. The Russians are definitely giving ex-Japanese arms and ammunition to the Communists. And here we are so gracious that we are not willing to give the Chinese arms and ammunition to use against the people who are fighting against us. So I do think in that sense military aid should be given on a tactical level. They should have the use of some of our obsolete B-25's and B-26's. They should have our aid in some tactical training.

Secondly, I think that we can and should provide economic aid to China for the next 2 or 3 years. The figures naturally have to be gone over with great care and the final sum cannot be calculated offhand. But I think it should be about \$500,000,000 or possibly \$600,000,000 spread over a period of the next 3 or 4 years. The amount should be sufficient to get the Chinese economy going again and render China self-supporting.

I think that aid should be given, however, on a yearly installment basis; and with a very clear understanding as to how each and every one of those millions, should be spent. Also, I think there should be close supervision of the spending.



In this connection we have to consider the question of "face." We cannot put an American over a Chinese to spend the money, but I am perfectly certain that an arrangement can be made whereby you can put a Chinese theoretically over an American and call him an auditor, and yet we could have definite control over the money that is spent.

I would also insist that the Chinese put their house in order as regards the throttling controls. The Chinese all tell us, "Oh, yes, we are very anxious to have foreign capital invested in China." And it would be a good commercial proposition to invest money in China, if there were not these rather stupid controls by which foreigners in general and the Americans in particular are handicapped. They are handicapped by governmental red tape. Many of my friends in industrial business and commercial business plan to invest money in China and are giving up because of the controls. We need not insist that all controls be done away with but we can insist that these controls be less rigid and more workable. That is true as regards Chinese business as well as American business.

Finally, I think that we might well have a currency stabilization fund. The inflation in China is fundamentally the result of military operations. But it is also partly psychological. Chinese inflation, in one sense, is horrible; in another sense it is unreal because of the fact that 85 percent of China is agricultural and lives in small villages, and they are essentially on a barter basis where money means nothing to them. Inflation is hitting the big cities. It is a localized problem, in one sense, rather than a national problem. The very fact that China is basically agricultural is a very good thing in a sense, because it means that these little villages are almost self-sufficient. For that reason I think to stabilize the currency by a special revolving fund on a commercial basis is perfectly possible. I have prepared some facts and figures which I will submit to the committee later on as to how it can be done, but I think largely, because it is psychological in character, once the Chinese know that we are going to help them, much of your inflation will be cured already and you will not have to spend millions upon millions to cure that inflation. As a matter of fact, a very small amount of money, possibly \$75,000,000 or \$100,000,000, would be enough to cure the inflation provided that at the same time military aid is given to them to open up communications. In fact, it is even conceivable that with communications open we would not have to lend any money for stabilization. However, any money for stabilization should be loaned on a revolving fund basis and not a gift.

I think those are the most important features of the report.

Mr. VORYS. What is the total annual budget of the Chinese Government in American dollars?

Dr. MCGOVERN. The budget of the whole Chinese National Government is approximately \$1,000,000,000. It is ridiculously small, from our point of view.

Mr. VORYS. And what is the deficit? They are on a deficit financed basis, are they not, printing money?

Dr. MCGOVERN. They are on a deficit financing basis. I have the figures, but I cannot recall them offhand. The different bureaus have given me different answers.

Mr. VORYS. I just wanted it approximately.

Dr. McGOVERN. I would say that their income is approximately \$600,000,000 and their expenditures about \$1,000,000,000. It is on that order.

Mr. VORYS. So, on a balance of payments basis, 450,000,000 people are only \$400,000,000 out of balance. I might say that we have been considering some of the European countries where about one-tenth of that number of people have about the same deficit.

Dr. McGOVERN. I think that is a very important thing, that the scale of China is so huge in numbers and area and really so small from the point of view of our economy. In other words, we could not run a sizeable city—New York, Chicago or Boston—on anything like what you run the whole Chinese National Government on.

Mr. VORYS. Is it not important in our thinking to bear in mind how far a dollar will go in the Orient?

Dr. McGOVERN. That is right.

Mr. VORYS. As compared with the distance that it will go either in this country or in western Europe?

Dr. McGOVERN. Yes. I must say, in that connection, when you are talking about \$12,000,000,000 or \$15,000,000,000 for western Europe—whatever figure you arrive at here in the committee—it is rather remarkable that in connection with China, the whole of China, I think at the most what we would need would be about \$1,000,000,000 or \$1,500,000,000 to give the maximum aid that we want to over a long period of years.

Mr. VORYS. You speak of changing the nature of advice which the military missions are permitted to give. Is it not your understanding that the kind of advice which is now given by our military mission in Greece would be sufficient?

Dr. McGOVERN. Yes.

Mr. VORYS. It would be sufficient in China?

Dr. McGOVERN. Yes. Some of my Chinese friends remarked to me, "After all, you are willing to do this in Greece; why are you not willing to do it here in China?" And they are a little surprised at that relationship. All you need is exactly the same kind of thing.

Mr. VORYS. Would any interim aid in the next 4 months be of value, in your judgment?

Dr. McGOVERN. Of very great value indeed, small. If interim aid could be given in the nature of \$60,000,000 or \$70,000,000, a figure in that neighborhood, I think that that would have an enormous effect on China—largely psychological. So much of the trouble in China now is defeatism—the feeling that America has deserted her and that America is not concerned with her future. The net result is widespread defeatism. And in the higher circles there is more defeatism than I have ever known in China. They say, "Maybe we cannot make it; maybe this is the last year." I think even some token aid of \$60,000,000 or \$70,000,000, would have an enormous effect upon restoring China's confidence and morale and willingness to go and help themselves.

Mr. VORYS. You mentioned that any aid that might be furnished should be closely supervised. Could you give us a suggestion as to how an interim aid program might best be directed?

Dr. McGOVERN. I would say probably the interim aid might well be made through one of our governmental organizations such as the

Export-Import Bank, or some other similar agency and I would say probably it might well be called "currency stabilization," an advance for currency stabilization. I think that that would be the best way of handling it.

Mr. MANSFIELD. You state in your opinion, if I understand you correctly, that advances should be made by the RFC, or the Export-Import Bank in the sum of \$60,000,000 or \$70,000,000 to tide over China temporarily; is that correct?

Dr. McGOVERN. Yes.

Mr. MANSFIELD. Why do you think, on the basis of your experience, that the Chinese were not able to make use of the \$500,000,000 which was placed at their disposal until June 30 of this year?

Dr. McGOVERN. As you know, Mr. Mansfield, we had arranged to lend China this money. That money was not advanced them because of the fact we said we would not advance it to them until they cleaned up their house and united with the Communists. That was the basis of it. Personally, I feel that was a mistake. I think to have tried to have forced the Chinese to let the Communists inside their own government was a very serious mistake, and still would be. In other words, our policy in Europe is now recognized that once Communists get into the Government they proceed to sabotage the Government. Yet we told China that we will not lend them the money unless they let the Communists into the Government.

