

Oral History Interview

with

DR. R. BURR SMITH

Served on the Planning Committee, War Production Board, 1942-43; Coordinator of Economic Research and Statistics, Supreme Commander Allied Powers, Tokyo, 1946; economist, U.S. Dept. of State, 1946-49; member of the U.S. delegation, Far Eastern Commission, 1947-49; Chief of the reparations and restitution delegation, Tokyo, 1947; member of U.S. delegation, Austrian Treaty Conference, 1949; commercial attaché, American embassy, Bangkok, 1950-52; and member of U.S. delegation, Economic Commission Asia and Far East, 1950-53.

Winter Park, Florida

April 10, 1974

by James R. Fuchs, Harry S. Truman Library

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FUCHS: Dr. Smith, I wonder if we might begin with a little background? You might start with when and where you were born and something about your education and experiences up to the time you came into Government service.

SMITH: Well, in brief summary, I was born in Montreal, Canada of American parentage, educated in the United States, A.B. Princeton, masters and doctorate at New York. My field was international finance, but international finance was at a rather low ebb when I got out of

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college in 1934, and I joined with two others to do the original work in the founding of Hofstra University on Long Island. In fact, I was its first employee, did the original promotional work there at the college, stayed with them until 1939 when I came to Newark as assistant to the president, and stayed there until I saw clearly the coming of the war. I was one of those who came to Washington in June of 1941, originally with the Housing Authority, but I shifted very quickly to the Planning Committee of the War Production Board.

FUCHS: Do you recall anything of particular interest there?

SMITH: Well, the Planning Committee was, in retrospect, a fantastic operation. It was a small staff, approximately twenty, under Bob Nathan, Tom Blaisdell, and Tom Searls. We had three jobs: to keep a running estimate of the

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feasibility of the War Production effort; to attempt to spot bottlenecks ahead of time and to break them; and to act as general troubleshooters for [Donald] Nelson as problems occurred. It was the kind of a job where you knew you were going to be active but that life would be short, because you would certainly make enemies in substantial numbers if you did your job. And it was that kind of operation. The Planning Committee was instrumental in establishing, in the early stages, the levels of feasibility for aircraft production, other munitions production, very much larger than the military themselves estimated industrial capacity to be. So, I think our first job was really to jack the military and the rest of the Government into a proper assessment of the size of production that was possible and to get orders geared to that level. Then, once you got them into the proper area, size, magnitude of estimation, then to get them

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to balance their procurement. For example, to balance ammunition production against actual weapons production. Many of the military programs became quite imbalanced and segmented. Then, of course, the major area of the activity was in controlling, reducing, and directing the flow of primary materials in both civilian and military production.

FUCHS: Now, the Supplies and Priority Board, I believe it was called, had that gone out of existence?

SMITH: That went out of existence by the time I entered the War Production Board. Don Nelson had just taken over at the time I went in. This was an extremely active period. I personally was involved primarily in the manpower facilities side of the control activity, though I got into housing very heavily. I was in that lovely little fight about closing the gold

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mines in order to get skilled labor into the hard rock mining that we needed. There were all kinds of things that went on in the early days of the CMP [Controlled Materials Plan].

FUCHS: I think it's been said that Nelson didn't really use his -- well, the modern term would be "clout" -- all the authority he had to get things going as he should. What is your view of that?

SMITH: Well, in the early days, when Nelson came in, were marked by a very bitter fight as to whether the War Production Board or the Army-Navy Munitions Board would in fact be the controlling agency and would have that clout. There was very strong fighting between the two to determine whether the economy would be civilian or military controlled. Now, in that fight Nelson had to walk carefully at times. He had powerful people on the military side against

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him. He used people like Bob Nathan to the fullest. The press was used. On both sides the designed leakage to the press was an art that was not overlooked. I think it's to the credit of Nelson and the skill of Nelson that he recognized the need for civilian control and did establish his position so that civilian control was maintained. I later was a member of the Army-Navy Munitions Board staff as a naval officer, so I've seen it from both sides and I do think that the need for overall civilian control was apparent. The military didn't have the staff and really didn't have the expertise to have done the job.

The War Production Board itself under Nelson was an amazing structure put together so quickly. Our own staff came from industry, from academic circles, and from Government circles. It included everyone from Simon Kuznets, from John Hopkins, an outstanding academician,

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to a vice president of Universal Pictures, who was one of the best hatchet men I've ever known in operations. But this mixed team worked together. And, despite all the opportunities for personal interest, in most cases the patriotism of the group was self-evident in the job. No, I considered it -- given the circumstances and given the opportunities for special interest -- a surprisingly effective group.

FUCHS: How did you happen to go to WPB? Were you sponsored by some particular individual?

SMITH: Yes, Ed Dickinson, who was an executive assistant to Bob Nathan, who was Chairman of the Planning Committee, was an old friend and recruited me. So these were very active days -- and then I volunteered into the Navy.

FUCHS: Oh, you did. What year was that?

SMITH: I was commissioned in June, '43.

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After about a year and a half of the War Production Board I got my basic training and was actually rather surprised that in the meantime Tom Blaisdell, who had been a partner of Nathan's

in the War Production Board, had become chairman of the Orders and Regulations Board in the War Production Board. The Orders and Regulations Board was composed not only of WPB men but the military and other major agencies concerned with controlling mechanisms in the war production effort. Apparently Tom wanted someone on the military side who understood the WPB side, so he got me appointed into the Army-Navy Munitions Board working directly with the Orders and Regulations Board.

FUCHS: So you were in the Navy, in uniform, serving on the Army-Navy Munitions Board.

SMITH: That's right.

FUCHS: Do you recall anything, in particular, about

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your major problems there?

SMITH: Really the major problems that I saw in the War Production effort were largely in that first year and a half and they comprised those questions of who controlled, how large it should be, establishing the Controlled Materials Plan and its structure. In other words, the basic elements of discipline and rationing that were necessary. By late 1943, early 1944, both the structure and the mechanism were largely set. It was largely a problem of running it. There is little new in terms of basic technique that occurred during my Army-Navy Munitions Board period. The creative period was in that early period of the War Production Board.

FUCHS: Is there one particular individual who might be called the father of the CMP?

SMITH: Yes. Oh, names, names, names -- later Under Secretary of Defense or Assistant Secretary

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of Defense. Charles Hitch.

