Mr. JONKMAN. I wanted to know that, because when the Paris Committee made its report, as near as I was able to ascertain, only about 25 percent of the amount called for—that was $5,900,000,000—was for foods, feeds, and fertilizers.

I think by the time we get through with this $6,800,000,000, more than half of it is for grants in aid and I would not be surprised if it got up to two-thirds, leaving only one-third for loans.

The Administration, of course, tells us that 20 percent to 40 percent of this $6,800,000,000 will be in the shape of loans. Split the difference and make it 30 percent, it would still be 70 percent in the nature of grants in aid or just gifts.

Mr. SCHELL. I am encouraged in seeing us face this a little more realistically than we have in the past.

I think at the time of the British loan that unfortunately we did not face it with much realism. I had many discussions with Secretary Clayton about that at the time.

Of course, you know the position that was taken by the British, that it should have been a grant in aid. Whether it should or not I am encouraged now that we are facing these things a little more realistically. We break down, in my judgment, the normal confidence in loans, if we freely make them and do not expect repayments, and I think it is wrong.

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

Acting Chairman LODGE. If there are no more questions, the committee will adjourn. Thank you very much, Mr. Schell.

It has been a most illuminating and beneficial discussion.

Mr. SCHELL. Thank you, Mr. Chairman, for your patience, and I appreciate the opportunity which your committee has afforded me to appear before you.

Acting Chairman LODGE. Thank you, sir.

(Whereupon, at 12:20 p. m., the committee adjourned, to reconvene at 2 p. m., the same day.)

AFTERNOON SESSION

The committee reconvened at 2:20 p. m., at the expiration of the recess.

Chairman EATON. The committee will be in order.

We are very glad to have our good friend Dean Acheson with us.

This is not a very large number of committee members here, but it is a select group, Mr. Acheson. You can see the large audience you have, which is another tribute to your immense popularity.

STATEMENT OF HON. DEAN ACHESON, MEMBER OF THE EXECUTIVE COMMITTEE, COMMITTEE FOR THE MARSHALL PLAN

Mr. ACHESON. Mr. Chairman, and ladies and gentlemen of the committee. May I start with a less serious comment? I remember many, many years ago I used to inhabit the old boathouse at Yale University. There was an old boat rigger there, and when we would come in, he would greet us with enthusiasm and would say, "Well, well, it certainly is old-fashioned to see you."

It is certainly old-fashioned to see the faithful gathering in this committee this afternoon.

Chairman EATON. We are delighted to see you, Mr. Acheson.

Mr. ACHESON. Mr. Chairman, members of the Committee on Foreign Affairs of the House of Representatives, it is an honor to appear before you again.

This time, of course, I do not appear as a Government official, but as an individual and on behalf of the Committee for the Marshall Plan to Aid European Recovery. I offer for the record this pamphlet, A Statement of Purpose, that outlines our objectives and lists the members of our national council. As you will observe, our national council is broadly representative of all parts of our national life and all sections of our country.

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

(The pamphlet referred to is as follows:)

COMMITTEE FOR THE MARSHALL PLAN TO AID EUROPEAN RECOVERY

A STATEMENT OF PURPOSE

"I am confident that if the issues are clearly presented, the American people will give the right answer."—HENRY L. STIMSON.

The committee for the Marshall plan to aid European recovery was announced on November 17, 1947. But it was started long before that—in the minds and hearts of men and women throughout the United States. Since last spring leaders in our Government, in business, labor, and farm groups, in our colleges, churches, and other professions have sensed the growing economic crisis in Europe. Many of these people have urged that we would have to play a larger role in helping the countries of Europe restore their war-shattered industries and farms and homes. They know that "the troubles of Europe are not other people's troubles; they are ours." They know that "there are no merely foreign dangers any more." And they were waiting anxiously for someone to express their deep desire for action. Henry L. Stimson provided this voice in his now famous article The Challenge to Americans in Foreign Affairs of October 1947.

Mr. Stimson's conviction that "if the issues are clearly presented, the American people will give the right answer" led him to accept the national chairmanship of the committee and to invite the membership of others who believe with him that—

"The reconstruction of western Europe is a task from which Americans can decide to stand apart only if they wish to desert every principle by which they claim to live. We must take part in this work; we must take our full part; we must be sure that we do enough."

The committee that has grown from this beginning now includes among its members over three hundred eminent Americans from all parts of the country. The committee is not yet complete; it can never be completed so long as there are other business, labor, farm, and community leaders who will add their names to the list of those who accept "The Challenge to Americans" and agree that "if we act now, with vigor and understanding, with steadiness and without fear, we can peacefully safeguard our freedom."

The committee does not conceive its function to be a concern with details or the espousal of a particular solution when several equally good ones are available. It will give its support to a program which is adequate enough and prompt enough to be effective and it will oppose restraints upon our assistance which seek to distort the program's proper purpose or endanger its success.

IN brief the committee believes:

That rebuilding the economy and civilization of Europe is essential to assure prosperity and freedom for the nations of the world, including the United States itself.

That this reconstruction will require further great efforts by the European countries individually and in cooperation with each other.

That these efforts can succeed only if they are supplemented by a large-scale program of American aid for Europe.

That prompt furnishing of aid and prompt avowal of our determination to see that the task of basic reconstruction is completed will reduce the ultimate time and cost of the program.

That in aiding nations who seek reconstruction in cooperation with each other and with us, we should found our assistance on the basic principles of human dignity and on a wise understanding of national differences, and should not attempt to impose our own particular ways of working toward the common end.

That in carrying out our aid program we should bear constantly in mind that our goal is the establishment of a world where stable economic conditions will allow peace and prosperity to flourish.

That in this joint task of European reconstruction the fullest feasible use should be made of the United Nations and its associated agencies.

And the committee also believes that to accept these principles is not enough. We, here in America, must also work for our beliefs. A committee on paper is a mere exercise; a committee in action can be a national force.

The committee already has begun to work. The members of the national council throughout the country are lending their support, and with the executive committee, whose chairman is Robert P. Patterson, we are engaged in presenting the issues to the American people so that they may understand the questions and provide their answers to the challenge.

The committee is distributing printed material, arranging for speakers, and working with other existing organizations for an increasing attention to the Marshall plan and support of its legitimate objectives. A petition to the Congress is being circulated calling for legislation to provide a sound and adequate program, in the light of Secretary Marshall's proposal, to aid European recovery.

But even this is not enough. Each of the members of the committee will also have to stir the minds of people in his own community and work for the achievement of an understanding deep enough to give the Marshall plan so firm a support that we will all "Think of our prosperity, our policy and our first principles as indivisibly connected with the facts of life everywhere."

COMMITTEE FOR THE MARSHALL PLAN TO AID EUROPEAN RECOVERY

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Samuel Zemurray, president, United Fruit Co., New Orleans, La.

Mr. ACHESON. That is significant because it shows the profound conviction of the great majority of Americans that American aid for European recovery is necessary. American aid is necessary not as an instinctive response, or not merely as an instinctive response to suffering abroad; it is necessary because our life and the peace and freedom on which our life depends are intimately interwoven with European recovery.

In the world which confronts us in 1948, the European recovery program is the front line of American security. When I was a boy my elders used to say the Navy was our first line of defense. We have learned in the last quarter century that vital as is the role of our military establishments, or of international military forces, our security and freedom depend in the first instance upon the actions of other nations and other peoples. These actions may gravely prejudice our security or greatly strengthen it. These actions are often forced by conditions largely or entirely beyond the control of the nations and people who take them—such as the ability to produce enough to live on. The course which the people of western Europe must take in the next 4 years is the most important decision affecting our national safety which is still open in the world today. The elemental necessity of the situation dictates that it should be a course which both they and we want.

They and we want them independent of outside dictation and of inside dictatorship, self-supporting and healthy in their individual and national lives. Our own safety is immeasurably increased if this is so. It is immeasurably weakened if any of them are weakened and fall by internal action or external pressure, or both, into the closed police, military and economic system which already stretches from the Elbe to the Pacific. It can happen. It has happened to others.

At the end of the war we thought that everyone believed that enduring peace and economic recovery from the war was most assured by political settlement and economic programs which were firmly founded on agreement between the great powers. The United Nations would, it was planned, go forward from this start on the basis of principle and organization which would bring to the settlement of international questions the conscience of mankind and the justice of laws and procedures which dealt equally with the strong and the weak.

It is now plain that the Soviet Union does not intend to join in the task of political settlement or economic recovery on any basis which the other powers, or any nation wishing to maintain its own integrity, can accept. On the contrary the Soviet Union is doing its utmost to prevent recovery in Europe. The years of delay and obstruction have

contributed to the exhaustion of resources and people and brought western Europe to the crisis stage.

The question which the Congress is now considering is whether that crisis shall be permitted to develop, or whether, in the place of the long sought and unattainable great-power leadership and unity, we shall seek the recovery of Europe through combined European-American action.

It is well to pause for a moment and consider the deeper meaning of this decision. This deeper meaning, I believe, is to be found in the tendency of one course or another to make on the one hand for an improvement in great-power relations and in the probability of peaceful development, or, on the other hand, for an increase in friction and the development of situations which vastly enhance the possibility of war.

I think two things must be clear to those who have considered Soviet policy over the past three decades. The first is that the Soviet Union accepts with complete realism a strong and stable situation and adjusts its policy accordingly. The other is that the Soviet Union, with equal realism, accepts the opportunities offered by weak and unstable situations whether they result from defeat and occupation or from the exhaustion of an ally. It was the weakness of Iran and Greece which led to pressure upon those countries. It was the crisis of western Europe which led to internal Communist pressure in Italy and France, where the Communist parties attempted to capitalize on the difficulties of the people in an effort to overthrow the governments. Such efforts will continue until there is internal stability. On the other hand the Soviet Union will, I believe, accept the fact of stability in western Europe and will adjust itself to it.

I am convinced that with a recovered self-supporting and increasingly unified western Europe, there will come improvement in the relations between the Soviet Union and the west, including the United States, not only in respect to European problems, but in respect to other questions which now appear to be insoluble. I am equally convinced that with the crumbling of the economy of western Europe will come increasing impairment of American security and quite possibly the development of situations which will hazard the maintenance of international peace.

Why is this so? Western Europe, as I shall point out in a few moments, can only maintain its present population with a tolerable standard of living by bringing within its areas goods from outside western Europe, manufacturing these goods and with the proceeds of sale abroad, maintaining the life of its people and the soundness of its industrial, agricultural and financial systems. If this process becomes impossible the situation is immediately created in which the existing population cannot survive in a tolerable manner upon the existing resources. This leads to weakness and continual change of governments, unemployment, and the break-up of employer-employee relations, the collapse of the financial system, and the immediate disappearance of that large middle class upon which has been founded the stability of western Europe.

As this process takes place, succeeding governments are forced to take more and more extreme measures, both to maintain order and to seek for some solution. These measures in turn accentuate the process of dissolution. None of them can result in the one essential

result, which is to bring in more commodities. At length by some internal coup d'etat a minority emerges in armed control which inevitably turns to the only alternative source of supply, which is the closed economic system which now extends from Poland to the Pacific.

The Communist area cannot solve the problem, but it can promise some amelioration of it. The result may well be, as it has already been with some of the countries of eastern Europe, the inclusion of still further areas within the Russian system and the extension of Russian domination still further westward.

It is obvious that such a process is highly detrimental both to western Europe and to the interests of the United States. Both the Europeans and ourselves wish to prevent it.

Thus I am convinced that the recovery of western Europe is basic for our security and I believe that most Americans share my conviction. There is, however, much uncertainty about what we must do to make European recovery possible.

There can be no clear understanding of what needs to be done without some understanding of western Europe and the nature of its economy.

Mr. Chairman, may I pause here to call to the attention of the committee the statement made by Mr. Bevin in the House of Commons within the last 10 days, which bears upon this question. Mr. Bevin in his speech said:

> As regards the first principle, I am sure this House and the world will realise that if a policy is pursued by any one power to try to dominate Europe by whatever means, direct or indirect, one has to be frank—that you are driven to the conclusion that it will inevitably lead again to another world war, and I hope that idea will be discarded by all of us.

Mr. Bevin was talking in the utmost frankness to the House of Commons. I think his speech deserves the reading by every member of this committee. If there is any one thing that we can ever learn by history, it is that the attempt to dominate Europe by one power has always led to war.

Chairman EATON. And it always will.

Mr. ACHESON. It always will, I agree thoroughly.

That does not mean we accept the historic views of Europe. It means that we cannot possibly be indifferent to a consolidation of Europe under one power when that one power has shores that look across the Atlantic from the Azores to Iceland toward us.

That is the nature of the problem with which we are faced. It is not a matter of saying, as many people seem to think, that if the United States does not do what the European peoples hope they will do, the European peoples will rush out and vote the Communist ticket. That is not the situation at all. I have tried to trace out for you as calmly as I can the steps by which there can be deterioration in Europe and by which increasingly extreme governments, founded on minorities and founded on force, must turn to that great area which extends from Poland to the Pacific, for whatever hope there is; and that danger is what brings about the consolidation of Europe, the greatest goal we could achieve.

These 16 nations and the western zones of Germany before the war constituted one of the great work shops of the world—a work-shop second only to our own. Western Europe produced considerably more coal than the United States. Their production of electric

energy was 130 billion kilowatt hours as compared to 117 billion in the United States, their shipyards produced more than seven times the gross tonnage of American shipyards, and their production of textiles was considerably larger than the United States production. In the best prewar years, their steel output of about 55,000,000 tons almost equaled the very best of prewar American tonnage. Their output of machinery, electrical equipment, and the other tools of production was enormous. Their transport and their agricultural production, although not strictly comparable with that of the United States, was in the same order of magnitude. Of the basic commodities, only in such items as oil, some of the nonferrous metals, lumber, and cotton did the United States have a decisive productive advantage.

These nations had together a population of some 250,000,000 before the war, now increased to about 270,000,000 people. The committee of course realizes that that is twice the population of the United States. Clearly they could not maintain a standard of living similar to our own with a population twice as great as ours solely by use of their own natural resources. They supplemented their own resources by imports and they paid for these imports by exports of goods, by services such as shipping, and by income on foreign investments. Their imports were essential for two purposes: To augment the supplies for their own consumption, and to provide the materials which they reworked and sold to the rest of the world.

The exports of western Europe—including services and other income—balanced the imports. But this trade was not maintained by a balance of imports and exports with each country across the sea. Europe's existence expended on triangular and quadrangular trade. An unfavorable balance of trade with one area, as it is called, was balanced off by a favorable balance of trade with other areas. Western Europe was responsible for over half of all the international trade of the world.

Before the war, also, one-half of the imports of western Europe came from the Western Hemisphere, but an equivalent amount of its products did not come here. Instead, large amounts went to eastern Europe and southeast Asia which sent their products to this continent, as well as to Europe. In this way these areas paid western Europe, which could then pay us.

Now that is changed. Due to the war and the political changes and upheavals which followed it, the products of eastern Europe and southeast Asia either do not exist or are not available to western Europe. So now two-thirds of its essential imports come from the American continent and the trade which paid for them has disappeared.

But the war did far more than this to the plants and resources and people of western Europe. Its actual physical destruction was great. But even greater was the exhaustion of resources, plants, raw materials, and people. Beyond that was the disruption of trade and financial relationships that had been built up over the centuries within these countries and among them, and with eastern Europe. And the inadequate resources available to these people had to be shared among a population 10 percent greater than it was before the war.

In addition to these inevitable results of war, during the past 12 months western Europe has suffered from a series of climatic dis-

asters; flood and freeze last winter, and the worst drought in a hundred years last summer.

In spite of all these difficulties great progress has been made toward recovery.

Industrial production in 1947 equaled or surpassed 1937 production in the United Kingdom, Denmark, Norway, and Sweden. It approached 1937 production in France, Belgium, and the Netherlands. In Italy it reached about 75 percent. In Germany and Austria it lagged behind.

The recovery of exports has been equally promising. In the first 8 months of 1947 the United Kingdom was slightly above prewar, and Belgium, France, and Norway slightly below. Denmark, Italy, and Holland reached about 75 percent of prewar.

These figures show that it is false to say that the Europeans do not or will not work.

These figures also show that great results can be accomplished with our aid—for this recovery did occur with our aid.

We see then that, as a group, these countries are not far from their prewar levels of industrial production and exports. We see that they can and do work and that they have made good use of our aid.

Why then is more and larger aid needed?

First, because they have been using up their own resources and our loans. There has been a steady drain on their gold and dollar reserves until in almost all cases those reserves are at or even below the danger point. Without some dollar reserves they cannot carry on any international trade at all.

Second, because prewar levels of production and exports are not enough.

Prewar production means a catastrophic decline from prewar standards of living. Prewar production spells instability and eventual loss of freedom.

The reasons for this are not far to seek.

First: The population of this area has increased from 250 million to 270 million—10 percent. By 1951 there will be another 8 or 9 million mouths to feed. Production obviously must keep pace with population increases.

Second: These countries formerly paid for a substantial portion of their imports with income received from foreign investments, from receipts for shipping and insurance, and from tourist expenditures and emigrant remittances. Before the war they earned about one and one-half billion dollars a year in this way; now they are paying out more than half a billion dollars a year for shipping and other services.

Third: The great disturbances in southeast Asia have resulted in an annual loss of about $1,000,000,000 in trade in that area, paid for by trade of southeast Asia with us.

Fourth: They are currently forced to obtain imports from abnormal sources of supply. These imports are expensive. For example, the French are presently paying $25 a ton for United States coal laid down in France, whereas Polish or British coal, if available, would cost only about $10 a ton.

Fifth: The destruction of war and the failure to maintain and replace capital equipment during the war have created a great need for imports of capital equipment. These abnormal imports, largely from the United States, should amount to more than half a billion dollars during the coming fiscal year.

I might pause here, Mr. Chairman, to say that not only did this destruction of war and failure to maintain and replace equipment cause imports from the United States, but it means that Europe must use its own production to plow back into capital equipment. Therefore, the prewar production is now drained off, in part to pay for additional imports, and expensive imports, to replace destroyed capital equipment.

Sixth. The prices of the goods that western Europe must import have gone up about 120 percent. The prices of the goods that western Europe exports have gone up only about 80 percent. In other words, a given volume of their exports brings one-quarter less of their imports than before the war.

I hope that is clear, Mr. Chairman. What it means is that in order to get the exact amount which they got before the war, they have to export a larger amount of goods to do it, because their goods are cheaper in relation to the goods they have to buy. All of this means that even though you have reached, as you almost have, the prewar production in Europe, all of these drains mean that out of that the people have a lower and lower and lower standard of living.

Some of these factors are, I hope, only temporary; for example, the situation in southeast Asia has started to improve. And an improvement there will benefit the inhabitants and simultaneously these European nations. Other factors, like the increase in population, are permanent.

If there is no improvement, except what can come directly from the efforts of these countries and ourselves, western Europe would have to double its prewar exports to maintain something approaching its prewar standard of living. If external factors do show a reasonable improvement, the volume of exports still must increase by perhaps two-thirds to four-fifths.

That is a tremendous effort for countries as devastated as those of Europe.