Mr. MANSFIELD. Would you say that was the dominating factor which kept the Export-Import Bank from making that particular money available?

Dr. McGOVERN. I think that was the most essential single factor. There was also the factor well known here of the inefficiency and corruption of the governmental circles.

Mr. MANSFIELD. Would you say then, Doctor, that the Export-Import Bank—which I understand is a business institution designed to make loans on a business-like basis with some degree of assurance that the loan will be repaid—was motivated by that one particular factor—the inclusion of the Communists in the Central Government?

Dr. McGOVERN. I think that is one of the main factors, because it was thought at the time that if you had a united China, with all parties represented in the Government, a loan to that Government would be on a better business basis than a loan to a government that represented only one party in China. Perfectly naturally, if we are going to lend money to any government, we want to know that that government has control over its own people, and the question was asked, Did the Government have sufficient control over its own people without the Communists?

Mr. MANSFIELD. You would not be in favor of this Government advancing money to China without any definite assurances in return that that money would be put to good use and would aid in the economic rehabilitation?

Dr. McGOVERN. Absolutely. I would insist upon strict guaranties, not only verbal or written, but I would like to have American supervision all the way along.

Mr. MANSFIELD. Would you approve of the idea of a plan somewhat along the proposals which the 16 western European nations considered, by means of which they got together and looked over their

own resources and assets, found out what they wanted to do, and could do, to help get themselves on their feet, and then turn to the United States in the hope that we will fill the vacuum? Would you approve of such a program as that for China?

Dr. McGOVERN. Yes; very much so.

Mr. MANSFIELD. And you think on that basis you would be taking a calculated risk with every possible assurance that could be given that our money would be well spent and not go down the drain?

Dr. McGOVERN. Absolutely. As I said before, I would be very much opposed to a blanket loan or gift to China, or any general loan. I would like to have any loan on a specific basis—on a specific-project basis.

Now, with this money we could do this: We could reopen the steel mills in Hankow. There are certain specific projects in the Canton area that might well be approved. I think that it should be on a specific basis, well supervised, and on a calculated-risk basis.

Mrs. BOLTON. Regarding the \$500,000,000 and the fact that it never got there, did you find that the intelligent Chinese, or even the unintelligent ones, were questioning our logic and reason?

Dr. McGOVERN. Yes; I have found that very widespread and in all circles—top, middle, and bottom. I was rather surprised to find out that it affected the little merchant with whom I talked, as well as some of the Government officials. They said that they simply could not understand what our attitude was; that we seemed to be doing in Europe exactly the opposite of what we were doing in China. Here in Europe we have been trying to rescue those governments struggling against communism, and in China we seem to be trying to let down the one Government trying to suppress communism. They feel that much of the present power of communism in China is due to American action, or lack of action, as the case may be.

Mrs. BOLTON. So that our argument that we would be giving to a sounder government if both groups would join was far from sound?

Dr. McGOVERN. Very far from sound; I am certain.

Mrs. BOLTON. And they knew it?

Dr. McGOVERN. They knew it. I think they were more sensible than we. We have found that throughout the world a Communist is a Communist. Many of our magazine and book writers over here kept on telling us a Chinese Communist was not a Communist; he was an agrarian reformer. I heard that said in 1943. We now know that a Chinese Communist is a real Communist and is struggling tooth and nail against everything we stand for, in China as well as any place else. Incidentally, I might add that the Communist leaders, such as Mao Tse-tang and Chou En-lai are the first to admit that they are thoroughgoing Marxist Communists.

It is always curious to follow the pattern of Chinese Communists. I have had long talks with the Communists Mao Tse-tang and Chou En-lai. They admit that they are Communist leaders, and it is interesting to see them follow the party line, just exactly as our Communists over here.

When we had a popular front line, "all of the democracies had to fight against the Fascists," that was their line. Now, Chinese Communists, like other Communists, are working for world revolution.

Mrs. BOLTON. Did we not have an adequate force over there with knowledge of the situation, and was the information relayed to the State Department?

Dr. McGOVERN. Both the State Department and the Joint Chiefs of Staff did have adequate information, but I do not think that adequate attention was paid to it. I feel that there was a time when some of our people in the State Department, both here and in China, were very badly mistaken. That has now been changed. The present State Department situation is far better than it was, but I know that I was somewhat appalled during the latter part of the war and just after the war when I was working with the Joint Chiefs of Staff to find some of these statements and ideas coming from some officials in the State Department which might well have been uttered by a "fellow traveler."

Mrs. BOLTON. And there were some members of the Army who held that opinion, also?

Dr. McGOVERN. There is no question about that.

Mrs. BOLTON. We had one of them before us during that time, as I remember.

Dr. McGOVERN. There is no question about it.

Mrs. BOLTON. And the attitude at that time was that the Communists were the forward-looking, modern Chinese.

Dr. McGOVERN. That is true. I am sorry, Mrs. Bolton, that in many cases that kind of advice and information was accepted. We had the other material coming in the whole time. As you know, I worked very closely in connection with the OSS, and I would see all of these reports coming in, both from the OSS, the Navy people and the State Department people. We had plenty evidence all along that the Chinese Communists were Communists, but unfortunately some of our people did not accept these things.

Mrs. BOLTON. Yes. What was the date of that loan, \$500,000,000 that the Congress provided for?

Dr. McGOVERN. That was in 1946—well, there were two \$500,000,000 loans, one was in 1942, which they got, and the one in 1946 which they did not get.

Mrs. BOLTON. I think perhaps you do not want to go into the actual executive position on the question, which seems to be apparent. In other words, we came right up against a very serious and necessary study.

Dr. McGOVERN. Yes.

Mrs. BOLTON. Certainly the legislative end of the Government should secure knowledge concerning these conditions and I think we do have first-hand knowledge. Do you not feel that a great deal more wisdom might be exercised by the executive department?

Dr. McGOVERN. Yes.

Mrs. BOLTON. You would be in agreement with that?

Dr. McGOVERN. Yes. And, if I may just add one other thought, Mrs. Bolton: That we suddenly discovered that we are really a major power in the world. In the olden days when we were a second-rate power it did not matter very much what our foreign policy was. Now, we find ourselves a first-rate power and I do think that it is very essential that we have a very adequate national policy and that we be able to take our place as a National Government in dealing with these matters.

Mrs. BOLTON. Now may I ask you a question a little off that line, but because of some studies I have recently made: Would it seem to you to be rather imperative that we increase the number of our consulates and our official contacts with the countries of the Far East?

Dr. McGOVERN. I thoroughly agree that we should, yes.

Mrs. BOLTON. This would be more in keeping with our position as a first rate power. Do you feel that any reduction would have a tragic effect, particularly at this time, on our relations with China?

Dr. McGOVERN. And in China, particularly. In other words, at this moment, there is no more important place than in the Far East, if we are going to live up to the position we have assumed.

