

Oral Memoir

of

LINCOLN GORDON

Program vice chairman, Requirements Committee, War Production Board, 1945; director, Bureau of Reconversion Priorities, Civilian Production Administration, 1945-46; consultant to the U.S. Representative on the U.N. Atomic Energy Commission, 1946; consultant, Army and Navy Munitions Board, 1947; consultant in the U.S. Department of State working on the Marshall plan, 1947, and with the European Cooperation Administration, 1948; director of the Program Division, Office of E.C.A. special representative in Europe, 1949-50; economic adviser to Averell Harriman, special assistant to the President, 1950-51; assistant director for Mutual Security Agency, 1951-52; and chief of M.S.A. mission to the United Kingdom and minister for economic affairs in United States Embassy, London, 1952-55. Later U.S. Ambassador to Brazil, 1961-66, and assistant secretary of state for inter-American affairs, 1966-67.

Washington, D.C.

July 17, 1975

Recorded by Richard D. McKinzie, Harry S. Truman Library

The Harry S. Truman Library

Independence, Missouri

March, 1977

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MCKINZIE: Ambassador Gordon, you were in the War Production Board at the time Mr. [Franklin D.] Roosevelt died, and shortly thereafter the war Production Board was phased into the Civilian Production Administration, in which you were the director of the Bureau of Reconversion Priorities. That process of reconversion was critical. Could we begin there?

GORDON: Yes. I had been involved in the War Production Board since Pearl Harbor -- really, since the time the Board was set up. I had done some work way back in the summer of 1940, long before

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we entered the war, with the National Defense Advisory Commission, which was the precursor to all of the war mobilization agencies. I started with the Bureau of Research and Statistics of the War Production Board and then got onto the staff of what we called the Requirements Committee, which was chaired by the Program Vice Chairman and which had the responsibility for establishing a system of priorities and allocations and all of the regulations which dealt with any material or product that was scarce or threatened to become scarce.

We had to design what became famous as the Controlled Materials Plan, which allocated steel, copper and aluminum; we set priorities; we issued conservation regulations for saving copper and zinc and aluminum and other scarce materials. In the latter part of the war we became involved jointly with the War Manpower Commission even in

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allocating scarce manpower, especially on the West Coast. We had a lot to do with making a success of the landing craft program, which was vital to D-Day in Normandy, and also with the atomic bomb program. We didn't know what that was; there was something called the Manhattan Project and it got an automatic AAA priority, but if anybody in the War Production Board knew what it was, it was not I.

But it was a very interesting experience. I went through a series of successive promotions. At the time of President Roosevelt's death I was the Deputy Program Vice Chairman, and chairman of what we called the Junior Requirements Committee, known as the Program Adjustment Committee.

These committees were chaired by the War Production Board man, and they had on them representatives from the three armed services; that is the Army, the Army Air Corps -- which was

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treated in effect as a separate service, although the Air Force didn't yet officially exist -- the Navy, the Maritime Commission for shipbuilding, the Petroleum Administration for War -- the War Food Administration, the Foreign Economic Administration for civilian and military overseas needs -- both lend-lease and others -- and then a so-called Civilian Requirements Division of the War Production Board which was responsible for domestic civilian needs. It was

headed in my day by a Harvard colleague of mine, my mentor at Harvard over many years, Professor William Y. Elliot.

In April of 1945, I was the Chairman of the Program Adjustment Committee, and in May the Program Vice Chairman resigned (shortly after President Truman took over), and, although I was very young at the time, I was asked to be Program Vice Chairman. So for the last few months of the war I chaired the Requirements Committee.

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Sometime in 1944, it became evident to everybody that we were going to win the war. We didn't know just when, but it looked as if another year or two would probably do it. We began to give thought to the problem of reconversion. The problem was how to do it in an orderly way, which would avoid the kind of terrible postwar recession, or depression, which had followed World War I. That was much on everybody's mind. You must recall that all of us in those days were very conscious of the great depression, very much worried about unemployment and about sliding back into the sort of situation that we had emerged from at the beginning of the war.

MCKINZIE: Wartime opinion surveys showed that most people did expect a postwar depression.

GORDON: That's right. And in fact, there was a famous competition that was won by Herbert Stein

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involving what to do in order to avoid a postwar depression. Stein also was on the War Production Board staff, later became the chief economist of the Committee for Economic Development, and then recently was chairman of the Council of Economic Advisers.

We were also aware in 1944 that there might be a very substantial time space between the surrender of Germany and the surrender of Japan. Generally the planning in those days was that a full year might elapse. This reflected in part our ignorance about the Manhattan Project, but in 1944 nobody knew whether the Manhattan Project was going to be successful -- as we now know, even the people on the inside. The general advice that we got in the War Production Board was to plan on a one-front war in the Pacific for a full year after Germany surrendered whenever that may be.

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It was clear that a one-front war would not require anything like what a two-front war required in the way of materiel. There were also a number of civilian needs which had been deferred, but which couldn't be deferred forever. Automobiles were one. We had totally stopped producing passenger automobiles, but the stock was gradually wearing down, and at least for certain purposes, such as doctors and critical public services, fire chiefs and the like, we had begun to think about trying to get one line in some automobile factory going again, just to provide for priority needs of automobiles. Other things were in a similar position. But above all, we wanted to try to work out some system in which we could have a coming back of civilian production, but

in a moderate way so that it wouldn't detract from the necessary war production for the residual Japanese phase of the war,

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and yet avoid a postwar depression.

We set up in July or August of '44 a little committee which we called CODCAVE. CODCAVE was the Committee on Demobilization of Controls After Victory in Europe. I still remember what it stood for. We had a very bright girl, a professional member of the Committee, who wrote a piece of verse in the style of Gray's "Elegy." The last line went: "The paths of all cod lead but to the cave.

The chairman of that group was Samuel Anderson, who was Program Vice Chairman then and whom I succeeded in May of 1945 for it. I was the rapporteur and had to write the Committee's report. We worked very hard during that summer and got our report in. It was a very complex scheme for relaxing and removing controls wherever we could, but retaining those that were necessary for this assumed one-year continuing war with Japan.

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Then came the Battle of the Bulge, which shocked everybody both in Europe and in Washington. For a little period, we went back almost to full, intensive industrial mobilization because the ammunition expenditure and things of that kind during the Battle of the Bulge were very heavy, but that phase only lasted for a couple of months.

By the time of Roosevelt's death it was clear that the end in Europe was just a matter of weeks away, but we still didn't know -- at least I didn't know -- about the atomic bomb. We were still working on this 12-month one-front war idea. We reviewed our 1944 plans and they still looked pretty good.

By this time the WPB Chairman, Donald Nelson, had been sent off by Roosevelt to set up the Chinese War Production Board and to get inflation in China under control. He didn't succeed at it

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very well! Cap [Julius] Krug had been made chairman of the War Production Board after a brief spell in uniform in the Navy.

The effective operating head at this time was Jack Small (Commodore Small he was by then), who was detailed to us from the Navy. He was a very able administrator.

Soon after the Germans had surrendered, one day in July, Jack called me in and said, "Look, we not only had better think about something more far-reaching than our one-year plan, we'd better think about what's going to happen if Japan suddenly surrenders." He obviously had some inside knowledge about the bomb. So, we developed a scheme for the maximum and speediest possible decontrol. There was a lot of debate about it. But then, of course, the Office of War Mobilization and Reconversion was a very important cog in all of these wheels. Obviously what we

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were doing was of general interest, so we had many meetings with the OWMR people and there were differences of view. Some people wanted to retain a much more elaborate system of controls. We were, on the whole, of the opinion that there wasn't very much justification for this even though there would be some cases where there clearly would be a great excess of demand over supply. We had a lot of pressure from the OPA, which was very concerned about how they could possibly maintain controls unless there were production controls to go with them, and there were some fairly vigorous debates between OPA and WPB people about this. Things that were scarce by that time were not easy to control. It wasn't so much the metals or the big industries like automobiles, but things like textiles and paper where there were hundreds of firms, and where the evasion of regulations was a serious problem, even in wartime. And we were well aware that once the moral inhibitions of wartime were off, this was going to be extraordinarily difficult to manage. So our thrust was very heavily in the direction of liberalization and removal of detailed controls. The

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wartime industrial controls were extraordinarily elaborate. There were volumes and volumes of regulations going into great detail as to what various scarce materials could be used for, how much, the percentages of base period, and so forth.

MCKINZIE: Mr. Ambassador, did anyone speculate about the future political environment and how that might effect the operation of the plans you were in the process of devising? I am vaguely aware that there were people in the Civilian Production Administration who believed that the WPB had worked so well during the war, that the problems of the first years of peace were going to be equally critical, and that there ought to be the same kind of orchestration during the coming peace that there had been during the war. Yet, as it turned out, the political climate of the country simply made that kind of thing unacceptable. Were there any discussions of that kind of thing?

GORDON: Well, there was a little bit. We got much

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involved in my last few months on the job -- after the Japanese surrendered -- with housing. Wilson Wyatt had been brought in by President Truman as the Housing Expediter, and veterans' housing was one of the big policy objectives. We knew there was a tremendous backlog of unfulfilled demand for housing. We and the OPA were concerned about prices, and we wanted to have some sort of preference scheme for veterans. We in the CPA knew more about priority and preference schemes than anybody else in Washington. So, we worked very closely with Wilson Wyatt in trying to devise some scheme that would get the maximum number of houses built and would give veterans preferential access to any new housing. That was one of the big cases where we tried to maintain controls and we did on paper have a control scheme. When I went back to Harvard in February of '46, I maintained a consulting relationship with both the Civilian Production Administration

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and the Housing Expediter, under agreement between Jack Small, who was the administrator of the CPA, and Wilson Wyatt, to help in trying to make this scheme work. I came down for three days every other week for the rest of that spring and summer. In fact, I was in Wilson Wyatts house on election night '46 when we read the returns and realized that any kind of direct economic controls had passed their political day. The time had become ripe for decontrol regardless of the effects.

So, the whole effort, including price control, was washed up very soon thereafter. But in '46, at least at my level -- the upper middle level in the hierarchy -- we were really not thinking much about political climate. We were discussing pros and cons of policies more as technocrats -- what would work, or what would not work.

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We were concerned about political climate in the sense that we realized in peacetime you couldn't get voluntary cooperation for a lot of things. But this sense of being totally fed up with controls of all kinds -- which was the governing emotion in the congressional elections in '46 we did not anticipate; I mean the "Had Enough?" theme which the Republican Party used very effectively in those elections.

Indeed we were singularly apolitical. I suppose that most of the top people in the War Production Board itself and in the CPA were Republicans, since they came from the business community. I didn't regard myself as much in politics on either side in Massachusetts, where I thought both local parties were terrible and still think so. I had always registered as an Independent, but I was a New Dealer and leaned toward the Democratic Party moderately. But the whole four years that I spent in the War Production

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Board and in its successor, I don't recall narrow party politics ever directly intruding on our discussions at all.

MCKINZIE: Well, politics in another sense -- the politics of the planners versus the politics of the free market advocates?

GORDON: Oh, that was very visible. That was visible particularly in the almost systematic confrontation between the Civilian Production Administration and the OPA. My own position there was somewhat in between, but leaning against controls mainly on pragmatic grounds. The OPA was full of professors, many of whom were close personal friends of mine. Galbraith had tried to get me into the OPA in 1942, but by then I was already committed to the War Production Board and felt I knew more about it, so I stayed on the other side of the fence. But we used to have many friendly arguments with the

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OPA. Some of them were really quite heated, because they felt, probably correctly, that you could not maintain price ceilings unless you did something to equilibrate supply and demand. Unless you had physical controls of the type that the War Production Board or the CPA had the

power to impose, the effort at price control would burst out in all the seams. You'd have black markets all over the place.

Well, in principle they were right. We were also right. We said, "Well, look, there are a lot of these things where we can't help, because we can't enforce physical controls. It was hard enough for us to do it in wartime with all the voluntary cooperation. You're just living in a dream world if you think that in the United States you can do it in peacetime."

I suppose some of those issues must have gotten to President Truman, but I was at too

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junior a level to be aware of them then. I never met the President, incidentally, until later when I was on Harriman's staff in 1950, in the White House.

MCKINZIE: Did you know Bernard Baruch at this time?

GORDON: Not at that time, no. That all happened the next year. I went back to Harvard. I had been in the Government Department before the war, but Donald David was then the Dean of the Business School. He had heard about me somewhere or other, and he was very anxious to build up the Business School's work in government and business relations. He realized that we were in a new era. Don was a very farsighted Dean. Later, he did the same thing with respect to international business, and my second period in the fifties up there was the result of his foresight on how important the world would become for American business.

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In 1945, I had reemployment rights in the Government Department, but Don was prepared to give me an associate professorship right away with the prospect of a full professorship in a year, which materialized. Although I had some of the usual prejudices of Harvard Arts and Sciences people against the Business School, it was impossible to maintain any such prejudice in the face of his persuasiveness. He was really a great salesman. It was understood that I would have a foot in the School of Public Administration and maintain contacts across the Charles River which he was anxious to rebuild. During the depression there had been an almost complete separation between the Faculty of Arts and Sciences and the Business School. I was to be one of the rebuilders of the bridges, so this seemed very attractive. So that was where I went to. I was to develop a new course in

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Government and Business, on which I began working on in the spring of '46 and got going in the fall of '47, and that was a big job.

I did maintain, by agreement, this three days every other week consultancy in Washington with the Housing Expediter and the Civilian Production Administration. On one of those trips (I think it was at LaGuardia airport, where I was changing planes going from Washington to Boston), I ran into Ferdinand Eberstadt, whom I hadn't seen for about two years, and who had been my immediate boss during his meteoric flight through the War Production Board in 1942-

43, when we installed the Controlled Materials Plan. Ferd greeted me and suddenly said, "My God, why didn't I think of you before?"

I found this a mysterious question, and replied, "What about?"

"Well," he said, "you've probably read in the newspapers that I'm joining Bernard Baruch."