The CMP was actually originated within the Planning Committee of the War Production Board to a large degree, with the staff there.

FUCHS: Did you come in touch with the Truman Committee to any degree?

SMITH: No, not to any degree at that time.

FUCHS: I believe Eddie Locke was appointed as liaison to the Truman Committee.

SMITH: Eddie Locke, that's right.

FUCHS: How about John A. Kennedy? He was handling Navy liaison in the Office of the Chief of Naval Operations.

SMITH: No, I didn't have contact with that side of it.

FUCHS: Where did you go from there in Government service?

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SMITH: I was demobilized in November, 1945 and immediately approached to go out to Tokyo as Coordinator of Economic Research and Statistics in SCAP.

FUCHS: When did you go to Japan?

SMITH: The end of January, 1946.

FUCHS: Now this was a job apart from your service on the Far Eastern Commission?

SMITH: Yes, my service on the Far Eastern Commission was subsequent to this. At that time the economic control was just being set up in Japan. The job of assembling statistics, analyzing them, preparing the materials for the economic control program was undertaken by a staff that was flung together at that time. It consisted of a few military officers willing to stay on who had some background, a collection of foreign nationals who had been stranded in Japan of

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various nationalities; stateless Germans, Anglo-Japanese, a Czech, a Portuguese, and so on and so forth. We had about 20 nationalities. Some Japanese professionals who we could "clear" in a security sense. Now remember that most Japanese professionals had been tarred one way or another, so the Japanese professionals that could be cleared largely were academic people, some of them on the socialistic side, who had not participated in the war effort. We had among our foreign nationals a few stateless Germans who had been interned by the Japanese, released by us. Then the beginning of a small group of professionals sent out from the States.

FUCHS: Who was director of this in the Department?

SMITH: In the Department of Defense? I've forgotten who was doing the recruiting.

FUCHS: How about State, how did they...

SMITH: This was not part of the State Department

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at all. The State Department at that time seconded a diplomatic liaison officer to handle the more strictly diplomatic aspects. He operated as a member of MacArthur's staff answerable to MacArthur not the State Department. He was directly under MacArthur at the time. In fact, everyone in Japan was under MacArthur. He was very, very careful of his control of the whole operation; and the communications channel, the control channel, were all centralized completely in his hands.

FUCHS: In other words you had to go through him to get...

SMITH: You had to go through him to get to Washington. Everyone did. So I went out to take control and try to whip this rather disparate group of about 250 people of various nationalities together and begin to get a picture of the operations of the Japanese economy.

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FUCHS: Now you were the Coordinator?

SMITH: Coordinator of Research and Statistics.

FUCHS: You were trying to determine what?

SMITH: How much steel was actually producible and being produced and what the food situation was. This was the kind of thing that was needed for the control, particularly in those early days when supply in Japan was pretty desperate.

FUCHS: Did you have any particular problems vis-a-vis MacArthur?

SMITH: I did not get personally to MacArthur in that early job. No one got to MacArthur. The MacArthur pyramid of command was extremely sharp. Immediately under MacArthur were the so-called Bataan group. This was a group of trusted military officers who had served with him a long while. He demanded a high degree of personal loyalty and trust in his immediate

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subordinates. The net result was that even high ranking military men, either civilian or non-Bataan group, serving in SCAP were very much shielded from MacArthur by this immediate Bataan group. The most common complaint of competent people in Tokyo was the inability to get through to MacArthur.

FUCHS: This was the period, then, when Eddie Locke came over there and made a remark that you mentioned earlier?

SMITH: Yes, Eddie Locke made a swing through at that time and told MacArthur that he was the worst served commander that he had seen. He was referring specifically to the Bataan group and the fact that they were largely, intellectually second-raters whose primary concern, we thought, was to tell MacArthur what he wanted to hear rather than what he should hear.

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FUCHS: Could you enter into the record the names of some of these people?

SMITH: Oh, people like General Biederlinden, who was Deputy Chief of Staff at the time. But it was a motley group; it was not well-regarded intellectually, so that many of the staff became rather frustrated at their inability to break through. The press, particularly -- the press men were of two distinct camps: One highly critical of some aspects of the MacArthur operation, and one highly dependent on his handouts.

FUCHS: Did this remark of Eddie Locke's come to you directly from him?

SMITH: Yes, at the time.

FUCHS: Do you recall what MacArthur's response was?

SMITH: No, I don't.

FUCHS: Are there any other anecdotes that you recall

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during that period?

SMITH: Well, the anecdotes that I had were more largely in my second period. I had agreed to go out for six months as Coordinator of Research and get the job on the road. I did and came back to Washington and was then employed by State Department in the division that had charge of economic policy in the occupied countries of Europe and Asia handling the reparations, restitution, and property problems in Japan.

FUCHS: Who headed that division of State?

SMITH: Ed Martin. And as a part of that function I was also serving as a member of the U.S. delegation to the Far Eastern Commission which was the supposed Allied governing council for Japanese policy.

FUCHS: With Robert Barnett, then?

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SMITH: Oh, yes, Bob Barnett I knew well. Bob and I were side by side on a number of the operations.

In the late winter -- this is the beginning of 1947 -- it was decided to establish in Japan Allied reparations delegations representing the major Allied countries, with the function of supervising the actual selection of properties and goods to be made available as reparations payments -- the transfer of machine tools, types of equipment, etc.

FUCHS: Now how did that work with the Reparations Committee of the Far Eastern Commission?

SMITH: General policy was supposed to be established by the Far Eastern Commission. These were the on the spot commissions to actually go through the materials, select the equipment desired, settle differences between countries as to who got what, and so on.

FUCHS: Did you work on a particular type of material?

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SMITH: Well, I didn't have a technical specialty. I went out as chairman of the group, and on my staff I had one or two people from Washington, and I had some engineers from Korea representing Korea as a claimant, who knew what the Korean capacities were, their needs for machine tools and such. This was essentially my staff. It was a very small staff. We were not, as the United States, a claimant. We had a claim on paper to reparations which we in fact turned over to countries like the Philippines for actual utilization.

FUCHS: In other words they took our share?

SMITH: They took our share, in essence, of any goods that were available. We decided to forego in terms of the more apparent need of China, of the Philippines, of Korea, of others in the area.