Mrs. BOLTON. Do you feel that giving up the Far East, by whatever means we do it, would jeopardize everything we hold dear?

Dr. McGOVERN. I am thoroughly of that opinion; and if we lose the Far East, Russia then takes control of the Far East, and you know what that means.

Mrs. BOLTON. You think doing some of the smaller things would help solve these various problems?

Dr. McGOVERN. Yes.

Mr. CHIPERFIELD. Dr. Judd.

Mr. JUDD. Dr. McGovern, did you get any information as to what or who held up, for example, this \$500,000,000 loan?

Dr. McGOVERN. Well, I think it came from high places in the State Department; that is my understanding.

Mr. JUDD. You think it was held up on the basis of a decision in the State Department that China had not done all we wanted her to do in order to get the loan?

Dr. McGOVERN. Yes.

Mr. JUDD. Do you know who held up the ammunition for the Chinese that was already in the lend-lease pipe lines on VJ-day?

Dr. McGOVERN. That was also the State Department.

Mr. JUDD. Do you have any knowledge or did you get any information as to who stopped the fulfillment of our commitments to supply eight and a third air groups with American planes?

Dr. McGOVERN. That was also the State Department.

Mr. JUDD. Regardless of who did the stopping, the result was that while the American people thought we were being strictly neutral in China in carrying out a so-called nonintervention policy, we were in fact intervening against the Central Government by not fulfilling our part of the agreements or understandings with it.

Dr. McGOVERN. I think the result was just that, and in fact we were more nearly implementing the plan of its opponents.

Mr. JUDD. Was there anything in the original loan agreement that required the Chinese to get along with the Communist Party?

Dr. McGOVERN. It was the understanding when the loan was made that it would not go forward until they had made some kind of an agreement on national policy.

Mr. JUDD. That is, they must have achieved unity?

Dr. McGOVERN. Yes.

Mr. JUDD. That was the understanding. Was there any written agreement requiring that the Chinese first get internal unity?

Dr. McGOVERN. That was what I was told in China; I do not know whether it was in the agreement; I did not see the agreement.

Mr. JUDD. Do you know who put that condition in the agreement?

Dr. McGOVERN. I was informed that it was the State Department.

Mr. JUDD. The State Department is responsible for that?

Dr. McGOVERN. So I was informed.

Mr. JUDD. To the effect that they had to run their internal affairs in the way we wanted before they could qualify?

Dr. McGOVERN. Yes.

Mr. JUDD. Regardless of what our national policy was at that time with respect to being able to get along with Communists: Could you tell us whether there has been any change in the State Department's policy with respect to this particular situation?

Dr. McGOVERN. Yes; I think there has been a considerable improvement because of knowledge received by the State Department, not only on the question of some change in policy, but also the policy has changed because of a better understanding of what communism means. I know because of contacts I have had, and because of what people have told me that many people now in the State Department realize what communism really means, more than they did sometime back.

Mr. JUDD. What do you think we could do, perhaps, to speed up this change of policy, or rather to implement the change of policy, so far as China is concerned?

Dr. McGOVERN. The State Department, like all other governmental agencies, is subject to the will of the American people as expressed through government, and therefore I think that the State Department might very well be informed what the Committee on Foreign Affairs does know and what it does feel about this problem.

Mr. JUDD. Dr. McGOVERN, What is your estimate of the military situation in China? How long do you think the Central Government of China can hold out without more active help, without more tangible evidence of this change of policy in America?

Dr. McGOVERN. I would not be surprised if China might collapse within a year. By collapse, I mean she will be unable to continue as an effective national government, and the result will be to fall back to the system of war lords. I think anyone can see the desperate situation she is in now.

Mr. JUDD. Do you think we would weaken China between now and April by not sending aid to her?

Dr. McGOVERN. There is no question about that.

Mr. JUDD. It would seem inconceivable that we would want to weaken her; it would cause great damage to us as well as her if that resulted as a result of our not getting aid to China promptly.

Dr. McGOVERN. I think that even some token help, some gesture, might help save the situation until the \$100,000,000, or whatever help is provided, can be made available.

Mr. JUDD. Well, that leads to this question: Inasmuch as General Marshall has suggested, in the Senate committee, a proposal of assistance to the Chinese Government of something like \$20,000,000 a month for 15 months beginning in April, do you think it would be out of order for us to make provision in the bill that something like that \$20,000,000 a month program of assistance be authorized to begin January 1?

Dr. McGOVERN. I think it would be very advisable, extremely advisable, and I really do believe that we might be saving ourselves several million dollars by such help.

Mr. JUDD. That, too, would be an interim aid program until we can work out a long-term program.

Dr. McGOVERN. Yes.

Mr. JUDD. Of trying to keep China in as strong a position as possible until we can develop a long-term program.

Dr. McGOVERN. Yes.

Mr. JUDD. Now with respect to the question Mr. Vorys asked as to the percentage of China's budget which they are able to raise from taxation and tariffs, and so forth. You said it is something like \$600,000,000 out of a billion.

Dr. McGOVERN. Yes.

Mr. JUDD. I think at the present time it is less than that, because the value of the Chinese yuan has decreased to such an extent that the government's revenue, computed in American dollars, has fallen in some months to as little as 35 percent, has it not?

Dr. McGOVERN. Yes.

Mr. JUDD. That is, the Government is getting in revenue only about 35 percent of what it has to spend.

Dr. McGOVERN. That is right.

Mr. JUDD. To try to carry on the government and to carry on a war such as exists at the present time.

Dr. McGOVERN. And, of course, the more that communism spreads the less the Government is going to get from revenue, because you cannot get any revenue from a plant that is not in operation or that has been destroyed, and where communism takes over you cannot tax business because there is no business left.

Mr. JUDD. That is right. Then this other question: General Marshall told us that from 70 to 80 percent of China's budget is going for military expenses.

Dr. McGOVERN. That is probably correct.

Mr. JUDD. Now, if we say that 75 percent of her budget is going for military expenses that leaves only 25 percent to go for its civilian activities, and on the basis of a billion dollars that would be \$250,000,000 a year. And they raise from revenue about 35 percent of the billion dollars a year, which would be \$350,000,000. If we could help them get through the military phase, they would have an opportunity to come out, because their budget for peacetime expenses would be more than balanced.

Dr. McGOVERN. If they could get some help to develop a sound currency or a sound money—

Mr. JUDD. It would not be necessary to print further money, and they could begin to retire their currency, because they would have a sound economy. You think that would help solve a part of their problem?

Dr. McGOVERN. Yes.

Mr. JUDD. Do you know what their deficit in the balance of payments is?

Dr. McGOVERN. No; I am sorry. I have those figures in my brief case, but I have not looked at them enough to give them to you offhand.

Mr. JUDD. In France we are told the deficit is about \$110,000,000 a month.

Dr. McGOVERN. Yes. Unfortunately, I have those figures which I can look at, but I have no statement prepared on them.