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Then he asked, "Have you ever met the old man? He's right here." He pulled me around and introduced me, and I said it was a great privilege, but had to dash for my plane.

Ferd asked for my telephone number, which I shouted to him while running for the plane. He called up a day or two later and said, "The U.N. Atomic Energy Commission is the most important thing in the world right now." This was just about the time the UNAEC began. I guess the famous speech had been given, the great speech of early June drafted by Herbert Bayard on the theme "cosmos or chaos," but that was all, and the world was waiting for the Russian reply.

Eberstadt said, "Look, we need staff very badly. We've got this circle of advisors but we're all part-timers except for John Hancock." He had come on full time, but the rest, Eberstadt, Swope, Fred Searles and various others who were

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old cronies of Eberstadt's or Baruch's were all carrying on their private businesses. He said, "We really need full-time help very badly and you're just the fellow who can fill the bill."

Since my high school and early college days I had had a very strong scientific leaning. I very nearly became a physicist or a chemist, took scientific courses through high school and as a freshman at Harvard. It was the depression which led me into social science instead. But I maintained a strong scientific interest and when the Smyth Report was published, I read it line by line and made sure I understood every line of it. I was absolutely fascinated by atomic energy and its apparent dangers and promise. To accept this invitation would mean postponing the industrial mobilization book I had started on, but the UNAEC job was originally to be just for the summer.

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MCKINZIE: What were your academic plans? You said you had planned to coauthor a book on industrial development that year?

GORDON: That's right, I was to do two things: one was to develop a new course in government and business relations; the other was to do a book about the industrial mobilization experience during the war. I was to do it jointly with Vincent Barnett, who was then a professor of Government at Williams College, and who had worked directly with me in the War Production Board for a couple of years. We were close friends and colleagues. We had laid out the outline of that book together. Much to my embarrassment he later completed his half of it and I never completed mine. The book never got finished or published.

Anyway, I talked to Dean David and Stan Teele, the Associate Dean, and they felt that the

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atomic energy problem was colossally important. Deans David and Teele were very sympathetic to my working on it. They said, in effect: "Look, first things first. The industrial mobilization project doesn't have a real time target on it, so, sure, you ought to do this."

So, I went to New York, arriving in early July of '46, and joined the U.S. delegation. Within a day or two of my arrival Gromyko, who was then the Soviet Ambassador to the U.N. and their member of the U.N. Atomic Energy Commission, gave his speech of reply. This was about three weeks after Baruch had given his opening speech. Gromyko's speech was very long. The substance was summed up in the last sentence, which I can still quote almost word for word in the English translation: "And for all these reasons," Gromyko said, "we cannot accept the American plan for international atomic energy control in its present

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form, either as a whole or in any of its parts." This meeting was in the Henry Hudson Hotel. We went back to the Empire State Building where our offices were, and had a confabulation. Swope was all prepared to wind it up, and say, "All right, we've put our proposal; they've rejected it. To hell with it now; let's all quit." And I said, "But he said, 'In its present form,' and that suggests that there may be some openings and we ought not to leave any stone unturned."

And my argument was persuasive. We talked about tactics and decided that the next thing probably was to try to get the scientists together to see if they could agree on a common diagnosis on the nature of the atomic energy control problem. That became the main exercise for that summer. Although I wasn't a scientist, I was temperamentally very close, partly because of this early scientific interest of mine, to

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our own scientific delegation.

We had some really remarkable people. We had full-time, at that time, Robert Bacher, who is now president of Cal Tech, and who left us later in the summer because he was the first scientific member of the U.S. Atomic Energy Commission. Congress was just finishing up passing the McMahon Act at that time. It was slow in forming because Dave Lilienthal was named by President Truman as the chairman and the Senate took its time about confirming Dave in that job.

So, Bacher was with us; he was then a relatively young man. From the older generation we had Richard Tolman, America's leading cosmologist, one of the important participants in the Los Alamos part of the atomic bomb project. He was from California also, and a splendid man. On about a two-thirds time basis, although not

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full-time, we had Robert Oppenheimer. And then there was a younger scientist, Paul Fine. This was a very distinguished group of men. I spent a lot of spare time in discussions with them and

they invited me to the scientific committee meetings as a kind of associate member of the delegation, perhaps feeling that I could help on the political or administrative side where their background might be weaker. I also became the American member of the policy subcommittee which was drafting what became the first report of the U.N. Atomic Energy Commission to the General Assembly.

Also, before I arrived Eberstadt had drafted, and the U.S. delegation had presented, three technical memoranda which were backup documents for the Baruch speech. There were some gaps still to be filled in. For example, there was the concept of a phased transition. Assuming that

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you could get agreement to internationalize control, of atomic energy and set up an international atomic authority which would have monopoly control on a world-wide basis of all fissionable material, and if all atomic weapons then existing -- and, of course, we thought that meant only ours -- were to be dismantled and the fissionable material in them turned over to this world-wide authority, when was that to be done and how was it to be done? How could you work out the transition from an American monopoly of the hardware, and what we thought was a joint British-Canadian-American monopoly of the knowledge, to its internationalization?

At the same time, the cold war was definitely setting in. We were well aware of that. I was aware of it personally from the day I arrived in New York. Even in '45 in the War Production Board, through our involvement in the lend-lease program, we had begun to have some trouble with

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the Russians, noting their resistance to any conditions whatever on the postwar use of lend-lease materials.

Later, I got to know Harriman very well and heard at firsthand how he saw it from his vantage point in Moscow.

MCKINZIE: I talked to you two or three years ago, at which time you briefly mentioned this incident and you said at that time you were not yet a "hot cold warrior."

GORDON: That's true. I was not, and there was one quite important symbol of that, which came later on at the end of '46. But in mid-'46 there were a lot of jobs to do in our delegation. In addition to the scientific work, there was the business of trying to think through some of these problems of transition. There were others, such as the details of how the control scheme would work

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for the raw materials at the mining end and how one could avoid surreptitious mining if somebody made a secret uranium discovery. Though we knew about it and talked about it inside the delegation, it was still at that time highly classified that you could use thorium. The Brazilians who were then on the UNARC and have lots of thorium were aware that thorium was a potential nuclear material too, and they were very much interested in its development.

We began staff projects on several of these matters, but the big project that summer was the scientific committee. In fact, they developed with the cooperation of two very distinguished Russian scientists, a unanimous report at the level of the scientists. There was a long period in August when it was unclear whether the Russian Government would give their scientists the authority to sign. They had personally

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committed themselves that they would get the authority, but weeks passed and the commission went into a kind of suspense. It was August and New York was hot. Baruch was withdrawn to Long Island and Swope was in Long Island. Baruch would come in maybe one or two mornings a week, but we would go out to his house quite often to consult with him and bring him up to date.

John Hancock, who was the second in command, ran the delegation during that period. About the end of July, Baruch and Hancock felt it would be a good idea to have a personal progress report for President Truman and I was asked to draft it. We must have gone through about five drafts. I remember driving out to Baruch's house in Long Island and going over these drafts with him. He was very sharp, in spite of his deafness and his 76 years. He had ideas and suggestions, and he would reminisce occasionally, which was always interesting. He was obviously

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an enormously vain man, but a very interesting person to work with during this period. Finally I produced a draft that satisfied him, and he and John Hancock made a date with the President. I asked, "How are you going to be sure the President will read this?" It was about ten pages doublespaced.

Baruch said, "I have a simple device for that. When I have anything important I want to discuss with the President I go in and say, 'Well, here it is Mr. President, I know your time is much more valuable than mine, so I'd just as soon wait while you read it, and then we can talk about it!'"

Frank Lindsay, who is now the president of ITEK, had the title of secretary of our delegation. He and I drove them to the Pennsylvania Station and saw them off.

That night Henry Wallace gave his famous

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Madison Square Garden speech, one of his two major speeches over a period of a month. One of these speeches contained some very caustic comments about the U.N. Atomic Energy Commission, among other things.

The next evening, Frank Lindsay and I drove out to Mitchell Field to greet Baruch and Hancock on their return by air. Baruch was met by his own car and driver, and he went off to his house. Hancock came back into town with us. "How did it go?" we asked John. He was a lovely character and we were all very fond of him. He was president of the Jewell Tea Company, but had been Assistant Secretary of the Navy. He was in love with the Navy and a very bluff naval

type, a very good man to work with. We had very high morale in our delegation, which made it a very interesting and exciting summer.

I asked, "How did the President react to our report?"

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And he said, "We never discussed it,"

I said, "What happened?" Their date was at 11 o'clock that morning at the White House.

He said, "Well, we got installed in the Mayflower Hotel." (Hancock was in a room a couple of floors above Baruch.) "I was awakened out of a sound sleep by the old man at 7 o'clock this morning, and he said to me, 'John, have you read the papers?'"

Hancock had replied, "No, Chief." (He always called Baruch "chief.") "No, Chief, I haven't read the papers; you just woke me up."

Baruch said, "Well, get hold of the papers and come down and have breakfast with me right away..."

The papers, of course, were full of the Wallace speech. They decided that instead of talking with Truman about our report that they'd talk about Wallace, and talk in no uncertain terms of a resignation threat by Baruch. And

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that's what they talked about with Truman. Baruch was requested by Truman to get hold of Wallace and see whether Wallace would not withdraw his critical comments and apologize. If he wouldn't then the President would either see that Baruch was satisfied or that something would be done about Wallace.

I was then put on the job of drawing up the necessary papers for a confrontation with Wallace, and that was very interesting. I drew up a document in double columns, putting side by side excerpts from the Wallace speech and the facts. It was absolutely damning because he hadn't done his homework, and whoever had helped him write the speech hadn't done his homework. The facts came from documents on the public record. He said we'd taken positions which in fact we hadn't taken, and he said we had failed to do some things which we had explicitly done. It was

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very easy to draw up a damning comparison.

Baruch did get hold of Wallace. Wallace said he was coming to New York the following Saturday, and he'd be happy to meet with Baruch.

So we had a confrontation meeting. Baruch came to our office in the Empire State and Wallace brought along with him Clifford Houser, who was head of the Census Bureau but had not

worked with him on the speech, Houser was a respected staff man and Wallace wanted somebody to be there with him, as a kind of witness.

On our side we had Baruch and Hancock, Frank Lindsay, and myself. My recollection is that there were just four of us. I don't recall that any of the other senior advisers were there, but I'm not absolutely sure of that. We sat around a big conference table and after a few polite words at first, Baruch said, "From our point of view this is an extremely serious

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business. I'm afraid you were ill advised, and here's the document that sets forth the facts." And he handed over the document I had written, and Wallace looked at it.

Wallace I had met before. I didn't know him well, as Vice President but I used to see him at meetings of the full War Production Board. I couldn't quite make him out -- he gave the impression of being almost half asleep or a little drugged and one got the impression of a man who was not fully in control of his wits.

Now, this was 1946, of course, and two years later Wallace got actively interested in the Presidency. As I later realized, our confrontation was part of the background of that. He read our document through (it was about four pages of closely typed, double columns) and then he turned to Houser and said, "Is this really so?" And Houser said he certainly thought so, because I had

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all the documents handy -- the U.N. official prints. There was one point where he had been particularly grossly in error, and I had cited the pertinent document chapter and verse.

He asked to look at the full document, Then his eyes kind of widened; he shook his head, and then said to Baruch, "Well, I obviously have made a mistake. I was ill-advised." That broke the ice. Then we had some discussion about several of the points. He felt that I had misunderstood what was really meant by some of his statements in the speech, and I said, "Well, I'm sorry, Mr. Secretary; we weren't trying to misinterpret you but I'm afraid this is the way the words would read to the ordinary member of the reading public." This was a long session, which had started at 10; by this time it was about 12:30.

Baruch said, "Well, what do we do? Obviously we can't leave the record like this. The President

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just a few days ago instructed me to arrange this meeting and suggested that we find some way of straightening it out publicly. Obviously what we need is a public statement on your part. We should try to be as polite as possible, and embarrass you as little as possible, but there has to be a recognition that some errors were made and a withdrawal of the erroneous statements."

Wallace agreed about that. Then he said he had a luncheon appointment and thought that the best thing would be for Cliff Houser to stay behind to work together with me to develop a statement to submit to Wallace and Baruch for their approval.

So everything seemed fine. Baruch went back to Long Island; Hancock stayed; and Cliff Houser and I went off to lunch to talk and then came back and drafted something. Both of us, I think, are quite good draftsmen and we had no

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trouble together. We were searching for the least embarrassing statement by Wallace that would meet the needs. It wasn't terribly long; it could all fit on one page. Then we took it in to Hancock who read it over and made one or two rather small suggestions and said, "Let me read this to the boss." He called up Baruch and read it to him, and Baruch approved it. "All right," said Hancock, "now where's the Secretary?"

Houser said, "Well, I have a number." He called but he couldn't locate Wallace, and he said, "Well, I'll keep trying." I'm sure that Houser was absolutely innocent in this, and Wallace had really done him dirt.

It was getting to be late on a Saturday afternoon. Houser wanted to get back to Washington to his family. "Well," he said, "we'll have to do this by telephone. I'm sure I'll be able to locate the Secretary somewhere tonight or

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tomorrow, and I'll be in touch with you."

I was in touch with Houser on Sunday and on Monday, but there was no sign of Wallace. Baruch began to get impatient. Wallace finally showed up in Washington on Tuesday, called up Baruch and said, "I'm sorry, but it's unacceptable, I have a substitute statement, or substitute language for one paragraph," and he read him the substitute.

Wallace's proposal in effect was no confession of error whatsoever, and in some ways it even compounded original errors. Baruch said, "Look, I'm perfectly prepared to accept suggestions, but they mustn't depart from the spirit of our conversation, or our understanding on what to do." They were never able to come to terms. Finally Baruch set him a deadline, saying, "If this isn't done by Thursday our document goes to the *New York Times*."

It did. My memorandum was published in full in the *Times*.