The progress in Europe since VE-day shows that the energy and the will to recover still exist. This winter we have seen courage and strength in the face of deliberate sabotage. Recovery to date is the result of European efforts and aid from other countries, particularly the United States.

Recovery to the point of self-support will require a further effort in Europe and further aid from the United States. We have not failed, but we have not yet succeeded.

You have now before you for consideration H. R. 4840. That bill proposes an initial appropriation for the 15 months beginning April 1, of $6,800,000,000.

No one who has appeared before congressional committees as often as I have would be so naive or so irresponsible as to suggest that the Congress accept that recommendation without analysis or scrutiny.

I do not fear the result of analysis or scrutiny, if the objective of the program is kept constantly in view. The amount of United States aid has been screened, in Europe and here. I make no pretense to a special expertness on the figures, but I do know how the screening has been done. In a program of this magnitude, and in a world where conditions are in constant flux, any statitician can add dollars here and take them away there. But that the work is essentially sound seems clear.

I am impressed by the fact that this 15-month recommendation is the approximate equivalent, for the time period, of the Harriman committee finding—a finding substantially lower than the Paris recommendations. I am impressed by the fact that, as Mr. McCloy has observed, the staff of the International Bank has examined these figures and is concerned not that they are inflated but that they may be too low.

I have great faith that an impartial examination by the Congress will substantiate the validity of the recommendation, if—but only if—the objective of the program is kept in mind.

The arguments about the size of the program that we all read in the newspapers and hear over the radio are not really arguments about the cost of a recovery program, but about whether we should have not a recovery but a relief program. The program that has been submitted to you calls for a truly combined effort. The people and governments of western Europe will renovate and expand the workshop, turn out more power, more goods. They will put their finances in order. They will work together to do this. From us they ask help in getting for 4 years the additional food, fuel, raw materials, and machinery which will start and keep the wheels turning until the whole operation becomes self-supporting.

This is what recovery means—the recovery of self-support by producing more goods for use and sale. Relief is a wholly different operation. Relief does no more than keep people alive in an emergency. It does not bring self-support. It is costly because it may be endless.

The recommended amount of $6,800,000,000 is intended to support the European recovery program. If enacted, this money will go to provide goods to supplement purchases which the European countries will make out of their own money, other purchases which they will make with funds advanced from the International Bank and private investment, and still other purchases which it is hoped will be financed by other countries in this hemisphere. The total import program is therefore much larger than $6,800,000,000, and will amount to approximately $11,000,000,000 worth of goods, much of it financed by other sources.

The goods which make up this import program have been carefully reviewed, first by representatives of the countries meeting in Paris; then by committees on which there sat most capable men outside of Government from American agriculture, industry, labor, and finance; and finally by various departments and agencies of the executive branch of our Government. The program has been reduced, either because goods were not considered available in the quantities desired or because it was thought that some of the goods could not be put to productive use in the time contemplated. The total reduction is a billion and a half dollars for the first year.

All of these goods, as I have stressed before, are for a production program. Such a program requires different quantities and different goods from a relief program. Take food, for instance. People can exist on approximately 2,000 calories a day, but they cannot work on such a diet. Therefore, a production program requires different foods and more foods than a relief program, and the whole production program will bog down if people do not have the necessary strength to work.

In the case of fuel, a similar situation exists. A production program requires that fuel be available so that factories, railways, and mines can operate. A relief program would include fuel for heating, cooking, and lighting. If the recovery fuel program is cut, production falters and may stop, since people have to be kept from freezing even though factories may not be able to run.

The same considerations affect the raw materials in a production recovery program. Here cotton, for instance, has to be provided not only to clothe the inhabitants of a particular country under consideration, but to permit the factories of that country to manufacture textiles which they can sell abroad in order to purchase more cotton and needed goods. Timber, in a production program, has to provide for pit props for mines, railway ties, packing cases for goods, as well as for shelter. If the quantity of timber is reduced, the production program suffers first.

Finally, in a production program equipment and machinery are essential. Without these items the production of more goods is impossible and self-support cannot be achieved.

In the light of these considerations you can see at once that if, as some have advocated, the amount of $6,800,000,000 is reduced to, say, four or five billion dollars, the entire character of the program changes. It is not merely a recovery program reduced to two-thirds. It ceases to be a recovery program.

In the first place, a cut of two or three billion dollars in the help from the United States Treasury means a far larger cut because other sources of help will either be eliminated or reduced.

For instance, loans to the western European countries by the International Bank can be made only if the chances of repayment are good so that American investors will buy the bank's bonds. If items essential to bring recovery are omitted from the program, chances for repayment become poor, and the bank cannot lend. Similarly, other countries in this hemisphere will be asked to make funds available with which European countries may purchase some of their needs. These other western Hemisphere countries will regard quite differently a contribution to a recovery program, which will mean an end to assistance and a beginning of self-support, from contributions to a relief program, which might well be endless.

But the program would be reduced by even more than this if the United States Treasury aid is seriously curtailed. As I have already pointed out, much of the imports will be paid for by the European countries themselves with the proceeds of their own exports. These exports depend upon continuing and expanding production. If the amount of foreign assistance is reduced, the amount of European production is reduced, the amount of European exports is reduced, and again we descend in a vicious circle.

For this reason the argument is not really about the cost of the European recovery program, but about relief versus recovery.

The European recovery program has for its first objective self-support for the participating countries. But the more permanent results of success are even greater. For the European recovery program may well bring about the economic integration of western Europe and along with that a great measure of political union. This conclusion is not the conclusion of an American telling Europeans

what to do. It is a conclusion that the Europeans have already reached.

Last week Mr. Bevin said:

> Perhaps the most important development which brought all this to a head and caused the whole issue of Europe to be focused, was the proposal by Mr. Marshall for a European recovery program.

Mr. Bevin is undertaking the formation of a European union, beginning with a Customs Union of Britain, France, and Benelux—the existing Customs Union of Belgium, Netherlands, and Luxemburg. Such a broadening of markets, such a pooling of resources cannot fail to attract other European countries, not by fear but by hope.

As I have said earlier, western Europe is a great workshop. It contains human and physical resources that if properly used can make this area one of great strength and stability. But our own experience teaches us and has taught our European friends that proper use requires union. Certainly one of the major factors in the astonishing development of our production and the gains we have made in raising our standard of living has been our great continental trading area. We live in a large country where men and goods and ideas can move without hindrance.

These European nations, if given the opportunity, may achieve economic and political union with strength and stability comparable to our own. But they will not only be comparable in strength. They will share the same beliefs in the basic freedom of men, the independence of nations, and the desire to maintain international peace and justice upon which the charter of the United Nations rests.

Chairman EATON. Mr. Acheson, we thank you for a very informative, comprehensive, and fundamental statement, which is worthy of you. That is the highest compliment I can pay you.

Mr. ACHESON. Thank you, Mr. Chairman.

Chairman EATON. I will ask Mr. Jonkman if he will begin questioning, and I see he has some questions already concealed upon his person.

Mr. JONKMAN. Mr. Acheson, I remember with approval and admiration that you blazed a certain trail in our foreign policy with the words "aggressive expansionism."

In connection with that I wonder if you would comment on your sentence on page 3, right near the bottom:

> On the other hand the Soviet Union will, I believe, accept the fact of stability in western Europe and will adjust itself to it.

What is your belief on that matter?

Mr. ACHESON. First of all, what do I mean, and why do I believe it? I believe that is your question.

What I mean is, I think a study of the Soviet activity over the past 30 years indicates that the Soviet Union probes the soft spots. If there are soft spots, they continually move forward. It almost must do that from the very nature of its own organization and its own philosophy. Wherever it meets stability, it stops that effort and turns to fields which are easier and more productive.

It seems to me that you begin to see that situation coming about at the present time in western Europe, and since the war, we have seen it.

There was a very aggressive Soviet move in the direction of Turkey some time ago. That was met by quite clear statements by some of

the nations as to where we stood on the question of Soviet pressure against Turkey. Our attitude seemed to be firm and solid, and that area has not been entered by Russia.

The same thing occurred with regard to Iran. Perfectly unequivocal attitudes were taken by the various nations on the United Nations Security Council. That pressure has to a large extent relaxed, though it has not been abandoned.

I think we saw as the difficulties of the winter of 1946–47 developed, an increasing Communist pressure in Italy and in France. This came to a head as the meeting in Paris of the 16 nations took place. They were met with firmness in both Italy and France and I believe if we go further with the program which will now give those Governments more hope of obtaining stability, that that pressure will recede.

We see continued pressure existing at the present time in Greece. In other words, wherever there is an opportunity for probing, the Soviet policy seems to continue to be to continue that probing. When it seems to meet something solid, it turns elsewhere.

I think also that there is another facet of this thing I would like to present: One of the great sources of friction is to create areas of weakness or vacuums of strength in the world. If those areas do not exist, then there does not exist the opportunity of friction which they present. Anybody who is eager, as all of us are, to improve the relations between the great Soviet Nation and our own, must look, I think, if we have any realism, to the removal of areas of vacuum and weakness, rather than the continuation of those areas. If they continue, it is quite certain that trouble will grow out of them. If they disappear, then I think adjustment will bring about a new situation.

Mr. JONKMAN. You are considering the situation that as long as the Russian ideology obtains, the spirit of aggressive expansionism is going to be there, but you say if we stabilize those countries, it will, using the term relatively, have to adjust itself and not have the success it has had in the past 2 years. Is that your idea?

Mr. ACHESON. Yes.

Mr. JONKMAN. In other words, we should not mislead ourselves into believing we could absolutely stop Russia in a year or two, even if we were successful in western Europe?

Mr. ACHESON. Yes. I think, too, there are sources of movement in their foreign policy. One is the ideological cause or stimulus, and the other is the historic, immediate and practical operations.

I think of the two, the latter is the more immediate.

Mr. JONKMAN. That is the one you are aiming at?

Mr. ACHESON. Yes. We are not likely to do anything about the other, but the other only brings you to act when the opportunity occurs.

Mr. JONKMAN. Thank you.

I think on page 12 you cleared up a problem that I would like to have you dwell on just a little more: I have called attention to the fact that the Paris report, while it is not clear on that subject, seems to call for only about 25 percent of the amount—$5,900,000,000 after our technical experts have gone over it for aid relief and the balance for economic relief. The result is that a lot of the 16 are being pooled and are receiving food that have not had it before.

Do you believe this is necessary, to bring up the economic production?

I wish you would clear that up, if you are sufficiently familiar with the relief given to the different countries.

You speak also in your report of the Harriman committee cutting down the amounts. They have cut it down only in the economic rehabilitation branches, such as electrical equipment. They cut the steel plants from $100,000,000 to $48,000,000, or something like that. They cut it $367,000,000 in equipment.

Mr. Harriman told us that, as Secretary of the Department of Commerce, he controlled shipments of that kind.

I would like for you to dwell on the shipments to countries such as the Netherlands and Belgium which have not had relief from us, needing food—and they are getting a substantial amount of it—as a necessity to greater production.

Mr. ACHESON. I should say at once to the gentleman that I am not competent to testify about shipments to particular countries.

The fact that a particular country such as the Netherlands has not been sharing in the post-UNRRA relief, I think that is immaterial to what we are now discussing.

In the first place, you cannot separate these items and say "these are relief items, these are recovery items." They are totally different programs. If you are going to have a recovery program, you must have, as I have tried to point out here, differences of food, fuel, and machinery, because what you are trying to do is increase the production of the country both in productive capacity and in the actual trading of goods.

A relief program is differently designed. It is designed to keep people alive. The post-UNRRA relief was intended to deal solely on the basis of relief, of getting food to the hungry. It was to deal with those countries having no purchasing power of any sort at all. That is why we went into that post-UNRRA relief bill of $350,000,000.

This program deals with all the countries of western Europe. It makes a survey of their entire import programs and as I point out here, those will run almost double the amount of American aid. They will run between $11,000,000,000 and $12,000,000,000, and we are talking in the neighborhood of $6,000,000,000 or $7,000,000,000.

The rest of it is paid for in other ways. However, it is one complete and total program, and you cannot look at it in pieces or segments. You have to say "Will all of this work," or "will none of it work?"

Some of these countries concerned will not be dealt with on a grant basis at all.

Switzerland, for instance, which is included in this survey and whose imports are considered as part of the imports of western Europe is entirely competent to pay for its own imports and no one suggests any differently.

Some of the countries, such as Portugal and Turkey can pay for their own. Others will finance them.

Others will have to have help and some will have to have grants.

You could not go very far on a loan basis with Italy, but later on it might be done.

The program set out here is separate from the method of financing. What is necessary to carry it out, that will be used in places where the countries themselves have no cash purchasing power, or where they cannot do it on a loan basis, in order to make the whole program operate.

Mr. JONKMAN. The $6,800,000,000 includes both the loans and the grants?

Mr. ACHESON. That is the whole amount that cannot be financed by immediate cash available.

Mr. JONKMAN. It has been said here that for one agency to handle both the loans and grants, they will be under a terrific pressure to give grants where perhaps loans should be given. Would it be wise to separate the loans from the proposed administration and let the Export-Import Bank handle the loans?

Mr. ACHESON. I think it would be unwise to do that. I do not think the pressure would be any different in either case. There will be, of course, very great pressure in all cases upon whatever agency has the granting funds, to make grants.

For the purposes of administration, the administrator may choose, when he decides something should be done on a loan basis, to do it through the Export-Import Bank.

The great difficulty of trying to separate the items is that the program must be looked at as a whole. You cannot have two sides of the street. If a fellow calls one day and does not get a grant and goes over to the other side, he may or may not get a loan. It is essential that the thing must be done one way or the other.

The production of Italy keys in with what is done in France. Something concerning a loan in Italy is dependent wholly upon what is done on the basis of grants in Italy. What is done in Iceland will have a lot to do with whether fish go to Germany.

The whole thing is one entity. The whole purpose is to bring about the integration of western Europe. It seems to me you will be in very great trouble if you have more than one central point where this whole thing is surveyed, and there, at that central point they say, "This part of the program we will do by grants, this part we will do by loans, and this other part you fellows must finance with your own funds."

Chairman EATON. At 3:30, the Republican conference is supposed to meet. We have about 20 minutes between now and then. I presume the other members would like to join in the questioning, somewhat.

I wonder if Mr. Jonkman would be willing to yield to the others?

Mr. JONKMAN. I am very sorry, Mr. Chairman. I will be very glad to yield. I was taking too much time.

Chairman EATON. Mrs. Bolton?

Mrs. BOLTON. You said that it was very necessary to keep in mind the objective of this whole program. You have just spoken of it as the integration of western Europe.

Would you define it a little more fully, what your understanding of it is?

Mr. ACHESON. I made this observation in relation to this consideration: I was saying that of course the Congress ought to examine with all the care that the Congress thinks necessary, this whole program. If the Congress is not convinced that any part of the program is necessary, it has the right and duty to remove it.

However, I was urging the Congress to make its judgment in the light of the program and not in the light of extraneous considerations.

Now, you may say "such-and-such is not necessary to bring about European recovery." If that is so, it may be eliminated. But to

say, "We are going to cut this out for some other reason," because it might be desirable to reduce taxes or something else, but that kind of reduction should not be made in the light of this program.

Mrs. BOLTON. I wanted to know if you could define the goal of the program?

Mr. ACHESON. The goal of this program is to bring about, within the period of time stated, a self-supporting recovery for Europe and an independent western Europe.

The fact we are talking about western Europe is not our choice, but the choice of the Communist countries, who have included themselves out.

We are trying to bring about independent self-supporting countries in western Europe. Although we are not excluding all humanitarian considerations, the thing that seems of paramount importance is the preservation of the peace in the world and the maintenance of these nations which are the very key nations in any kind of a United Nations Organization.

The United Nations is unthinkable without these nations of western Europe. The security of the United States depends on having in western Europe a stable, strong situation, and not a disintegrated one.

Mrs. BOLTON. You speak of the 4¼ years. That is an arbitrary figure, is it not?

Mr. ACHESON. It was the figure proposed to us by the 16 countries in western Europe. They have chosen it, we have not.

Mrs. BOLTON. That is purely an arbitrary figure, because it might be that they would come along faster than anyone might anticipate.

Mr. ACHESON. Let us say it is an estimate. We will not say that it is arbitrary, but all estimates are subject to error.

The period might be shorter and it might be longer.

Mrs. BOLTON. Would it be your idea that in order to establish these countries on a basis of security, it would have to be done on a basis of freedom? I am thinking of stabilizing currencies. Should that be done by freeing currency? There are two different ways to do it of course, the other one is by controls. Is our whole purpose freedom, as we understand it in America, and therefore is that a part of the goal, or is it not?

Mr. ACHESON. Do you refer to socialism as against individual enterprise?

Mrs. BOLTON. To a degree, yes.

Mr. ACHESON. I think that our whole goal is that these nations should be independent democratic and free nations.

Mrs. BOLTON. What do you mean by democratic? Russia says she is democratic.

Mr. ACHESON. I know she says she is democratic, but I would make a few simple tests of what a democracy is. One of them is whether you get a fair trial by jury, whether you are allowed to say what you want to say, or whether you are allowed to vote for whomever you want to vote for, and things of that sort.

They are perfectly simple. For example, whether you can work where you want to work, except in time of war or national crisis, or whether you have to do something else.

That is the kind of a country we want to create. We cannot do that by undertaking to dictate to these nations certain policies which they must lay down. If they accept that, they are either deceiving

us or they are not free nations. They must be guided by the will of their people. For France or the Netherlands or someone else to say "We will take some help from you, and we will do certain things internally," is, I think, not representing them as a true democratic nation.

What we can say is what we propose here: "You countries yourselves have laid out certain goals which lead to self-support and independence. We will help you as long as you are achieving and vigorously achieving those goals. If you are becoming self-supporting, increasing your production, stabilizing your currency, we go along. Now, what sort of internal ideas you have, that is your business. There is no American imperialism being used toward you. When you go to the real objectives, one of which is increased production, another stabilization of currencies and cooperation with one another, then we think the whole thing is frustrated, and we quit."

Mrs. BOLTON. If the Federation of Western Europe, of itself is set up, that should mean all the nations of western Europe, should it not?

Mr. ACHESON. Yes.

Mrs. BOLTON. What are you going to do with this little island of Spain?

Mr. ACHESON. Mrs. Bolton, that is a problem.

Mrs. BOLTON. Is it not a problem to at least be thoroughly gone into?

Mr. ACHESON. It has been gone into. In the 7 years when I was in the State Department, we went into it almost daily. You know the problems.

Mrs. BOLTON. I know several sides of the problems, I do not pretend to know them all.

Mr. ACHESON. Insofar as you attempt to put external pressure on Spain to get rid of Franco, you have the same situation as occurred with many of the States of the Union when an idea was once rampant concerning a purge.

In the case of our Senator, we elected him by the greatest majority that anyone ever got.

Mrs. BOLTON. We do business with nations that have dictators; and in view of the fact that Spain did do a lot of things for us and the Allies during the war, perhaps it is a moment when one should wash out the old and go along with what exists.