Mr. JUDD. I think you will find that in China it is running about 12 to 15 million dollars deficit a month.

Dr. McGOVERN. Yes.

Mr. JUDD. Or \$150,000,000 a year in China, as against \$110,000,000 a month in France.

Dr. McGOVERN. I have estimated that it might run as much as \$200,000,000.

Mr. JUDD. Did you find any evidence of hoarding of supplies—perhaps “withholding” is the word—of materials that ordinarily would be exported?

Dr. McGOVERN. Oh, yes.

Mr. JUDD. In addition to that, even if the Chinese did not want to hoard, the present situation prevents them from shipping anything out—anything they could send abroad in order to get foreign exchange.

Dr. McGOVERN. Yes.

Mr. JUDD. And again their financial situation is made so difficult largely because of their communications break-down—the present disruption of communication by the Communists.

Dr. McGOVERN. Yes.

Mr. JUDD. Do you recall about what is the total value of the Chinese currency in circulation today?

Dr. McGOVERN. I do not remember now.

Mr. JUDD. I think it can be put at about 20 trillion.

Dr. McGOVERN. That is the approximate figure.

Mr. JUDD. Do you know the present rate of exchange of the dollar, Mr. Penfield?

Mr. PENFIELD. I think it is about \$120,000.

Mr. JUDD. If we put it on the basis of 100,000 Chinese yuan to \$1 that would be approximately \$200,000,000 for all their money, their currency.

Dr. McGOVERN. Yes.

Mr. JUDD. To take up all their currency could be done with \$200,000,000 of American money—all the paper currency taken out of circulation, with brand new sound currency put into circulation, for \$200,000,000.

Dr. McGOVERN. If that could be done I think it would save the situation.

Mrs. BOLTON. I think that is an important point.

Mr. JUDD. Now may I ask you this further question: Have you gone into the question that is being posed in various circles that we ship \$100,000,000 or even \$200,000,000 of American silver over to China, some of what we took away from them under our silver-purchase program and which did a tremendous disservice to China's stabilization back in the early thirties? Have you gone into that problem at all?

Dr. McGOVERN. Yes; I have heard it discussed some in China, and I have discussed it with various people here. To my mind it is still not the complete solution, but I think it would be useful.

I think there is something we have to keep in mind, and that is the psychology of the Chinese with reference to paper money. The Chinese have always been accustomed to having what you might call hard money—something they can see and handle. Therefore from the standpoint of the psychological effect I think it would be good.

Mr. JUDD. It is hard for the Chinese people who always had hard currency until 15 years ago to have equal confidence in paper money.

Dr. McGOVERN. To that extent they are different from the Japanese. The Japanese have a very different conception of paper; they are more accustomed to using paper money than the Chinese.

Mr. JUDD. Yes.

Dr. McGOVERN. They seem to understand more about credit, checks, and currency.

Mr. JUDD. Now, a question has been raised as to whether the long-term program for China ought not to be on the same general basis as the so-called Marshall plan for Europe, for them to submit a program for rehabilitation and then we take care of as much of the deficit as we can, whatever seems best for us to do along that line. Do you have any information as to whether or not the Chinese Government has submitted such a program?

Dr. McGOVERN. The Chinese Government, I know, has been considering it for some time, and we told them we would be interested and would like to get from them some proposal, and they have sent over some proposals, as I understand, along with developing a program for the Chinese Government which they would like to discuss with us on a definite basis.

Mr. JUDD. Do you know whether or not such a program has been submitted to the State Department?

Dr. McGOVERN. Some of them, so I was told.

Mr. JUDD. Then it is not true that they need to be asked to prepare such a plan, but some plans have already been submitted?

Dr. McGOVERN. Some undoubtedly have been submitted.

Mr. JUDD. So if there has been failure it is not on the part of the Chinese Government in this particular respect.

Dr. McGOVERN. No.

Mr. JUDD. Now I want to come down to the matter of control by the Chinese Government over foreign business: Do I understand you to say that they have placed the same kind of controls over Chinese businesses?

Dr. McGOVERN. Yes; they are controlling both Chinese and American.

Mr. JUDD. In no sense is it a discrimination against us?

Dr. McGOVERN. No.

Mr. JUDD. And is this true: That there is just as much opposition to the controls from the Chinese businessman as there is from the American businessman?

Dr. McGOVERN. Yes; absolutely.

Mr. JUDD. Do you feel that in some respects this excessive control may be understandable when we consider that for a great many years so much of China's economy was controlled by other powers?

Dr. McGOVERN. Yes.

Mr. JUDD. And the present government in China came into being largely on the basis of its long campaign to end control over their economy by outside nations? Do you not feel that has a bearing on their present program? That the pendulum inevitably swung back too far?

Dr. McGOVERN. Yes.

Mr. JUDD. Do you feel that if the Chinese Government were a little stronger, were not so conscious of its weaknesses—and we must also consider the fact that China is still undergoing pressures from abroad plus pressures from within—China would inevitably adopt a change in this policy, would become more liberal in these controls and in its politics?

Dr. McGOVERN. I think so. I think when you get into the field of government, and talk about democratization, that actually the Kuomintang was developed as a part of a general plan in China.

Mr. JUDD. Is it not true that an election is being held in China this very week?

Dr. McGOVERN. This very week end.

Mr. JUDD. The first major election in its history?

Dr. McGOVERN. In the history of China.

Mr. JUDD. Indicating that the Chinese Government is trying sincerely to move toward a democracy.

Dr. McGOVERN. Yes.

Mr. JUDD. And eventually to have such a government.

Dr. McGOVERN. Yes.

Mr. MANSFIELD. How many political parties are there in the field at this time?

Dr. McGOVERN. The major party is, of course, the Kuomintang. In addition there are the Social Democratic and the Youth Parties. There seems to be one thing that nobody was worrying about, and that was whether they had a party which represented what they were interested in. And I asked some of them why they did not get together and form a party that would represent their ideas.

Mr. MANSFIELD. In other words, you feel there would be no objection to the formation of such a party?

Dr. McGOVERN. That is right. They said, "Why bother?" Unfortunately the Chinese are excellent men individually but they do not get together very well; they are not very good organizers. On the other hand the Japanese are very keen on group action.

Mr. VORYS. Would Dr. Judd or Dr. Mansfield yield?

Mr. JUDD. Go right ahead.

Mr. VORYS. If the Kuomintang would proceed with their program of providing for democratic elections, would that not result possibly in a change within the Kuomintang Party itself?

Dr. McGOVERN. That is so. As a matter of fact when we speak of one-party government in China we must remember the situation is very different from the one-party regimes of Communist Russia or of Nazi Germany. The Kuomintang in China, though nominally one party, is really a rather loose coalition of many different and sometimes discordant groups.

Mr. JUDD. There was one other question I wanted to ask: Is it not true that the various minority non-Communist parties, the Youth Party and the Democratic Socialists, now have representatives in the Chinese Government?