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I talked to Houser later about this episode. He said he never could get the entire story straight, but his impression was that Wallace had gone off that weekend and consulted with some of his political advisers. They included some extreme leftwing people, who felt that even the face-saving memorandum that we had concocted would destroy Wallace's political pretensions. They were already thinking of him as a candidate for 1948, and they didn't want to have in the record any apology or confession of error about anything. Apparently they had persuaded Wallace in effect to withdraw his commitment to us. It was not a very nice story.

There had been a perfectly clear recognition of error at the Saturday meeting and an agreement that his man and I should work out the text of his statement. In effect he welched on it. Baruch was fit to be tied. It was the only time

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in the whole six months that I worked with him that I saw him absolutely angry, indeed furious.

MCKINZIE: The two then, I take it, were never reconciled?

GORDON: No, never. Then, a few weeks later, Wallace compounded the error with another foreign policy speech and that was when Truman fired him. He didn't fire him on account of the quarrel with Baruch. It was the second speech, when Jimmy Byrnes waded in and said, "Mr. President, there can be only one Secretary of State at a time." Truman was faced with the choice between Byrnes and Wallace, and in effect chose Byrnes.

MCKINZIE: In this Atomic Energy Commission work you mentioned that at one point the scientific committee did come to an agreement on technical matters.

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GORDON: Well, it was basically an analysis. It's a very interesting report to read even now. It's available in an official U.N. document. The scientists were to do two things. They were to state the nature of the dangers posed by the development of atomic energy for peaceful purposes -- whether power or medical uses or any use of isotopes. Of course, in those days people still thought about the "Operation Plowshare." There were all kinds of wild ideas about digging canals, tearing down mountains, and moving rivers, which today don't look so good. And there was also a tremendously bullish attitude about atomic power. It was going to be plentiful and cheap and we used to speculate on an economy with virtually unlimited, almost zero cost power. Those things don't look very realistic today.

The scientists were supposed to identify the potential dangers, and then to identify what

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means might be adequate to safeguard against those dangers. So their task was to describe dangers and safeguards, both from a rigorously scientific, technical point of view.

They didn't of course, deal with the institutional structure. That wasn't a scientific issue. They didn't deal with the veto problem either, and I want to come back to the veto problem because that's where I parted company some with our delegation, and that also raises an interesting point of speculation about the cold war.

But the scientists did, in their analysis, come out very close to the Acheson-Lilienthal document, which was the basis of the Baruch plan. During that slow period, while we were waiting for the Russians to get authority to sign, Baruch would come in at least once a week at lunch time and we would invite a group from one of the other Western delegations. We had a series of bilateral

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lunches, not with the Russians or the Poles, but with the British, the Brazilians, the Dutch, the French, the Mexicans, the Canadians and so on.

I remember that at the lunch with the British, they were led by Sir Alexander Codogan, a very well-known British diplomat who had also been involved in arms control negotiations in Geneva before the war. He was so bored by all this. He apologized once for not being more active in the debates. He said, "The trouble with me is that -- while perhaps atomic energy is different -- so much of the debate is what I heard in Geneva for six years, and I'm positively pickled with boredom." But some of the younger people on his delegation said to us that when they first read the Baruch speech and the Acheson-Lilienthal report, they were skeptical. They thought this was some sort of ploy, and it took them some time to take it seriously.

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But they had now come around. They had technical advisers who were very knowledgeable about atomic energy, and they had now come around to believing that in fact our proposal was the only way to do it, that there had to be an effective international operating authority. Some of the other Western delegations went through a similar evolution.

The Dutch had an absolutely crackerjack scientist who led their scientific delegation and who chaired the scientific committee, called Hendrik Kramers. He was a splendid human being, who had been in a Nazi prison camp for much of the war; his health had been undermined by that and he died a few years later. But he was very thoughtful; he had gone through the same evolution, starting with skepticism about what the Americans really have in mind.

It seemed, of course, like a terribly far out idea at that time. It may seem less strange

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today when one thinks about global authorities for various purposes, but one has to put oneself back in the climate of 1946. The notion of a global operating authority, a sort of a world-wide TVA, which would receive its authority from governments of every type all over the world -- when decolonization was taking place and the world was full of uncertainties, and there was a tremendous question mark hanging over everything concerning what the Russians were really after. The idea seemed at first reading to be a kind of political science fiction.

But these very serious people in the other delegations, some of them scientists and academics but most diplomats and professional governmental people, gradually got converted. That, in my mind, was the great success of our whole negotiation during that six months in 1946. There were twelve countries on the commission, ten of which were not

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Communist powers. The Poles had no freedom whatever; their position was just a farce. They were embarrassed about this since they had some quite able people, but they were total prisoners of the Russians. When there was a vote on some little procedural thing, if they happened to be called on first they would pass and wait for the Russians to vote, and then they'd vote the same way. It was a pathetic thing to observe.

One of them, as I recall, a chap called Michaelowski, defected later on. He just couldn't take this sort of satellite-ism at its worst.

But all of the others -- with the possible exception of the Egyptians who had a weak delegation and who perhaps tended to act the same way in relation to the United States as the Poles did to the Russians -- the others were able and independent people and they really became

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convinced that the Baruch plan was a serious proposition on our part.

Now we come to the veto question. If you compare the Acheson-Lilienthal report with the Baruch speech, the one big difference is that Baruch included in it (and Ferdinand Eberstadt wrote the words in this part of it), "There must be no veto in the Security Council to prevent enforcement of this treaty against any violator." That was not in the Acheson-Lilienthal report. The Russians pounced on that in their reply. They said, in effect: "We have just been through Dumbarton Oaks and San Francisco and we've agreed on this whole pattern of the United Nations, and one year later the United States comes along and wants to undermine our agreement right away."

This question bothered a number of us in our delegation and bothered some of our colleagues. An example was George Ignatieff, who was second

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in command of the Canadian delegation, later became their ambassador to the U.N. and one of their senior diplomats. George and I became close friends during this period, and he used to worry about the veto issue.

Occasionally somebody would come up from Washington to discuss such questions with us. We had an odd relationship with the State Department because theoretically we were a mission of the State Department, but in fact, of course, given Baruch's standing, we were totally independent, making up our own positions. We got no instructions except Truman's original ones to Baruch, which were stated in very broad terms. We did keep the State Department informed, and Joe Johnson would come up occasionally. He was then head of the International, Security Affairs office. He later became President of the Carnegie Endowment for International Peace, from which

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he is now retired. Joe and I had become friends during the war. He and Bertrand Fox and I shared my house one summer when all of our wives were off with our small children in better climates than Washington; so we knew each other very well,. Joe had some questions in his mind about the veto question.

I finally became persuaded around early December that there was something cockeyed about our emphasis on the veto and that it was an unnecessary impediment to an agreement. It was clear that there wasn't any chance of our getting the Russians on board in their then frame of mind, but it seemed to me a mistake to have unnecessary obstacles and that we ought to confine our

proposals to the absolutely essential points. Robert Oppenheimer also got very worried about this point; he thought it was an unnecessary obstacle, The logic of the

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Acheson-Lilienthal idea, to which Oppenheimer had contributed a great deal, was that you had to have a watertight system which would give a signal. Once you gave a signal of a violation by the diversion of nuclear material, then all bets were off. If it were a big power, the Russians let's say, who were violating, then a treaty obligation and sanctions imposed by the Security Council weren't going to make any difference. If you were sure there was a violation, the rest of the world could impose the same sanctions (whatever they were), whether you had a Security Council vote or not, or a veto or not. This would be such a serious matter that the effect would be a provocation of something close to another war. The important thing was to have an international system that would guarantee you an accurate signal. From that point of view, the important part of the plan was this international operating authority.

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Security Council rules about vetoes were quite unimportant.

That issue worried me a great deal. Finally I wrote a very long memorandum. I knew it was a sensitive matter, so I typed it myself. We didn't have xeroxes in those days; there were about 10 pieces of carbon paper in it; and it was about nine single-spaced pages, a long memorandum, which I addressed to Hancock, just expressing my worries about this. I sent one copy to Joe Johnson, who wrote some lavish words of praise for it afterwards. Then I turned it in to Hancock. It was read, obviously, by him and by Tolmon and by Eberstadt and Eberstadt and I talked about it a little bit. He'd been inactive in the delegation for some time, and had just come back at this phase. Then there were a number of confabulations among Baruch and the senior advisors from which I was excluded, though

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previously I had been made, in effect, a part of the senior team even though I was formally below that level. I was the most active professional in that delegation. Subsequently, I realized that they must have been deciding on Baruch's resignation on New Year's Day (which I didn't know about until it happened). In effect, they concluded he had done what he could, that they had better wash up the negotiation, and they were thinking about the tactics, basically in cold war terms.

Now, what I have never been able to satisfy myself about is whether that veto provision was something deliberately put in to make the plan unacceptable to the Russians, which is what the revisionist historians would like to believe, or whether it was put in in good faith. You could make strong arguments for it; I don't think they were convincing, but Eberstadt, who

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was a brilliant lawyer as well as a very effective stockbroker, could make a strong argument for this veto provision. But I honestly have never known the actual motivation. I discussed the matter some with Senator Warren Austin the following spring. He was an amusing old man. He said, "Look, by this time it's so clear there isn't going to be any negotiation anyway, this is all academic," and of course, he was right. He never got terribly excited about this particular issue.

By then the cold war was really burning away and Austin was encountering it in U.N. debates on all kinds of things. But it remains a fascinating question to me as a piece of history, and I don't know who's left alive to answer the question.

MCKINZIE: What about the business of inspection? Were you personally committed to that as a condition for...

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GORDON: Oh yes. We thought the amount of inspection was negotiable, but we were absolutely persuaded of its necessity at that time. We discussed this often within the delegation, and concluded that international inspection by the authority was absolutely indispensable. There were no earth satellites then; there were no U-2s then. We recognized the Russian sensitivity about inspection, and they were very clear about that, but we simply didn't see how the plan could work without inspection by an international organization. Remember that the technical scheme was basically a materials accounting scheme. The idea that was from the moment anybody identified any uranium or thorium in the ground, from the moment that got mined, upgraded, beneficiated, refined, converted into uranium oxide, enriched, and then applied to some use or other for peaceful purposes, that this international

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authority would own it, have title to it, and would have materials accountants keeping track of it. I think in the light of what's happened since, we all overestimated the degree to which that kind of materials accounting could really do the job.

But that was the technical basis of the whole proposal. Assuming that you were going to have some nuclear activity in the Soviet Union -- after all, the Soviet Union is one-sixth of the earth's land surface, and you had to expect there would be some -- how could you know whether the stuff was diverted to weapons without some materials auditors on the spot? We couldn't see an answer to that.

We thought about all kinds of ways of softening it, of having only inspectors from small countries so it couldn't be regarded as American or British espionage. You would have Canadians, Scandinavians, Swiss, or others. In my mind, the inspection issue and the veto

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issue were two entirely separate kinds of questions. The inspection issue was a real issue, tied to the notion of a technically valid system that would give you valid signals, whereas the veto question was an essentially political issue.

MCKINZIE: You alluded to a third component to this, and that's the destruction of the U.S. stockpile. Was there any serious consideration given to altering the original position on that?

GORDON: We never really got to that. I started to work on a technical memorandum on the transitional questions and we had a number of discussions within the delegation about it, but it never even got reduced to writing. I don't think the subject was ever effectively written up, so we never really came to grips with that one. We just realized that it would be a very thorny

problem. We had the notion of stage -- stages are mentioned in the Baruch speech, and one of Eberstadt's three original technical supporting memoranda is about stage -- but it was a very general idea and we were going to try

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to refine it. One of the stages was to be the destruction of the stockpile. It wasn't really a destruction; it was dismantling of the weapons, but in those days there wasn't very much uranium around the world; an awful lot of energy and money had gone into producing it; and we wanted to save it and turn it over to the international authority as a part of its stockpile. But just when and how that would be done -- we never really got to that stage.

MCKINZIE: I take it, then, when Mr. Baruch resigned you thought it was time to go back to Harvard?

GORDON: Well, I was already overdue. First I was to be in New York for just the summer, which was my own time, and then I had gotten leave for the fall term. Then in November the question arose again and the Dean said, "Look, as long as you're back in time to teach in January, okay."

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But the next year the same question arose again with the Marshall plan.

I did go back to Harvard in January, began to work on the industrial mobilization book and started my course. That spring of '47 was my first year as an active teacher at the Harvard Business School. In June, Secretary Marshall made a famous speech at Harvard. A few days later I was telephoned by C. Tyler Wood, whom I had known in the War Production Board days. He had been on the staff of General Clay, and was the Army representative on the Program Adjustment Committee that I chaired. We had become quite close friends. We made it a custom in the last year of the war to lunch together about twice a month and talk about matters of general interest, including reconversion problems and some international problems. Wood had been a stockbroker in private life before the war, but decided that he didn't want to go back.

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When the war was over he moved over to the State Department. In '47, he was Deputy Assistant Secretary of State for Economic Affairs, his immediate principal being Willard Thorp, who was the Assistant Secretary. Over Thorp was Will Clayton, who was the Under Secretary for Economic Affairs. When Marshall made his speech at Harvard on June 5th, there was a general notion of the shape of the program but there were no details at all. Clayton had suggested some very broad magnitudes of aid to Europe which were not mentioned in the speech, but he mentioned them in meetings in European capitals and gave some guidance to Ernest Bevin and Georges Bidault, who had picked up the Marshall initiative.

MCKINZIE: How did you learn about that? Did you pick that up after you got into it -- that is

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the extent to which Clayton advised them?

GORDON: Oh, yes. I learned about it afterwards. At this stage I had read Marshall's speech and that was all I knew. When Tyler Wood telephoned me I was in Cambridge, about to go off to New Hampshire for a couple of weeks vacation. He asked whether I had heard the speech and I said, "No, but I've read it."

He asked, "Do you have any idea of how important it is?"

I said, "Only a vague idea."

He said, "It's the most important thing that's happening in the world and will be for the next four years. We desperately need help to convert this from a gleam in the eye into a real operating program, and you're just the sort of fellow we need. Can you come down and spend the summer?"