Mr. ACHESON. There is no embargo or economic pressure of that sort at the present time. We are permitted to follow out in good faith certain actions taken by the United Nations General Assembly. Whether those would be reconsidered or whether the Spanish people would take a different view and meet the United Nations halfway is something to be determined.

Mrs. BOLTON. Is it a question of the United Nations?

Mr. ACHESON. We are following the policy laid out in the last two general assemblies.

Mrs. BOLTON. You do not feel Europe would be thoroughly united until Spain comes in?

Mr. ACHESON. It would be a great absence. Spain should eventually be a part.

Mr. LODGE. Mr. Acheson, I join my colleagues in wishing you welcome here.

Mr. ACHESON. Thank you, Mr. Lodge.

Mr. LODGE. Do you consider that the Herter bill constitutes a recovery program?

Mr. ACHESON. The great difficulty in answering that question is that there is one very great lack in the Herter bill and that is that mystic figure which is left blank. We do not know how much money is involved in the Herter bill. If that was in there, I could answer the question. It might turn out to be $3,000,000,000, $4,000,000,000, $6,000,000,000, or $8,000,000,000; I do not know.

Mr. LODGE. Assuming an adequate figure.

Mr. ACHESON. If there was an adequate figure, the discussion of the Herter bill would not turn on the question of relief and recovery; it would turn on certain other questions. I could go into those if you wish.

Mr. LODGE. You would not object to the Herter bill on the ground that it was not in and of itself a measure which involved recovery as well as relief?

Mr. ACHESON. I would certainly say that—if the figure is adequate—that its objective is recovery. It would have one very serious defect even at that, because what is now provided in the Herter bill is that all of the funds which are to be made available, in one way or another, are charges upon these countries.

I believe with that provision in the bill, it just can never lead to recovery.

The Herter bill sets out in one section of it that certain items—food, fuel, fertilizer, and what is called a limited quantity of incentive goods and some other kinds of goods, production equipment—will be made available through this Corporation which is created.

For those, the United States must get equivalent value, either in strategic materials or in something else, or in local currency; but all that is to be paid for.

Everything else is to be done on a loan basis.

Now, what is to be done on a loan basis is the furnishing of those goods which are usually the subject of short-term credits.

Between the two series of commodities, some fall and are not dealt with at all. That is a minor difficulty in the bill which could be fixed up without much trouble. However, what is provided is that everything shall be paid for.

It would seem to me that any sort of an analysis of the European situation would show that you cannot have recovery in Europe if you are going to add to the burdens that the Europeans have anyway, anywhere between $8,000,000,000 and $17,000,000,000 of additional debt.

The most optimistic reports of the Paris Conference indicate that by 1951 they would hope Europe would be up to $10,000,000,000 worth of exports.

Even at that, they will have $3,500,000,000 of debts in their trade with the Western Hemisphere.

Mr. LODGE. What would you do with the foreign currencies?

Mr. ACHESON. In order to break even if currencies are not convertible, western Europe would have to get up to exports of some $13,000,000,000 or $14,000,000,000. They had $4,600,000,000 before the war. Prices are nearly doubled, and they still have to double their exports.

To add to that another vast load of debt is utterly hopeless. Therefore, the fundamental repayment principal of the Herter bill would not be good.

Mr. LODGE. My understanding of the Herter bill is that this Emergency Foreign Reconstruction Authority would have the power to decide when these items would be handled as grants-in-aid and when they would be handled as loans other than Export-Import Bank loans and when they would be turned over to the Export-Import Bank as loans.

Now, there is a difference between the two bills in the handling of the block currencies. But in each case the currencies must be deposited. I cannot see how that adds to the balance of payments problem; because, after all, what we are faced here with is a question of dollar deficits and not deficits in local currencies, which they can always print, and indeed they have.

Mr. ACHESON. There is one simple fact that can be resolved between us by reading the bill, and that is: Does or does not the Herter bill require repayment of some sort for all items?

If it does, then my criticism is valid. If it does not, my criticism is not valid.

Mr. LODGE. I think the bill of the administration also requires payments in local currencies.

Mr. ACHESON. The Herter bill provides that those currencies shall be paid to the United States of America.

They belong to us. We will put them in a special account and dispose of them as the two governments agree, for the purpose of carrying out the purposes of the recovery bill.

Mr. LODGE. I do not see how that adds to the debts of the countries involved, in any greater sense than it would in the administration bill. It seems to me that you still have local currencies albeit under different regulations.

In one case it requires agreement and in the other it does not. In the administration bill we have a good deal of control in the sense that we do not have to agree.

Therefore, from the point of view of increasing their debt, the point you make is not quite clear to me.

Mr. ACHESON. Mr. Lodge, there is a difference between the United States owning the currency of France, which means that the United States is owed by France the equivalent of that currency, and an account being set up in the Bank of France by the French Government which would be disposed of as the two nations agreed.

Mr. LODGE. There is a difference, but not the difference that you mentioned, I think. There is a difference, I agree.

Mr. ACHESON. There is a difference under the Constitution of the United States and every other way.

I do not want to be technical about it.

Mr. LODGE. I would, however, just like to say this—that the thought that you hinge it on is that the purpose of this program is to relieve their debt in their own currencies and under the Herter bill we would be increasing that debt. I would like to suggest there that the debt we are interested in is the dollar deficit and not a debt that they owe to themselves in their own money.

I do not know whether you agree with that or not. I would like to know.

Mr. ACHESON. I do not know whether I do or not. I do not understand it very well. Let me go back to another thing about the Herter bill that I think shows the whole cast of what is thought of here.

Take, for example, strategic materials. The whole conception of the Herter bill is that strategic materials are to be given to the United States, in return for goods which are shipped to these countries.

That just seems to me to be fundamentally opposed to any sound recovery effort in Europe. I am all for saying to the Europeans: "We want you to develop the production of goods that we need and want in the United States. Develop more and more and more of them"; but it is only insofar as dollars are made available by our buying these things that they are ever going to be free, independent, and self-supporting.

Mr. LODGE. Do you assume that this Government is going to buy all these strategic materials which the Herter bill proposes getting under ERP, and therefore that they would get the dollars which under this bill they would otherwise not get?

Mr. ACHESON. If you ever want these people to balance their payments and get free, you will never do it any other way.

Mr. LODGE. Suppose these provisions for strategic materials were made, looking to a time, after the expiration of this measure, when there would not be dollar deficits in these countries.

Mr. ACHESON. This is the further thing that I am trying to say in answer to what Mrs. Bolton said. If Congress will make its decisions on the basis of getting recovery in Europe, it will not waste its time with things like this. This is a collateral issue. It has nothing to do with the point. There will not be any such time. Everybody is deceiving themselves by trying to believe we can make a cheap solution.

It is going to cost us some money; let us pay it and be glad we get those people on their feet.

Mr. LODGE. I am always interested in getting your views, but I would like to say that as far as I am personally concerned, you are pushing in an open door with me as far as the recovery of Europe is concerned. I am for the principle involved in the European recovery program.

I was immensely interested in your statement, but I think we have come to the questions of detail in this committee, Mr. Acheson. If we cannot discuss detail, I think we have a serious situation.

I believe we have reached the point where we have to discuss detail.

Mr. ACHESON. What detail do you want to discuss?

Mr. LODGE. I have already opened one facet of it. I am not suggesting that there is a cheap way to do this, but I think that there is a good way and a bad way, and I think it is a complex and not an easy problem. That is one of the aspects of it I wanted to take up.

Mr. ACHESON. Let us take up the things you have mentioned. There is nothing complex about these foreign currencies. We either own them or we do not. You have asked my view, and I said we should not own them. They should not be the property of the United States. The United States of America does not want to have great deposits in the Bank of France which it owns. It will make for ill will, it will make for confusion, we will not be able to realize on

them, we will have to be giving away property that belongs to us, and that will be as difficult as getting rid of the war debt.

Mr. LODGE. That particular detail is very important then, is it not?

Mr. ACHESON. It is very important.

Chairman EATON. I have been listening as a layman to these two lawyers, and I am in the exact position of the lady who attended a sermon at church on the existence of God. When she came out she said she still believed in God.

We will recess at this time. There is no more constructive or fruitful witness to come before our committee than Dean Acheson.

I believe we will have to have you back later.

(Whereupon, at 3:30 p. m., the committee adjourned, to reconvene at 10 a. m. Thursday, January 29, 1948.)

UNITED STATES FOREIGN POLICY FOR A POSTWAR RECOVERY PROGRAM

THURSDAY, JANUARY 29, 1948

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

The committee met at 10:30 a. m., in the Foreign Affairs committee room, Capitol Building, Hon. Charles A. Eaton (chairman), presiding.

Chairman EATON. The committee will be in order. We did not quite finish with Mr. Acheson yesterday afternoon, and he has very graciously returned this morning for further investigation by members of the committee.

FURTHER STATEMENT OF DEAN ACHESON, MEMBER OF EXECUTIVE COMMITTEE, COMMITTEE FOR MARSHALL PLAN

Chairman EATON. Who is the first one to question the witness this morning?

Mr. ACHESON. I believe we were going into this local currency matter with Mr. Lodge. But he is not here.

Chairman EATON. Have you questioned the witness, Mr. Smith?

Mr. SMITH. I have not.

Chairman EATON. Very well, we will begin with Mr. Smith.

Mr. SMITH. I have no questions.

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

Chairman EATON. Mr. Jarman.

Mr. JARMAN. As I said yesterday, it was my great misfortune to miss the very able testimony of the former Under Secretary, which I deeply regret. Having missed his testimony I am hardly competent to question him.

I know Mrs. Douglas missed it too.

Chairman EATON. Mr. Jarman, would you permit the chairman to present a question to you? Supposing as one good Democrat to another you would ask the gentleman as to which organization should handle this problem?

Mr. JARMAN. Very well. I imagine you mentioned that in your statement?

Mr. ACHESON. I made no reference to that, Mr. Jarman.

Chairman EATON. Have you any objection to discussing that with the committee?

Mr. ACHESON. No, Mr. Chairman. I will be glad to.

Chairman EATON. That is Mr. Jarman's question.

Mr. JARMAN. Thank you, Mr. Chairman.

Mr. ACHESON. Mr. Chairman, on all matters of organization I think that the way one has to approach it is to find that point where the

arc of perfection crosses the arc of the attainable. I don't think there is any perfect or ideal organization for anything in the Government.

Chairman EATON. Except the State Department?

Mr. ACHESON. There, there is room for improvement. I have had various ideas at different times about organization. It would seem to me, on reading the Brookings report—which I am sure members of this committee have all seen ——.

Mrs. BOLTON. Mr. Acheson, would you yield at this point?

Mr. ACHESON. Yes.

Mrs. BOLTON. Did you find that simple reading?

Mr. ACHESON. No; I do not think it ranks with the best sellers.

Mrs. BOLTON. I mean it is most complicated, is it not?

Mr. ACHESON. I think they have compressed a good deal into a fairly short space.

Mrs. BOLTON. Is that it?

Mr. ACHESON. I think that is partly the reason for it.

Mrs. BOLTON. I do not want to interrupt your comments on it, because I am very much interested in it.

Chairman EATON. I read it, Mrs. Bolton, and I thought it followed the usual pattern, namely, using 1 word where 12 would do.

I would like to know what it is all about, and if you could unveil that mystery for us this morning, Mr. Acheson, it would be a great kindness.

Mr. ACHESON. I think the Brookings report sums up its conclusions on the last three or four pages of the report, beginning on page 15. What they suggest is that there should be created a new, separate, agency, and that that agency should be headed by an individual—administrator, or whatever he is called—and that he should report directly to the President.

They give the reasons why they think that a single head is better than a board, and they point out that the President, under our constitutional practice, is the head of the executive branch of the Government, and that this is a matter which will affect a great many different branches of the Government, and that it will also have a very profound effect upon the whole conduct of foreign affairs, and they think that has to be put directly under the President.

That conclusion seems to me to be sound.

I remember Governor Smith saying some years ago that a bipartisan board did not bring about nonpartisan results, but merely doubled the politics. That seems to me to have a good deal of probative value.

Also, from an administrative point of view, I do not think boards have ever been very successful. Boards can deal with rate making, the determination of cases—in other words they can do legislative and judicative work, but from the point of view of administration they are not very effective, and it is better to place the responsibility in one man who can be held responsible, and he should be under the President.

That is the first conclusion the Brookings Institution comes to.

Then they say it does not make very much difference whether this agency is a corporation or an authority, so long as, if you have that—a corporation—you do not have it run by a board of directors.

A corporation can be run by 1 man just as well as by 12. So they say that is a matter of form and not a matter of any great importance.

They then point out that this agency will have very important relations with a great many other agencies of the Government.

For instance, it will, obviously, have very close relations with and will affect, a great deal, the Department of State.

Insofar as that operates to get agricultural materials, it will have to operate through and with the Department of Agriculture and the Commodity Credit Corporation.

It will have very close relations with the Department of Commerce, which at the present time administers the export controls.

It will have very close relations with the Office of Defense Transportation in regard to internal transportation, and the Maritime Commission in regard to ocean transportation; with the Department of the Interior, in many respects, and so on.

The suggestion, therefore, is that the President should have the authority to determine the procedures as to how major matters of policy are to be resolved, and that in the last analysis any differences of view that arise between the Administrator and any other agencies of the Government have to be brought to the President and resolved by him.

There may be differences of view as to how much and what sort of agricultural materials can be produced, for example; obviously that decision cannot be made by the Administrator. He has to consult with the Secretary of Agriculture and if they have different views they will have to come to the President to decide.

Similarly in matters of far-reaching foreign policy. If there are differences of view between the Secretary of State and the Administrator the President is the only person who can resolve those differences.

When it comes to negotiations and operations, the Brookings report says that here again the President should have the authority to say who shall engage in what type of operation. They suggest that the President would be well-advised if put in the hands of the Secretary of State, with the participation of the Administrator, the making of the over-all agreements with the foreign countries involved. They think that he would also be well advised if he put in the hands of the Administrator all operations and all subsidiary negotiations and dealings with foreign countries, again with the participation of the Secretary of State so he will know what is going on.

That is very much the way the Lend-Lease Administration operated with the State Department during the war. The State Department negotiated the over-all lend-lease agreements with the various Allied countries. The State Department negotiated the concluding arrangements with those countries. But all the dealings with them, from the time that the over-all agreement was made until the matter was concluded, were conducted by the Lend-Lease Administrator.

Those involved thousands and thousands and thousands of transactions in which the Department of State had a very small interest. They involved knowledge of intricate things, such as ocean shipping, the manufacture of munitions, the supply of raw materials, fuel, petroleum—and in none of those matters was the State Department particularly concerned. It was kept advised, and if it had views of any sort they were taken into consideration.

That was the general method of operation.

Now, when it comes to organization overseas, the Brookings Institution suggests that the Administrator must have advisers and a voice in dealing with these countries, either individually or collectively, and they suggest that there should be organized in each

diplomatic mission abroad, a special mission which would represent the Administrator.

That mission may be small or large, depending on the extent of our dealings with the country concerned. It should be a part of the diplomatic mission, so that there would be only one American group abroad.

The head of it should hold a rank and have a position which would be as high as anyone in that country representing the United States except the Ambassador.

They do not suggest that the head of the special mission should be directed and controlled by the Ambassador. They say that he should keep the Ambassador fully informed of what he proposes to do and what he does. That if the Ambassador doubts the wisdom of any proposed step, or if the Ambassador makes a suggestion the wisdom of which is doubted by the special representative, that that matter be referred to Washington, settled by the Administrator and the Secretary of State, or if they still have difficulty, by the President.

Chairman EATON. May I interrupt with a question there?

Mr. ACHESON. Surely.

Chairman EATON. One of the proposals, at least, that the Administrator shall have an ambassador, one ambassador representing him, in the 16 nations. The proposal that you are discussing is to the effect that there should be 16 ambassadors representing the Administrator?

Mr. ACHESON. Not quite, Mr. Eaton. That proposal is also carried forward here in the Brookings report. The last paragraph says that there should be a special ambassador, a special man, with the rank of ambassador, who is appointed by the President, and reports to the President, but is in effect the spokesman of the Administrator.

His duty is to work with the organization or organizations created by the 16 countries to direct, supervise, the whole program.

In other words, he will have his headquarters wherever the continuing organization of the 16 countries has its headquarters.

And there he will carry on the representation, which will attempt to pull together Europe and make it an economic unit.

Now, of course, in addition to that there must be a great deal of information gotten in the individual countries, and there may be special negotiations with France or Italy or Belgium or Holland. It is necessary that there be some people who understand the Ambassador's problem and his program, in each country.

They would be attached to the diplomatic missions. Their duty would be to service the central man, giving him all the information he wants, carrying out any instructions in cooperation with the Ambassador that have to do with a single country. But one of the great hopes of this program, and one of their great promises, is that it will bring Europe together, both economically and we hope from there politically, and it is most important that we stress the desirability of as much guidance and authority as possible being placed in a continuing organization which would be created by these sixteen countries.

And there we should have the ablest man we can get, who will continually pull them together, continually suppress any rivalries between them, and get all these countries working as one great group for the recovery of the whole area.

I think, briefly stated, that is the proposal of the Brookings Institution, and it seems to me to be a workable one and as good as any that I have heard.

Mr. JARMAN. Mr. Secretary, the history of such matters, in fact, all history, tells us that a board works more slowly, generally, than one man. In view of the fact that this program is proposed to commence on April 1st, and this is practically February 1st, in addition to the reasons you have already mentioned, we can hardly afford the luxury of a board being used, can we, under these circumstances, if we can get one Administrator?

Mr. ACHESON. I should think not. I think the whole trend of administrative thinking, in the last 20 years, has been, as I suggested a moment ago, that in action programs, in programs which require administration and execution, a board is not a good instrument. That there you want one person, and there has been a tendency, for instance, to take some of the purely administrative jobs, which the so-called independent agencies have, and put those in the hands of an administrator.

For instance, that was done in the aviation field. You have the Civil Aviation Administrator, and the Civil Aviation Board.

The Board does the regulatory work, the determining of rates, the issuing of regulations. The Administrator is the man who sees that safety devices are installed, that airfields are properly equipped, that the schedules of the lines are or are not operated, in dangerous periods, and so forth.

Mr. JARMAN. Mr. Secretary, as usual, there is talk of reducing the amount. I am wondering what your opinion is.

Let us assume that the amount of $6,800,000,000 were reduced by one-third, which would mean reducing it to about $4,500,000,000, roughly. I am wondering if you think that the 4.5 billion dollars, which would be about two-thirds of the amount requested and I think needed, would produce two-thirds of the result that the 6.8 billion dollars would.

Mr. ACHESON. I am sure that it would not. I discussed that yesterday, Mr. Jarman, and I can very briefly sum up for you the reasons why I think it would not so operate, and I should like to add one thing which I did not say yesterday.

In the first place, I am sure you all realize that a production program, a recovery program, a program which is destined to increase production in Europe, calls for different quantities and different types of goods from a relief program.

For instance, if we were engaged solely in relief, you can keep people alive on a diet of in the neighborhood of 2,000 calories a day. If you do that too long you will develop all the diseases which come from undernourishment—tuberculosis and diseases of that sort.