Dr. McGOVERN. Yes; that is so.

Mrs. BOLTON. What, if any, plan does the Government have to do away with at least some of the political power of the family? That is a pretty serious question.

Dr. McGOVERN. It is a very serious question, one on which the Government to date has no policy; it is an ideological question and it is fundamental; and I think that the Chinese will be perpetually handicapped in their economy and their politics by this familyism. It has its good sides, very good sides: It has provided social security and relief for unemployment, and health relief, but it has always been one of the troublesome handicaps because in China a man feels more loyalty to his family than to his nation and more loyalty to his family than to his neighbor.

Perhaps Dr. Judd could offer a better suggestion than I, but perhaps Christianity may be the answer eventually.

As you know, the Japanese also had the family ties, a family religion, you might call it, but the Japanese families were willing to subordinate themselves to the nation.

It may be that with the growth of the nation and with the idea of social responsibility the Chinese will begin to subordinate their loyalty to the nation. But it is going to take a long period of years. It cannot be done at once.

Mr. BOLTON. A Chinese does everything on a long-term basis.

Dr. McGOVERN. Yes.

Mr. JUDD. May I ask you a question on this political angle?

Dr. McGOVERN. Yes.

Mr. JUDD. Have you found that there is any difficulty in getting the good Chinese citizen to get into politics? Do you not find that if he is a good Chinese he cannot blow his own horn and solicit votes, which he would have to do to be elected?

Dr. McGOVERN. Yes.

Mr. GORDON. Do women take an interest in politics?

Dr. McGOVERN. Yes; women play an important role in Chinese political affairs. As a matter of fact China has always been noted for the fact that its women have been prominent in Government life, indirectly in the old days, and more directly in recent years, as in the case of the Soong sisters since the revolution.

Mr. JUDD. The new constitution provides for representation of women and, as a matter of fact, the Chinese legislative branch now has five in its presidium, five speakers, or presidents, and one of them is a woman. In fact, they have provision for a sort of proportionate representation; that is, a certain number of those elected must be women, and women voters choose some of the women.

Dr. McGOVERN. Yes. In other words, the women have all the powers that the men have and some powers that the men do not have.

Mr. JARMAN. Reference was made to the difficulty of getting the best men to run for office because they do not want to play themselves up in public life. That is just the opposite of what we have to do in this country.

Dr. McGOVERN. Yes.

Mr. JARMAN. How do you account for that?

Mr. JUDD. One of the first requirements of a Chinese gentleman is to belittle himself. If you go to a Chinese feast the host has to sit at the lowest place, and all of his guests have to squirm around, making a pretext of trying to sit at the lowest place, because a man to be a gentleman has to say, "I am unworthy to receive this honor." So for him to go out and persuade the people that he is the most worthy man

is distasteful, all but impossible, because he is supposed to say that "I am unworthy."

MR. JARMAN. In other words, he has to present himself as the most incompetent or unworthy man in the race?

MR. JUDD. Yes. And you are dealing with people who for 4,000 years have been under that code. For a man to go out and try to convince the people that they should vote for him would demonstrate to most people that he is the sort of man they should not vote for.

MR. JARMAN. That would make it difficult.

MR. JUDD. Yes.

DR. MCGOVERN. I should like to remind you that China has always been democratic in the sense that everyone had an opportunity to rise. A man could start as a street sweeper and end up as an important representative in the Government. To that extent China has long been democratic.

MR. JUDD. Through the Confucian examinations.

DR. MCGOVERN. Yes; through examinations. Nevertheless, China has never had what we call a democratic form of government in the sense of holding elections, and naturally it has taken a long time for them to understand what elections really are. They are behind the Japanese, in the sense that the Japanese have been holding elections for over half a century.

MR. JUDD. Is it not also true in China that for centuries the head of the family was the patriarch who spoke for it, and not each individual member for himself?

DR. MCGOVERN. Absolutely; and it is going to take a long time for that tradition to change.

MR. JUDD. Therefore was it not rather silly for us to expect the Chinese Government to become democratic all at once and demand that it achieve that state before we would help it, even when to help it was to help ourselves?

DR. MCGOVERN. All I can say is I think China is definitely leaning more and more to democratic ways. I know there are men who are beginning to see what democracy means. It is a question of psychology and ideals in China, and it is going to take a long time for them to grasp fully the idea of democracy.

MR. JUDD. And, therefore, the important thing for us to consider is not where they are just now, but the direction in which they are moving?

DR. MCGOVERN. Yes; it is.

MR. JUDD. Now, is it not true, however, that the Chinese Government is committed unequivocally to democracy in the sense that it is one of the three basic points of Sun Yat-sen; it is their ultimate objective, is it not?

DR. MCGOVERN. Yes; it is unquestionably.

MR. JUDD. Is it not also true that the Communists in China, as everywhere else in the world, have frankly and avowedly proclaimed as their ultimate objective the dictatorship of the proletariat?

DR. MCGOVERN. Yes; that is true. In this connection, I should like to correct a common mistake about the real powers of Chiang Kai-shek. He is often called a dictator. This is far from true. There are many things he would like to do and cannot do. He does not agree with many things that are done by his government and is powerless to pre-

vent them. Moreover, the Generalissimo is genuinely in favor of a trend to genuine multiparty government, as can be seen by his ardent support of the new democratic constitution which comes into effect this year.

The new constitution is an excellent constitution; it is one of the best in the world.

Mr. JUDD. I have one more question, Doctor. Do you think that perhaps the only way in which the Chinese will really make progress in curing their admitted political weaknesses will be to better their political sense and techniques through participation in local and municipal elections and then gradually extend to larger units as they gain experience?

Dr. McGOVERN. Yes, sir; I think that is very true, sir. We, in America, were able to start our Republic as we did because we were already accustomed to local and municipal action through town meetings, and so forth, which we had participated in for many years, and so where you have that ideology and experience of long action you are able to apply that on a bigger scale when the time comes. As a matter of fact, Mrs. Bolton, it would be a good thing if you could go over there and start organizing some political clubs among the women.

Mr. JUDD. In the October municipal election in Peiping the Christian community, for example, got together and put up a man and woman, went out and campaigned, and got them elected to the Peiping Municipal Council, so that is showing much progress.

Dr. McGOVERN. Yes; it is.

Mr. JUDD. That is all.

Mr. CHIPERFIELD. Mr. Lodge.

Mr. LODGE. Dr. McGovern, I personally have been very much impressed by your testimony, and I think this has been one of the most interesting and stimulating sessions that we have had, and it has also been very informative for those of us who know little about China.

You made a remark about the Japanese situation that interested me very much when you said you felt that although they were in economic distress that politically they were not.

Dr. McGOVERN. Yes, sir.

Mr. LODGE. That came as somewhat of a surprise to me, because I understood, I think, from Dr. Judd that they were beginning to be very much afraid of communism, and that they did not want to cooperate with us as much as they did in the past.