I said, "My dear friend, Ty, this is almost

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on the anniversary of a similar call from Ferdinand Eberstadt last year in connection with the U.N. Atomic Energy Commission. I'm supposed to be writing a book about industrial mobilization, I'm already a year behind, and I can't go off. I'll never get it done if I go off every summer. Anyway, I'm going to New Hampshire tomorrow for a couple of weeks vacation."

He said, "Well, are you planning to be in Washington?"

I said, "Yes, right after the 4th of July, working on my industrial mobilization book."

"Well, come in and see me anyway when you're there."

So, I went to New Hampshire, had the vacation, and went down to Washington early in July, and started working in the War Historical Archives, which were in the Pentagon. I was working on a

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chapter about industrial mobilization in the First World War, as background for what happened in our war. That I did get written, but never published. I called up Ty and he invited me over that afternoon. He had a big office in the old State, War and Navy Building across the street from the White House. There was a big desk in one corner, and on the conference table there was a stack of State Department telegrams an inch and a half or two inches thick. He said, "I hope you've got a little time, because before we talk I think you'll find it interesting to read those telegrams I've put together for you."

So, I went over, They were all classified, of course. I probably had some clearance left over from the Atomic Energy Commission business. Ty Wood was a marvelous salesman. He had picked the most dramatic telegrams, mostly from Clayton,

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from Paris and Frankfurt, and London, and Rome -- particularly those four and to some extent Brussels and The Hague -- which described the perilous conditions of Europe. Europe had just been through the awful winter of 1946-47, the worst winter in recorded history -- cold, not enough coal, not enough food, not enough anything, transportation system still in very poor condition, the most awful balance-of-payments deficits, the financial situation as rocky as could be, politics very bad, the Communist Party making great inroads in both Italy and France. The French had just cut their bread ration from 400 grams per day to 200 grams, which isn't very much. Clayton was talking to the key people in governments everywhere. At this particular moment the first Paris Conference had been convened by Bevin and Bidault, and the Russians were just about pulling out of it, dragging the Poles and the Czechs with them. The telegrams

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included all of the reports on this Paris Conference and what the plans of the Western Europeans were to proceed anyway without the Russians.

I hadn't been back to Europe since 1936. I'd been a Rhodes scholar in 1933-36 and traveled all over Europe, and followed the war in Europe with intense interest. I knew most of the places fought over. I remembered the Remagen bridge crossing. I had crossed the Remagen bridge by railroad as a student tourist back in the thirties. Ty Wood's sales pitch was irresistible, and I shook my head and said to him, "Well, I'm afraid you've won." In theory at first, the work was going to be part-time, but it rapidly got converted into a fulltime consultantship.

There was a little strategy group meeting two or three evenings a week, which had the State Department at its core, the Treasury and

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Federal Reserve, Agriculture and Commerce. Then an inner group was formed out of that. General Bonesteel (he was then a colonel) who was special assistant to Bob Lovett, the Under Secretary of State -- Paul Nitze; Tom Blaisdell from the Commerce Department; and myself, were the innermost core of this group. We were a kind of steering committee for what became a tremendous staff job of developing legislation and background materials.

There were, of course, three official committees, the most important being the Harriman committee, of which Dick Bissell was the Chief of Staff. Except for Harriman, who was Secretary of Commerce, the other members were all public representatives, a very distinguished group of people. There was the so-called Krug committee. Krug was by then the Secretary of the Interior. His group was looking at the question of whether the Marshall plan would result in serious physical

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resource shortages in the United States. Then there was the economic committee under Edwin Nourse the chairman of the Council of Economic Advisors. They all produced very good reports. On the congressional side there was the Herter Committee, a subcommittee of the House Foreign Affairs Committee, which had little subcommittees going all over Europe, looking at conditions at first hand. Again, they were very well staffed and did a good job. But we were the inside

group which was drafting the actual legislation and producing the materials for presentation to the Senate Foreign Relations Committee and the House Foreign Affairs Committee.

We worked like mad 80 or more hours a week. I didn't get home even weekends. The congressional staff was insatiable. Charlie Kindleberger was in the State Department then, on the economic side, and he had to forecast in some detail, year

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by year for four years, the balance of payments of each of the European participants. They were the so-called "Brown Books," and they looked very impressive. I've often wanted to have some graduate student review them and compare them with what actually happened. I'm sure there would be nothing but a random correlation, but that was what the committee said they wanted, so we did it.

That meant predicting major exports and imports, capital flows and so forth for each country over four years. We also had political and economic analyses for each country in a series of blue books.

Then there was the legislative drafting. Ernie Gross was a key man in the legal adviser's office, actually drafting the legislation. From the point of view of anybody subsequently involved

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in foreign aid, it was the most beautifully broad legislation. Then Lew Douglas was brought back from London, where he was Ambassador, to make the main presentations to the Senate and House Committees. Our little inner group worked with Douglas every day for weeks in developing his testimony and some of the visual aids, the charts and so on that would back it up. But we had extra things to do also, because the European crisis wouldn't wait for the Marshall plan. We had to present interim aid legislation and we went through what we called the "barrel-scraping" operation, which was using funds from the Export-Import Bank, the Treasury Stabilization Fund, and any other legitimate source for emergency aid to Italy, to France, and so on.

There was no Food-for-Peace legislation at that time. We managed to scrape up some agricultural stuff somehow or other, and we had some hot

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lawyers who were looking for anything else that could be used. Lend-lease had been terminated. That was one of the very important decisions already made. This was also the summer in which the Anglo-American loan came and went. In six weeks we went through the dreadful experience of seeing three and three quarters billion dollars just going down the drain.

MCKINZIE: Where was the Policy Planning Staff during all of this?

GORDON: It had just been created. George Kennan had done some staff papers in that role, which preceded both a key Acheson speech and, of course, the Marshall speech itself. Once the

thing passed that stage the policy Planning Staff was not terribly active in it. It had become more of an operational matter with a special ad hoc group. George would participate from time to time.

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Chip Bohlen would come in from time to time, since he was in charge of congressional relations. I remember Chip used to break into meetings -- we had by then invented the name which was European Recovery Program, which Chip thought was funny, and he'd chirp at us, "ERP, ERP, ERP." When we got to the point of briefings of Secretary Marshall, George Kennan would certainly be present, but I think that having gotten the basic idea launched, he was mainly working on other things.

MCKINZIE: Thank you, Mr. Ambassador.

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Second Oral, Memoir with Lincoln Gordon, Washington, D.C., July 22, 1975. Recorded by Richard D. McKinzie, Harry S. Truman Library.

MCKINZIE: The last time we talked you had been relating how you happened to come into the ECA. You talked about being a member of a small group which developed legislation and background material that went to Capitol Hill, and about the three committees, the Harriman, Krug and Nourse committees. You commented that the congressional staff was insatiable for information, and you said a little about the kind of information you tried to provide. Then at the very end, you discussed the barrel-scraping operations and interim aid in the winter of 1948, before the Marshall plan started. You had promised to say something about negotiations involving Senator Vandenberg on the subject of the amount of aid, on the appointment of Paul Roffman and then whether or not the agency should be

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inside or outside of State.

GORDON: Yes. Those were two of the critical points involving the politics of the development of the Marshall plan. One has to bear in mind that this was in the early months of an election year, in which most people, except President Truman himself, assumed that the Republican nominee, whoever it might be, would win the election. So the general expectation, and I'm sure this was Senator Vandenberg's, was that while the legislation would undoubtedly pass in the spring of 1948, by the time the program got cranked up and going on a large scale, a Republican administration would be in charge.

The first of those two issues had to do with whether or not we should try to get a legislative commitment for the whole four-year package. The program was always envisioned in four-year terms, 1948-52. The background work that we

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did for Ambassador Douglas in the presentations was in four-year terms. So was the corresponding work that was done on the European side by the CEEC (the Committee on European Economic Cooperation), which was the ad hoc group that was set up in Paris, first with

Russian and Polish and Czech participation. When they left, it was simply composed of the 16 remaining European countries who were all the participants in the Marshall plan with the exception of Germany. Germany didn't come in as an independent country till 1949, since it was still an occupied area in 1948.

The CEEC was chaired by Oliver Franks who later became British Ambassador in Washington, and its vice-chairman was Hervé Alphand of France, who later became very prominent in the French Foreign Office. It had a very strong group of people. The Swedish representative was Dag

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Hammar skjold, who later became world famous.

They also made their quantitative estimates on a four-year basis. They were thinking of something like 24 billion dollars, and if I remember correctly we were thinking of something closer to 16 or 17. Our work, although it broke it down into annual segments, was based on the notion that you really have to have a massive commitment in order to get long-term commitments on the other side, including a considerable number of structural changes in trade and payments arrangements. Without going back into the period, it's really hard to recreate the atmosphere of the time. Europe was down and almost seemed to be out. Intra-European trade and payments were totally tangled up in almost incredible knots of special bilateral agreements for barter or for restricted payments.

Alfred Friendly of the *Washington Post*, who was Harriman's first public relations chief, wrote

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a very amusing operetta about the Marshall plan during the first year. I still remember a few lines from some of his songs. One was a song by a mythical finance minister who sings: "Wines for Sale; will you swap: A little bit of steel for Chateau Neuf du Pape?"

To get rid of that kind of thing and to deal with other structural problems arising from the loss of empires, a country like Holland, which was then in the process of losing Indonesia, had to anticipate major changes in its way of life. So we placed great weight on the idea of a four-year commitment. The problem was how to handle this in the Congress. For all kinds of reasons, including the tradition about annual appropriations and the caution about long-term commitments, the scale of this thing, the idea of multibillion dollars in 1948, seemed absolutely

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colossal. There had never been anything like it before. Only in wartime did one even talk about billions in those days, and the dollar was worth a good deal more then than it is now, Four or five billion dollars a year was something like 4 or 5 percent of the gross national product at that time.

By contrast, official aid today is less than three tenths of 1 percent of GNP. So, the Marshall plan was a major enterprise, which required a radical change of thinking on the part of the American public, the Congress, and the administration itself in the first instance. We took quite seriously this notion of a massive commitment over the full four-year period of time. Senator Vandenberg,

however, and I. presume some of his colleagues, were concerned about that. I think they were also concerned about the notion of having a dying Democratic administration commit an

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anticipated Republican administration. They wanted at least a chance to take a look at it again in 1949.

Although in general, this whole thing was handled on a remarkably non-partisan basis, there was perhaps one exception. I remember feeling a little bit bitter about it, but in those days I was not very sophisticated about political matters. Because of urgency of financial relief to Europe, including the barrel-scraping operation and the proposal for interim aid, President Truman was persuaded to convene a special session of Congress in December of 1947. We wanted to start as soon as possible on the consideration of the Marshall plan legislation. If I remember correctly, Douglas' first presentation to the Senate Foreign Relations Committee was in early December of 1947. But Truman agreed to call the special session only if it also

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included a domestic issue. I don't remember now what the domestic issue was and I don't think he got the legislation he asked for, but clearly as a skillful politician he felt that there had to be some popular domestic issue involved.

To us somewhat naive people whose attention was focused entirely on Europe and international relations, this seemed like a kind of political distraction. We were also a little worried that it might alienate Vandenberg. After all, the Republicans did have control of the Senate at that time, and we didn't want politicization of this special session in a way that might jeopardize our legislation.

It didn't do so in the event, and I guess the maneuver got a few brownie points for President Truman and his election campaign the following year.

Vandenberg was very resistant on the matter of a four-year authorization. He and Douglas had a long private negotiation, and they finally compromised with a figure for only the first 15 months; it was three months plus a fiscal year.

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Five point eight billion was the famous figure. Even that looked like a very big figure in those days. Then there was some very carefully drafted legislative language, which I think Vandenberg wrote out in hand, which didn't commit the Congress, but indicated that this 15 months was intended to be the first installment on a four-year program.

Well, that was one. It was rather an interesting case. I believe that Mr. Truman got into this himself, but I can't be sure.

MCKINZIE: How was the grant versus loan question resolved?

GORDON: That was another one. It ended up, as I recall it, with 75 percent grants and 25 percent loans, but with flexibility on the part of the administrator, the Economic Cooperation Administrator, Paul Hoffman, to vary those proportions by

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country. That was one of the things which my division, the program division, worked on. It was the division which I set up in Washington in 1948 and then ran the counterpart office in Paris in 1949 and early 1950.

We took into account the balance of payments situation and prospects of each country. We had one clear rule: that if there were going to be any help at all to the countries which had not participated in the war actively -- that was Portugal and Sweden and Switzerland, that it would be only loans. There wasn't very much. I think there may have been some small loans to one of them, but they certainly were not recipients of grants. That was not a major legislative issue; I'd call that a secondary matter.

The other big question concerned the organization, which was also related to the people who would direct the program. Who the key administrators

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would be, was again a matter of considerable political significance. The formal discussion had to do with whether or not the program should be administered by the State Department, by some semi-autonomous piece of the State Department, or by an entirely independent agency; and if there were an independent agency how much guidance and direction it should have from State.

I happened to get deeply involved in this because during the consulting period I'd been asked to work on the organizational arrangements. That included both the ideas for organization overseas in Europe -- the ideas out of which ultimately came the OEEC, the Paris central office of the ECA, and the country missions in each participating country -- and also the arrangements at home. I wrote various memoranda on the subject. The then Director of the Budget had very strong feelings that as a matter of sound organizational

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practice the program should be operated by the State Department. I remember the case being argued by Elmer Stoats, then the Deputy Director of the Budget, who is now the Controller General of the United States. Elmer felt very strongly about this. General Marshall, on the other hand, right from the very start, had made up his mind that there were very strong reasons why the program should be administered by an independent agency. Douglas, in his soundings with Vandenberg, got the signal very early that this had better be an independent agency. Clearly one of the reasons was that they thought the administrator in chief should be a Republican. But there were other and good reasons; I think it was a sound decision on balance.

MCKINZIE: Mainly that the State Department ought not to involve itself in operational matters?