You can keep people alive. They cannot work on that diet, however. A miner cannot work on a diet of much less than 4,000 calories a day. People doing much less strenuous work than that require 2,800 to 3,500. Therefore a recovery program has different amounts and different quantities of food.

The same thing happens in regard to raw materials. If you are having a relief program—cotton, for instance, is provided in the amount necessary to make clothes for the people you are relieving. If you are having a recovery program, you have enough cotton to

operate the factories and to take care of exports, so that people can buy more cotton and more materials of other sorts.

Timber, in a relief program, is sufficient for shelter. That is all you are concerned with. In a recovery program you have to have props for mines, you have to have ties for railroads, you have to have packing cases for the transportation of goods, and so forth; similarly with fuel.

If you are having a relief program, fuel is provided sufficient to heat, light, and cook. If you are having a recovery program, you have got to run the factories and trains.

Perhaps the most outstanding difference is in equipment. If you are going to have a relief program, there is very little equipment required of any sort. If it is recovery, then you have to have a great deal more machinery and equipment to run the factories.

Now, what happens to the whole program if you cut it in the amount you say? In the first place, the total import program of western Europe is not the amount furnished by the United States.

That is only a part of it. Some of it will be financed by loans from the International Bank. Some of it will be financed by the action of other countries in this hemisphere. The amount included in the present estimate is $1,200,000 for both those purposes.

But greatly more than either of those, it will be financed by the exports of these 16 countries. All together, the import program is between $11,000,000,000 and $12,000,000,000, of which we would furnish aid to the extent of 6.8 billion dollars.

Now, if you cut our contribution, you immediately affect all the other sources of financing. The International Bank only can lend, if we are going to have a recovery program, because the International Bank has no funds of its own. What it does is to go out on the American market and sell the bonds. Those bonds will be salable and will be bought by insurance companies, savings banks, and so forth, if there is a good prospect of recovery in Europe so that they will be paid off.

They will not be bought if there is no prosperity.

The other countries of this hemisphere will, I think and hope, regard favorably a contribution to a recovery program, because that restores all these 16 countries as cash-paying customers for them. They will not regard favorably a contribution to a relief program which goes on and on and on.

Similarly, so far as the exports of these 16 countries are concerned, insofar as you cut what goes into the countries, you cut what comes out. It is absolutely inevitable. Sometimes the very goods are processed and brought out; sometimes it is things like fuel to run the factories.

So I should say that if you cut this program by 2 billion dollars, you will probably over-all cut the entire import program perhaps in the neighborhood of five and a half or six billion dollars.

Therefore you immediately throw it back into a relief program, because every one of these items which I have talked about, from food down to equipment, will have to be cut in some degree.

If any one is cut, the interrelations are thrown off balance.

Mrs. DOUGLAS. Would you repeat that figure? If you cut it how much?

Mr. ACHESON. This is purely an estimate, Mrs. Douglas. There is nothing scientific about it. I was saying that if you cut, say, $2,000,-

000,000 off the United States Treasury aid, you will probably find that the total import program will shrink in the neighborhood of between five and six billion dollars.

I think you will immediately lose the 1.2 billion dollars, which would make a total cut of 3.2.

I should think that exports would decrease, easily, by $2,000,000,000. That is the order of magnitude. I could be out quite a lot either way. But what I am getting at is that you cannot say, "Well, the entire $11,000,000,000 program will be exactly the same except for certain items granted by the United States which will be cut out."

That will not occur. It will be quite different.

Mr. JARMAN. And if it reverts to a relief program, which you indicate it would be, that would just mean a permanent proposition. I think it would just have to be done by somebody every year; would it not?

Mr. ACHESON. Yes.

Mr. JARMAN. There would be no hope for any ending of it. If we did not do it, and if there was some other country able and willing to do it, they would have to do it, or Europe would just crumble; would it not?

Mr. ACHESON. That is true. May I add one other thing to this answer. This has caused quite a lot of confusion and I think there has been some correspondence about it between Secretary Marshall and Senator Bridges.

In the President's expenditures budget he has included 4.5 billion dollars for expenditures through fiscal 1949 on the European recovery program.

The question is asked, Why put 4.5 billion dollars in the expenditures budget when you are asking Congress for an appropriation of 6.8 billion dollars? What has happened to the difference, the 2.3 billion dollars? Is it padding, or what is it?

The explanation of that lies in the operation of the expenditures of the Federal Government, particularly in regard to export programs, and to jump to the end first, the explanation is that the actual drawing of the checks to the extent of 2.3 billion dollars is not estimated to occur until after fiscal 1949.

Mr. JARMAN. But the orders will have been made—placed?

Mr. ACHESON. All the purchases have been made, all the orders have been placed, and much of the materials will be delivered.

Now, there is a lag which occurs. For instance, when you gentlemen in Congress authorize the program and then give them the money, it takes some little time to organize an administration and place some orders.

It takes a considerable time, on some of the items, to manufacture the goods.

Whether it can be purchased and shipped right away is a factor. Other things take some time to manufacture. So there is a lag in time there.

Also, some of the goods will be delivered after the end of the fiscal year 1949. But even as to goods which are delivered within 1949, the actual payment will not occur until later.

Now, why is that? That occurs because people have to furnish their bills for what they have done. Those bills have to be audited and approved, and finally checks have to be drawn.

Now, take a matter such as railway transportation. That occurs currently. At the end of the last part of the fiscal year of 1949, every day, the railroads of the United States will be hauling all sorts of goods to the seacoast, to be shipped. There will be very, very large charges to the railroads.

Now, the railroads ordinarily do not put in their bills to the Government for anywhere from 4 to 6 months after the actual service has been performed.

When these bills are put in, very complicated auditing has to take place. That takes several more months. And it is only after a period of 8 to 10 months after the actual freight train has hauled some goods that a check is drawn. So that it might be well into the fiscal year 1950 before you are paying out the money.

But nobody can incur that expense, nobody can ship the coal or the wheat, or order the goods, unless you ladies and gentlemen have made the appropriation.

So that if you say that because you will not pay out all of the money in fiscal 1949, you will not appropriate it, then it means that things will not happen at the end of the fiscal year 1949. They will not buy wheat. They will not buy coal. They will not place orders. They will not have transportation. Because they will have no legal authority to do it.

Mr. JARMAN. In other words, when there is any program extending over a year or 15 months, as in this case—any program of any size—it is absolutely impossible to spend all the money—to draw the checks by the last day?

Mr. ACHESON. It is absolutely impossible, Mr. Jarman, and experience has shown that in this type of a program, about a third of that goes over into the succeeding year.

Mr. JARMAN. I have just one further question. I don't know anybody more competent to express an opinion on this, or anybody whose opinion I, and I believe this committee generally and the people of the United States, value more. It is quite easy for those not too familiar with such programs as this one, outside and inside Congress, to say, "Oh, well, this will just be another UNRRA, another lend-lease. They weren't any good. You know how they were." A colleague of mine from my State, was quoted to me yesterday as having made a remark similar to that. You are very familiar with this program.

I have forgotten what the total expenditure for lend-lease was. Let's say it was $30,000,000,000.

Mr. ACHESON. It was in that neighborhood.

Mr. JARMAN. Do you think we spent, during that war, any other equal amount—let's say $30,000,000,000—which saved as many American lives as that $30,000,000,000 did, or whatever it was?

Mr. ACHESON. Well, I agree with the result that you are suggesting. I wouldn't be technically competent to say that the B–29's did not save a lot of lives. I am certain they did. Expenditures of that sort, expenditures in the atomic bomb development, saved a great many lives. I would not be competent to appraise the degree of importance between the assistance to our allies and development of these new and highly effective weapons.

I think there is no question about the fact that without the expenditures which we made through lend-lease, we would have had very serious collapses on many fronts, and that the military task

of the United States would have been infinitely more difficult and infinitely more costly.

Mr. JARMAN. And the Russians, the British, and French aviators, who were killed piloting some of those B–29's—Americans would have been just as dead if they had piloted them and Americans would have had to pilot them but for lend-lease; would they not

Mr. ACHESON. Yes, and they probably could not have done it in the areas where the others were operating. No one would have been there except the enemy if our allies had collapsed.

Mr. JARMAN. In other words, lend-lease was not a failure, but was a very valuable contribution to the victory; was it not?

Mr. ACHESON. A very important contribution.

Mr. JARMAN. Now, let's take UNRRA. Of course, there are naturally mistakes made in all great endeavors, but I do not go along with this general criticism in which it is so easy to indulge, particularly if you are unfamiliar with it, to the effect that UNRRA was just throwing money away and was a complete failure.

What do you think about that?

Mr. ACHESON. I do not agree that UNRRA was throwing money away or that it was a failure. I was looking in this speech of Mr. Bevin's before the House of Commons the other day, where he makes quite an extraordinary statement about UNRRA—because as you recall, the British were on the giving end. Yet here is what he says:

> If you take the sequence of events in the United States from lease-lend in the war, and I cannot let it go by though I have mentioned it before, I think it is worth calling the attention of the House again to the tremendous work in connection with UNRRA. What sort of Europe we should have had without UNRRA I really do not know, it is too horrible to contemplate. I think it would have been swept with epidemics. Everybody had a share of UNRRA, including Soviet Russia and the eastern States—everybody—and it cost the United States £675,000,000, Canada £35,000,000, and it cost this country, even in our impoverished condition, £155,000,000. It was an event which stemmed the horrible disease we had following the 1914–18 war which most have forgotten. Therefore the European recovery program is a natural sequence in order to try to help rebuild.

I think Mr. Bevin is probably right, and even understates it.

Without the assistance that UNRRA gave to Europe, you would have had complete demoralization in those areas which received UNRRA help. Of course, the British were not one of them. Neither was France.

One of the things which has made an appraisal of UNRRA in the minds of many people difficult is that that whole idea was conceived, and the whole machinery was started at a time when it seemed possible to have complete unity among the nations in regard to relief and reconstruction. UNRRA was originally drafted and agreed on in 1943; all the procedures were laid out at that time; the Congress voted the first funds in the early part of 1944, and it was not for a year or 18 months that we began to see that it was difficult, if not impossible, to work out reconstruction and the settlements after the war, with the Soviet Union and the eastern states.

Events such as the furnishing of relief to Yugoslavia, at a time when Tito was shooting down our planes, have given many people the idea that UNRRA was a failure. It had nothing to do with UNRRA being a failure.

It had to do with the very plan which we had set up being frustrated by events. That is not UNRRA's fault. And UNRRA, I think, operated—taking it all in all, I think it is remarkable how efficient UNRRA was. If you gather together people from every one of some 42 countries, and try to build an organization out of it, it is an extremely difficult thing to do.

Mr. JARMAN. I thoroughly agree with you, and the thought occurred to me when you spoke of Mr. Bevin's reference to our contribution—how much was that?

Mr. ACHESON. About 3.2 billion dollars, I believe.

Mr. JARMAN. In addition to the result to which you refer, the chaos in Europe, I am wondering if one of two other results might not have occurred. I am wondering if it would not have been necessary or wise, or wise and necessary, for us to have commenced, if UNRRA had not been in existence, the very program we are discussing now, at least a year ago, and if it would not have cost more than 3.2 billion dollars more than it will cost?

Mr. ACHESON. I think that is right. I think it would have been difficult to commence this program several years ago, because you did not have the foundation laid.

Mr. JARMAN. I said a year.

Mr. ACHESON. I agree with you, Mr. Jarman.

FOREIGN AFFAIRS DEBATE

The following is the text of the speech delivered in the House of Commons by the Secretary of State for Foreign Affairs, Rt. Hon. E. Bevin, on January 22, 1948.

I realize that there is intense interest in the House in this debate which is to last 2 days. I am also so conscious that what I say can so easily be misinterpreted in other countries, that I propose to exercise very great care in the presentation of the Government's position.

We are indeed at a critical moment in the organization of the postwar world and decisions we now take, I realize, will be vital to the future peace of the world. What, however, I have first to put before the House is the factual background against which decisions must now be taken. I do not propose to weary the House with the long history because every Member is already conversant with it; there have been so many debates in connection with these problems. I must however recapitulate insofar as it is essential for an understanding of His Majesty's Government's proposals for the future.

The story begins with a series of conferences which were held during the war and at which many ideas were formed. Some were crystallized. Some were not. In this connection, of the political developments that have taken place, one of the main issues at that time affecting the line of subsequent policy which was connected with the future of Poland, the solution arrived at Yalta was looked upon by His Majesty's Government at that time as a sensible compromise between conflicting elements, but there is no doubt that as it has evolved it has revealed a policy on the part of the Soviet Union to use every means in their power to get Communist control in eastern Europe and, as it now appears, in the West as well. It therefore matters little how we temporize and maybe appease, or try to make arrangements. It has been quite clear, I think, that the Communist process goes ruthlessly on in each country. We have seen the game played out in Poland, Bulgaria, Hungary, more recently in Rumania, and from information in our possession other attempts may be made elsewhere. Thus the issue is not simply the organization of Poland or any other country, but the control of eastern Europe by Soviet Russia whose frontiers have in effect been advanced to Stettin, Trieste and the Elbe. One has only to look at the map to see how, since the war, Soviet Russia has expanded and now stretches from the middle of Europe to the Kurile Islands and Sakhalin. Yet all the evidence is that she is not satisfied with this tremendous expansion. In Trieste we have difficulties. We had hoped that the method of international agreement would be allowed to work but it has not been allowed to work, and so what should have been a great experiment

in postwar international collaboration has only been a continuing source of friction and bother.

Then we have the great issue in Greece, which is similar to the others I have mentioned. It has been assumed—in fact said—that the Soviet Union can wait; that the United States of America and Great Britain will get tired; and that the so-called government of Communist rebels can be recognized later on without danger; and then in the end that a Communist government will be forced upon Greece and she will be incorporated in the Soviet system of communism with the rest. Here let me make His Majesty's Government's position quite clear. We had hoped to have been out of Greece. We had hoped that after the first election a government would be formed and in time subsequent elections would take place and the whole process of democratic development would be allowed to function. But that has not been allowed because a state of virtual civil war has been perpetuated the whole time. So it is not a question of what sort of elected government there is in Greece—liberal coalition or whatever it might be—but it is a ruthless attempt constantly maintained to bring that country in the Soviet orbit.

Like Trieste, the Greek issue involves the signatures or treaties recently signed by all of us, all the Allies, including the great powers. I would remind the House that Greece had claims for an alteration of her frontiers. I came to the conclusion rightly or wrongly that probably Greece would be more secure if Great Britain did not insist upon that, and that the signatures on the peace treaty would have been a guarantee on our honor of her integrity and there would be no attempt to pursue and trouble her further. But that has not been permitted. I know that I have been pursued in this country on this Grecian question as if it were a question between a Royalist and a Socialist government or Liberal government. It is nothing of the sort and never has been. I beg all my friends in this House to face the fact; this is a dangerous situation. It is a case of power politics. We have been trying to leave Greece an independent country and to get out of it but we also want her northern neighbors and everybody else to leave her alone and to get out of it. We will do that immediately they lift their fingers and honorably agree.

I would remind the House that the United Nations have been brought in but they have been flouted by the Balkan neighbors of Greece. There is a very real danger that they and their Soviet mentors may make a great blunder over this business. In all solemnity I would advise great care. Provocations like these lead sometimes to serious developments which we, and I hope they, are anxious to avoid. It would be better to settle this matter in accordance with the decisions of the Assembly of the United Nations than in the promotion of civil war, or giving any kind of recognition to the Marcos Junta, or in attempting the methods which have been applied elsewhere. This is the Assembly's decision and if we accept Assembly decisions in other matters we should accept the decision in the case of Greece. I say no more than this, that it is dangerous in international affairs to play with fire.

We have had other examples since the war which I need not go into now, wars of nerves and pressure upon weaker neighbors. It is the considered view of His Majesty's Government that attempts to settle international affairs by political barrages and by wars of nerves, reduce the chances of finding acceptable solutions and make agreement difficult, if not impossible. Propaganda is not a contribution to the settlement of international problems. They are all so important that the only way to solve them is cooly and calmly to deal with them on their merits. So much for the brief background of eastern Europe.

I would remind the House that it is under 3 years since the war ended and I hope still, that with the right use of power and organization, these difficulties may be overcome. Meanwhile we must face the facts as they are. Our task is not to make spectacular declarations, nor to use threats or intimidation, but to proceed swiftly and resolutely with the steps we consider necessary to meet the situation which now confronts the world.

The problem in Germany.—Let me now turn to the background in Germany which has led to considerable difficulty. Here again there were recent debates so I will confine myself to a limited survey. There was a discussion at Yalta about the dismemberment of Germany. His Majesty's Government have always considered that dismemberment would inevitably start an irredentist movement causing a resurgence not of a peaceful Germany but of a spirit of war. For those reasons we have been against it. We therefore welcome the change of attitude that appeared to have evolved by the time we got to Potsdam. In a sentence I will make clear what it was. The proposal was limited to central agencies to the evolution of a new German state on a new basis; and to do it there was to be

economic unity and a gradual evolution on a four-power basis which would lead ultimately to a peace treaty and a German Government competent to sign it.

That, I think, describes in a sentence the approach to the whole problem. After we left Potsdam things began to go wrong. The central agencies did not materialize and it was not long before we discovered in the four-power conference in Berlin that the Soviet Government had taken to hurling accustions at the western Allies at meeting after meeting, instead of trying to evolve a common policy. Real progress seemed almost impossible. I do not deny that many things were done and I want to pay my tribute to the Russian representatives, who, when free to discuss things on their merits, are grand people to get on with but who, when it comes to this political business, are held up and this delay and irritation then proceeds. The military governors left to themselves could have settled far more than they did in Germany on the basis of Potsdam, if they had been permitted to do so. We have had discussions about these problems at the Council of Foreign Ministers where, at every step, we have tried to meet anything which might look like a legitimate claim. But the Moscow Conference last spring was certainly very revealing. We were there over 6 weeks. It is a matter of historical knowledge that His Majesty's Government devoted time and energy to trying to give that Conference a working basis; but any rational meeting where there was a will to do business could have done in a week everything we did in 6 weeks.