Mr. JUDD. No; not in Japan, but over in China.

Mr. LODGE. Does that not, nevertheless, have an effect on the political situations both in China and Japan?

Dr. McGOVERN. Well, perhaps I had better explain that, if I may. I said that Japan is already demilitarized and that politically she is making progress.

No country is perfect, but, on the other hand, I was rather surprised and very much pleased at the way at which Japan has taken to democracy, and are beginning to practice democracy. We had lunch with the Prime Minister, and afterward I saw all of the various Ministers of the Cabinet and I saw and talked to people on the local level as well.

Mr. JUDD. Dr. McGovern is also a great expert in the Japanese language. He wrote one of the standard grammars which the Japanese study to analyze their own language.

Dr. McGOVERN. As a result of those talks and those visits I am convinced that Japan, certainly, for the moment, is converted to democracy, and they are genuinely interested in it, and they want to make it work, and to that extent I say that it has succeeded in Japan.

For instance, in the last national election the Communists had less than 2 percent of the total popular vote, and as an internal menace it is not a serious menace in Japan at all at this time.

Mr. LODGE. Communism is not an internal menace in Turkey either, and yet the contagion of the Communist germ spreads south to Turkey.

Dr. McGOVERN. Yes. I would say that if we were to clear out of Korea, and if we were to let China go down, and it were to fall into the hands of the Communists I think there might be a great revulsion of feeling over there, and that they might say, "Well, let us get on the band wagon; let us go Communist too."

Mr. LODGE. I just wanted to have you bring out the fact, Dr. McGovern, that even in Japan the Communist threat is felt.

Dr. McGOVERN. Oh, yes, very definitely.

Mr. LODGE. Now, can you tell me what we have done with our surplus property in China, roughly speaking?

Dr. McGOVERN. Actually a good bit of it was down in Burma, rather than in China, but in most cases it has been just left to rot there in the jungles.

Mr. LODGE. It has been left to rot in the jungles?

Dr. McGOVERN. Yes, left to rot in the jungles. However, some of it has been sold to the Chinese under this Foreign Liquidation Committee, you know, the FLC.

Mr. LODGE. Yes.

Dr. McGOVERN. That has been sold mostly out of the junk heaps over there, and it has been sold at a nominal cost to the Chinese.

Mr. LODGE. Do you have any idea as to approximately what the value in American dollars is of the surplus property that has been sold to the Chinese?

Dr. McGOVERN. No. I had some figures on that which Ambassador Stuart gave me, but I have forgotten them. However, as a result of those sales we have been able to buy a good deal of real estate over there in Nanking and elsewhere.

(Discussion off the record.)

Mr. LODGE. I would like to have some of this on the record if I could.

Dr. McGOVERN. I can get all of the figures on that for you if you wish to have me do so.

Mr. LODGE. Can you put an insertion in the record, Doctor, on that?

Dr. McGOVERN. Yes, I will include it in the report I am preparing for the committee.

Mr. LODGE. The point I am trying to bring out, Dr. McGovern, in connection with surplus property is that wherever I have traveled in Europe I found that we had made a needlessly and, I might say quixotically, bad deal in connection with surplus property.

Dr. McGOVERN. Yes.

Mr. LODGE. We have taken only 15 to 20 cents on the dollar for that surplus property, and I do not attack that, but then we tied our hands as to the expenditure of our local currencies, both as to the things we can spend it on and as to the time within which we have to spend it. I

just thought that instead of so restricting ourselves, and I would like to get your opinion on this, that we should revise our surplus property agreement in China in order to be able to spend this money in other ways, such as for the rehabilitation of the Chinese Government and the USIS program and other things which come to my mind. What do you think about that, Dr. McGovern?

Dr. McGOVERN. I think it is a very excellent idea, and may I say as a footnote to that that I think the USIS is very badly in need of some assistance in China.

Mr. LODGE. I wanted to ask you how effective you think it is, and how effective it could be made with proper administration and with the proper amount of funds?

Dr. McGOVERN. I put some effort into seeing what they were doing and not doing. At first I did not think much of them, but the more I saw them the better job I thought they were doing, although they are both badly understaffed and handicapped. A part of that handicap is due to the fact that they can only stay there so long, and at the end of that time they have to come back to America and take a job over here.

In China they are doing a very badly needed job because of the fact that you have so few newspapers of large circulation, and so few magazines of large circulation, and so, the Chinese are eager to get the information made available to them by USIS.

In a good many cases these Chinese newspapers could not afford to get the AP or UP stuff, and, therefore, most of the news that they get about other parts of the world comes through USIS, and so they are anxious to get it.

Mr. LODGE. Did you find among our USIS people that their point of view was any way colored by the pinko streak in the State Department?

Dr. McGOVERN. I went into that matter with some care. I would say that we did have a number of pinkos a year ago. Those pinkos, however, have been eliminated.

Mr. LODGE. Do you know the names of those who remain in the State Department and who you think have not been converted to the new administration approach on foreign affairs?

Dr. McGOVERN. Well, I would rather not discuss that, Mr. Lodge.

Mr. LODGE. Why do you think it is that the State Department, in spite of this conversion that you speak of, has not recommended interim aid to China?

Dr. McGOVERN. I do not know. I have no knowledge whatsoever other than as a private citizen—that is probably because the Secretary of State has been so much concerned with European affairs.

Mr. LODGE. Does that seem to you to be a sufficient reason?

Dr. McGOVERN. It is also possible the Secretary of State feels a little bitterly about China because his plans have not gone well there to incorporate the two groups into a single government.

But, as I say, I have no knowledge.

Mr. LODGE. Do you think that it is vitally urgent that interim aid be provided for China on the basis which is suggested by Dr. Judd?

Dr. McGOVERN. Yes, sir, and I think that they must have both interim aid and long-term aid. They fit in together.



Mr. LODGE. The reason I put it this way, Dr. McGovern, is because at the moment we are considering interim aid.

Dr. MCGOVERN. Yes.

Mr. LODGE. You are prepared to state unqualifiedly and emphatically that, in your opinion, it is vitally urgent that interim aid be provided in China?

Dr. MCGOVERN. I would say that it is almost essential if we are not to lose our stake in China.

Mr. LODGE. Thank you, Doctor. That is all.

Mr. CHIPERFELD. Mr. Mansfield.

Mr. MANSFIELD. Dr. McGovern, it has been brought out that between 75 percent and 80 percent of the Chinese budget is being used for war activities, in carrying out civil war against the Communists, and something was brought out to the effect that of the 80 or 75 percent 25 percent could be used in the development and installation of manufacturing. Who, at the present time, controls the railroads, the shipping, the cotton mills, and other big interests which have been taken back since Free China has been restored to the control of the Central Government, the part formerly held by the Japanese?

Dr. MCGOVERN. Many of the textile mills which were formerly owned by the Japanese are now run by the government under a semi-government monopoly. In other words, it is a private company but it is owned by the government.