GORDON: It was partly that. It was partly that this

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agency was going to have to go to Congress year by year for authorizations and appropriations. It needed to have somebody at its head of Cabinet or equivalent level to do the battling. The Secretary of State is a busy man and he wouldn't be able to do it. If you put it down at the Under Secretary level, then you would be downgrading what was really a very important effort.

Another aspect concerned the problem of personnel. We wanted the Marshall plan to have complete flexibility on recruiting, and if it were part of the State Department, there was a question of how far there would be a preference for existing personnel, including Foreign Service personnel. But the issue had strong arguments on both sides, and it was argued very strongly by the Budget Bureau. During the drafting of the legislation I had one of my very few private conversations with Marshall. We talked about the

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pros and cons and he gave me quite firm instructions. He said, "Don't mind what the Budget Bureau says, I'll take care of that." He obviously had talked about it to the President. He said, "You get this thing drafted as a separate agency."

But even with that as a clear instruction, there was the question as to what the relationship to State would be. On foreign policy matters, there had to be some kind of guidance from the Department of State. Partly under pressure from the Budget Bureau, what we put in the first draft of the legislation was that the administrator would have an independent agency which we called Economic Cooperation Agency, ECA. On matters of foreign policy, the Administrator would be subject to the "direction and control" of the Secretary of State. That created quite an explosion. Arthur Krock, the columnist of the

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New York Times, seized this as an issue, I don't know under whose inspiration, and wrote column after column denouncing the Budget Bureau and those of us who drafted the legislation. We were accused of being hypocrites, pretending that we were setting up an independent agency, but in fact, through this phrase, subordinating it to the Department of State. A lot of questions were raised about it in Congress and finally the Senate Committee asked the Brookings Institution to make a special study of this particular problem. They did so in a matter of two or three months, and their recommendations were incorporated in the legislation, precisely as they were formulated by Brookings. They included some points which later raised problems abroad. For example, the heads of the Marshall plan missions in the individual participating countries, were given rank immediately after the Ambassador. They therefore,

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outranked the Deputy Chief of Mission, the Minister Counselor, the second in command of the Embassies.

This, as you can imagine, created a certain amount of hard feelings in some places. In London where I was the mission chief, from 1952 to '55, the first Deputy Chief of Mission, Julius Holmes, wasn't bothered by this relationship at all. But his successor, whose name is in the

record but I'd just as soon not mention now -- he died recently -- was furious about it all the time. It was a chronic source of unnecessary friction.

MCKINZIE: Did that attitude carry down in some places to the rest of the members of the aid mission?

GORDON: It certainly did. The problem of relations between the regular diplomatic personnel and the aid mission personnel was a major one in many countries. A great deal depended on who the

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aid mission chief was, and also on the deputy chief of the diplomatic mission, who would tend to deal with personnel matters more than the ambassadors, although sometimes the ambassadors themselves got into these quarrels. The wives' side of this problem was very serious in a number of places. Foreign Service wives occasionally treated their sisters, who were not Foreign Service types, as though they were third-class citizens. There were a lot of problems of this kind, though not matters of the first order.

In any event, the question of organization was resolved in the way that I have described, and it's clear that it had a bit of a political overtone. Closely related to that was the question as to who should run the agency. Lew Douglas had been called back from London. He still kept his post as ambassador but he had been asked to leave the Embassy in charge of his deputy for a

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number of months while he presented this legislation. Lew Douglas' name at once began to figure in newspaper speculations as a possible candidate. Lew was, nominally at least, a Democrat, quite a conservative Democrat, but it was also part of the general internal bargaining about the program that the head of the ECA should not be a Democrat. Paul Hoffman's name came up very early. He had made a great reputation at Studebaker and, after the war, in connection with the Committee on Economic Development, and was regarded as one of the broadest-minded businessmen in the country. Whether it was Vandenberg who introduced his name into the discussions, or someone else, I don't know. Put to those of us on the inside it became clear very early still in 1947, that when the law was passed Hoffman was certain to be asked. Whether he would accept or not, would have to be determined later on and I gather that somewhere in his

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memoirs, he indicated that he wasn't so easily persuaded.

That appointment was balanced politically. It ended up with Hoffman as the administrator, the top man in the agency in Washington, but with Harriman, who was a Democrat and Secretary of Commerce at the time, as the counterpart in Paris. Harriman made it a condition that he take with him as his deputy the very able Assistant Secretary of Commerce, William Foster, and that was the pattern established for the first year of the operation.

MCKINZIE: Was Governor Harriman's appointment a result of Department recommendation or a result of presidential initiative?

GORDON: I don't think it was a Department of State recommendation, It may have been Paul Hoffman's, I don't know. Maybe Harriman doesn't know.

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MCKINZIE: Governor Harriman always said that he wanted to hold posts that had sufficient rank that he would be able to deal directly with the top people, that he didn't want to have to go through any kind of structure. Did that turn out in the end to have been a good...

GORDON: Oh, I think so, and of course, in Europe, in the European context, it was even more specific than that. The question was whether he would be considered what the Europeans call an official, or a minister. The line was very sharp in all parliamentary systems. A minister is either a member of the Cabinet or close to the Cabinet, is a member of Parliament, is considered a political person. An official is a civil servant, presumably a lifetime bureaucrat. In theory, of course, the officials do the technical work, and ministers make the policy decisions.

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It doesn't always work that way in practice, but Harriman was very well aware of this distinction in Europe, which has no exact parallel in the United States. Right from the outset Harriman made it clear that he was to be treated as the equivalent of a minister and not an official. That meant that when he went traveling around Europe, he would talk with ministers as equals, while those of us down the line would talk to the civil servants. Frequently the question whether he would attend a particular meeting or not turned on whether the Europeans going to that meeting were ministers or officials. If they were officials he would send Foster or one of us division directors. If they were ministers he would go himself.

He was very conscious of this question of status, It was not for reasons of vanity, but because he realized that if he allowed himself to get downgraded, given the sharpness with which

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the distinction is maintained in most European governments, he would lose his capacity to deal with ministers and his ability to get significant policy changes made.

MCKINZIE: I suppose everybody who studies the ECA asks what was the relationship between Harriman and Hoffman. Were there substantive differences in outlook and if there were did they make any difference in operation?

GORDON: There were some, but I don't think they were major ones. It was a very good working relationship. There were probably fewer differences between those two than there were between the two of them together and some other key parts of the Government. For example, there was in 1950, a major, radical conflict between ECA on both sides of the Atlantic on the one hand, and the Treasury on the other, with respect to the European Payments Union.

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The European Payments Union was a natural outcome of the Hoffman ideas about European integration. The Treasury at that time believed strongly in the Bretton Woods scheme for monetary arrangements, including world-wide convertibility as rapidly as possible. They thought that there a few European countries -- Belgium was the outstanding example -- which had strong balance-of-payments positions, and could become convertible quickly. They didn't want a convoy approach; they didn't want Belgian convertibility to be held back by whoever the slowest European might be. They were afraid that the European Payments Union might become a permanent monetary bloc, in some way or other antagonistic to the United States, and that convertibility might be deferred forever. Those of us who were promoting the EPU, the American support for it, took strongly the other line, on two counts. One was that the strengthening of

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Europe as a whole was more likely to make ultimate convertibility possible for Europe as a whole. The other was that, however long the transition might be, it would be a great assistance in European recovery and progress. We were not interested just in recovery from the wartime damage; it was recovery plus a fresh start. That was the object of the exercise, and we were convinced that it would move a lot more effectively with a transitional European-wide kind of monetary arrangement. As it turned out we were right. But this was something that had to be decided by the President. He favored the Hoffman-Harriman view. In that case there was no difference between Hoffman and Harriman. But feelings were so bitter that Andrew Overby, who had been Assistant Secretary of the Treasury and is now a leading banker in New York, and was then technically on the staff of the IMF, flew to Paris, the day that the ministers

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were meeting to approve the EPU in principle, in late June or early July of 1950. He asked for permission to address the meeting, and he made a speech attacking the EPU, saying it was violating the Bretton Woods Agreement, would do untold damage to the world monetary system and so on.

He didn't win any converts. It was a very bitter session. I remember Robert Marjolin, the Secretary General of the OEEC, being furious about this particular episode. It seemed like sabotage, and Overby, although technically then working for the Fund, still carried a lot of the U.S. Treasury association. He had been a high Treasury official for a good many years, so you can imagine the tension there.

To go back to Harriman and Hoffman, there were some differences, I think, on a few points. It's a little hard for me to identify these. The operative people were really Dick Bissell, working

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for Hoffman, and myself and we had some differences but we got them ironed out. One of them, for example, was on how far we should push for internal economic liberalization. By and large, the Bissell doctrines so to speak, was that economic recovery would be fostered most rapidly with liberalization -- liberalization in the 19th century sense of the term, doing away with internal, controls.

Lew Douglas was violently opposed to planning. I remember his strictures on the Monnet plan, not for European integration at that stage, but at the French national level -- what now has become indicative French planning, which (Jean) Monnet started. Monnet was then the head of the Commissariat du Plan, which still exists.

Douglas thought that the Monnet Plan was socialism, a dreadful thing in his eyes. I thought he carried this opposition to quite absurd lengths.

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The Monnet Plan provided a certain amount of general direction of what today we would call the infrastructure of the economy, including transportation, power, and the heavy industries. It was a very useful sort of thing.

This difference was carried into the operating phase to some extent. I remember Bissell being very down on the Norwegians, because they "planned too much" and they wanted to maintain restrictions on foreign exchange and trade, because of their investment planning. I wrote either a letter or a telegram to Bissell, on one occasion, probably in late '49 or early 1950 saying, "look, the Norwegians just had an election and the Labor Government got reelected by some enormous majority. We do believe in democracy, and here's a government which is working very hard for recovery." The Norwegian program was later written up in a book by a bright woman economist, Alice Bourneuf,

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who was the head of the Program Section of our aid mission in Oslo for several years and later became a professor at Boston College. Alice's book describes in a very interesting way the whole business of Norway's recovery and economic planning in these postwar years.

It was a relatively poor country. They had to live on their wits. Shipping was enormously important; they were trying to develop some hydroelectric power intensive industries, and they thought the way to do it was by carefully planning investment. I said to Bissell, "It isn't our business to tell the Norwegians how to run their domestic economy as long as they're doing the basic things that the Marshall plan calls for. You can't fault them, they are not wasting money, they're certainly not wasting foreign exchange, they are working very hard at it. But I don't know whether that sort of issue reached the Hoffman-Harriman level.

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Another one, on which Hoffman felt very strongly and I thought was quite unrealistic, was the question of rewards and punishments. Harriman certainly supported me in this. Hoffman had the notion of allocating aid in accordance with performance and at one point he even had a scheme for having quarterly reviews of performance. You would have a tentative allocation of aid, but whether you would actually go through with it would depend on a country-by-country review of how far the Marshall plan principles were being followed. This, of course, clashed with the notion that the OEEC -- the European Organization -- was to have the determining voice in the allocation of aid.

That latter idea, incidentally, of giving real power to the OEEC, as far as I recall was Harriman's idea, not a Hoffman idea. I believe that Harriman had some trouble in selling it to

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Hoffman. That was very early in the program, in 1948; Harriman, rather ingeniously, recognized that if you really wanted the OEEC to be a significant organization and not just a pusher of papers, they must have some important responsibility. The distribution of aid was the most important question in 1948 and '49, the first two years. It later got to be a terrible headache. When we had the second division of aid in 1949 it almost broke the organization up. The British hadn't yet devalued the pound, and they were insisting on a very sizeable allocation, which neither we nor the rest of the Europeans thought was justified. That led to a famous debate in the summer of 1949 and finally the so-called Snoy-Marjolin formula for reconciling these differences.

At that point, I developed the idea that the aid allocation business was getting to be an awful preoccupation that was distracting attention from

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everything else, and we'd better put it on an automatic basis. By that time there were more important issues like trade liberalization and payments arrangements. While aid allocation had been very important in 1947, '48 and '49, it now passed its point of maximum usefulness. I suggested that for the rest of the Marshall plan we simply take our diminishing total and allocate it among countries in proportion to the Snoy-Marjolin formula which had been applied in 1949. That worked for one year. Then the Korean war came and NATO became a major operating enterprise and the rest of the Marshall plan got merged into defense support and rearmament, so that the circumstances differed,

I was trying to recall whether there was a Harriman-Hoffman difference on another very significant issue, which in a way, didn't die in Europe until just a few weeks ago. That was whether the European integration movement would

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cover only "little Europe" or "big Europe."

There were in 1949, and especially in early 1950, a lot of ideas, some of which were strongly favored by the financial types in our mission in Paris, about special, regional arrangements. There was Benelux, which went ahead. There was a thing which had one of two names, either Fritalux or Finebel, which was supposed to include France, Italy, Netherlands, Belgium, and Luxembourg.

You can see in that the origins of what later became the European Economic Community, the community of the six. That group seemed to be ready for more trade and payments liberalization among themselves than the British were, or the Scandinavians, or certainly the Swiss. Some of us, and I was a very strong advocate of this position, felt that it would be a mistake to encourage such special arrangements, that one

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should not let a sort of small Europe detach itself from the rest. It was better to keep the wider grouping.