FUCHS: Ed Pauley got into reparations in the Far

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East, didn't he?

SMITH: Ed Pauley went out -- I think his closest contact was his mission to Northern China and Manchuria where he made an estimate, among other things, of what the Russians had taken out, and, of course, that was a colossal take. They simply bulldozed the side of buildings and took everything useable out of it. They looted the Manchurian-Japanese industrial complex.

FUCHS: They probably took more things than they could utilize.

SMITH: They took things they couldn't utilize, I'm sure. So, I came out in about the first of May as chief of the reparations and restitution delegation in Japan. During that time I did have some very interesting experiences, both in dealing with SOAP as an administrative organization and with MacArthur. During my absence the Iron Curtain had been dropped. Now when I had first been in Tokyo the Russians had been

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billeted right in with us, and many of the Russian officers billeted in were regular guys. They attended the dances, they had a drink with us, they were fellows-in-arms in a sense. I had come to know a few of them reasonably well. I came back, they had all been withdrawn to the compound, and I found that one whom I had known in the early days was my opposite number, chief of the Russian reparations delegation. I believe his name was Colonel Moscoyov. The Russians at that time never were permitted to appear at anything except formal sessions of the reparations group. I decided to host a cocktail party for the several delegations in Tokyo and to test the Russians out a little. I went out to the Russian Embassy with an appointment with Colonel Moscoyov. He got me into a room that must have been a ballroom and into the center of it where he couldn't be bugged and said, "The old days were good days, I'm coming." He and an aid appeared at the party. Well, I had told my assistant these

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were regular guys, liked to drink, to see that they don't lack refreshment during the evening. They had a wonderful time, they were gay, they weren't indiscreet, other than being friendly. Two days later he was recalled and never heard of afterwards. I learned very well that if you like a Russian you never show it.

FUCHS: What date did you go back to Japan?

SMITH: This was in May of '47, and I was there until the fall. Early in the period I had a long session one evening with General MacArthur, the only other person being present was my assistant.

FUCHS: Who was that?

SMITH: Bill Kane, William Kane. I cite it because it was unusual. MacArthur was a semi-god in Japan. You didn't get interviews. Many senior people on the staff, as I said, had never broken through to MacArthur. So I considered myself

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fortunate when I got an appointment for a long evening session. He was brilliant; he covered a wide range of topics very effectively. He appeared to understand the difficulty of my own position as the only independent State Department person in Japan not under his command and offered to be of assistance if I should get into difficulty. I remember two things in particular; one, his assessment of the Japanese which he summarized by saying, "One Japanese is worth any three Filipinos," as a reason for his determination to bring Japan into close association with the U.S. through occupation policy. The other, which was striking, was his perfectly evident fear of Washington politics, which went back to his experience in the early depression years. Remarking that he had never been back to Washington since he assumed command, he said, "Those so and sos in the Pentagon will get me if I do."

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FUCHS: He recognized that he probably had a lot of enemies.

SMITH: He recognized he had enemies. He recognized that his independence of operation depended upon his staying away in his own particular empire of Japan and not opening himself to the sharp-shooting that would have occurred had he gone back to Washington.

FUCHS: Do you think he was wise? In view of what happened later do you think he might have served himself better if he had gotten back in touch? What are your views on that?

SMITH: This is personal assessment entirely. Brilliant as MacArthur was, he had a very thin skin, and I never felt that MacArthur could stand up to the infighting, the give and take that is inherent in any real political situation back here at home. I thought he'd blow up, as he did later.

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FUCHS: Did he have any remarks about the President at that time that you recall?

SMITH: No, but then he didn't need to. At this time he was truly running the show. Recall that in Washington the technical command channel was from the Far Eastern Commission making Allied policy. Now the American delegation in the Far Eastern Commission was a mixture of State and Defense. The Defense personnel were all junior in rank and reputation to MacArthur. There wasn't much of anyone in Defense who was senior to him. Any proposal for action by the Far Eastern Commission was sent to MacArthur for clearance before the American delegation could take any position. If he didn't like it, the message came back in "Technicolor," if he decided that Technicolor language was needed; so he exercised an effective veto over any order that conflicted with his opinions as to how Japan should be run. He made the

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policy in Japan, and could veto the policy that could come to him out of the Pentagon or the Far Eastern Commission.

FUCHS: Actually, then, the Far Eastern Commission didn't function as it should have?

SMITH: In the Far Eastern Commission, the dominant power was the United States and MacArthur had a veto on the U.S. position. So, as a body that could independently make policy and give direction to MacArthur, no.

FUCHS: In other words, he did this just largely through the force of his personality.

SMITH: Through his reputation and personality and then, so far as Japan was concerned, through the fact that there was a single voice speaking for Japan with a single channel of communication and that was MacArthur. No one else, State Department or anyone else, had any

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independent communication channel to Washington. Anything that came into Washington of any substance was cleared by MacArthur.

FUCHS: Why was there such, in your view, a personal control in Japan and not a similar one under, say, Lucius Clay, in Germany?

SMITH: Well the command structure was more divided in Europe, as I saw it. Secondly, far more Americans had rightly or wrongly a stronger view or an understanding of the part to play in Europe than in Japan.

FUCHS: Do you have any comments about General [George] McCoy who was Chairman of the Far Eastern Commission?

SMITH: Yes, General McCoy was a very delightful, pleasant individual to work with, a gentleman in every respect, but he was not about to challenge MacArthur.

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FUCHS: His health was not too good at that time?

SMITH: His health was not too good.

FUCHS: I've seen it was suggested he might have been -- someone wanted him replaced earlier perhaps by General Hilldring.

SMITH: That's right.

FUCHS: But he wasn't succeeded by Hilldring.

SMITH: He was not. But General Hilldring, again, was an effective staff member; but, again, he was not a challenge to MacArthur.

FUCHS: How did some of the other countries on the Far Eastern Commission view this privately?

SMITH: Oh, I knew the Dutch and the British and the Australians, the Chinese pretty well, Filipinos -- there was frustration, obviously. There were differences of opinion. There was at the same time recognition that we were

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running the show and that there were very practical limits of what any of them could do other than express an opinion, with the result that many of the meetings of the Far Eastern Commission became debates to set the record straight rather than to accomplish very much. This was perfectly self-evident in differences over reparations policy. Many thought that considerably more in the way of equipment could be made available from Japan and should be made available from Japan than was. MacArthur on the other hand was deliberately protecting Japan's capacity in view of, as I said, his estimate of the need for Japan, the need to get the Japanese economy functioning again.