In other cases there is no question but that individual Chinese have made fortunes in the last few years. In many cases whole industries have gotten into the hands of profiteers.

Mr. MANSFIELD. Can you tell this committee, Dr. McGovern, some of the prominent Chinese families which have assumed control of some of the large industries in China?

Dr. MCGOVERN. There is no doubt about it that one of the important and very outstanding families is the Kung family.

Mr. MANSFIELD. Are there any others?

Dr. MCGOVERN. Well, the members of the Soong family are not exactly broke.

Mr. MANSFIELD. What do you think is the attitude of the American businessman toward this creation of a great monopoly, at least for the present? Are the American businessmen in China happy with the situation as it exists there at the present time?

Dr. MCGOVERN. No; they are definitely not happy about it.

Mr. MANSFIELD. What do they say is the reason for their dissatisfaction with it?

Dr. MCGOVERN. Discrimination and also corruption. There is always talk of the same old problems in China, inefficiency and corruption.

For instance, in the old days in the customs service it was perfectly open and clear, there was no corruption, but now at the present time that is no longer true, and it is always necessary to pay something down to go into the hands of the officials.

If I am going to bring some stuff into China I want to know what I am going to have to pay to get it in, but I do not know at the present time because I do not know what will have to be paid to some official.

Mr. MANSFIELD. Referring to what was said about silver, and its

psychological effect, I must agree with you and state that in addition to having a psychological effect that it provides a very sound monetary basis, just as in this country silver is just as important as gold in its limited way.

Dr. JUDD made the statement that \$200,000,000 would be enough to re-create a new currency. I am not a financial expert, but it does not seem to me that that would be enough to do that job, unless you bought it back at a very, very low rate.

Dr. MCGOVERN. Did he not say \$200,000,000 would buy up all of the existing currency?

Mr. JUDD. Would redeem it.

Mr. MANSFIELD. At the rate of about 100,000 to 1?

Mr. JUDD. At the present exchange rate.

Mr. MANSFIELD. You were asked several times by me about your opinion as to why the \$500,000,000 loan to China was not granted by the Export-Import Bank, and you also answered several other members of our committee when a similar question was raised.

Now, with the committee's permission, I would like to ask Mr. Penfield what reasons he might have as to what the State Department's attitude was concerning this particular \$500,000,000 loan.

Mr. CHIPERFIELD. Yes; I think this committee would be very happy to have Mr. Penfield discuss any questions or to participate in any way he sees fit.

Mr. MANSFIELD. Can you answer that question for the committee, Mr. Penfield?

#### STATEMENT OF JAMES K. PENFIELD, DEPUTY DIRECTOR, OFFICE OF FAR EASTERN AFFAIRS, STATE DEPARTMENT

Mr. PENFIELD. Mr. Chairman, I was invited here merely as an observer, because I understand next week you want to hear my superior, Mr. Butterworth, who is the responsible head of Far Eastern Affairs in the State Department.

This particular matter of \$500,000,000 which was earmarked by the Export-Import Bank for loans to China is a factual matter, but I think that the facts as expressed here today have been rather misunderstood.

When General Marshall came back here on a visit, in March or April of 1946, he appealed to the Export-Import Bank to earmark this amount for loans to China, and the money was earmarked as requested.

Later—I think you will find all of this on the record, but I am not sure of the dates, and therefore am not going into great detail—General Marshall repeatedly urged and stated publicly that the Department of State urge the Export-Import Bank to implement this earmarking by making loans for certain specific projects. He mentioned the rehabilitation of the Canton-Hankow Railroad, I think, the Shanghai Electric Co. and several other specific projects.

None of those loans were granted, but as far as the State Department was concerned, it urged, or, actually, General Marshall, who was under the Presidents' directive in the most influential position in regard to Chinese policy, urged that they be granted, but they were not granted by the Export-Import Bank. Why, I do not know, but I do think it is incorrect to say that the State Department put a stop on it.

Mr. MANSFIELD. That is all.

Mr. CHIPERFIELD. Dr. McGovern, we thank you for your interesting and informative testimony.

Are there any further questions?

Mrs. BOLTON. I was going to ask if the chairman, who promised to ask some questions in the beginning, has found them already answered?

Mr. CHIPERFIELD. Yes; as to most of the questions I had in mind, they were answered or statements were made concerning them.

(Discussion off the record.)

Mr. JUDD. Dr. McGovern, you are preparing a written report, are you not, for the committee?

Dr. MCGOVERN. Yes, sir.

Mr. JUDD. On China and also one on Korea?

Dr. MCGOVERN. Yes, sir; on China and also on Korea.

Mr. CHIPERFIELD. Mr. Penfield is Deputy Director of the Office of Far Eastern Affairs in the State Department.

The committee stands adjourned until 10 o'clock Monday.

(Thereupon, at 11:55 a. m., the committee adjourned until Monday, November 24, 1947, at 10 a. m.)

## EMERGENCY FOREIGN AID

TUESDAY, NOVEMBER 25, 1947

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

The committee met at 1:45 p. m., Hon. Charles A. Eaton (chairman) presiding.

Chairman EATON. Mr. Cooley, I understand it is your desire to furnish incentive tobacco.

Mr. COOLEY. That is right.

STATEMENTS OF HAROLD D. COOLEY, A REPRESENTATIVE IN CONGRESS, FROM THE STATE OF NORTH CAROLINA; HON. JOHN W. FLANNAGAN, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA; HON. VIRGIL CHAPMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KENTUCKY; AND HON. STEPHEN PACE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. FLANNAGAN. I just want to say a word. As I understand, you have included the language "incentive goods" in the draft. Now, the committee known as the Herter committee, of which you are chairman, made a report which was released Monday to the public, in which this language is used:

It is the committee's view that the corporation should also be permitted to use a small specified portion of its authorized capital to provide incentive goods, other than food, fuel, and fertilizer, to certain countries which are not in a position immediately to finance the purchase of such commodities either commercially or through the Export-Import Bank or the International Bank for Reconstruction and Development. One of the chief impediments to increasing European production of vitally needed commodities is the lack of consumers' goods which can serve as incentives to labor to work harder on the job and reduce absenteeism and to farmers to raise more food and deliver more of their produce to market. To the extent to which European production of food and fuel can be increased by providing at reasonable prices incentive commodities, such as tobacco and cigarettes, shoes, clothing, and other consumers' goods, to miners, key factory workers, and farmers in selected food-producing regions is the extent to which we can reduce the drain on our own resources of food and fuel.

We would like to see this committee, when it files its report, adopt that language or similar language, showing what you had in mind by the use of the term "incentive goods." And we certainly do think there is a great need for tobacco, especially cigarettes and smoking

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tobacco, to get to these stricken countries. It will help not only politically, but it will help the morale of the people.

I remember reading a report made by President Hoover when he was Food Administrator after the last war, in which he referred to the fact, where he had been able to furnish factory workers with tobacco, the efficiency had been increased, I think, 25 or 30 percent.