Germany was not yet in these ideas for special arrangements. Germany was just emerging from occupation, and was still considered an economic weak sister. It wasn't until 1951, that one began to recognize how the "German miracle" was going to move. As late as early 1950, I remember sitting with various friends in our mission discussing which of the European countries could really be on their feet by 1952. The ones we selected out as impossible were Greece, Austria and Germany. The Germans had 8 million refugees coming from Eastern Germany and Poland; lots of unemployment; the country was partitioned; it was utterly impossible that they could get their balance of payments back in order by 1952. In fact, by 1951 they already had a surplus, and by 1952 it

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was a whopping surplus. It shows how much caution is needed in economic forecasting of this type. One learns to be very skeptical from this sort of experience

That question of "little Europe" and "big Europe" was certainly an issue. It was an issue within the mission in Paris. Harriman had trouble making up his own mind where he stood on that. He ultimately supported the big Europe view, which led to the EPU, rather than any of these partial things. But I remember his saying at one time afterwards, probably when we were working on the Wise Men's exercise in 1951, that he wondered whether we had been right. He was annoyed at the British about something or other. He knew the British very well from his missions in London. He found Cripps a particularly difficult person to deal with, but Cripps lost office in the midst of all of this and the conservatives came back. One reason that there was a fair amount of support

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for these small continental groupings was a feeling that the Labor Government in Britain was too much oriented to planning, too Socialist in short, whereas the continental groups were mostly Christian Democratic or old-fashioned liberals, more conservative groupings which were more interested in straight-forward trade and financial liberalization. The central bankers obviously preferred the latter kind of a trend.

October 1, 1949, when Hoffman came over and made his great speech in favor of European economic integration, was an important day. It was the first time that the Germans were represented fully as Germany in any international organization. They had been admitted as full, members to the OEEC, and it was politically an enormously important occasion for them. Their representative at that meeting, Minister Blucher, made a very gracious speech in quite good French, German, of course, not being an official language in those days.

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It was very well-received. It was a striking occasion. This was only four years after the war had ended.

Hoffman's speech on integration was toned down. He had wanted some very strong language, and it had been toned down somewhat by Dean Acheson before Hoffman left Washington. Our group in Paris strongly urged him to tone it down more and he somewhat reluctantly agreed. Clearly on that point Harriman had a better feel as to what was tolerable in Europe. I think Hoffman respected that. He was disappointed, but he recognized that Harriman, first, had far more general international political experience than he did and, secondly, Harriman was the man on the spot and was in constant contact with European ministers and other leaders of opinion, whereas Hoffman was Washington based.

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Have you in your researches run across indications of sharp differences between Harriman and Hoffman?

MCKINZIE: No, not terribly sharp ones, Sometimes there were questions of personnel, that came up, but those would come up regardless. That's why I asked this kind of question, because you do have two people, one not apparently subordinate to the other, and they had to have a kind of unanimity of opinion to make the thing work.

GORDON: Yes, of course. In form there was no doubt that Harriman was subordinate to Hoffman. I think Harriman recognized that he worked in Paris for the Economic Cooperation Administration and the Administrator in Washington was the boss. On the other hand, Harriman was a considerable political figure in his own right. In any event, this Hoffman-Harriman relationship only lasted for two years. It was set up in May of '48. Harriman went over

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in June of '48. I spent the month of August in Paris and Harriman was already well installed with Foster as his deputy. Foster came home in '49 to become Hoffmn's right hand man in Washington, and Milton Katz was appointed Harriman's deputy in Paris.

I remember when Harriman was asked by Truman to come back as Special Assistant to the President. The problem was who would succeed him. I was sitting in Katz' office the day he got the telephone call from Hoffman saying that he had talked to President Truman and they wanted Katz to stay there and to become the Ambassador, which involved Katz having to resign from Harvard. I remember Katz asking whether Hoffman had talked to Conant about this, which was a matter of some consequence too.

I really don't think of serious systematic differences between Hoffman and Harriman. There were, of course, different degrees of enthusiasm

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about particular things. Paul Hoffman was enormously interested in the productivity movement, for example, represented by the Anglo-American Productivity Council and its counterparts in other countries. I think Harriman felt that Hoffman was somewhat oversold on it, gave it undue importance. But they did get along amazingly well. They obviously had great respect for one another as individuals. There was a real division of function -- Hoffman was dealing with the American public and the Congress, while Harriman was dealing with the European recipients. A

lot changed in late '49 and '50, as the cold war got hotter and particularly with the beginning of the Korean war. That transformed everything, but then Harriman didn't stay in Paris; he came back to Washington,

MCKINZIE: Would you say something about organizing the program, the problems you had, and how you

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got personnel?

GORDON: Let me take the Washington aspect of that first. I had been a full-time consultant during the preparatory phase, from July 1947 until about January of 1948, and then went back to doing some teaching at Harvard, but still spending a lot of time in Washington in the latter stages of the legislation. Hoffman, of course, was named by President Truman right away upon passage of the legislation and confirmed right away by the Senate. His first appointee was a man called Dennis Fitzgerald, a longtime Agriculture Department man, who stayed with the aid business for many, many years thereafter. Dick Bissell was the second one. Dick had been appointed to the economics department of MIT, He never actually taught there, but he had moved his family to Cambridge. I was there, of course, every weekend when Dick came home to see his family we'd

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get together and talk about progress on the Marshall plan. We'd talk about both personnel and policies. There were also many long distance telephone calls.

As soon as our academic term at Harvard was over in May, Hoffman asked me to come down to head up his Program Division, which was one of the main divisions of the ECA in Washington. I said I would do it only on two conditions. The first was that I would recruit my own successor very rapidly. I would help organize the Division and recruit a successor but I did not want to get stuck with a full-time job in Washington. The other condition was that for part of that summer of '48 I could go over to Paris where the action was. I hadn't been in Europe since 1936, and having put all of this time and effort into the Marshall plan, was very anxious to get abroad and see what was really going on. That was agreed to.

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So I came down here full-time starting about May 15, and began to organize the Program Division. We were essentially organized on a geographical basis, with sections for each European group of countries, because our job was to follow the problems involved in the individual country programs. In parallel with this, there was a Trade and Payments Division and an Industry Division. They were what we called "horizontal," while we were the "vertical" division which dealt with the geographical areas. We looked at the overall situation of each country, what factors might go into its aid allocation, and other questions of that kind. We laid out an organization pattern with six or seven sub-units, individual ones for the biggest countries and then groupings of countries. Recruiting in those days was mainly done by word of mouth. We were not necessarily looking for economists,

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but obviously economic training would help. I remember Dick Bissell saying one day, when somebody criticized him for wanting to employ only economists, "No, I don't insist on economists; all I ask is that people we recruit should be able to count beyond ten without taking off their shoes and socks."

MCKINZIE: Would good people come into a temporary agency?

GORDON: Oh, yes. Actually the attractiveness of the Marshall plan agency in 1948 was tremendous. Look at the roster of mission chiefs in Europe; David Bruce who was in Paris, later became one of the most famous of all American ambassadors in history, the only man who has ever been ambassador to France, Germany and Britain, and also China, and now NATO. Tom [Thomas K.] Finletter was in London in that first group, Dave

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[James David] Zellerbach in Rome who later became ambassador in Italy, the president of the Crown Zellerbach Company; later Bill [William L.] Batt in London. I wouldn't say that every single one was a star, but it was a very distinguished group of people. At the staff level below that, people in the academic fraternity, people who had had some kind of wartime experience in Europe, some in uniform, some outside, people within the Government who felt that this was where something really exciting was going on would want to leave their more routine activities and get detailed to the ECA for a number of years.

We had a buyer's market for talented people who were interested and willing to join us. The problem was to identify them and to sort them out. I was very fortunate in the recruitment of my successor in Washington. I persuaded Arthur Smithies to come from the Bureau of the Budget

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for several months. He had been dickering with Harvard about an appointment there, but that was deferable for a while and he did take over the running of the Program Division,

I suppose my most starry single recruit, who was very good right from the start, although he seemed terribly young -- was suggested by Dick Bissell, who had known him at Yale. His name was McGeorge Bundy. We had great trouble in selling the Civil Service Commission on an adequate salary for Mac Bundy. He didn't have a doctor's degree, you see, still, doesn't have a Ph.D. and never will. There he was, not many years out of college. To be sure he had worked with Henry L. Stimson on a book, a sort of semi-autobiography of Stimson, and a very good book. But Mac looked like somebody just out of high school, and very fresh; he still looks younger than he is. He was one of the recruits.

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We recruited our little staff about half and half from universities and the Government agencies. I only did this for a few weeks, mostly at the end of May and the month of June. I took some vacation in July in New Hampshire and then in August went to Paris. By that time we had seven or eight people. Arthur Smithies had agreed to be the director of the division before I left. Our division didn't go in much for businessmen because of the nature of the work. Of course, on the

business side, Paul Hoffman had a tremendous army of acquaintances, and he didn't have any trouble recruiting, That was quite easy.

I also did some recruiting at Harvard for the overseas missions. When I arrived in Paris in early August, Harriman and Foster had been in business for a couple of months and they were getting organized. They wanted a similar program

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division. The first head of it was a well-known economist from Duke University called Calvin B. Hoover, but for personal reasons he couldn't stay beyond the summer of 1948. They tried to persuade me to take that job right away, I would have accepted, because I was quite interested in a full-time job in Paris, unlike Washington, but it happened that our fourth child was enroute and was not to be born until January of '49 and it didn't seem like a good time for my wife to travel. So I accepted, with a long time fuse, effective in June of '49, and they had to make an interim provision for nine months with an acting director.

We got Shaw Livermore in as deputy director of the Program Division, which was ideal from my point of view. Shaw had worked with me in the War Production Board. We were close friends, and we had similar ideas about personnel. During those intervening months I did a lot of recruiting

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both for the staff in Paris that I was to head and also for the job of program officer in the individual country missions. Alice Bourneuf in Oslo, whom I've mentioned, was one, and there were several others. There were graduate students at Harvard. I recruited Hollis Chenery, now the chief economist of the World Bank, to be on my staff and to work on the problem of investment policy. Maurice Arth from the Business School was another.

On investment policy, we had a notion concerning the use of the counterpart funds. This was an interesting gadget which was invented as part of the Marshall plan, which worked with some governments but not with others. In the case of the British the counterpart funds were absolutely meaningless, because they had an extremely sophisticated budgetary system, and a sophisticated central bank, and the Treasury and the Central

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Bank together knew exactly how to offset any use that might be made of counterpart funds. If we tried to get them spent on something that they didn't like, they would have taken the corresponding budgetary money away and put that in something else. This was clear to everybody, so we never tried to do anything serious with counterpart funds in England. There were a few small projects agreed bilaterally, but most of the counterpart funds were just extinguished periodically by mutual agreement. I still have a copy of one of those great sterling checks, a cancelled check for ten million pounds -- the largest check I've ever held. But in the case of, say, Italy, where the relation between the government and the Parliament was quite different, and the power of the Central Bank was quite different, there would be a borrowing ceiling imposed by the Central Bank, the government would

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always be up against that borrowing ceiling, and then the availability of counterpart funds, which they didn't have to borrow from their Central Bank, was of great importance. Since they couldn't use the counterpart funds without our concurrence, there was an opportunity for joint programming of counterpart funds. The notion was that they should be concentrated on projects that were important to recovery, and particularly on projects which would improve the balance of payments situation of the country.

Hollis Chenery, first working for me in Paris in '49 and '50 and later when he joined the mission in Rome, perfected the system which worked quite well.. It involved a new methodology, first for measuring what the impact of alternative investments on the balance of payments might be, and secondly, handling the funds in such a way as to push them in one direction rather than another.

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Hollis had degrees both in engineering and economics, was strongly recommended to me by Edward Mason, then the leading applied economist at Harvard, and he was enormously intrigued by this.

MCKINZIE: Did the use of these counterpart funds generate any serious charges of intervention in internal affairs?

GORDON: Oh, yes. Of course, the use of them had to be agreed on by both sides. There was 5 percent reserved for U.S. use: special travel, our own mission expenses, administrative costs. The other 95 percent couldn't be used without agreement between the local government and us. Normally the initiative came from the government concerned and we concurred, or we concurred with modifications. There were some serious differences of view. I'm not sure that the term, "undue interference in domestic affairs," was used,

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but that was the nature of the issue in a number of countries.

I don't recall major issues. There was one case -- I believe the only case, which is surprising in view of the volume of money -- of corruption. It concerned Vienna and Austria. I don't remember the details, but there was some counterpart fund diversion which got to be quite scandalous. I remember in 1950 sitting in Harriman's office with a visiting Austrian minister who wanted to tuck this under the rug. Harriman gave him a very stern lecture. It was an interesting confrontation to observe. That's the only such case I recall. But certainly there was tension. Some amount of tension was built into the very nature of these relationships.

When I became a mission chief myself, I was (and still am) a close friend of Harry Labouisse, who has been the head of UNICEF for the last

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several years. In 1952, he was my opposite number in Paris; he was the head of the aid mission in Paris when I was in London. We used to visit back and forth quite often. My official life was

very easy compared with his. The French were being difficult about all kinds of things. This was the period of the fourth republic; the governments were very short-lived; and they were always in financial trouble. These kind of questions arose: how much of the counter-part funds could they lay their hands on, and for what kind of purposes; how much restraint should we impose (in that case on anti-inflationary grounds)? It was the kind of problem that the State of New York has now in relationship with the City of New York, or the kind of problem that Britain's creditors have with Britain today.

Harry Labrousse had to struggle with such issues, whereas in the early 1950s the

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United Kingdom was having a sort of postwar golden age. We didn't have any of these kinds of problems. We had other interesting things to deal with, especially on NATO and defense, but they were not problems of tension of this sort.

MCKINZIE: Do you recall when you first learned about what NATO was going to mean, and your first thoughts about what that would mean to the ECA?

GORDON: Oh yes. This came with the outbreak of the Korean war. One has to remember that NATO in its original conception, the North Atlantic Treaty as signed on April. 4, 1949, was essentially a paper guarantee. The notion was that if we had a treaty guarantee, so that the invasion of any Western European country would be considered an act of war against us, what had happened in 1914 and 1939 would not happen again. There would be

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no more shilly-shallying around in neutrality for several years while our friends in Europe were getting plastered and then having to come in and rescue them at the tail end. This time we would be committed in advance, and therefore the war wouldn't take place.