The European recovery program forces a decision.—It was very wearying and even difficult to keep one's temper at times, I must confess. Calm judgment in the conditions under which we had to work was very difficult. Then between the Moscow and London Conferences other events took place. I will not enumerate many of them but perhaps the most important development which brought all this to a head and caused the whole issue of Europe to be focused, was the proposal by Mr. Marshall for a European recovery program. That brought out what must have been there before. In other words this program brought vividly to light what must have been under the surface and what was responsible for these attitudes ever since the war and, if I may say so, for some of the remarks we had to face during the war. The conception of the unity of Europe and the preservation of Europe as the heart of western civilization is accepted by most people. The importance of this has become increasingly apparent, not only to all the European nations as a result of the postwar crises through which Europe has passed and is passing, but to the whole world. No one disputes the idea of European unity, that is not the issue. The issue is whether European unity cannot be achieved without the domination and control of one great power and that is the issue which has to be solved. I have tried on more than one occasion to set forth in this house and at international conferences, the British policy which has been carefully considered in connection with Europe. This policy has been based on three principles. The first is that no one nation should dominate Europe. The second is that the old-fashioned conception of the balance of power as an aid should be discarded if possible. The third is that there should be substituted four-power cooperation and assistance to all the states of Europe, to enable them to evolve freely each in its own way. As regards the first principle I am sure that this House and the world will realize, that if a policy is pursued by any one power to try to dominate Europe by whatever means, direct or indirect, one has to be frank—that you are driven to the conclusion that it will inevitably lead again to another world war and I hope that idea will be discarded by all of us. It is this which His Majesty's Government has striven, and will continue to strive, to prevent. With the old-fashioned balance of power, it was a question of having a series of alliances and so manipulating them as each state moved in a particular direction, it was counteracted. I have no doubt it led to intrigues and to all kinds of difficulties particularly for the smaller states, which often became the instruments of great powers. On behalf of His Majesty's Government I have stated we will not use smaller powers as instruments of policy to produce difficulties between the larger powers; thereby giving the smaller powers a chance to evolve, under the umbrella of the four powers, without the feeling of fear or conflict. His Majesty's Government cannot agree to four-power cooperation while one of those four powers proceeds to impose its political and economic system on the smaller states. On the contrary, as public opinion in those states changes, and as their economic and social development progresses, none of them will willingly submit to the great powers interfering and preventing the introduction of economic changes, or any other changes, which they deem to be for their own good.

The emergency of police states.—But there is another factor giving great cause for anxiety. It evolved largely with Hitler and Mussolini, and now, I am afraid, it has become an instrument of a very dangerous kind in Europe, and that is what

we describe as the police state. We did not imagine that this would be maintained after the war, but it is and it is carried out with ruthless efficiency. I must say, while we here talk about elections and democracy that where the police state exists, votes count for very little. It is true that the votes have not disappeared, but it is the voter himself who disappears, and the successful candidate if he dares to have an opinion of his own. As we saw in the press the other day, some Members of Parliament in Bulgaria said that they objected to the budget, and they were immediately threatened because they had objected to the taxation proposed. The Americans and ourselves were immediately condemned and made responsible for these men's opinions about their budget. I have never known anybody welcome a budget especially when it involves increased taxation and all this is purely nonsensical. I regret these statements especially by a man like Dimitrov, the former hero of the Reichstag, who now seems to have taken to himself some of the characteristics of the bully and the braggart. This kind of thing creates very great difficulty. As another illustration we have the case of Jacob Kaiser, the leader of the German Democratic Party, the Christian Democrats, who has been prevented from leading his party in the Soviet zone of Germany for not bowing to the Soviet will. His friends have been visited in their houses and have been intimidated. The Social Democrats, I may add, had been dealt with and indeed suppressed in the Soviet zone much earlier. One would give hundreds of instances of the subtlety and cruelty of this police state instrument and I cannot see how a healthy democracy can grow up while it exists. If there was one thing that aroused Britain and made her fight so hard in the World War it was when she realized fully for the first time what the Gestapo meant. We hoped that the end of the war would mean the end of the police state as well as of all instruments of that character. We have always accepted—I would emphasize this and I repeat it now—that the friendliest relations should exist between Russia and the states on the Russian frontier—indeed not only on the frontier—we want these friendly relations with everybody. It is madness to think of anything else if we are ever to have peace.

"We have always wanted the widest conception of Europe."—That is quite a different thing from cutting off eastern Europe from the rest of the world and turning it into an exclusively self-contained bloc under the control of Moscow and Communist Party. The European recovery program brought all this to a head and made us all face up to the problem of the future organization. We did not press the western union and I know that some of our neighbors were not desirous of pressing it in the hope that when we got the German-Austrian peace settlements agreement between the four powers would close the breach between East and West and thus avoid the necessity of crystallizing Europe into separate blocs. We have always wanted the widest conception of Europe including of course Russia. It is not a new idea. The idea of closer relationship between the countries of western Europe first arose during the war and in the days of the coalition—it was discussed already in 1944—there was talk between by predecessor and the Russian Government about a western association. His Majesty's Government at that time indicated to the Soviet Government that they would put the establishment of a world organization first on their list. In any case they proposed to rely on the Anglo-Soviet alliance for the purpose of containing Germany and eventually there might be simialr arrangements between France and Great Britain and France and the Soviet Union for this purpose. That was in 1944. We also indicated that it might be desirable to have defense arrangements with western Europe for the purpose of instituting a common-defense policy against the possible revival of German aggression and to determine what role each state should play in the matter of armaments and the disposal of forces. We indicated that when these matters arose we would keep the Soviet Government informed which we did. In 1945, however, there was a great deal of Soviet criticism, especially of this country, over the supposed formation of a western bloc against the Soviet Union which was quite untrue. At that time we had not even had a meeting with our western allies to discuss the matter and yet daily this criticism was poured out and the radio and in Pravda and the rest of it a constant repetition. When I was in Moscow, therefore, in December 1945 and saw Generalissimo Stalin, I explained that the United Kingdom must have security arrangements with France and other neighboring countries just as the Soviet Union had with their neighbors to which he raised no objection.

Soviet Agreement and Threats.—I stated that whatever we did would not be directed against the Soviet Union. To this he replied, "I believe you." Anything His Majesty's Government does now in this matter will not be directed against the Soviet Union or any other country but we are entitled to organize the

kindred souls of the West just as they organize their kindred souls. As late as January 1947 Stalin took a similar line with Field Marshal Montgomery. In 1946 I communicated to Mr. Molotov our intention of entering into negotiations for an Anglo-French treaty, Mr. Molotov expressed interest and asked to be kept informed. He made no comment. I kept him fully informed about the treaty of Dunkirk. I have had no communication since, about that matter. When the European recovery proposal was put forward in the same spirit it was offered to the whole of Europe including Russia. There were no grounds therefore for the fear that it was to be directed against the Soviet Union or used for any ulterior purpose. So clear was it that it was intended for the whole of Europe that in Poland we know that even the Communist Party were anxious to participate. So they were in Hungary and Rumania and Czechoslovakia even announced her intention to accept the invitation. About Yugoslavia and Bulgaria I never had any precise information; eventually all these states were ordered to abstain. What about sovereignty? We took no step to advise, we merely sent out our invitation for people to answer and come freely if they wished to. If they did not we knew they were not staying away of their own volition.

The House will remember the conversations I had with M. Bidault and Mr. Molotov. At first I was reasonably hopeful that every one including Russia would play their part in this great offer. What was the idea behind this European recovery program? First we should do what we could for ourselves and in cooperation with one another and then secure from the American people supplementary aid.

If we want to maintain our independence we have got to do all we can for ourselves. I think it is quite right when all neighbors cooperate together to see what they can do for one another. Then if they find they are stuck they can go to a pal to borrow something to help them through. I do not think that that is taking away one's independence.

In the course of the discussions in Paris there came a change as it was decided by the Soviet Union (and I have very good grounds for accepting this) that rather than risk the generosity of the United States penetrating eastern Europe and Europe itself joining in a great cooperative movement, the Soviet Union preferred to risk the western plan or western union, that is to say they risked the creation of a possible organism in the West. My further opinion is that they thought they could wreck or intimidate western Europe by political upsets, economic chaos, and even revolutionary methods.

What Mr. Molotov said at Paris to Mr. Bidault and myself on the last day when we were there was that if we proceeded with this plan it would be bad for both of us, particularly for France. As the discussions went forward since the Paris Conference last June, we knew almost the precise dates as to when these troubles were going to take place and when these upsets were likely to occur.

I must say this is rather unpalatable for me to have to do, but I suggest the world will never get right unless the thing is seen in all its nakedness and probably we will get on a better footing then.

As I have already said, it is no secret that Mr. Molotov threatened both ourselves and France that we would have to look out for these squalls if we went on with the European recovery program. My answer to him, not boastfully but quietly, was that Great Britain had been accustomed to threats and that we should face them and that they would not move us from doing what we believed to be right. We have not, nor has France or any of the other nations who assembled in Paris, deviated from that course. The best evidence that what I am saying is correct, as I am sure the Honorable Member for Mile End (Mr. Piratin) will agree, is that the Comihform came into existence very quickly. M. Zhdanov and Malenkov are closely associated with it. It has been clearly stated that the object of that body and of Soviet and Communist policy is to prevent the European recovery program succeeding. I do not object to them coming to that conclusion but because they came to that conclusion, I do not see why I should be a party to keeping Europe in chaos and starvation. I cannot accept the proposition that simply because the Cominform says it in their proposals, then everyone must accept it. The fact is that there have been great political strikes in France. Who disputes that they are behind them? The intention of the Soviets was to anticipate the interim aid from America so that by the loss of production at home American aid would be nullified That is not the way to express love of one's country and one's own people.

European cooperation in recovery program.—Now for the steps we have taken in connection with this European recovery program. As soon as I saw it I submitted it to my colleagues and we felt that there was an opportunity of really

trying to get Europe on its feet. The House will agree that we acted with promptness in order to get it going; we had no ulterior motive at all and we did not intend to attack anyone. I should like to congratulate the staffs of the various foreign offices and governments for the magnificent way in which they worked on this plan with vigor and agreement, which I think was amazing. When the plan was completed United States officials were prompt to render the friendly aid promised by Mr. Marshall. I should like to pay my tribute to everyone who worked for the practical realization of the ideas expressed in Mr. Marshall's Harvard speech. The issue is now before the American Congress and I say no more about it than that we in Europe are not holding back, awaiting the decision of Congress. We are doing our best individually and in cooperation to help one another. We shall be able to do it still more when we know the final decision of the United States Congress.

With all these influences, the London Conference was bound up in spite of what was going on—on which our information was very good—I still went on arranging for the London Conference. In November I confess that events were not encouraging. The flood of abuse against ourselves and the world by Mr. Vishinski in New York was calculated to rouse tempers but I am glad to say it fell very flat with no effect on public opinion anywhere outside the Soviet zone of influence. We still went on trying to get the Conference on a proper basis as I reported to the House before the recess but every day when there was a proposal discussed and an effort made to reach a practical conclusion we had to waste a whole day listening to the abuse of the western powers. It is all very well but everyone in this House is a public man. I ask each one here to try to imagine what it is like to sit there hour after hour and to have thrown at one almost every invective of which one can think and not answer back. I felt very often like the boy who was asked what he would do if he were hit on the one cheek by his school teacher. He said he would turn the other. His school teacher said, that is a good boy Tommy, but supposing you were hit on the other cheek, what then? The boy replied, "then Heaven help him." I must confess that I felt very much like the schoolboy and we had to suppress our feelings.

Now we have to face a new situation. In this it is impossible to move as quickly as we would wish. We are dealing with nations which are free to take their own decisions. It is easy enough to draw up a blueprint for a united western Europe and to construct neat-looking plans on paper. While I do not wish to discourage the work done by voluntary political organizations in advocating ambitious schemes for European recovery, I must say that it is a much slower and harder job to work out a practical program which takes into account the realities which face us, and I am afraid that it will have to be done a step at a time. But surely all these developments which I have been describing point to the conclusion that the free nations of western Europe must now draw closely together. How much these countries have in common. Our sacrifices in the war, our hatred of injustice and oppression, our party democracy, our striving for economic rights, and our conception and love of liberty are common among us all. Our British approach, of which my right honorable friend the Prime Minister spoke recently, is based on principles which also appeal deeply to the overwhelming mass of the peoples of western Europe. I believe the time is ripe for a consolidation of western Europe. First in this context we think of the people of France. Like all old friends we have our differences from time to time, but I doubt whether ever before in our history there has been so much underlying good will and respect between the two peoples as now. We have a firm basis of cooperation in the Treaty of Dunkirk, we are partners in the European recovery program and I would also remind the House of the useful and practical work being done by the Anglo-French Economic Committee. Through this Committee we have already succeeded in helping one another in our economic difficulties, though at first to tell the truth neither of us had very much with which to help the other. But it was useful and the work it did was useful at a very critical moment. We are not now proposing a formal political union with France as has sometimes been suggested but we shall maintain the closest possible contact and work for ever closer unity between the two nations.

Negotiations begin with Benelux.—The time has come to find ways and means of developing our relations with the Benelux countries. I mean to begin talks with those countries in close accord with our French allies. I have to inform the House that yesterday our representatives in Brussels, The Hague, and Luxemburg were instructed to propose such talks in concert with their French colleagues. I recall that after I signed the Dunkirk Treaty on my way through Brussels to Moscow I was asked by a newspaper correspondent, "What about a treaty with

other countries including Belgium?" My reply was—I will quote it—"I hope to sign a similar one with Belgium and with all our good neighbors in the West. The Labor Government will do everything possible to prevent misunderstandings arising from which aggressions might result. You have suffered from two wars, you have twice been occupied in two wars and England has twice had to fight very hard. Great Britain is still conscious of the great role she has to play. She will do everything possible to prevent a new conflict in the West whether it will come from Germany or elsewhere."

I hope that treaties will thus be signed with our near neighbors, the Benelux countries, making with our treaty with France an important nucleus in western Europe, but we have then to go beyond the circle of our immediate neighbors. We shall have to consider the question of associating other historic members of European civilization including the new Italy, in this great conception. Their eventual participation is of course no less important than that of countries with which, if only for geographical reasons, we must deal first. We are thinking now of western Europe as a unit.

The nations of western Europe have already shown at the Paris Conference dealing with the Marshall plan their capacity for working together quickly and effectively. That is a good sign for the future. We shall do all we can to foster both the spirit and the machinery of cooperation. In this context I am glad to be able to tell the House that as a practical immediate measure to make our relations with western Europe closer, His Majesty's Government are proposing to relax the ban on tourist travel. I shall have more to say on this subject a little later.

Britain cannot stand outside Europe.—Our formal relations with the various countries may differ, but between all there should be an effective understanding bound together by common ideals for which the western powers have twice in one generation shed their blood. If we are to preserve peace and our own safety at the same time, we can only do so by the mobilization of such a moral and material force as will create confidence and energy in the West and inspire respect elsewhere, and this means that Britain cannot stand outside Europe and regard her problems as quite separate from those of her European neighbors.

Now with regard to the tourist traffic. This is a step which we propose to take pretty soon, I hope in the early summer, providing such arrangements can be made without involving us in the expenditure of gold or dollars, and I believe that this is possible to negotiate. In our view, a system can be worked out bilaterally with different countries which will enable a start to be made in the early summer. We hope to be able to publish in March a list of countries to which travel will be possible, and travel would then resume about 1st of May. We are anxious to create conditions in which the peoples of the respective countries can associate, and I know of nothing more important to serve this end than the tourist traffic. I would like to make it clear that we are not doing this merely to cater for people with lots of money. Adults will be allowed £35 and children £25 per annum. In this connection, there are a number of organizations which provide cheap holidays abroad. These organizations have handled thousands of people and have rendered a great service in this field. I myself helped to create the Workers Travel Association out of almost nothing, and in the progress of years it has grown to handling the foreign travel of many thousands of people. There is also the Polytechnic and many other bodies of a similar kind.

Therefore foreign travel is no longer a privilege of the few, it is the desire of large numbers of people. We hope to allow this exchange to take place both ways at the earliest possible moment.

Europe's potential resources.—Perhaps I may now return to the subject of the organization in respect of a western union. That is its right description. I would emphasize that I am not concerned only with Europe as a geographical conception. Europe has extended its influence throughout the world, and we have to look further afield. In the first place, we turn our eyes to Africa, where great responsibilities are shared by us with South Africa, France, Belgium, and Portugal, and equally to all overseas territories, especailly of southeast Asia, with which the Dutch are closely concerned. The organization of western Europe must be economically supported. That involves the closest possible collaboration with the Commonwealth and with overseas territories, not only British but French, Dutch, Belgain, and Portuguese. These overseas territories are large primary producers, and their standard of life is evolving rapidly and is capable of great development. They have raw materials, food, and resources which can be turned to very great common advantage, both to the people of the territories themselves, to Europe, and to the world as a whole. The other two great world

powers, the United States and Soviet Russia, have tremendous resources. There is no need of conflict with them in this matter at all. If western Europe is to achieve its balance of payments and to get a world equilibrium, it is essential that those resources should be developed and made available and the exchange between them carried out in a correct and proper manner. There is no conflict between the social and economic development of those overseas territories to the advantage of their people, and their development as a source of supplies for western Europe as a contributor, as I have indicated, so essential to the balance of payments.

British colonial development.—What is to be the best method of dealing with this matter? We have been considering and planning for the territories for which we are responsible so as to establish, particularly out of our capital production year by year, and also out of our production of consumption goods, a proper proportion in the right order of priorities to assist this development. Coincident with that planning, welfare and cultural development are being pushed ahead with great speed. Therefore, if we got the plan we intend to develop the economic cooperation between western European countries step by step, to develop the resources of the territories with which we are associated, to build them up on a system of priorities which will produce the quickest, most effective, and most lasting results for the whole world. We hope that other countries with dependent territories will do the same in association with us.

We shall, then bring together resources, manpower, organization, and opportunity for millions of people. I would like to depict what it really involves in terms of population whose standard of life can be lifted. We are bringing together these tremendous resources, which stretch through Europe, the Middle East, and Africa, to the Far East. In no case would it be an exclusive effort. It would be done with the object of making the whole world richer and safer. We believe there is an opportunity and that when it is studied there will be a willingness on the part of our friends in the Commonwealth to cooperate with us in this great effort.

Friendship with the Arabs.—In the Middle East we have pursued a similar policy. We have a long-standing friendship with the Arabs. The development of the Arab countries in the 30 years of their revived national independence has been remarkable, and our own country has made a very good contribution toward it. We shall continue these efforts of believing that a system of cooperation in the economic and social fields may carry with it responsibility for mutual defense on both sides. I have repeatedly said to representatives of United States and of the Soviet Union that the Middle East is a vital factor in world peace. In addition, it is a life line for the British Commonwealth. That statement has never been challenged. I think it is accepted by all. It is in that spirit that we have worked.

I think the House welcomes with me the recent treaty with Iraq, negotiated and signed upon a basis of equality. There has been a lot of excitement in the morning papers about the reactions to the treaty. There must have been some misunderstanding in Bagdad, but the Iraq delegates should be able to remove it upon their return. The Iraq Prime Minister, in a statement issued this morning, has said that that is his confident belief. Honorable members may not have seen the statement, so I will, with the permission of the House, read it. It is as follows:

"Neither I nor the Iraq Prime Minister would have set our signatures to any document which ignored the aspirations of the people of Iraq. We assure our Iraq friends that we intend to face the problems common to us, whether they are problems of defense or of social and economic development. I hope that the treaty, which has been worked out with such care, will serve as a model, when it has been carefully studied, for other Middle East defense arrangements. I am discussing the situation first with TransJordan, whose Prime Minister is coming here to talk with us in a few days. The Emir Feisal will be here at the beginning of next month, and we shall have a talk with him, and through him with his father, King Idn Saud. I hope that other such talks will follow."