Mr. Cooley has been over there and has first-hand information with reference to the situation, and I would like Mr. Cooley to say a word on it.

Mr. COOLEY. Mr. Chairman, I appreciate the difficulties you have in trying to write legislation dealing with the problems of particular agricultural commodities, and I appreciate the fact it is necessary in legislation to use rather general terms in dealing with the problems you are now dealing with. Our request is that substantially the same language that is in the Herter report be adopted by this committee in its report supporting the proposition that goods should be made available for incentive purposes.

I would like to emphasize the importance of using one word, and that is "tobacco," and this is why I emphasize that. Tobacco is regarded by some people as a luxury. It certainly is not essential to sustaining human life. And we know this, that the War Department has not yet, in any of its budget requests, asked for any money with which to buy tobacco. I know they have not done that because they felt, under the language which Congress has provided as a limitation on the use of funds in the occupied areas, they do not feel they are authorized to buy it, because I think Congress, in substance, told General Clay to provide things both to protect the health of the people and to prevent unrest and, with that limitation on him, he does not feel free to ask for any money to provide tobacco.

All of us who have been into Germany know what is happening. I think, frankly, it is a disgrace to the American Government. I think it is a reflection on the integrity of our Government. General Clay has issued an order which is a complete embargo on American tobacco. The only port in the world where American tobacco cannot enter is the port that is controlled by our military forces. There is an awful black market and a deplorable condition in Germany, and nobody is profiting any more by the black market than our own military and civilian personnel in Germany.

When they issued that embargo order, it gave your military and civilian personnel an exclusive monopoly on the black-market operations in tobacco, because they could get it. And using the one word "tobacco" in this enumeration, I think, will be an indication to the War Department and to the countries in the Marshall area that they might feel free to use some of the money which is provided for the use of incentive goods to buy tobacco, and they won't feel free without it. I think we all appreciate the importance of doing something to encourage production in the Ruhr and other places.

That is all I have to say.

I think Mr. Chapman would like to say a word.

Mr. CHAPMAN. Mr. Chairman, this group here today represents a large group of Representatives and Senators from all the tobacco-producing sections, and the statements that have just been made represent the consensus of all those men who have been discussing this subject.

Unquestionably, tobacco is an incentive product, and, if you are going to include "incentive goods" in the bill, it would be very helpful if language similar to this in the report of the Herter committee could be inserted in the report of this committee by way of defining what is meant by "incentive goods."

Through this means we could begin its introduction as an incentive product and lead to more use of it in future plans. It would help to rehabilitate industry, break the black market, and give employment to people; it would be a source of revenue to those countries which are so badly in need of revenue and, of course, would be a great morale builder for those people, as evidenced by the experience of which former President Hoover wrote when he took relief money to buy tobacco from the Army to give to the coal miners as an incentive for the production of more coal. He was successful in that experiment.

Mr. COOLEY. And may I say that we will have at the end of this season 500,000,000 pounds of tobacco in Government loan.

Mr. CHAPMAN. Yes; the Commodity Credit Corporation holds 500,000,000 pounds, for which the growers have already been paid the floor price, amounting to 90 percent of parity.

Mr. FLANNAGAN. I would like to have Mr. Pace say a word.

Mr. PACE. Mr. Chairman, I regret I did not have an opportunity to visit the western European countries during the recess; but, from all the information I have been able to gain from those who did make the trip, I have a very distinct impression that a commodity like tobacco or, rather, its availability under certain conditions, which would serve as an incentive, would make a very substantial contribution toward the rehabilitation of those areas. And I am very hopeful this committee, in its wisdom, will see fit in its report to employ language somewhat similar to that used in the report of the Herter committee.

And if I might add just a word on my own behalf, the committee should also draw attention in its report to the fact that those who administer the program should give consideration to the use of other surplus agricultural commodities.

Chairman EATON. Thank you very much. We appreciate having you gentlemen with us.

Mr. COOLEY. We appreciate very much having had this opportunity. (The committee thereupon went into executive session.)

Unquestionably tobacco is an addictive product, and if you are going to include "tobacco" in the bill it would be very helpful to include "tobacco" in the report of the House Committee on Finance similar to this in the report of the House Committee on Finance which was inserted in the report of the committee by way of defining what is meant by "tobacco."

Through the years we could have the introduction as an incentive product and tend to move us to a future plan. It would help to stabilize industry, break the black market, and give employment to people; it would be a source of revenue to those countries which are so badly in need of revenue and of course, would be a great asset for those people who are helped by the experience of which tobacco is a habit. However, when he took that money to pay tobacco from the ways to give to the total industry as an incentive for the production of more coal. He was successful in that experiment. Mr. C. And now I say that we will have at the end of this year a billion pounds of tobacco in government loan.

Mr. C. I am sure you are the Commodities Trade Corporation holds 500,000 pounds for which the growers have already been paid the full price, amounting to 50 percent of price.

Mr. B. I would like to have Mr. C. say a word.

Mr. C. Chairman, I would like to have an opportunity to visit the western European countries during the year; but from all the information I have been able to gain from those who still make the trip, I have a very distinct impression that a commodity like tobacco or rather, its substitutes, would be a very substantial contribution to the revenue of those areas. And I am very hopeful that the committee on Finance will see fit to report to the House Committee on Finance similar to that in the report of the House Committee on Finance. And it might add that on my own behalf, the committee should also draw attention in its report to the fact that those who administer the program should give consideration to the use of other revenue-producing commodities.

Chairman B. Thank you very much. We appreciate having you gentlemen with us.

Mr. C. We appreciate very much having had this opportunity. (The committee then adjourned until next session.)

The year has very far from being a success. It has been a year of struggle and of sacrifice. It has been a year of hard work and of long hours. It has been a year of many setbacks and of many disappointments. But it has also been a year of many achievements and of many successes. It has been a year of many new ideas and of many new discoveries. It has been a year of many new friendships and of many new acquaintances. It has been a year of many new experiences and of many new adventures. It has been a year of many new challenges and of many new opportunities. It has been a year of many new dreams and of many new hopes. It has been a year of many new aspirations and of many new ambitions. It has been a year of many new goals and of many new dreams. It has been a year of many new dreams and of many new hopes. It has been a year of many new aspirations and of many new ambitions. It has been a year of many new goals and of many new dreams.

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UNITED STATES FOREIGN POLICY  
POST-WAR RECOVERY PROGRAM

HEARINGS

COMMITTEE ON FOREIGN AFFAIRS  
HOUSE OF REPRESENTATIVES

UNITED STATES DEPARTMENT OF COMMERCE  
POST-WAR RECOVERY PROGRAM  
FOR A FOREIGN MARKET DEVELOPMENT  
PROGRAM  
HEARING

DECEMBER 17, 1946  
WASHINGTON, D. C.

17

U.S. FOREIGN POLICY FOR A POST-WAR RECOVERY PROGRAM