I first became conscious of the prospective change in the character of NATO in late June of 1950, but with a rush, indeed almost an overwhelming rush, because the decision had just been made in Washington. One must bear in mind that our great preoccupation in Paris in the spring of 1950 was the European Payments Union. We were working on this like dogs, 10, 12, 14, hours a day, always Saturdays and often Sundays as well. Indeed Milton Katz and his wife, and my wife and I, had been invited by the Norwegian and Swedish governments to spend most of the month of July 1950 in a visit up along the west coast of Norway

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to the North Cape and then back down through Sweden. This had to be sacrificed because we were negotiating on the EPU right up until July. Once the Korean war broke out, which was on June 25, the European problem was totally transformed, and this change developed with great rapidity. We began getting communications from Washington about reshaping the economic recovery program, to include a substantial component of what we later came to call defense support.

About the middle of July, I recall an exchange of telegrams with Bissell in which I suggested that the only rational way to reallocate aid, or a portion of aid, as defense support, was to work out a base which would reflect what would have been done if there had been no rearmament, and then to see what additions or modifications to that base might be made to correspond to rearmament requirements. An exercise precisely on

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those lines was then mounted. By this time I had been, asked by Harriman to join his staff in Washington, had accepted and therefore resigned from Harvard. Harriman asked me to stay in Europe during the summer of 1950, first to help finish up the EPU, then to work with Charles Spofford in London. Spofford was the chairman and the U.S. member of the North Atlantic Council of Deputies, the only full-time NATO group.

At that time the Council itself consisted of foreign ministers meeting periodically, but the Council of Deputies were a permanent organization in London. What we did there in 1950, in spite of very inadequate data, was to get some rough dimensions in our minds on what the scale of European rearmament might be, what it would cost, what fraction of that cost could be borne by the European governments themselves, and what part we'd have to bear, either directly

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in supplying economic aid which could be converted into defense budgets. We were working very hard, using inadequate data, and doing the best we could. The whole summer of 1950 went to that effort.

I commuted back and forth between Paris, London, and Washington in early August. Then as a family we left Paris on August 15th; my wife and children spent some weeks in Southport, Sussex, while I worked with Spofford in London.

The question sometimes is raised, "Did we have serious concerns that rearmament would undermine Europe's economic recovery?" And the answer is that at that time I did not have any such concern. For one thing, the economic recovery was going awfully well. Everything was ahead of schedule. The Marshall plan was perhaps the only large program of its kind in this whole postwar period which did more than was hoped for, in less time than was forecast, and at less cost.

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To the extent that you can segregate the economic aid from the military, we had originally projected over four and a quarter years a program costing about 17 billion dollars. In fact, the recovery was pretty much completed in three and a fraction years -- sometime in 1951. There had been a greater degree of European recovery than we expected. In fact, the European economy was in better shape by the end of '51 than we had hoped it would be by 1952. The true economic part of the Marshall plan cost was something around 11 or 12 billion dollars instead of 17. This was quite a record.

MCKINZIE: The revisionist historian Gabriel Kolko contends that unnamed people had concluded by about 1950 that the Marshall plan was not going to bring sustained recovery, that

without the constant infusion of outside capital the whole thing would collapse or deflate a great deal, that

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people were looking for some way to continue the aid when the Marshall plan grants ran out, and that the military threat provided just such a needed opportunity.

GORDON: That's pure invention. That's absolute rubbish. As seen from the inside at that time, it didn't look like that in the slightest. As I said, in early 1950 before the Korean war came along, we did mistakenly suppose that there would be a few leftover cases, Austria, Greece and Germany. We were totally wrong about Germany which was by far the most important of the three. I can recall vividly to this day what happened on the 25th and 26th of June after Truman announced that we were going into Korea. I had a rather bad case of the flu and was at home in Versailles in bed. I got any number of telephone calls from European friends.

I had been an active representative of the U.S. in the OEEC and we had lots of friends among

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the delegations. People called me up, starting with Marjolin. I remember a Dutchman, and an Italian, and several others, all calling up to say, "Thank God. You know, if you hadn't moved this way, nothing would have prevented the same thing from happening to us:"

It may have been imaginary, but nonetheless the fear was real in their minds. They realized that they were absolutely defenseless. There was nothing, other presumably than the existence of the American atomic bomb, which could physically have prevented the Red Army from traveling to the English Channel just as fast as it could move. They would have encountered absolutely nothing in the way of military defensive force.

Germany was still totally disarmed. We had cut our own occupation force in Germany down to two divisions. The British had the Army of

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Occupation on the Rhine, but it was an army of occupation; they weren't prepared to fight the Russians. The French were not in very good military shape, and nobody else was either. There was literally no defense. The sense of physical insecurity, especially on the continent of Europe, was profound. The apparent signal coming from this Korean invasion was: "My God, we are in perilous shape."

In October I had the interesting experience of sitting in the meetings of the NATO Defense Committee here in Washington. I had just come back to settle down with Harriman. By that time General Marshall had become Secretary of Defense, and as the defense minister of the host country he was the chairman. We met in the Departmental Auditorium next to the Interstate Commerce Commission on Constitution Avenue.

Harriman had a somewhat ill-defined assignment as Special Assistant to the President. On

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that point, incidentally, I always supposed that what Truman originally had in mind -- and certainly what Harriman thought Truman had in mind -- was a position something like what Bundy and Rostow were under Kennedy and Johnson. That is to say, formally the head of the NSC staff, which was still very small, and the President's adviser on the overlapping issues of foreign policy and defense policy.

The actual job in 1950 and '51, partook of that, but Harriman was never given the formal assignment as NSC director, because Admiral [Sidney W.] Souers had that. I recall Harriman once saying to me that President Truman hadn't quite wanted to get rid of Souers, who liked the job and didn't want to quit. Souers was an old crony from Missouri and the President didn't have the heart to fire him. So, in effect, he had asked Harriman to forego the title as NSC

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head. Harriman was not happy about that decision, but he maintained the principle of not refusing a Presidential order or request. That was a firm rule with him. In effect, he said: "Now, Mr. President, if that's the way you want it, that is all right with me." Harriman was part of that intimate circle of Truman advisers, as seen later in connection with the firing of General MacArthur, which was one of the most difficult of Truman's decisions in that period. Along with Acheson and Marshall Harriman was in the inner circle consulted by Truman before he took the step.

In any case, Harriman had a great interest in NATO and its development. I was his main aide on European matters and therefore sat in these meetings along with the State Department team. Douglas MacArthur II was then in the European part of the State Department and he and I sat together at the Defense Committee meetings. Ridgway Knight, the head of the European Regional Office in the

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State Department, was also involved in this.

The great question which was under debate in October, 1950, in the NATO Defense Committee was what was to be done about Germany, and whether we should have a so-called forward defense in Europe or a defense on the Rhine. A forward defense obviously meant some kind of German rearmament, since there was not enough potential, military manpower without German participation, Marshall, with the experience that he'd been through five years before, didn't have any doubts in his mind. It wasn't possible to have a defense on the Rhine unless you could have a forward defense. You couldn't possibly defend Western Europe on the ground behind the Rhine; it was militarily impossible. Moreover, there were countries like Denmark, which, if you didn't have a forward defense -- that is a defense at the Iron Curtain -- wouldn't have any defense whatsoever. They had a strong interest

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in a forward defense, but the French were absolutely adamant against German rearmament, and the Belgians backed them, not so much because they agreed, but because they didn't want to leave the French isolated.

There was debate for three days. It was a very dramatic affair, five years after the Second World War had ended, and the French were holding out. It was in the midst of that debate that Jean Monnet was consulted in Paris and rather hurriedly emerged with a motion of a European Defense Community, dreamed up with great speed for the purposes of that meeting. The French were on the defensive, not in a very strong position. We had some remarkably strong bargaining chips.

I remember meeting with Acheson in his house one evening in Georgetown. He was going to meet the next morning with President Truman, Marshall, and Harriman, and they were going to advise Truman on what position Marshall should

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take the next afternoon in the Defense Committee. Specifically the question was, "Should we say that without German participation in some form of defense of Western Europe General Eisenhower would not be sent, there would be no SHAPE organized, and we would not commit six American divisions, instead of the two that were left there?" This was very strong medicine, and a very difficult policy question. There must have been about eight of us in Acheson's house. We were standing in a circle around him. We had reported to him the discussion that afternoon and the condition of absolute stalemate. The French hadn't yet produced the EDC idea; in fact, they did that the next day. I remember Acheson going around to each of us in turn, asking whether we thought it was correct to insist on German rearmament, and we all, said yes, some with more enthusiasm than others. His own reaction doesn't appear clearly in his memoirs, *Present at the Creation*, where the

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episode is described, but any doubt on his part is not. He shook his head and said, "Well, you all say you're certain this is correct. I think I'm ready to recommend it to the President, but I must say I'm not at all certain that it's correct. This is a very, very difficult question." Acheson, Harriman, and Marshall did recommend it, unanimously. The President approved it, and it was communicated to the others. Then the French came in with the EDC proposal, which at first blush, looked like an absolutely wild idea. Later a concrete version of it was negotiated in treaty form. Indeed when Dulles came in as Secretary of State a couple of years later, it was his top priority in the spring of '53. We even thought that some of us in Europe had been sabotaging the EDC, which was not the case. I haven't read the Kolko book, or books, but the conception you describe is

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absolutely unfounded,

MCKINZIE: Relative to the aid which came subsequently, I wonder if you recall or could comment on any restrictions. Some people, I know, did not want NATO to use jet aircraft engines made in Italy. The whole idea of "offshore procurement" caused some people to fear that placing contracts for certain items abroad, particularly for items which required a great deal of technological virtuosity, might deplete the U.S. capacity to produce in those areas. Was that a large issue with you?

GORDON: I don't remember the particular Italian case, because then I was working in England. For a while I floated back and forth between London and Paris, because I was Harriman's deputy in the Wise Men's exercise in the fall of '51,

That was a major chapter. It involved several

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weeks of very hard work to produce the program that underlay the NATO force goals that were agreed to at Lisbon in February of '52. The other thing that emerged from our Wise Men's exercise was the decision to move the NATO civilian headquarters to Paris to be near both SHAPE and the OEEC, to appoint General Draper as the U.S. representative, to appoint a high level person as Secretary General of NATO, and to have a permanent council of ambassadors instead of the somewhat lower level group of deputies that had been in London. All of that emerged from the Wise Men's exercise. We first hoped that Oliver Franks would become NATO Secretary General, but he preferred to go to Washington as British Ambassador; then "Pug" Ismay (General Sir Hastings Ismay) accepted.

When I went to London in September of '52, Draper, whose backstop I had been in Washington, asked me to come over to Paris for important

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NATO meetings. Indeed he tried at one time to persuade me to become, on a part time basis, a senior member of his staff. I didn't think that was workable, I couldn't see how to do simultaneous full-time jobs in both Paris and London, and refused. But, for about a year, essentially '52-'53, I maintained a fairly active part. That was when the offshore procurement idea was beginning. We developed a large program in England, mainly in aircraft. There were other projects most of which have never worked out terribly well. Cooperative ventures in Europe for military production are very difficult to work out in practice. I remember one airplane, I think an American design, produced under license with the engines in Belgium and the airframes in Holland or vice versa. This was one of the ideas.

On that particular point, my recollections are rather general. They include a good deal

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of tugging and hauling on particular items of procurement. There would be representations made from the Pentagon or from the industries concerned, or from the industries via the Pentagon.

There were also questions as to whether in exposed locations close to the Iron Curtain, places might be overrun and whether this would be a serious risk. But the offshore procurement program only got large, as far as my personal involvement is concerned, after 1953, when I was focusing entirely on Anglo-American matters.

Obviously the exposed location problem didn't exist in England. We had a number of very large offshore procurement contracts there. By far the outstanding one was an airplane that turned out

not to be terribly good, the Hawker Hunter. It looked quite good at the time. It was designed by the creator of the Spitfire, which

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had helped to win the Battle of Britain in 1940, and it was a kind of classic plane of the style of the late 1930s and 1940s.

MCKINZIE: Could you talk about the three Wise Men idea?

GORDON: Oh, yes. That emerged in the spring of 1951. By this time Eisenhower had been well established at the SHAPE headquarters just outside of Versailles (long before General de Gaulle threw the NATO organization out of France). He and Al Gruenther, who was his deputy, got increasingly concerned about the slowness of the defense buildup. They had these quite ambitious targets, but the approach of those targets was very, very slow. It was slow whether you measured in terms of military manpower and the organization and manning of units, or in terms of equipment, or even the needed infrastructure of communications lines and fuel pipelines. On the

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other hand, perhaps because time was passing and the Russian threat didn't seem to be quite as imminent as it had in 1950, the European Governments were facing financial troubles and political resistance to the military draft. At that time, our people thought that there should be at least 30 months of military training; with less than two and a half years you were wasting your time and money. A 30 month draft did not go down very easily in European politics, and the whole effort seemed to be moving terribly slowly.

Economic and financial constraints were also an important part of the problem. The NATO council was thrashing around about this, but the Council of Deputies was unable to untangle anything, and it was felt that a higher level attack was needed, especially if there was going to be justification for a larger financial commitment from the United States. Short ministerial

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meetings of the whole group (Greece and Turkey were not yet in, so it was 14 countries) seemed to be ineffectual. There was a feeling that something more dramatic was needed and the best solution was a small committee of very prominent persons. Harriman's name came up quite early as the indicated leader of the Wise Men. The idea came to a head at the Ottawa meeting of the North Atlantic Foreign Ministers in the summer of '51. There it was endorsed by everybody without too much trouble,

It was clear that a committee of three would mean a Frenchman, a Britisher, and an American as the chairman. Germany was still in limbo at that time, because the FDC was being negotiated. All that could be said about Germany was that it was agreed that there would be some form of German participation, and there would be a forward defense strategy. That had been agreed

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by the Defense Ministers the previous October. But the wider conflict between military requirements on the one hand and economic capabilities on the other, was approaching a sort of breaking point for NATO. The question was whether you really could have an effective defense alliance, or not.