I ought to say a word about Egypt, where a different set of historical conditions have to be taken into account. I want to get away from the atmosphere of past disagreements and to concentrate upon what is mutually acceptable in the interests of both countries. I am not without hope of being able to do so at an early date, but it may take some little time.

UN leading to world understanding.—Now I turn to the United Nations. All the steps I have mentioned, in the Middle East and in the western union, are in keeping with the charter of the United Nations. When the ideological quarrel

between the powers is set aside, and it will be sooner or later, and provided that the will to peace takes its place, all the things of which I have spoken will fit into a world pattern. They are all designed upon a regional basis to fit in with the charter of the United Nations. It will be remembered that my right honorable friend, the Minister of State, attended the General Assembly of the United Nations in New York. He will deal with matters relating thereto in his speech. He will deal also with any information that honorable members may want.

I have to confess however, that the United Nations up to now has been disappointing, but it might have been under any circumstances, and it may be better to have the disappointments in the beginning than to have the enthusiasm at the start and the disappointments later on. In any case, I do not despair. There is an enormous amount of work being done in the United Nations—economic, social, cultural, and so on—all of which is leading to world understanding. At the same time, the nations have collaborated in many fields, and they have collaborated a good deal in the settlement of disputes—none of them major disputes, as we understand them—and even in the Security Council itself there have been some very good discussions and good decisions taken. It has achievements as well as failures, but it is handicapped by this ideological thing that is constantly coming up, and the extensive use of the veto which was never contemplated, I am quite sure, by anyone who took part in its creation. There have been commissions in Greece and Korea. The tasks are hard. There is one going to India and Pakistan now, and I wish them well. At last the one in Indonesia seems at least to have created a truce which may lead to a settlement and I express the hope that, notwithstanding our disappointments at the beginning, the whole country will remain behind it because we have to have some world organization in any case. We must try to make it work if we can.

Tribute to great heart of United States.—Now I want to say a word about the United States, which seems to be a sort of bogey in the minds of a good many people. Everybody has the idea that the United States has a great fund of dollars which it is trying to hurl at everybody for some ulterior motive. All I can say is that if anybody follows the hearing in Congress to try to get these appropriations, I do not think they bear that interpretation. They are a democratic country trying to look where they are going and what responsibilities they are undertaking. Our primary task, as I have said, is to build up with our friends in western Europe. We have to get resources together and repair a war-damaged continent, and we have to carry out the development of these new resources overseas. The United States and the countries of Latin America are clearly as much a part of our common western civilization as are the nations of the British Commonwealth. The power and resources of the United States—indeed, I would say the power and resources of all the countries on the continent of America—will be needed if we are to create a solid, stable, and healthy world.

When I speak of the United States, I am not thinking of the country misrepresented in propaganda as a sort of Shylock of Wall Street, but a young, vigorous, democratic people. It is a country not only of great wealth and great resources but one whose people are moved by a good will and a generosity which many of us in the Old World are apt to take for granted. American policy, like the policy of all great countries, must have regard to American interests, but it has been so often traduced as purely selfish that I think it is time to pay a tribute to the great heart of the American people which found expression in the European recovery program. I was quite convinced, and I am now, that there was no political motive behind the Marshall offer other than the valuable human motive of helping Europe to help herself and so restore the economic and political health of this world. It is of course an American interest but it is everybody's interest, it is not exclusively American. This does not make the offer less unselfish.

After relief—recovery.—If you take the sequence of events in the United States from lease-lend in the war, and I cannot let it go by though I have mentioned it before, I think it is worth calling the attention of the House again to the tremendous work in connection with UNRRA. What sort of Europe we should have had without UNRRA I really do not know, it is too horrible to contemplate. I think it would have been swept with epidemics. Everybody had a share of UNRRA, including Soviet Russia and the eastern states—everybody—and it cost the United States £675,000,000, Canada, £35,000,000, and it cost this country, even in our impoverished condition, £155,000,000. It was an event which stemmed the horrible disease we had following the 1914–18 war which most have forgotten. Therefore the European recovery program is a natural sequence in order to try to help rebuild. It is true that the Americans are as realistic as we are. They see the greatest dangers to world peace in economic chaos and starvation. It was the argument used over and over again, that we made a mistake with Germany in

leaving her in such depression that it allowed a Hitler to arise. The instinct is that it is much better to spend money now on rebuilding a healthy and self-reliant Europe than to wait for the devil of poverty and disease to create again conditions making for war and dictatorship. It is sound sense and His Majesty's Government welcomes it.

Neither can I see anything wrong in America insisting that the nations of Europe should do everything in their power to put their house in order as a condition of American aid. If we are to look for hidden political motives, than I detect them much more clearly behind the attempt to sabotage the Paris Conference than behind the great Marshall offer.

Anglo-American partnership in Germany.—I am afraid I am wearying the House, but it is a very long subject (honorable members, "No.") May I turn as quickly as possible to Germany and German organization where we and America are in partnership? In this connection I would like to call the attention of the House to the conflict over the political organization of Germany which is bound up with the zonal problem. We stand for a united Germany, not a dismembered or divided Germany. We have been in favor of a centralized German Government but not an over-centralized German Government that, in our view, could be a danger to peace. On this, I believe, the Americans, the French, and ourselves, despite slight differences between us, can reconcile our views. On the other hand, the Soviet Government are pressing for an over-centralized government, which we know could be used in the same way to develop a one-party dictatorship as has been done in the eastern European countries, and we cannot agree to it. It became clear a year ago that Germany was to be made, as a result of the series of disagreements between the great powers, a terrific financial liability on the United States and ourselves. No food was to come from the East into the West, no exchange, and hence the burden would fall upon our exchequers. I indicated that we had to make it pay by hook or by crook. We really had to make our zone go and take the liability off the taxpayers here. Then the Americans offered fusion of the two zones in 1946 and negotiations for the first fusion agreement then took place in New York.

After the failure of the Moscow Conference I was pressed very hard to agree to some kind of parliamentary instrument in the bizonal area. I opposed it then because I felt that if the step was taken it would mean probably the creation of the final division of Germany and of Europe. We therefore kept our arrangements to the economic field. While it is not bound to succeed we have tried to make this fusion work and work better by setting up an economic council. We are still hopeful in Germany, and I hope I shall not be told I am too patient, because I am not waiting, we are going on with the work. By taking the right lines in our bizonal organization in Germany I believe that in the end we shall achieve a proper organization of central Europe. We have to get the organization on our own side efficient.

Trizonal talks.—Later in 1947 we proceeded with a new fusion agreement. Now, as a result of talks between the American military governor and our military governor we have improved, expanded, and extended the economic council on an interim basis. But that is an interim matter and in a few weeks' time it is intended that the British, French, and Americans shall have an exchange of views on the three zones as well as the two. Those talks will take place at a very early date. What we have done up to now has been done as an interim arrangement.

Another big problem for Germany which we are still trying to deal with on a four-power basis is currency reform, which is absolutely imperative but very difficult to arrange. We are not going to assume that the four-power arrangement is ended at all. We are going to make our three zones work economically in order to take the load off our exchequer here. But we will go on to try to see whether in the end we can make it work. The Germans have a part to play in this. After all, the Germans are more responsible than anyone else in the world for the mess the world is in and if they are to win the respect of the world again and come back into the comity of nations they must work hard and act and administer their decisions; it cannot be given to them. I had a sense of disgust when I read of German farmers holding back food from their own kith and kin, and I can assure the House that the most resolute steps will be taken to put an end to that. But we would like the German administration to whom we have handed powers to do it, because it is important if confidence is to be established to see that it is done. General Clay and General Robertson are to be congratulated on the work carried on in the two zones.

When the Frankfurt agreement is completed, I will circulate it to Members of the House so that they can see it in its detail and I will not weary the House with it now.

I must also say that in working for this Germany recovery we have to bear in mind all the time the countries which have suffered from her attack rather than put German recovery ahead of the recovery of those who were her victims, and this we shall continue to do. We are making trade agreements between Western Germany and Eastern Europe. All kinds of steps are being taken to develop the export trade and to put Germany back on her feet. But I must say once again that if the German people are going to rely on us or act as if we are to feed them all the time, they are suffering from a delusion. Germany must work and produce like other countries.

Mr. PICKTHORN (Cambridge University). Would the right honorable gentleman permit me—I am sorry to interrupt. I am not sure but I think he inadvertently said "eastern Europe" instead of "western Europe."

Mr. BEVIN. I said trade agreements had been made between western Germany and eastern Europe. There have been agreements made with Poland and we are going on with this policy which we think a right one to follow. We are doing nothing to break down the contacts in spite of all the political difficulties. Time will not permit me to go into all the difficulties associated with Germany and I must leave it to my colleagues who will speak later.

Treaty for Austria.—We have persistently endeavored to make a treaty for Austria. I cannot understand why a great nation of 200,000,000 people like Soviet Russia should find it necessary to delay a settlement with a small country of 7,000,000. Whatever the causes may be, I think this torturing of Austria for all these years is really reprehensible. However at the end of the conference there was a sign that there was a possibility of a settlement. I seized it at once and referred it to the deputies and I have been promised a new Soviet proposal in January. I hope they will do it and let us have a chance of settling the problem.

Conference on Japan.—One other matter I must mention in passing is Japan. There is a conflict again here because it is desired by the Soviet that we should refer the peace treaty to the Council of Foreign Ministers, not a very encouraging prospect. Really it is very difficult to agree to it. Here are Australia, New Zealand, India, Pakistan, Burma, and the the Netherlands, who were all in the Japanese war from the very day of Pearl Harbor, and while I am ready to admit that the maintenance of great Russian armies in the maritime provinces probably had an effect before they came into the war, the actual time that Russia was in the Japanese war was but a few days. Yet I am asked to agree that they should take a predominant position over the allies who fought in the Japanese war all the way through. Really we cannot expect people to accept that. What we propose is that the 13 or 14 countries which were involved should form the peace conference. In this way I think we are more likely to clear up the far eastern position and I hope the Soviet Government will see their way clear to accept it and let us get on with the business of at least making one good peace treaty. That of course includes the United States, Canada, and other countries.

Burma has already been debated in the House and our relations with Burma now become the responsibility of the Foreign Office. We are looking after their interests as well as those of the other Far Eastern countries by means of the system which has been developed there.

The Foreign Office staffs so often get criticized and we are always supposed to select the wrong people but I do not want to let this occasion pass without paying a tribute to the staffs of that great office. Since the war the work has been terrific. Recently, to give an example, with the break-down of convertibility practically every agreement that we have made had to be changed before the ink was dry. Otherwise there would have been no food and no exchange. I think the other departments of state will agree that the magnificent way the ambassadors and their staffs worked to prevent any serious disturbance, either in trade or exchange, as a result of the difficulty entitles them to the praises I am giving. They had a very difficult task and I am quite certain they will continue to serve with success. They certainly deserve great credit.

Spiritual union—if not of all Europe, then of western Europe.—To conclude, His Majesty's Government have striven for the closer consolidation and economic development and eventually for the spiritual unity of Europe as a whole, but, as I have said, in eastern Europe we are presented with a fait accompli. No one there is free to speak or think or to enter into trade or other arrangements of his own free will. The sovereignty of the eastern European nations is handicapped. What of the west? Neither we nor the United States nor France is going to approach western Europe on this basis. It is not in keeping with the spirit of western civilization and if we are to have an organism in the west it must be a spiritual union. While no doubt there must be treaties or at least understandings the union

must primarily be a fusion derived from the basic freedoms and ethical principles for which we all stand. It must be on terms of equality and it must contain all the elements of freedom for which we all stand. It is the goal we are now trying to reach. It cannot be written down in a rigid thesis or in a directive. It is more of a brotherhood and less of a rigid system.

In spite of criticism leveled at her, Europe has done an amazing job since the end of the war. One has to be conversant with it to understand just what it has been like with all the economic confusion which was involved everywhere. The countries of Europe are returning now to established law and order. There had never been a war like this before. Never had it beeen so difficult to make peace. It is not a question of sitting down together as it was at Versailles and then at the end signing a treaty. This time it is systems, conceptions, and ideologies which are in conflict. I do not want to take an irrevocable step which will make future generations pay just because I was overanxious to gain a settlement for settlement's sake. This time it has to be a real settlement which lasts for a long time.

In this new settlement Germany, like all other European nations, must find her place, but as I have said she must not come before her recent victims. As other nations settle down, Germany can settle down but she must be prevented from becoming aggressive again. We shall welcome her return as a democratic nation. In all our efforts this is the objective for which we have been working but I must repeat to the Germans that although I am not blaming the whole German people, they were the great factor which brought the world to this condition. They must realize that as a people they have got to work hard to get their own country and the world back to a proper equilibrium. I have been glad to note the growing realization of this fact among the Germans themselves.

Despite all the artificial barriers set up and the propaganda blared out, which no doubt will increase after this debate, we shall pursue a course which will seek to reunite Europe. If the present division of Europe continues it will be by the act and the will of the Soviet Government, but such a division would be inconsistent with the statements of the highest Soviet authorities and of Stalin himself. He told Mr. Stassen in Moscow, last April that for collaboration it is not requisite that people should have an identical system. Similar statements have been made on other occasions. We have always tried and we are still trying to cooperate with the peoples of eastern Europe on this basis although the activities of the Cominform like those of its predecessor the Comintern afford the greatest hindrance to mutual confidence and understanding. However, we shall not be diverted by threats of propaganda or fifth-column methods from our aim of uniting by trade, social, cultural, and all other contacts those nations of Europe and of the world who are ready and able to cooperate. The speed of our recovery and the success of our achievements will be the answer to all attempts to divide the peoples of the world into hostile camps. I may claim for myself at least that my whole life has been devoted to uniting people and not dividing them. This remains my objective and purpose now. This is the object and purpose that His Majesty's Government, of which I am the instrument, seek to promote in dealing with other countries.

(The foregoing verbatim text is cabled and consequently subject to correction.)

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Mr. JARMAN. In other words, as far as the United States is concerned, I believe that had we not had UNRRA, this program, which I think we must carry out in self-preservation if for no other reason, would have cost as much as this program will cost, plus what we have put into UNRRA?

Mr. ACHESON. I agree with you.

Mr. JARMAN. Thank you. That is all.

Chairman EATON. Mr. Jackson.

Mr. JACKSON. Mr. Acheson, is it not true that generally speaking, we are seeking to do with these 16 European countries, and through almost exactly the same methods, so far as the economic rehabilitation end of it is concerned, what we have been trying to do in Greece?

Mr. ACHESON. No; I think the problem is different in Europe than it is in Greece. The objective is perhaps the same, which is recovery, but the situation is different.

In Greece, we have a country which was utterly torn to pieces during the war, where it was extremely difficult to establish any sort of a stable government, and where actual civil war was going on, which civil war was instigated and aided by people from the outside.

You had very little to start with in Greece. In Greece, the Greek Government needed both military assistance in order to suppress the rebellion and safeguard its borders, and it needed economic help. In the 16 countries with which we are dealing, we have governments which are firmly established.

Mr. JACKSON. You mean the 15 and Greece.

Mr. ACHESON. Fifteen and Greece, yes, sir. You have governments running all the way from the very strongly established and solvent governments of Switzerland and Sweden, to governments which are subjected to rather severe attacks from the left, as in Italy and France.

But they are all established governments. There is no civil war. There is no military problem. There is no current attack on their borders, or current rebellion against the authority of the government. The problem there is entirely economic, industrial, agricultural, financial.

Mr. JACKSON. Well, is it not true, Mr. Acheson, that had it not been for this organized attack against the legal government of Greece by less than 1 percent of the people of Greece, that we might by this time have made substantial strides toward the rehabilitation of Greece?

Mr. ACHESON. Yes; I think that is true.

Mr. JACKSON. Well, is it not also the case that the minorities currently attacking the Greek Government are fewer, numerically speaking, than they are, for instance, in France and Italy?

Mr. ACHESON. A smaller percentage, you mean?

Mr. JACKSON. That is right.

Mr. ACHESON. I suppose there are a smaller percentage of guerrillas in the hills than there are members of the Communist Party in those two countries.

Of course, the members of the Communist Party are not yet in the hills with rifles and we hope they will not be.

Mr. JACKSON. We were told in Paris that there were 250,000 armed men in Paris—armed men of the left. If 18,000 can create the furore and defeat the purposes of our program of aid to Greece, is it not entirely likely that greatly increased numbers elsewhere could also completely stall this program?

Mr. ACHESON. I have no question about the fact that if there were armed insurrection against any of these governments it would be a difficult situation. I should imagine that the governments could suppress it and would.

Mr. JACKSON. What should our position be in such a case?

Mr. ACHESON. I beg your pardon?

Mr. JACKSON. What should our position be in the case of armed insurrection?

Mr. ACHESON. I should suppose that, like sin, we would be against it.

Mr. JACKSON. Would that be sufficient, to be against it, and see it entirely fail, see the program fail entirely, because we were opposed to it, as we are opposed to sin?

Mr. ACHESON. Are you getting at whether the United States should take military action?

Mr. JACKSON. Should we implement these programs, if it became necessary, in the face of armed aggression by minorities?

Mr. ACHESON. Well, I would not feel competent to speculate on what we ought to do. I have not the faintest doubt that if you do get the kind of coup d'état which will occur if we do not have this program, that the United States will be faced with some pretty serious situations.

Mr. JACKSON. I do not think there is any question about that. I am going further and assuming it happens in the face of what we plan to do, because the situation in Greece has been going backward, and instead of achieving the stability we had all hoped for—and I speak as a person who supported the relief bill, supported the Greek-Turkish aid and so forth——

Mr. ACHESON. Yes, I know.

Mr. JACKSON. But many of us are concerned with the very real problem, and the very real probability that there will be organized attacks, possibly in the form of armed attacks, against the purposes of this plan.

Mr. ACHESON. I should think that if you were estimating the possibilities, there is a much decreased possibility that there will be any armed attack or civil war in the 16 countries if this recovery program goes through than there is that there would be such an attack if the program does not go through.

I know you are agreeing with me. You are saying, granted that that is the case, but what should we do if that more remote possibility comes to fruition and there is an attack. Well, I suppose we would help in any appropriate way to support the authority of the Government.

Mr. JACKSON. Thank you very much, Mr. Acheson.

Chairman EATON. Are there any other questions?

Mr. MANSFIELD. Mr. Acheson, in connection with the Marshall proposal, we hear now and again from different sources that it will be inflationary as far as our own economy is concerned, and I am prone to agree with that statement, despite the fact that insofar as our grains and other products are concerned, the Secretary of Agriculture has said that that need not be inflationary.

But suppose we have no European recovery plan? Is it not your opinion that under the process now in effect, inflation will continue in this country?

Mr. ACHESON. Well, yes, I entirely agree with that view. What is causing an increase in prices in the United States, as elsewhere, is excess of purchasing power over available goods.

Now, that purchasing power is created by our own tremendous internal activity. We have more investment, more employment than we have ever had in the history of the United States.

We have tremendous amounts of money which are available for purchase.

Now, the European recovery program is a very small part of that. A very small part indeed. Probably 2½ percent—something of that

sort. Now, one may argue, is it not the 2½ percent which causes the trouble? Then you say, what is 2½ percent? Why do you have to pick this 2½ percent out as the part which causes the trouble rather than some other element of purchasing power?