FUCHS: He assessed this as considerably higher than the Far Eastern Commission view.

SMITH: That's right, that's right. There was much more a feeling of revenge from the Far Eastern

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nations than there was in the MacArthur mind.

FUCHS: Did the Russians save their more violent remonstrance for the European situation, or how did they react?

SMITH: Much more, much more. Oh they popped the table a few times, but they were not particularly effective or vocal in it. I remember my Filipino friends, though, saying to me, "You know you Americans have to have a 'little brown brother,' it used to be the Filipino now it's the Japanese."

FUCHS: Did you attend the meetings regularly or just when Barnett wasn't there?

SMITH: No, I attended the meetings, or Barnett and I attended together on the Economic Committee and then I attended those special reparations meetings. It was a structure of committee and subcommittee, as you remember.

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FUCHS: What did this Subcommittee on the Level of Economic Life, as it was called, accomplish?

SMITH: An academic exercise. They wanted to establish basic needs for a minimal continuation of life and supply in Japan, moving from that to determine how much steel capacity they needed, how much machine tool capacity, how much copper; to use that then as a basis for deciding what was surplus and to be made available for reparations. It flowed in that logical sequence. It was a good debating society.

FUCHS: The other committee was the Economic and Financial Affairs?

SMITH: That's right.

FUCHS: That was largely the same sort of a situation?

SMITH: Yes, largely the same sort. As I say, we knew, everyone knew, that nothing would be done unless MacArthur agreed to it.

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FUCHS: How far ahead were you thinking when this was set up in regards to, well, decartilization, for instance, or reintegration of Japan into world affairs, for instance?

SMITH: Well, the decartilization began before I joined State, when I was actually in Japan the first time. The beginning of the breakup of the Zaibatsu began early in 1946, so that I saw it more from the operating side than I did from the original policymaking side. In the original policymaking it was apparently agreed, both at the Far Eastern Commission level and at the SCAP level, that a breakup or a reform of the Zaibatsu was necessary and desirable. It was a part, of course, of the association of industrial leaders with the military regime in Japan. In the actual operating group in SCAP there was from the beginning a substantial difference of opinion. There was the group that might be said to be representative of the Sherman-Clayton Act

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philosophy in the United States, the Department of Justice philosophy on this, who were strongly in favor of the policy. There was a group that knew Japan and knew that the Japanese did not operate the way the Americans did, and who seriously doubted the real effectiveness of any such policy, whether it could be made to stick. It was simply inconsistent with the Japanese way of doing business, with Japanese philosophy, with Japanese loyalty. I remember going into -- this was May 1946, May-June, I think -- a textile mill near Kyoto, formerly a part of the Mitsubishi empire, now technically independent, disassociated; and I spoke to the president of it and I said, "Let's see, you're Mitsubishi aren't you?"

"Oh, no we're an independent company."

I said, "How did you get your start in textiles?"

Well, he had been picked by Mitsubishi

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out of university, sent for two years of training in Europe, a couple of years in the United States, brought back and brought up the command ladder in the Mitsubishi organization. And I closed the conversation by saying, "Still Mitsubishi." And if you know Japan this is the way it worked. This area of policy was a failure just as land reform was a tremendous success.

FUCHS: Did they cooperate?

SMITH: They went through the motions that they were directed to go through in technically legally disassociating the companies. But to be effective the individual in command of companies, like this textile man, had now to think of himself as an independent businessman. Now, you can say if you took a second level American and made him head of his own company he'd act independently and for himself. But the second level man in Japan, who had been brought up by Mitsubishi

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or Mitsui, owed his whole career to that group and his loyalty to it and nothing that you did in terms of legal organization broke that loyalty. So that at his first call and command from a Mitsui or Mitsubishi group to cooperate with them, he did. In human structure, you did nothing to break it. And just as soon as the controls were off after the peace it went right back together again.

FUCHS: MacArthur recognized this?

SMITH: MacArthur in the end recognized this, yes. So that the Zaibatsu policy was an early one, vigorously pursued for a time, and then dropped.

FUCHS: You say we were very successful in land reform?

SMITH: Now the land reform was an outstanding success. I doubt that that land reform program could have been undertaken by anyone

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except an occupier, under the authority of a victor, and there the individual given the land wanted the land as an individual, operated independently, was grateful for the land and it was an effective breakup.

FUCHS: He wasn't about to give it back.

SMITH: He wasn't about to give it back.

FUCHS: Very interesting. How would you have changed the Far Eastern Commission if you had the authority in composition, or administratively?

SMITH: Well, you have to ask the question: did we want an effective Allied command control? If you wanted a face saving structure which gave the Allied group the semblance of a control but retained control in American hands under an American commander it was an ideal vehicle.

FUCHS: How did the Allied Control Council work

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with you?

SMITH: You mean from the Japanese side?

FUCHS: Wasn't there an Allied Control Council set up in Japan?

SMITH: There was an Allied Control Council. As far as any contact I had, its operations were entirely military. I didn't see them on the civilian side of it.

No, I think the Far Eastern Commission, given the objections I've stated, was a good face saver and I certainly don't feel at all sure that wiser decisions on occupation policy would have been made on a collective Allied basis than were made under the conditions that operated; because, while I can be critical of those early occupations as I have been in terms of utilization of expertise that was available to MacArthur on occasion, I think you have to say that in the overall there was

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a much more effective occupation policy, much better integrated than much of the European. Morale was reasonably good in Japan, control of the military forces was good. Japan did come back in the pattern that MacArthur set forth.

FUCHS: Do you think this was largely MacArthur? Who do you think influenced MacArthur?

SMITH: Well, within Japan it was largely MacArthur. As I say, the second echelon was largely a group of "yes" men without any particular intellectual brilliance; there may have been one or two individuals. I think the basic pattern was set more by MacArthur than by any collegiate or collective structure.

FUCHS: Do any figures stick in your mind as total reparations for Japan? What did reparations really amount to?