So the proposal to set up the Group of Wise Men was agreed at the Ottawa meeting. I still remember the charge, because it was like squaring the circle. The charge to Harriman and his colleagues was "to reconcile the military requirements for the defense of Western Europe with the economic capabilities of the member countries," In form, the Temporary Council Committee (or TCC) was a committee of the whole, and the three Wise Men were simply an executive group of the TCC. Harriman's European colleagues were Jean Monnet for France and Edwin Plowden for Britain. I

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had been much involved in the negotiations at Ottawa, and Harriman asked me to be his deputy. We flew to Paris in the early fall of 1951, and spent the rest of the fall there. We had a strong military team, with a first class logistical man, General McNarney. As our liaison with SHAPE we got Colonel Andrew Goodpaster who later himself became the Supreme Commander. He was a bright young man, a lieutenant colonel on Eisenhower's staff. According to protocol, the indicated liaison officer was a Britisher who was Goodpaster's immediate superior, and a rather dull man. One day the three Wise Men were meeting. The group had been organized. We had had a big battle with the Italians about how the three should be related to the rest of the Temporary Council Committee. We worked out a solution for that, involving hearings with each country and some participation of fourth and fifth country representatives in

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the hearings on the others, so it wasn't entirely a three-country show. We'd begun to organize ourselves, and needed some liaison with SHAPE. We had had one meeting at SHAPE. Eisenhower had been requested to send somebody, so he sent the British colonel and Goodpaster together. After that meeting broke up, Monnet buttonholed Harriman and me and said, "You know, that English officer is really a dull fellow, but I like that Greenpastures. I like that Greenpastures; that's the man. We must arrange to have Greenpastures as our liaison man." He had rechristened Goodpaster as "Greenpastures," Goodpaster was enormously helpful, in our work. He's now a fellow of the Woodrow Wilson Center from which I just moved a couple of weeks ago.

The Wise Men's exercise was extremely difficult, because, in fact, it was like squaring a circle. McNarney formed a military subcommittee. With a

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lot of help from SHAPE and from Goodpaster and others, they trimmed down the military requirements to what later was agreed to at Lisbon as the new NATO force goals. They worked very hard on trying to get the equipment requirements into reasonable shape. We worked very hard on the economic side, where we had help from the OEEC. One of the key men on our mission to the OEEC was Henry Tasca, who more recently was ambassador in Greece. He was detailed to work with our group. We had hearings with each country, case by case, and they

went through a kind of cross examination. The length of military service was one of the critical points, and the size of their defense budgets, and what more might be done about it, what could be done about taxes, what kind of deficits they could run, what sort of military assistance they needed, what could be produced in Europe and what would

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have to be produced in the way of equipment, what would have to be supplied from the United States. It was a very elaborate exercise.

MCKINZIE: Did you have a formula? A tentative one?

GORDON: No, we didn't have a formula. What we tried to do was to go through country by country and then simply add up what we got. We ended up with a report. I've always felt a little bit ashamed of this, because when we added it up, we still had a big equipment gap, We pretended that, while we couldn't meet the time table, nonetheless the gap could ultimately be filled by additional military assistance. If you look at that report, you find the gap is almost self-evident from the text, and the pretense is evident to any careful reader. We came back and at once went into session with the Budget Bureau in Washington to have the budget

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on military assistance match the report of the Wise Men. It does on paper, but what it implied for the rate of delivery of military assistance to NATO in the fiscal years 1952 and 1953 was in fact utterly impossible, much more than could possibly be delivered in those years, particularly with the Korean war going on. In fact it never was delivered and the forces were never built up fully to the Lisbon levels. Much more recently there has been a review of all of this and the requirements have been rather considerably reduced.

Although these technical defects were there, we knew what we were doing. Harriman felt very strongly that as long as we were within some kind of reasonable distance from the goals, the politics of this were, in relation to the Russians, at least as important, and the morale of the Westerners was at least as important, as the

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actual military manpower and equipment on the ground. Also Harriman was convinced that we had to get a process going, and I invented some phrase about directions; that phrase appeared repeatedly in the text of the report. It was our particular contribution to the NATO vocabulary of the time. We wanted to be going in the right direction. We wanted a more effective organization in Paris, and hence the notion of moving the NATO Council to Paris to be close to SHAPE, and also to be close to the OEEC. We wanted higher level civilians, including a strong and permanent Secretary General who could be in constant touch with the member governments and prod them about the level of their defense activities. If we could produce a Draper as our permanent representative, we could try to encourage other governments to produce the equivalents of Drapers. Taken together, that program was probably

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better and more effective than a more symmetrical and better balanced set of military economic targets on paper. Harriman's judgment was absolutely correct on that, so my embarrassment about some of the technical defects in the report of the Wise Men was probably not well-taken,

That exercise lasted until early December. It took an all night meeting of the full committee as a whole to get agreement on our draft first chapter, the critical part of the report, and to get agreement on these procedural and locational changes. We then returned home to do the battle of the budget, and then I got sick. I was exhausted by then, and had a chronic low-level illness all through the early months of 1952. I didn't go to Lisbon partly for that reason. I didn't recover until Easter time. My wife finally said, "Look, this is silly, you come off with me to Williamsburg and let's recover," and a few days there in April,

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worked like magic.

Later in '52, Harriman got interested in becoming a candidate for the presidential succession. That, rather changed the character of our office. I got interested in going abroad again and when the post opened up in London as Bill Batt's successor, it was arranged that I should take his place.

Harriman was very nice about it. He said, "As you know I'm not going to get nominated. Assuming that General Eisenhower's elected as everybody expects him to be, there's no telling whether these jobs as mission chiefs abroad will be treated as political jobs. It is something we can't foresee, so you go at some risk. You may not last beyond January." But in fact, Eisenhower and Dulles and Harold Stassen, very much to their credit, didn't treat those positions politically at all. Most of us in the major

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countries were totally nonpolitical appointments. I didn't even have a party registration at that time. I stayed on in London while Labouisse stayed on in Paris, Tasca stayed on in Rome, Mike Harris stayed on in Bon -- those were the four most important positions. It was quite unlike 1969.

To go back for a moment to early 1952, we did have a few interesting months that followed the Wise Men's exercise, in connection with Harriman's new job as aid coordinator.

While we were in Paris a law was passed establishing the Office of the Director for Mutual Security. Harriman was named to it right away. When we got back from Paris I joined him as one of the Assistant Directors. We didn't change our office locations; we just changed our titles and our stationery. That was a statutory job, a compromise among different views in the administration. The Senate and the House Committee

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differed with one another over what to do about the administration and coordination of foreign aid. By that time, of course, there was a Point IV agency, the Technical Cooperation Administration run by a splendid agricultural college ex-president from Oklahoma, Henry Garland Bennett. He died in an airplane accident in Iran a couple of years later. He was a true

believer in aid at the grassroots. He was one of the prototypes of the ideas in *The Ugly America* - providing long handled brooms instead of short handled brooms, that kind of thing.

MCKINZIN: Were you sympathetic to that kind of aid?

GORDON: I was sympathetic to it, but not in isolation. I believed strongly that technical and capital assistance ought to go together. I thought that Bennett's notion that .you could do the whole thing by technical assistance was absolutely wrong, but

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that a component of that kind was absolutely right.

There were some amusing episodes in the background. Before our office was set up -- it must have been in early 1951 -- hearings were being held about the organization of a coordinating committee, which the State Department had created. Its chairman was Tom Cabot. It was called ISAC, the International Security Affairs Committee, and various agencies were represented on it. The Senators would call Tom Cabot for the hearings and then pepper him with questions about how much authority he had. The fact is that he didn't have very much authority. Then they brought in the "coördinees," so to speak, one of whom was Bennett. They asked Bennett whether he reported to Mr. Cabot, who was the chairman of ISAC, whether he got instructions from ISAC, and so forth. If not from ISAC, where did he get

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his orders from anyway? Bennett, with that marvelous Oklahoma accent, looked up and said to whoever was asking the question, "Senator, the yoke rests so lightly on my shoulders that I can't really say," He was such a wonderful personality that he got away with it. They stopped badgering him. But it was an unsatisfactory situation.

There were also problems of military assistance in relation to economic assistance, particularly in Europe, and to some extent in Latin America. In Latin America the idea of aid was just beginning, and to some extent in the Far East also. A Development Loan Fund was in its first stages. So there was MSA, TCA, military assistance, and foreign policy, and somehow or other they all had to be tied together better. But Congress couldn't agree on a single new agency, so they finally set up a sort of super-coordinator attached to the Executive Office

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of the President. That was Harriman's job as Director for Mutual Security.

Harriman has always been a believer in very small staffs. When Harriman heads a negotiation somewhere he takes only four or five people with him. The massive delegations he really dislikes intensely. So this office was kept very small. We generally tried to coordinate without getting into operations and to become involved as little as possible in the congressional presentations, Harlan Cleveland at that time was Bissell's successor in the MSA. I remember some discussion in Harriman's office as to whether the detailed presentation of the aid program should be done by him or by me. Harriman said, "This is for the operating agencies, not for us," -- an answer which

delighted me. Poor Harland Cleveland had to face Otto Passman for weeks at a time, which was never a

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pleasure for anybody. Our office was later washed out when the Stassen organization was created. In fact, the Foreign Operations Administration did bring together these various pieces, which I think was right. They were kept together under AID -- except for the military assistance. That was always treated in a separate way.

MCKINZIE: You mentioned Andrew Goodpaster in relationship with the NATO organizations. In any other capacities did you ever feel that the military was desirous of, in a sense, calling the aid tune?

GORDON: Yes, in some cases. In the very first allocation of aid, there was a problem about Germany. In that case the military was represented by a very strong-minded individual named

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Lucius Clay. Clay thought that the first allocation of aid to the German Bizone, as it was then, recommended by the OEEC, was too small. He raised the roof, and he did get the allocation somewhat increased. That was in September 1948. He had backing from the Pentagon. Of course, Clay had his own congressional supporters too. Clay was a remarkable individual. I saw a lot of him during the war when he was in the Army forces under Sommervell. He was deputy chief of the Armed Service forces; he was constantly badgering the War Production Board. He resembled statues of Julius Caesar and must have been a direct descendent of Julius Caesar somehow or another. He had other qualities like Julius Caesar. They could be a tremendous virtue in some circumstances, as during the Berlin blockade. He was a very intelligent man, but a man of absolute firm resolve. Once resolved on a course of action

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he was like a D-8 bulldozer. You didn't want to be in his way if you could possibly avoid it.

He played a major part in laying a foundation for the recovery of Germany. Again you have to bear in mind the circumstances of 1948. The last vestiges of the Morgenthau plan were just being disposed of. Clay played a critically important part in disposing of them. Germany was his baby and he felt he was being discriminated against by a committee of Europeans not including any Germans and not including any direct representatives of the U.S. as an occupying power. The fact that there were Americans there as observers didn't matter -- they weren't Americans involved in the occupying role. He saw the OEEC as a bunch of anti-German Europeans, another bunch of Morgenthaus in effect. So that was one case.

Later on, there was another rather tricky one. In hindsight, perhaps the doubts on that

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one were well advised. It was in late 1950, after the ISAC -- Tom Cabot's committee -- was set up. I was named as Harriman's representative on it. One of the first issues we had to deal with was whether there should be a military assistance program in Latin America. The Pentagon was

very strongly supporting it. The State Department was lukewarm about it. Ed Martin was Cabot's right-hand man in this thing, and was the State Department representative in the committee as distinct from Cabot, who was the chairman, Martin had some reservations, but I don't know how strong. We didn't spend much time on it; we probably should have spent more. It was accepted fairly readily partly because by that time the cold war was on in full force,

MCKINZIE: What position did you take on this?

GORDON: I assented without a great deal of reflection.

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Martin and Cabot didn't oppose it; they just expressed some worries about whether we were opening up a Pandora's Box, so to speak. At that time I knew absolutely nothing about Latin America. I had never been there and never expected to know anything about it. Life does odd things to people.

The end of the Truman administration passed while I was in London. Then an entirely different chapter opened.

I want to add a word about the way the inner White House staff looked in 1950 and 1951 from the viewpoint of a group which was formally on the White House staff, but on its outer fringes. Those of us on Harriman's staff, particularly Ted Tannenwald and I, who were the two closest to Harriman in his group, worked a great deal with President Truman's immediate advisers. Clark Clifford had already left by then, but Charlie

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Murphy was the Chief of Staff, and along with him there were David Lloyd, David Bell, Dick Neustadt, and George Elsey. Those were the ones that we worked with actively. This was my own first experience of this kind. I met Mr. Truman a few times during that period, but we never became well acquainted. But I was tremendously impressed by the quality and the attitudes of his staff.

They really seemed to have the "passion for anonymity" which had been recommended by the Brownlow report back in the 1930s for presidential staff assistants. They came as close as they could to looking at questions from the point of view of the President, but were also very sympathetic with the operating agencies. They had no desire to become major operators themselves. They were remarkably effective and absolutely selfless. I don't know whether they

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were known by the press but they certainly weren't seeking publicity or getting much. They were very able people and it was a pleasure to be involved with them on these problems. When you had something that needed a presidential view, you could take it to them and be sure an answer would be forthcoming quickly, but there was nothing arbitrary about the way in which they dealt with your problems,

By the time I was next back in Washington other than as an occasional consultant -- which was many years later, part time in 1961 on the Alliance for Progress and then in 1966 and '67 as Assistant Secretary of State for Inter-American Affairs -- there had been major changes in the character of the White House staff and its method of operation. By then the White House staff was not at all anonymous. It was still of high quality, but tended to be far more arbitrary

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in its attitudes towards the exercise of power and its relations with the line agencies. I've often wondered whether the Brownlow idea, which was pretty well carried out by the Truman staff, could be recreated. Probably the answer is no, although sometimes it seems a pity. I wonder occasionally whether the White House has now become so huge that the next step is to abolish all of the departments, divide the White House staff up, spread them around among all the Cabinet offices, and then create a small central staff all over again with a new name. It wouldn't be called the White House staff; it would have to be called the presidential staff or perhaps something more obscure. In any event, the experience in 1950-51 was a very interesting exposure to a singularly able and dedicated group of people.

MCKINZIE: Thank you, sir.

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