So far as this tending to bring about inflation is concerned, I suppose anything which increases purchasing power tends to do that. The purchasing power would exist whether you have this program or not. The only effect of it is that this withdraws some goods from the United States. Are those goods such as would otherwise be bought? They are, yes. To that extent it has that effect.

You have to choose between whether you think that is a detrimental result so serious that the United States should allow its most fundamental considerations of security, the only hope of developing any collective security through the United States, to go glimmering?

Mr. MANSFIELD. In my opinion, the political aspect of this proposed legislation is the most important by far, but if there were no ERP, would it not be logical to assume that the net result would be, instead of finding markets to get rid of our surpluses, and at the same time putting those countries where those markets are on a sound, stabilized basis, that those surpluses would pile up in this country and the result might be that we would have a very severe deflation, unemployment and all its concomitant ills?

Mr. ACHESON. I think that tendency exists, of course. I do not think that this program needs to be justified, or ought to be justified, as a way of getting rid of something we do not want. I do not believe that is correct. I think it is true that if you allow the catastrophe to happen to the world which will happen if these 16 countries really collapse from an economic point of view, that over a period of years we will be in a highly unfavorable situation economically.

Mr. MANSFIELD. That is right. Now, as you see it, Mr. Acheson, what are the alternatives, if this proposal does not go through?

Mr. ACHESON. I spoke about that for a little while yesterday. It seems to me that we are faced here with a decision which is perhaps the most important since the great decisions of the war, that this country has ever had. It is probably a decision that we will not have an opportunity to make again. I do not think the chance of rescuing western Europe is going to be offered to us again.

That raises the question of what is the significance of western Europe in terms of American security, and American well-being in the world. I believe it is quite vital. I think we are at a turning point, whence we may go to increasing friction and difficulty with the Soviet Union. We may go in a direction in which the tremendous resources of western Europe—which is the second greatest workshop of the world—the skill and industry of 270 million people, has a great chance of being included in a closed system, which will end irretrievably in hostility to us.

On the other hand, if we take a firm attitude here, and make it perfectly clear that we are doing our utmost to restore stability and strength to western Europe, I believe, as I said yesterday, that that strength and stability will be restored, that the Soviet Union, with complete realism, will adjust itself to it, that friction in Europe will decrease rather than increase between us, and that many outstanding issues between the Soviet Union and ourselves which now appear to be insoluble, can be solved.

The great danger which exists between us and the Soviet Union is in allowing situations of weakness and vacuum to occur in the world and not by pressing forward resolutely to restore strength to those areas.

Mr. MANSFIELD. Would you say, Mr. Acheson, that if this program did not go into effect, that you would see in the immediate future a decided increase in state-controlled economies throughout all of western Europe?

Mr. ACHESON. That would have to be. There would be no other alternative. Because the fundamental situation in western Europe is that you have a great many more people than can live on the indigenous resources of that area. They can only live by bringing in goods, creating manufactured articles out of them, selling those abroad and then buying more.

Now, if that process is made impossible, then the only way in which more people can continue in a state of some sort of order, in an area where they cannot all live, is to have some group impose on them, dictatorial regimes. That means that the dictatorial regime will select those who are going to get the rough end, and perhaps end their lives. It means that those regimes will have to look desperately for some sort of connection to supplement the resources they have. If they cannot do it in this operation, in connection with the free world, they will have to do it as Rumania, Bulgaria, Hungary, and Poland have had to do it, by making closed deals with the Soviet Union, and getting some articles for very excessive pay in manufactured goods, and so be brought within the system and made part of it.

Mr. MANSFIELD. That would tend to demolish the argument of some of those opposed to this proposal to the effect that if this ERP goes through, we will be helping governments which are socialistic, so-called, and we will be furthering those particular types of governments.

It would appear to me, on the basis of your argument, and I agree with it, that it might have perhaps the opposite result. Now, one more thing. If this program does not go through, what do you think would be our position from a military security point of view?

Mr. ACHESON. I think it would be greatly weakened. In the first place, I think that any development of the United Nations would be definitely not only halted but frustrated and reversed.

We were saying yesterday that it is impossible to consider a United Nations without Great Britain, France, Belgium, and Holland, Sweden—that just would not exist.

If those people, and all their skill and strength and resources, were included in a system which already has over 300,000,000 people in it, and already extends from the Elbe to the Pacific, you would have a colossal grouping of the human race and resources and skills, with which you would have to be able to deal.

You might also find that that great system opened on the Atlantic. That would be extremely difficult for us. The repercussions of that in Asia and South America would be very great. I should not care to contemplate the result of that.

Mr. MANSFIELD. Mr. Acheson, what I am interested in and have been interested in all the way through these proceedings is the basic concepts which attach to this legislation insofar as it affects us. Am I right in assuming that the failure of passage of such a program as this is would mean that western Europe would be lost to the demo-

cratic way by default, and through necessity would have to perhaps turn in the other direction?

Mr. ACHESON. That would be my view, Mr. Congressman. It would not happen overnight, but it would happen before very long.

Mr. MANSFIELD. Furthermore, if this program does not go through, as contemplated, would it mean that we would have to spend the proposed amount of $17,000,000,000 in building up the defenses of our own country, and perhaps spend a great many billions of dollars more in taking care of our own security in a military sense?

Mr. ACHESON. Yes; I think it would mean that and I think it might mean things even more serious than the spending of money. I think it might have far-reaching effects on our whole life, both physically and in the institutions we have.

I think if we were faced with the possibility of trouble with an organization as vast as the one I have described, wisdom would dictate that you must do quite a lot with the industrial organization of this country, because it would be very vulnerable as it is now located in large centers.

I think our institutions would be under very great strain to maintain the liberties and freedom which we have, in a system in which we would have to devote so much of our time in dealing with fears.

Mr. MANSFIELD. Thank you.

Chairman EATON. Mr. Kee.

Mr. KEE. Mr. Acheson, speaking at least for the older members in point of service on this committee, I know that we are all very happy to have you here with us again.

Mr. ACHESON. Thank you.

Mr. KEE. It reminds us very much of old times when you helped us in the consideration of quite a number of the very important measures down through the years.

Referring to Mr. Jackson's expressed fear as to possible insurrection and trouble in the participating countries, it has always been my impression that this program, that one of the objectives of this program, really, is to prevent unrest and dissatisfaction and possible internal disorders in these countries.

Is that not correct?

Mr. ACHESON. Yes, sir; that is correct.

Mr. KEE. That is all; thank you.

Mr. JACKSON. Mr. Chairman.

Mr. LODGE. Mr. Chairman, may I ask a few questions?

Mr. ACHESON. I do not think Mr. Jackson differs with that at all.

Mr. JACKSON. Not at all.

Chairman EATON. Mr. Lodge.

Mr. LODGE. Mr. Acheson, I direct your attention to page 9 of your statement, in which you indicate that these countries must increase their exports anywhere from two-thirds to doubling them.

I believe you mean over prewar exports?

Mr. ACHESON. Yes, sir; by volume.

Mr. LODGE. That suggests two questions, in my mind.

First, is it possible for them to do that with this aid we are giving them? Do you think that is actually possible?

Mr. ACHESON. The Paris report believes that by 1951 they can raise their exports to between 10 and 11 billion dollars of 1951 value. Now, their exports in 1938 were $4,600,000,000, which was at 1938

values, and that is roughly $8,500,000,000, something of that sort. It is 80 percent increase.

Mr. ACHESON. I believe, sir, they can do what the Paris report indicates by 1951. Now, I pointed out the other day that unless currencies are convertible by 1951, they still have not achieved balance, because the Paris report indicates that there would be a dollar deficit of 3½ billion dollars, and a sterling plus at about 1½ billion dollars.

So that they would be in the neighborhood of $1 billion in the hole.

Now, in the event currencies are convertible, they can handle that. If they are not, they would have to immediately increase their exports still more, so that they would have to be up to the neighborhood of $13,000,000,000 of 1951 value.

That is a very strenuous effort. Whether they can do it as fast as that, I would not be willing to say.

Mr. LODGE. The other matter that this question raises is that most of these exports will come into America. There are other countries, of course, but there will be an increase of imports into this country.

Mr. ACHESON. There will be an increase, but I should not say that most of them would come here. Most of them—we hope a very large part—will go to southeast Asia. Before the war, over a billion dollars of exports went to southeast Asia. Now practically none go there.

Before the war, a very large amount of western European exports went to eastern Europe. That is one of the most hopeful developments.

Mr. LODGE. That is a potential market?

Mr. ACHESON. Well, it was an existing market before the war. Now it is a potential market.

Mr. LODGE. Yes.

Mr. ACHESON. There is some—it is quite substantial—trade between eastern and western Europe at the present time. It seems to me that one of the great hopes of bringing about some change in stability in Europe is doing everything we can to encourage that trend. The eastern countries of Europe need it and want it very badly. They are discouraged, of course, by pressure from the Soviet Union. But I think it does not do any harm to encourage that conflict of interests as much as possible.

There will be a very considerable increase in western European exports to South American countries, which need these exports very much, and used to have them. But there will be—I hope there will be—a substantial increase into the United States as well.

Mr. LODGE. Would that increase into the United States be competitive with our industries here, to such an extent, I mean, as to harm our economy?

Mr. ACHESON. I do not think it would. Many of the imports will be of materials as to which we have a deficiency. So that will complement and not interfere with our economy.

Some will be of the types of goods which we do not manufacture to any great extent—high-grade textiles, for instance, which are not manufactured to any large degree in the United States, and things of that sort.

There will be some goods which are competitive. At the present time, certainly, we have such a shortage of goods that it is not really

a matter of competition. I think that the American industries can go ahead supplying everything they have and there still is a demand to be filled.

Mr. LODGE. But this is 4 or 5 years from now.

Mr. ACHESON. Five years from now the situation might be different but I should hope not. I should hope that the degree of prosperity which we have in this country will not decline.

Chairman EATON. The Chair would like to make a statement, if it is agreeable to the committee.

Mr. Elliott Wadsworth is here. I wanted to put him on yesterday, but it was impossible. As you know, he was the head of the Red Cross during the war and he is now with the International Chamber of Commerce. I was wondering if we could finish Mr. Acheson, close the questioning of Mr. Acheson at half past 11 and give Mr. Wadsworth a half hour?

Mr. JAVITS. Mr. Chairman, could I have about 3 minutes at the proper time?

Chairman EATON. Yes.

How long would you want, Mr. Wadsworth?

STATEMENT OF ELLIOTT WADSWORTH, OF THE INTERNATIONAL CHAMBER OF COMMERCE

Mr. WADSWORTH. Not very much, Mr. Chairman. I have been listening to these hearings with a great deal of interest and it reminds me so much of my Red Cross experience which began with running the Red Cross in the First World War. I would like to express some views.

In the first place, I think this perhaps is very well worth while, and I hope the money will be provided.

In the second place, I think, from what we have had happen in the Red Cross for the last 25 or 30 years, and all this emergency relief, foreign relief, that the men that go with the money are really more important than the money.

That is, if a commission of imaginative, active, strenuous men goes into these countries, with this money behind them, they can do a great deal to pick up the economies of these countries, and as Mr. Acheson said, that is what the idea is.

The things that will be done in each country will differ tremendously. I am not saying that the Red Cross ought to do this. It is the last thing in the world that they ought to do. Some of your witnesses have suggested that the International Red Cross ought to do it.

Of course, they are not equipped in any way to do it. They are just a small committee, in Geneva.

But when the First World War came on I was chairman of the Red Cross, and the public handed us about $115,000,000, collected in a campaign, and said, "With this money will you please go out and do everything you can for the Army and the Navy, and to uphold the morale of the Allies?"

We set up a commissioner for Europe, and then a commissioner in each country, and they came back with recommendations as to what should be done.

They might want trucks in one place, serums in another, food in another—but anything that filled in some local need. All of a sudden

they found themselves with a need for equipment to supply the bottlenecks developing and that did have a tremendous effect on the morale of these countries.

These people would go in to handle the money. My other point would be that they should be just as free as possible. No restrictions. They would be entitled to go in and do whatever they could for Italy, France, Belgium, or whatever the country might be, and not try to bring any money back, not try to make any loans, not try to come back with stock piling, or anything—just get these countries on their feet. If you get them on their feet, as has been suggested quite often here, they will be good countries again, and which means they will do a great deal of business with us and with the world at large.

Those were the two particular points that I wanted to express, Mr. Chairman. I hope there will be no restrictions in this bill of any kind. I do not want to keep bringing up the Red Cross, but it has been running for 30 or 40 years—it is completely independent, except that the President appoints the chairman. Six departments of the Government were represented on the committee, so that gave us a tie-in to each department, and the other 12 members were elected. The point was the chairman was the dictator. He can do anything. But he is appointed by the President, he keeps in touch with the President; often he has the Secretary of State on the committee—at least the Under Secretary—and the broad policies are decided, but the Red Cross operates without any control from anyone at all.

I would think that some such set-up as that, for the commission that is going to handle vast sums of money, would be essential.

They are going to have to move fast, just as fast as they possibly can.

This is an adventure, and as has been often said, it is an investment, not without risk. Certainly there is plenty of risk, and nobody knows whether this money will pick these countries up, or whether they would pick themselves up if we just left them alone. But I just want to say, Mr. Chairman, that it is a great adventure for the United States. It is worth the money, if the money is handled right. If it is not handled well, aggressively, quickly, energetically, I do not think the money by itself will accomplish very much.

Chairman EATON. Thank you, Mr. Wadsworth. Now, Mr. Mundt.

FURTHER STATEMENT OF DEAN ACHESON

Mr. MUNDT. I will direct my questions to Mr. Acheson because it has been so long since I have heard him respond, and he responds so well. I am pleased to note that he bas not lost any of his diplomatic suavity.

I would like to get your reaction to a feeling which I have which is contrary, I am afraid, to what the gentleman who has just testified said.

I do not want this Administration to be run by a dictator. I want this whole program to make dictators unpopular, wherever they are. I do not even want it to be run by one party. I want it to be an American adventure, an American project, in which the whole American population increasingly has confidence and which the Europeans feel is an American program, so that if there comes a change in ad-

ministration there will be no indication that the program is going to stop and dry up because of that.

For all of those reasons I feel that somewhere in this program there should be a Board of Directors, on which there would be bipartisan representation, and that this Board of Directors shall serve as conselors or advisers and work with the Administrator much as the board of directors of a bank works with the president of a bank.

If you do not feel that way about it you must have some good reasons for disagreeing and I would like to have them.

Chairman EATON. Before the gentleman answers that, would you permit me, as chairman, to ask you a question, Mr. Mundt?

The Board of Directors would be appointed from both parties. Would that Board of Directors do better if it were composed of businessmen, regardless of their politics?

Mr. MUNDT. I think the first part of that is certainly true. I think it would do better if it were composed of businessmen. I do not think you can find good businessmen who are not interested in politics nowadays.

Chairman EATON. Very well. Mr. Acheson, you may answer the question.

Mr. ACHESON. I think we went over this question this morning, but I will go over it again.

I was reporting on the studies of the Brookings Institution, which seemed to me a very good solution of the organizational problem. It was pointed out that one of the first recommendations of the Brookings Institution was that a separate agency should be created. With that I believe there is very little difference of view anywhere.

Mr. MUNDT. By "separate" do you mean outside the State Department?

Mr. ACHESON. Yes. The Brookings Institution makes a distinction between an independent agency, which runs itself, and one which is separate from other organizations in the executive branch.

The Brookings Institution points out that this activity is an activity of the executive branch of the Government. They believe that the authority should be vested in a single administrator. They recommend that he should have an advisory board which is appointed to consult with him and should include representatives of industry, agriculture, finance, labor, and perhaps some other groups which should be represented.

They do not believe that a board is a good instrument for carrying out executive actions. With that I agree. I think a board has an excellent place, in the field of Government, in dealing with legislative matters—such as rate making. I think it has a place where you have adjudicatory actions, such as decisions of cases. I do not think it works very successfully as an executive agency. Therefore, I am in favor of vesting the authority in a single person.

There are more than business considerations involved in the administration of this program. There are very important business considerations, it is true. But there are also others. There are important considerations of foreign policy and there are considerations dealing with the internal policy of the United States.

All of those can be better represented through the participation of the various agencies of the United States Government which are charged with the responsibility for the internal economy—transpor-

tation, ocean transportation, agricultural purchases, and so forth—than could be done by a board of directors.

That briefly sums it up.

Mr. MUNDT. Except that you have not gotten to my question yet, which deals with the bipartisan aspect.

Mr. ACHESON. When you come to the bipartisan part of it I think we want to stop and consider very carefully what we mean. So far as the constitutional practice of the United States is concerned, the execution of laws is placed under the President. There can only be one man who is President. As far as I recall, the last bipartisan President was John Quincy Adams, who was elected on both tickets. You cannot split a man. He has to be an individual.

To take this part of executing the laws of the United States out of the administration, it seems to me, would be very unwise indeed. I do not think you would achieve the purpose you have in mind by having a board, even one in which the politics of the members are equally balanced. A board has to vote. A board has to discuss and reach conclusions. I think those conclusions are better carried out by having the Congress put in the legislation what it wants to achieve, and the conditions and terms under which it wants to achieve it, and then having the President, whoever he may be, act in accordance with our constitutional system which has, in this respect, I think, operated satisfactorily for 150 years.

Mr. MUNDT. For 6 years, Mr. Acheson, I served on a board such as I have in mind for this task—the Game and Fish Commission of South Dakota. There are three Republicans and three Democrats and a director, and we never made a political decision. Every decision had to be made in the interests of conservation because we had to have a vote of four, which means a bipartisan decision. We had to have a project decided on its merits.

I do not think that you are departing at all from the American system of economic administration when you have a board of directors working with an executive. The executive could be appointed, and probably should, by the President. He would also select the board. But he should select, in my opinion, a board evenly divided between the two major parties. He would select his executive without regard to politics. He probably would select a Democrat, which would be perfectly all right. But I do feel that in this great adventure, as it has been called, there is room to recruit the best brains of the country, and I would like to see the three best Democrats in this whole field—industrial, labor, rehabilitation—and the three best Republicans in the field set up as a board of directors to work with the man selected by the President, which is in keeping with the constitutional aspect you have pointed out.

Mr. ACHESON. I have no objection to having the best people in the world in the administration or on an advisory board to work with this man. I think there are two things which I might amplify.

The decisions which are going to be made by this agency are not decisions which are going to be aided very much by having representatives of the American political parties consider.

For instance, one of the problems this administration has to decide and act upon is how to create enough energy in Europe to turn the wheels of the railroads, which is going to increase production. That

has nothing to do with Democratic or Republican politics or partisanship in any way.

There are very serious problems as to whether you shall turn to coal as the essential source of energy. And, if you do, whether you will develop the German mines or the higher-cost and less-efficient French mines. Also, to what extent you could get Polish coal in and to what extent you might want to supplement that by petroleum.