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SMITH: As originally considered, reparations were to be paid in kind from Japan from surplus plant equipment, machine tools, ships that Japan had available. The actual amount declared surplus and delivered to other Far Eastern nations was very, very small. When the Far Eastern

Commission began to press in this area for larger amounts MacArthur brought out an engineering group to look at the Japanese plants and they did what we wanted. They declared that there was very little surplus to Japan's requirements. Now I could have argued with their assumptions and conclusions, but that was the way it came out.

Actual reparations by Japan were paid at a much later state in a different way. As a part of Japan's peace negotiations and agreements with Indonesia, with Burma, with the Philippines, Japan agreed to pay very substantial amounts of reparations, largely in kind, by the delivery

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of commodities to those countries. Here substantial reparations were paid but at a later stage, after the Japanese economy began to get on its feet and was able to generate a surplus, and it was paid not in money but largely in goods.

FUCHS: In other words, if there was any concealment of assets it was done more by MacArthur than by the Japanese.

SMITH: Yes, but, you see, we're talking about two kinds of assets. The early kinds of assets were capital equipment and instead of transferring the capital equipment Japan retained it and then at a later date when it got on its feet, transferred the product of that capital equipment.

FUCHS: Do you think this view of MacArthur of what needed to be done was largely because of our anti-Russian feeling? Was there much of

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our policy based on anti-Russian feeling, the fear of communism at that time in Japan?

SMITH: Yes and no. In the early stages when I first arrived, as I said, the only Japanese you were supposed to trust were those who had not been part of their military governing structure and many of those were certainly on the Marxist side. For example, cleared for my own staff, was a Harvard trained Japanese Marxist by the name of Tsuru, a well-known Marxist in Japan. Within the Japanese society, the actual suspicion of communism coincided more with the later McCarthy period. I did not feel the drive to be very hard on the Japanese Marxist while I was there in '46 and '47. Now, I differentiate that from a very healthy suspicion of the Russian.

FUCHS: It wasn't an article of faith in your economic circles that the increase in the Japanese standard of living would discourage any Japanese

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Communists?

SMITH: Yes, that the land reform, that the opening up of Japanese industry to union organization, that the anti-Zaibatsu program, the democratization of the economy through measures like this were definitely anti-Marxist, anti-Communist.

FUCHS: Did MacArthur communicate directly with the Far Eastern Commission? How were your channels of communications?

SMITH: The channel of communication was from the American delegation of the Far Eastern Commission, whether you were State or Defense Department man, to Defense to MacArthur and back again. Now the Far Eastern Commission could write directives; they were communicated through this technical channel of communication. This meant that when the Far Eastern Commission had under study, for example, a policy of reparations, the Defense Department man took the copy of that

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projected action, it was transmitted to MacArthur, he replied to Defense who transmitted the MacArthur position to us. This became a factor in the American position. This is why I say he had a veto.

After all, remember we were dealing with one of the real heroes of World War II at this time and neither the Pentagon nor State were about to challenge this.

FUCHS: Did you or any of the others with whom you worked view reparations as a punitive sort of thing?

SMITH: I think Barnett and I, Ed Martin -- we would be three of the key people -- all had a pretty thorough and healthy knowledge of the post-World War I attempt at reparations. None of us wanted any part of that kind of a reparations settlement. All of us felt that reparations had to be basically defined in surplus commodity terms, rather than in financial terms which in fact

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could become an unpayable burden.

FUCHS: The Japanese never got particularly violent about reparations -- or whatever the proper word would be?

SMITH: They were concerned with the individual actions that we would take. I knew when I was first in Japan of attempts to penetrate my Japanese staff by the Japanese Iron and Steel Institute, for example, in order first of all to find out what we were thinking, and, secondly, to influence our decision as to what might be surplus. They operated in this form. They weren't in a position openly to challenge anything.

FUCHS: Yes. They did not become too exercised?

SMITH: No, no.

FUCHS: I believe you became involved with another economic commission in Asia?

SMITH: Well, that was somewhat later. I came back

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directly from the reparations job in Japan in late '47, and through '47, '48, and '49 I was in State dealing progressively both with the reparations and property settlements in Japan and later in Europe -- various aspects of the property settlements including a tour of duty in '49 with the Austrian treaty negotiations in London. A very frustrating assignment because this negotiation was one in which all of the Allies and the Austrians wanted a settlement and the Russians didn't want to negotiate their troops out of Austria. So it was largely a sham.

FUCHS: Why were they so obstructionist there?

SMITH: At this time Czechoslovakia was recent. They wanted to keep the actual physical presence of their military in Eastern Austria, and a peace settlement would have meant withdrawal. So the Austrian treaty negotiations really

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dragged on for a long, long period until that day when the Russians decided that they had more to gain by negotiating and settling than they had by continuing to obstruct. It's the old story, you can't have a negotiation unless both parties have something to gain and something to lose.

FUCHS: Any incidents spring to mind in connection with that?

SMITH: Not in particular. Then in the beginning of 1950 I was sent out to Bangkok as head of the economic section in Bangkok. I arrived there; ten days after arriving I heard, first a message that surplus funds from the China program were available for aid, and then to put together with such staff as I had there, proposals for the beginning of an aid program and to negotiate a suggested aid agreement with the Thai Government.

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FUCHS: Now was this strictly economic, non-military aid?

SMITH: Strictly civilian, non-military. We were given a target figure -- I've forgotten what it was, it was a fairly small figure -- to work within, and asked to suggest areas of cooperation, technical and economic that would be useful with the Thai. This was before there was any Thai military program. At this time there was, as yet, no Thai-American military agreement whatsoever.

FUCHS: Was there any Point IV involved here?

SMITH: This was the beginning of Point IV. I forgot to say I had worked in the fall of '49 in Washington on the beginning of the Point IV program, putting together some suggested programs. This involved such areas of cooperation as research in rice production; in upgrading their hospitals and medical facilities; in providing equipment to dredge out the port of

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Bangkok; and operations of this kind. The first big aid equipment that we furnished the Thai consisted of a large seagoing dredge for that latter operation. And it was on board that dredge that the famous military coup of 1951, I believe it was, took place in Bangkok.

FUCHS: Were you still there then?

SMITH: Yes, I saw that.

FUCHS: Technical assistance there was largely a success, would you say?