On the other hand, it may be, from an engineering point of view, that it is much cheaper and more effective to get energy from petroleum. If you take that course you immediately increase the refining capacity of Europe and you would operate out of the middle eastern oil-producing fields to produce more petroleum.

That is the type of question that will arise.

You will have questions about how you can get financial stability in Europe. Should the currencies be revalued in relation to one another? Should you have an over-all look into the currencies of Europe, or will you have to do it piecemeal? That does not have anything to do with internal American political considerations.

In the second place, I think you will be disappointed if you believe you can get very outstanding men to be on a board where six or seven or eight people are going to vote on matters of this sort. I do not see how any strong, vigorous executive people will want to do that. You will have very, very great trouble in getting qualified people to be the administrator in the United States and the special ambassador abroad. I have had experience in trying to get outstanding men out of industry or banking to take these jobs, and if you are going to do that eight times, I just do not think you can achieve it.

Mr. JARMAN. Will the gentleman yield momentarily?

Mr. MUNDT. Momentarily.

Mr. JARMAN. I want to compare these great endeavors. What was the appropriation this board had control of out in South Dakota?

Mr. MUNDT. We worked on the license fees. We did not have an appropriation.

Mr. JARMAN. Do you remember the approximate amount of it?

Mr. MUNDT. It was not quite as much as this astronomic figure we are dealing with here. It was a Republican State, and we deal with smaller figures out there.

Mr. JARMAN. How long was your tenure on that board?

Mr. MUNDT. Six years.

Mr. JARMAN. It was not quite as urgent as this 15-month program.

Mr. MUNDT. I have another line of questioning I would like to pursue now.

As I understand it, your major reason for supporting this program—and it certainly is mine—is that you feel that it will help curtail, or maybe completely curtail, what you once referred to very emphatically, I believe, as the "aggressive expansionist program" of our eastern neighbor; is that correct?

Mr. ACHESON. I should like to put it more positively. This is not a negative attitude. I think that if you go forward with this program you will restore the strength of western Europe. I think you will pull western Europe together economically and you will give the biggest spurt that possibly can be given to the political unification of western Europe.

If you do that, and have a strong, vigorous, unified western Europe, I think you change the whole aspect of the Soviet policy.

Mr. MUNDT. Do you feel that this program per se, standing on its own bottom and operating by itself, is sufficient to do that if you get $6,800,000,000 and do nothing else?

Mr. ACHESON. Well, I suppose we would do everything we can to assist it and help it in every possible way.

Mr. MUNDT. Very good. Would you agree with me, then, that one of the other things we should do concurrently with this is to move forward in developing a program whereby the United Nations can operate effectively?

Mr. ACHESON. Most assuredly.

Mr. MUNDT. Along with it, would you have a vigorous information program to explain our purposes?

Mr. ACHESON. Certainly.

Mr. MUNDT. Would you agree, also, along with this, that there should be a reappraisal of our entire export policy toward those countries which have openly said that they are trying to defeat the success of our program in these 16 nations? To me it just is not at all consistent to be shipping things to countries who say, "We are trying to defeat the success of your program in western Europe." Helping those countries would be defeating our efforts in western Europe.

Mr. ACHESON. Surely I think we should have a reappraisal. I think that reappraisal has gone on for some time and is going on now. I think it must be clear that you cannot have two inconsistent things at the same time. You are not going to have a strong, vigourus western Europe without a revival of trade between eastern and western Europe. That is just quite impossible.

Mr. MUNDT. At that point, then, if the Soviets should decide that they do not want to revive that trade, do you argue that our whole program is doomed to failure?

Mr. ACHESON. No. I think the chances are very great that the Soviet Union will not be able to stop the revival of that trade; and if they exert pressure to do that they will greatly strain their relations with these countries.

Mr. MUNDT. If you argue that we cannot have a revival of western Europe without the revival of trade between East and West, you argue that the Soviet Union can defeat our program if they elect to do so. They have told the world that they elect to do so.

Mr. ACHESON. They have told the world that they do not want a revival of trade between eastern and western Europe.

Mr. MUNDT. They have told the world that they do not want this program to succeed.

Mr. ACHESON. Yes; but this is not going to be decided on the basis of dialectics in the Cominform. I am quite sure that the influence of Russia and her satellites is directed to preventing the program from going into effect.

Mr. MUNDT. Or succeeding if it does go into effect.

Mr. ACHESON. If it does go into effect you will have a great many forces operating which I think should be strengthened, and that is the intense desire of the countries of eastern Europe—to exchange goods which they have for goods which they can get in western Europe and cannot get anywhere else. There is a very strong pull, and one which is going on at the present time, at the present moment, between eastern and western Europe.

I think what you ought to do is do everything you can to increase that. Insofar as the Russians attempt to prevent it, you are putting a very great strain on Russian control in those eastern areas—a strain which is too great for them.

I think their control will break down—which I think is to the good.

But I do not have any doubt in mind that you can't in the long run, have recovery in western Europe without this revival of trade.

Now, as to the alternative. You say you are strengthening eastern Europe, and these people are hostile to us, and that is bad. The alternative is turning the whole thing over to those people and incorporating all those people, with all their skills, resources, and manufacturing efforts, sooner or later, into this closed system of the Soviet Union.

That, I think, is a worse alternative, unless you continue to have the thing drag along in a sick state for years and years, in which case you will have continued Russian pressure in eastern Europe which may, at any moment, flare up into active hostilities.

Mr. MUNDT. If I follow the logic of your argument, you disturb me about the success of this program, because, if I understand what you say, it is this: That this $6,800,000,000 program cannot succeed in western Europe without a substantial amount of trade between eastern Europe and western Europe.

Mr. ACHESON. I do not say that it cannot succeed, but I say that unless that is recreated—that trade—then we have got to develop an equivalent amount of the same type of trade somewhere else.

Mr. MUNDT. That is saying something different from what I understood you to say first.

Mr. ACHESON. Well, I do not know where you would do it. Therefore, it is of the utmost importance—and if you read the Paris report you will see that that is one of the premises of that report. This is nothing new. This has been in the report since it was published last September.

Mr. LODGE. I think this is a very interesting point, and I believe that this trade with eastern Europe is a very important factor. The thing that worries me is, What is to prevent Russia from draining off the capital-goods surpluses which we and the 16 participating nations ship into eastern Europe? If they remain in eastern Europe, and if there is a revival in western Europe, I can agree with you 100 percent. The thing that worries me is the capacity of the Russians to drain off those capital goods which would, in the end, come in large part from us.

Mr. ACHESON. I do not know what you mean by the "capacity of the Russians" to drain it off.

Mr. LODGE. The ability of the Russians to drain it off. Could they drain it off?

Mr. ACHESON. Not and have their system work at all. Trade, I suppose, is the exchange of articles of comparable value. If there is any magic by which the Russians could force western Europe to manufacture goods and send them to them without any return, that would be what you are talking about.

Mr. LODGE. Yes. I do not believe that is magic, Mr. Acheson. I think they have done that already, as you have doubtless been informed.

Mr. ACHESON. They have done that with western Europe?

Mr. LODGE. With eastern Europe.

Mr. ACHESON. Of course they have—because they have their armies there.

Mr. LODGE. I am afraid I have not made my point clear. The point I make is: If the capital goods surpluses go into eastern Europe in exchange for agricultural surpluses, what is to prevent Russia from draining those capital goods surpluses off?

Mr. ACHESON. Mr. Lodge, I do not think I understand what you mean by "capital goods surpluses." Do you mean goods or do you mean machinery?

Mr. LODGE. I mean industrial products as opposed to agricultural products, to use the term in the usual sense.

Mr. ACHESON. You mean this: Suppose Bulgaria, for instance, sells wheat to France and France sells them some trucks.

Mr. LODGE. Trucks which were manufactured, let us say, because we sent them coal, spare parts, machine tools, and so forth.

Mr. ACHESON. All right. The trucks are in Bulgaria. You say: What is to prevent the Russians from just coming in and taking them?

Mr. LODGE. Yes.

Mr. ACHESON. There is no physical force that will do that. But what I am telling you, I think, is the most hopeful thing in the world. If that kind of thing continues, then the Bulgarians are not going to send any wheat to France. They are not going to do it just for fun.

Now, if the Russians want to send wheat in return for those trucks, all right.

Mr. LODGE. In other words, we come down to the question of whether they can, in fact, keep that "iron curtain" fast or can they not. They will try to, but can they?

Mr. ACHESON. That is right.

Mr. LODGE. Thank you very much.

Mr. MUNDT. I think that is something we should explore carefully to make sure that we do not project a program the defeat of which we can make possible by an attitude on the part of the Soviets.

That is something that I have insisted on throughout—that this be a comprehensive program. My criticism of the State Department is that it relies too much on the $6,800,000,000 without doing the corollary things, most of which I think you have mentioned today.

One other question on a different subject. I have a feeling that if we got into this as a teamwork program—the 16 countries and us, and perhaps Germany, which would make it 18—to revive and restore their economy and rehabilitate their politics, or make possible a foundation of politics over there which is stable, I wonder if you would agree with me that it is only right and equitable that, as one of the return considerations that we receive for our efforts, the countries can help make available to us such radio time as we might require on state-owned radio stations to tell the people, in their own language and on their own stations, why we are there and to do the thing that Mr. Wadsworth so aptly described, namely, what our men, with our money, are endeavoring to do to help them.

Mr. ACHESON. I have no objection whatever. In fact, I am entirely in favor of the most appropriate and simple methods of getting access to the means of telling the story in the countries involved. If that is the best way, I agree with you.

Mr. MUNDT. It would not cost us any additional money and it certainly would be a very fine gesture of friendship and reciprocity on their part.

Mr. ACHESON. I think it would be infinitely better if they themselves were to tell them what we are doing.

Mr. MUNDT. With a little nudging from us as to what they should say, perhaps.

Mr. ACHESON. If our own people, through our own broadcasting system, were telling us something in the United States we would believe it a great deal more than if some foreigner were telling us the same thing.

Mr. MUNDT. That is all.

Chairman EATON. Mrs. Douglas.

Mrs. DOUGLAS. Mr. Acheson, Mr. Lodge characterized as an interesting thesis your statement on the trade situation between eastern and western Europe. It is not a thesis but a fact that there is trade today between eastern and western Europe. Did not the Paris Conference include trade between eastern and western Europe as a necessary part of any rehabilitation program for Europe?

Mr. LODGE. Will the lady yield?

Mr. ACHESON. What you said is true; yes.

Mrs. DOUGLAS. Yes, I yield.

Mr. LODGE. I should be delighted to take part in a discussion of semantics with you at any time, but it seemed to me that it was a thesis insofar as satisfactory trade relations had not yet been achieved between eastern and western Europe because of the fact that western Europe hasn't sufficient capital goods surpluses and eastern Europe hasn't got sufficient agriculture surpluses.

If you believe that the trade already existing between eastern and western Europe is satisfactory within the terms of ERP, then you and I have entirely different hopes for this program. My hope is that it will go far beyond, and, insofar as it does, it constitutes a thesis at this time.

Mrs. DOUGLAS. I will not get into an argument with you because we will just waste time. I am not talking about satisfactory or unsatisfactory trade relations. I am talking about a fact which I think we must have firmly in mind before we go to the floor of the House. Suppose some Congressman on the floor asks, "What do you mean, trade between eastern and western Europe? Do you mean we are going to help those Communist countries? We won't have anything to do with it." How can we answer intelligently if we do not have the full facts? That there is trade between eastern and western Europe is a fact and not a thesis. I repeat that there is today trade between eastern and western Europe.

Mr. LODGE. But relatively little trade.

Mrs. DOUGLAS. That is right. But I think the average person in the street does not realize that such trade exists.

Mr. LODGE. It is quite inadequate.

Mrs. DOUGLAS. I am not talking about adequate or inadequate trade relations. I am saying that there exists now trade between eastern and western Europe, and I am also saying that in the Paris report the 16 nations felt that recovery of Europe demanded a continuance of this trade. I think we must recognize existing trade relations between eastern and western Europe before we go to the floor of the House.

Mr. LODGE. Insofar as the program is concerned, it is a thesis; insofar as it exists, it is a fact.

Mrs. DOUGLAS. It would be tragic if at the eleventh hour we threw the whole Marshall plan over because we suddenly discovered a fact that should have been self-evident from the first. The Marshall plan will certainly indirectly help Communist-dominated countries. To abandon the program for this reason is to turn all Europe over lock, stock, and barrel to the Communists. Mr. Acheson, you used the figure of 2½ percent for exports——

Mr. ACHESON. No. I said what we are talking about, in the European recovery program, is about 2½ percent of the gross national product of the United States.

Mrs. DOUGLAS. That whole 2½ percent is not financed by our aid program, is it?

Mr. ACHESON. Some of it is financed in other ways.

Mrs. DOUGLAS. Yes. And by a natural flow of exports.

Mr. ACHESON. That is correct.

Mrs. DOUGLAS. Will you define a little more specifically what will be the powers of the missions attached to the embassies working for the aid program?

Mr. ACHESON. Well, I suppose that what they will be chiefly charged with doing is, in the first place, seeing what is being done in the countries with the aid which we advanced under this program. They will have to be reporting continually to the Administrator what is happening in each one of the countries. They will also be reporting on the degree of recovery, financial stability and intra-European trade which is going on. They will be the great source of getting all sorts of information on the actual operation of the program.

They may be required to take up with the countries certain things which the Administrator thinks should be done. It may be that in one country the Administrator will think that coal production is lagging, that that ought to be stimulated. It may be that factories cannot run because they are not getting enough power. Then, we may be sending too much material for factories and not putting enough emphasis on getting more power.

Mrs. DOUGLAS. Then they will be technical men.

Mr. ACHESON. They will be technical men in the very broadest sense of the word; yes.

Mrs. DOUGLAS. To get back to the board, in the administration of the program, the Brookings Institute suggests that the Administrator work with the heads of the bureaus and governmental departments.

Mr. ACHESON. Yes.

Mrs. DOUGLAS. If you replaced the heads of bureaus and governmental agencies with a board made up of businessmen, would they be as well informed as to the availability of foods as the Secretary of Agriculture and his staff?

Mr. ACHESON. They will have to go, in any event, to the departments of the Government which were dealing with these particular subjects.

Mrs. DOUGLAS. What will happen if such a board of businessmen outlines a program for the export of foods under the Marshall plan and the Agriculture Department, when questioned, disagrees with their figures? The Agriculture Department has one set of figures and the board of businessmen has another set of figures provided by experts

outside of Government. What will happen then? Will this make for the harmonious and efficient administration of the Marshall plan?

Mr. ACHESON. You are creating a very serious problem if you have a board. The action of a board is anonymous. A board can get all the information that exists about a problem from the Department of Agriculture or anyone else. Then the board votes. And the board may vote 5 to 3 to do something contrary to all this information. Nobody is responsible for that. Nobody is called up to explain why they should do something which everybody in the Government has said is impossible.

The chairman says: "All I know is that the vote was 5 to 3 the other way." There is no one to assume the responsibility. This has happened before. It is not merely theoretical.

Mrs. DOUGLAS. Europe recovered at a more rapid rate after this war than after the last war?

Mr. ACHESON. Yes.

Mrs. DOUGLAS. How much of that, would you say, was due to UNRRA?

Mr. ACHESON. Well, UNRRA, with the other assistance which came from the United States, was very largely responsible for it.

Mrs. DOUGLAS. It has been mentioned here today that we must have the support of the American people for this program if we are to continue and see it through to a successful conclusion.

Mr. ACHESON. That is correct.

Mrs. DOUGLAS. Then it is very dangerous to go around, for whatever reason, continually attacking UNRRA, would you not say? Because the American people might well feel that if they had thrown their money down a rathole with UNRRA then there would be no hope of success with this program, which I think is the reaction of a great many people in the country at this moment.

Mr. ACHESON. I think it is a very great mistake to attack it unjustifiably. If it did any things which were inefficient or erroneous, I think those should be brought out.

Mrs. DOUGLAS. This program, in your opinion, will not hurt the United Nations, but indeed is essential if the United Nations is to survive?

Mr. ACHESON. That is correct.

Mrs. DOUGLAS. And it is not a United Nations problem because all the nations of the world do not go into a single nation—into France for instance—and help her work out a problem. She must work out her own problems. And we, unilaterally, are giving her the aid so that she can work out her own problems and so that they can be a member in good standing within the United Nations.

Mr. ACHESON. That is true, Mrs. Douglas. The fundamental problem here is that in order to furnish the necessary imports there has to be financing, which can only be furnished by the United States Congress. Therefore it is not anyone's problem except that of the United States Congress.

Mrs. DOUGLAS. Would you not say that in all our talk of communism, and the fear of Russia and what may lie ahead, we perhaps stress too lightly the fact that even if Russia were our close friend in the world at the moment and there were no fear of communism, we would be still confronted with a world which has been shattered by war and a world which must be repaired?

Mr. ACHESON. That is entirely true. The Russian attitude merely makes it more urgent and more difficult.

Mrs. DOUGLAS. More difficult, but we are still working out of the war picture into a peace picture, and we are the only nation in the world that can give the help needed at this time.

Mr. ACHESON. I agree entirely.

Mrs. DOUGLAS. Thank you.

Chairman EATON. Mr. Javits.

Mr. JAVITS. Mr. Acheson, it is a fact—I assume we all agree—that the European recovery program will be made or unmade by the technical skill of the people who administer it on the ground. Do we agree on that?

Mr. ACHESON. That would be very important. I should hope that, insofar as administration in Europe is concerned, there will be as little as possible American administration. The actual translation of goods into productive activity has to be done by the countries themselves.

Mr. JAVITS. Well, this is essentially an engineering job, a job of making production. We can agree on that.

Mr. ACHESON. That is the ultimate goal. It has a great deal to do with how you appeal to the people, and so forth, however.

Mr. JAVITS. Is it not a fact that the most successful agency which was able to enlist the technical brains of trade and industry was the War Production Board?

Mr. ACHESON. I should say the War Department did a pretty good job.

Mr. JAVITS. Well, the WPB was the War Department's arm.

Mr. ACHESON. It was part of it.

Mr. JAVITS. Well, when we get to the grass-roots administration of the European recovery program—I am not talking about the high-level policy—should we not follow as closely as we can a proven model?

Mr. ACHESON. If that is the model, we ought to follow it. I think the job you have here is somewhat different to that which the War Production Board was doing.

Mr. JAVITS. Will you tell us why?

Mr. ACHESON. The War Production Board did not have the job of acquiring and shipping to the various parts of the world a whole series of goods and determining what should or should not be done. All of those things were done by what were called the claimant agencies. The War Department developed what it needed to fight the war. The Navy Department developed what it needed to fight the war. All of those people carried on their operations with the factories that were producing. The War Production Board was an agency to resolve the conflicts when too many people wanted the same thing and also to stimulate production.

Mr. JAVITS. That is it; to stimulate production, that is the fact. Thank you very much.

Chairman EATON. We will recess until 2 o'clock.

Thank you very much, Mr. Acheson. We have enjoyed having you with us.

Mr. ACHESON. Thank you, sir.

(Whereupon, at 12:30 p. m., the committee recessed until 2 p. m. the same day.)

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