SMITH: Technical assistance has gone on ever since 1950. The early elements of it, which I had a chance to see directly, were effective. I think we did very effective things with the Thai. Now, technical assistance in effectiveness is largely measured by who you have to work with. I rate the Thai as one of the better ones to work with. They were better organized, better unified in many ways than a number of the other

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countries that we attempted to work with. My own experiences with the Thai in irrigation and in rubber and other things were very cordial, very effective. Again, this was all colored by another event. Shortly after we negotiated the agreement. The Thai were momentarily fearful that the Chinese would come across from the north, that they would be involved, the Korean war broke out. And when that took place there was temporary panic in Bangkok. Would the United States react to it? The Thai after all had, in the postwar period, largely dropped their neutrality and sided with the United States, and could they count on us or not? President Truman's reaction to Korea resulted in a vast sigh of relief in Bangkok. Many people don't realize that one of the first countries in the world to cooperate fully with us in Korea was Thailand. The Thai almost immediately offered full support and had during the Korean action units of all

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three Thai armed forces involved in Korea. In that first year they made a substantial gift of rice for the support of South Korea. In fact, their action was early, it was fuller than most of our European allies. I asked Nai [Thanat] Khoman who at that time was head of the Economic Section, later the foreign minister of Thailand, a good friend, to explain to me in Thai terms how he justified their country -- which had a history of neutrality as a policy going way back to the 18th century -- how he justified the reversal of that policy after World War II. And I think his answer has bearing on the effect of President Truman's policy in Korea and other countries. He said, "You know, you can roll under to the British or the French or the Japanese and still be Thai, you roll under to the Communists and you're done." And that was 1950.

FUCHS: What is the course of communism in Thailand

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since then?

SMITH: Thailand is entirely unlike Viet Nam or Cambodia. It's a country with one language and one people and a considerable loyalty to the king throughout. Communism in Thailand revolves

around two small dissident groups; one, a group of Lao dissidents in the northeast who came over from the French territories, and the other a slop-over group from Malaysia in the south. There have been Communist sympathizers in the Chinese minority in the country, but the country as a whole is well-unified politically, with a considerable understanding of what the word Thai means, the Mu'ang Thai, the "free people." And this is entirely different from a divided, fragmented society such as you've had in most of the rest of Southeast Asia.

FUCHS: What was your title on this mission to Thailand?

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SMITH: I was Chief of the Economic Section.

FUCHS: Who was the chief of the mission?

SMITH: Ambassador Ed Stanton, an old hand in China and Asia with the State Department and probably one of our most effective ambassadors over the years in Southeast Asia. Wonderful relations with the Thai, he understood them; knew how to handle them.

FUCHS: I guess you were also considerably relieved when we took the action that we did in Korea?

SMITH: We joined the Thai in a sigh of relief, very definitely. Because people have lost sight of the fact that the concept of collective security had a certain real meaning in those days. People like the Thai in minor countries, second-level countries in terms of power, wished to maintain their freedom. They were concerned with the perfectly evident imperialist drives of both

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China and Russia. They were seeking collective security. The question was would the United States stand up to the responsibilities of it when there was a showdown. This is what Korea was all about for a good many countries of this kind.

FUCHS: What were your personal views about China when we, quote, "lost China?" Do you recall how you felt at the time, what you were thinking at the time?

SMITH: Yes, it's difficult. I never indulged in the unrealistic view that these were just "agrarian reformers" and not Communists that we were dealing with. On the other hand, I recall saying -- this was, I think 1947 --that the built-in areas of conflict between Russia and China were so strong that if we could stay out of it they'd take care of each other. Whether they were Communists or Nationalists the Chinese I knew hated the Russians and had real reason

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for that, so that I felt that to put ourselves in a position of being the enemy of China when the real enemy was Russia, was a mistake in policy. I felt that there was, if I might put it in this sense, much too much influence in American policy of misplaced missionary zeal.

FUCHS: Did you feel at one time that Chiang would ever come back?

SMITH: No, and I've been in Taiwan since then. Of course, this is an article of faith still today with the old mainlanders. And, of course, the second generation has no first hand memory of the mainland and is intermarrying with the Taiwanese and going into business and is losing the zeal.

FUCHS: Were the Taiwanese happy about the Chinese mainlanders coming over?

SMITH: Well, of course, initially the mainlanders

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were invaders. They came in, took over the running of the place, controlled it, were pretty brutal in putting down the Taiwanese and any independent Taiwanese spirit there. Now, in the years since they have come to accommodate with each other, and the thing that has been the saving grace of the conflict between the mainlanders and the Taiwanese is that they are economically prosperous.

FUCHS: Maybe you felt that we should have recognized Communist China?

SMITH: I think, yes, definitely yes, that we should have recognized and worked out, recognizing our differences, at least a "modus vivendi" at an earlier period. I thought our policy was, as I say, unrealistic. Too much of that missionary zeal that regards a backslider as the worst devil. After all these had been sort of our little brown brothers, too, over in China, and

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so many of the old China hands just reacted so bitterly without much understanding.

FUCHS: Are any of those old China hands close friends of yours?

SMITH: No, not close personal friends. I suppose Bob Barnett, who had a history in China, would have been as close as any. I knew later a number of businessmen who had come from China, had been interned by the Japanese and such, old Standard Oil hands and people of that kind. And then I knew a certain number of Chinese who escaped and either went to Taiwan or joined the staff of ECAFE in Bangkok as professional personnel, some of whom were fairly pro-Communist, some neutral, some anti.

FUCHS: You didn't become involved with the IMF or the Bank for Reconstruction and Development -- the planning at Bretton Woods?

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SMITH: No, not in the planning stages. I've been very deeply involved, say, since 1950. You can't be in aid programs in Thailand and India and Pakistan and so forth without working closely with them. But that's been a subsequent experience.

FUCHS: Most of those China hands by '50-'51 were not dealing with Chinese affairs were they? Very few, I guess.

SMITH: Very, very few were left.

FUCHS: You were in the Far East until what date?

SMITH: Well, I was in or dealing with Asian affairs until 1963, 164.

FUCHS: When did you come back from Bangkok?

SMITH: Bangkok -- in the middle of '52, after a couple of months consultation, turned around,

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went to Pakistan, came back, was in charge of South Asian economic affairs, turned around -- went out as charge in Ceylon, then as economic counselor in India.

FUCHS: Do you think reparations and some of those other issues like Trieste were worth all the trouble?

SMITH: Well, I think reparations we handled on both sides very wisely after World War II. The settlements and policies never resulted in reparations becoming a continuing financial economic barrier to every and reconstruction as they were after World War I. It was a much, much more sophisticated operation. Now, how you could have had either on the European or Japanese side the democratic and economic revival of Germany and Japan with an unbearable burden of financial reparations, I don't know. I don't think you could have. So, I think this was one of the wisest elements of occupation policy that

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we did not go that route. We avoided that route.

FUCHS: Well then, your mission, the -- U.N. Economic Commission to Asia?

SMITH: Economic Commission for Asia and the Far East.

FUCHS: Do you think that served a very useful purpose and was not just a sop or a debating society?

SMITH: Well, I served with ECAFE on and off from 1950 to 1962. It's been a bit of all of these things. It's been a spokesman for the economic problems of the area to us and the rest of the world. It has provided technical coordination on politically unimportant but economically useful things such as standardization of commodity classifications, port procedures, tourist procedures among the countries. It has

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served as an often neglected -- at least in assessment -- source of technical exchange between the countries. People don't realize that Indonesia, Burma, Thailand, and Indo-China before the end of World War II were isolated from each other. All of their contacts were with the European parent. They knew little of each other. They didn't know what was going on in each other's countries.

ECAFE served as an exchange place so that the men from Pakistan would find that the chap from Burma was doing something with bamboo pulp that was useful and that he could copy, and so on and so forth. A lot of this kind of thing went on in ECAFE. So on this level it was a useful body. A number of the technical studies that were prepared by the secretariat I think were useful to governments. It got into the useless area of political debate as to whether Communist China should replace Nationalist China in membership. We had our walkouts. We had our

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close votes on that. One could say this was useless; one could say it was a necessary safety valve of sorts.

FUCHS: What countries were represented in this?

SMITH: Originally you had from outside the area United States, Britain, France, Holland, Australia, New Zealand. China was represented by Taiwan. Then the nations of the area progressively as they became independent, Thailand from the start, the Philippines from an early date, then as Indonesia became independent they transferred from associate to full membership. India, a full member, Pakistan. Actually its scope today ranges from Japan on the northeastern most around to Iran.

FUCHS: Was there a lot of intransigence on the part of, say the Indonesians, etc.?

SMITH: On the French side, the transition to

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independent Indo-China, Cambodia, and Laos was gracefully handled. The conflict that we saw was between the Indonesians and the Dutch. The Indonesian and the Dutch was a much tougher and more ticklish problem, because there was a great deal of rancor involved in that one.

FUCHS: Who walked out?

SMITH: Oh, in 1950 the Russians walked out over the Chinese issue. Then in 1951 they came back in and proposed the seating of Communist China.

FUCHS: Oh, you're talking about the U.N. proper?

SMITH: No. We had independent membership in ECAFE, so we had to take votes on these issues just as well as the U.N. in New York.

FUCHS: I see.

SMITH: So we had a full-fledged microcosm of the New York operation, except that with more Asian

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representation proportionally, the vote was much closer. We couldn't count on Latin-American allies on this. And the British were taking a very equivocal position on this, which didn't help us at all. Really our allies in the area, outside of Nationalist China, were the Thai, the Filipinos.

FUCHS: What do you think the true view of the State Department was? Was it that they were dictated to by fear of the China lobby? Or that the President, who was supposed to make the foreign policy, felt this way about China, or was it Acheson? How do you view that?

SMITH: When I came in -- to put it in slightly different terms -- when I came into State in '46 on my side, the economic side, we had a new, substantial, and energetic economic staff. It was very vocal and quite effective. That began to break down by about '48 and the old political structure of State reasserted its

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command of decision-making in the structure so that the economic voice was progressively less effective as a part of policymaking. Now, perhaps I'm exhibiting my biases as an economist, but I have felt continuously since that period that one of the weaknesses of State has been the inability of the political officer to absorb and to understand the underlying changes taking place from the economic side. That process began; then there began progressively the witch-hunt of the McCarthy period that, to a large degree, gutted State of many people with Far Eastern experience, substantial Far Eastern experience. We were left with a very small number of firsthand experience, a few with some Japanese experience; the old China hands, as you said, were largely cleaned out -- either completely out or transferred to non-Far Eastern jobs. Bob Barnett serving as economic counselor in the Netherlands at a later stage would be an

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example. He did come back into FE but you were never able to put a Bob Barnett up to Congress for a position of approval because of those connections.

FUCHS: The ramifications of the McCarthy era are more than is usually voiced, I guess.

SMITH: They continued. They continued very definitely.

FUCHS: How do you think President Truman handled that situation, loyalty and security?

SMITH: I thought that it was handled reasonably under Truman in terms of what was happening in the U.S. He had a very difficult problem to deal with. In my experience it's very attractive to the American public when something goes wrong to blame it on a conspiracy. And that with the change in China began quickly to take place; and, of course, it was, after McCarthy, built upon. We did not feel great fear in State until

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Eisenhower came in, until Dulles came in. Not deep fear. There was fear, there was knowledge, there was awareness of this problem, but the point at which you said "am I going to be a sacrificial lamb," began with John Foster Dulles and his failure to back up his people. There was a sharp downgrading of morale that coincided with his appointment.

FUCHS: Did you know him?

SMITH: Sure.

FUCHS: How would you compare Truman's principal Secretary of State, Acheson, with John Foster Dulles, if that's a fair question?

SMITH: Oh, Acheson was in many ways a much more subtle and sophisticated mind than Dulles. Dulles I suppose you'd call a misplaced Calvinist operating through legalistic principals. He was a very attractive guy

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personally, in many ways. A nice chap to talk to, but rigid, unrealistic in some of his concepts; obsessed with this grand design of "pax" and agreements which had in many cases little meaning from the start, because the members had very divergent objectives. The military agreement with Pakistan who only wanted American aid to buttress themselves against India not against Russia, was not a very convenient or effective form of alliance and we warned Washington of that right at the beginning of '54. I saw the stuff going out of the Embassy, I participated in it. But I would say Acheson was a much more sophisticated mind.

FUCHS: Was there in your view anything we could have done to prevent Korea or was it inevitable?

SMITH: I don't know. I was not intimately concerned with the Korean policy. I don't know.

FUCHS: Do you think we definitely did the right

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thing in going in as the U.N. force?

SMITH: Absolutely, given the circumstances of the time, unquestionably yes. It was a terribly difficult decision and the right decision, not only in terms of the immediate situation in Korea but in terms of the peripheral effect, as I say, in places like Southeast Asia.

FUCHS: It is generally accorded that we would have gone in unilaterally if the U.N. hadn't.

SMITH: Yes.

FUCHS: We were fortunate, of course, that the Russians walked out and didn't come back.

SMITH: Couldn't veto. But you'd have seen, for example, countries like Thailand, if we hadn't stood up, saying collective security is for the birds and immediately pursuing a policy of necessary collaboration, of "balancing up,"

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with the Russians and the Chinese. We would have had an entirely different situation in Southeast Asia if we hadn't moved into Korea.

FUCHS: How did you view our involvement in Southeast Asia in Viet Nam? In other words, our objective of the containment of communism. Do you think we were wise to get involved at all?

SMITH: No, I did not. Not in a direct military sense. I was in Southeast Asia during much of this period, I talked to some of our top military people. I heard one time after another, "If you'll just give us permission to take this one additional step in terms of bombing this route, of putting this force in, we'll solve the problem." Their lack of comprehension of the capacity of a relatively primitive society to sustain guerrilla type activity was never truly assessed. It was

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utterly unlike an industrial society where if you can seize or bomb certain strategic points you have it. It's not like that, it never was like that. Secondly, you never had a nation to work with in Viet Nam. Now, I would have had an entirely different reaction to Thailand. In Thailand you do have a nation; it is a nation. But you can't create a nation and we tried to create a nation, and I'm most pessimistic about any outsider's ability to do things of that kind.

FUCHS: How did you feel about MacArthur's proposal to cross the Yalu?

SMITH: You mean the firing of MacArthur?

FUCHS: Yes.

SMITH: All I can say is that he had it coming. I was completely in approval of that action. When you face the President, whoever the President is, with as direct a challenge on

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policy and authority as was involved in this case, there is nothing to be done but to remove the man. At this point MacArthur had become too big for his britches in an American society. No question of the need for it. And I never felt, as I said earlier, that MacArthur would be a lasting internal political force in the United States. He couldn't take the gaff or the give-and-take of an American political situation.

FUCHS: I assume, of course, you felt we shouldn't get involved in war in China?

SMITH: Oh, no. No way, no way.

FUCHS: In other words you thought he was wrong in his judgment and wrong in his usurpation of authority?

SMITH: Exactly.

FUCHS: I should have asked you what were your principal duties in connection with the

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Austrian treaty council?

SMITH: I was economic advisor during those sessions that took place in the first half of 1949, economic advisor to the delegation.

FUCHS: What about the commission there in the Far East as far as debates about economic integration or coalition, did you go into that?

SMITH: You mean in ECAFE?

FUCHS: Yes.

SMITH: ECAFE has had debates, suggestions for some form of a free trade area, or common market ever since the late fifties. Those debates have never amounted to anything. The countries are too disparate in their development and in their interests. First of all, of course, you'd have to rule out Japan. It's just out of the class of anyone else. But within South and Southeast Asia, for example, the Thai fear that any association

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of this kind would be dominated by India and they darn well don't want to be dominated by India. The local jealousies and differences are such as to negate any extensive organization. Now there are minor elements of cooperation on education and some policies among the Southeast Asian nations, not ECAFE groups; and there are consultations that take place on it. But, no, I don't see a free trade area.

FUCHS: How did you view the International Trade Organization charter?

SMITH: Which we would not accept in Congress, and so we got GATT, a much more limited form of trade organization. One could debate this. On the one hand, the theoretical need for an international organization with the type of scope and powers that the ITO had I think has become more apparent as time has passed. We're talking about many of these things as needed

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today. The economists will all agree on the need, but the willingness of nation states to turn over what amounts to sovereignty over domestic matters to an international organization or even effectively to debate them is very questionable. You could have -- well, a perfect example is the willingness of the oil consuming nations to agree on anything at the moment. In other words, in political reality, was it going too far? This is the question you have to ask.

FUCHS: Even GATT I suppose you would view as a rather remarkable achievement.

SMITH: I think GATT was a remarkable achievement, but GATT has achieved a great deal of what it can within its limited scope. Now the problems are extra-GATT. They're not primarily tariff problems, they're non-tariff barriers, there are other trade matters.

FUCHS: I've seen it suggested in one of the papers

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that Japan is achieving much of what they desired to do by militarism by peaceful means now.

SMITH: Well, we've talked about the Zaibatsu policy, the attempt to break it up after World War II. Japan has achieved a most remarkable coordination of total economic policy using government, banks, and industrial concerns in a unified way, more than any other country in the world. We're dealing with an economic power in this sense, an ability to choose your weapons and to effectuate your policy that no democratic society like ours has within its capacity at the moment. How do you compete with them? But it's going right back to the old Zaibatsu collective economic policy principles, in which you see the large economic conglomerate, much larger and tighter than any conglomerate we have, involving producing companies in many areas, trading companies, insurance companies,

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and banking entities all in one unit. In turn, these units are associated in a common policy group of Zaibatsu. In turn, these appoint the finance ministers, the ministers of trade, and so on, so that you have a complete unification of government, financial, and industrial policy.

FUCHS: Do you foresee any major economic problems or threats to the peace in all this?

SMITH: Yes, of course. It was relatively simpler to achieve a coordination of non-Communist world economic and financial policy when there was one big boy than there is now when there are three big boys. We're faced with a fundamental problem today whether the three units, Japan, Western Europe, and the United States will be able to work out a collective policy and program which is acceptable and viable for all three units or whether they're going to clash head-on. This leaves the Communist world aside. This is

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what we're facing.

FUCHS: Did you ever meet Mr. Truman personally?

SMITH: Not in the sense of having personal recollections. I mean the big diplomatic party where you recognize a man. No. No, wish I had.

FUCHS: Well, is there something else I should ask you? I'm sure there are many things I should have.

SMITH: Well, I think I've hit the main things.

FUCHS: You've done very well, you have a good memory. I appreciate it very much. Thank you.

SMITH: Well, it was nice seeing you. I enjoyed it.

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