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Oral History Interview with John H. Ohly



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November 30, 1971

by Richard D. McKinzie and Theodore A. Wilson

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McLean, Virginia
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WILSON: To begin, would you describe for us what kind of range of activities you dealt with during the period you were serving under Secretary of War [Robert P.] Patterson? You said that you didn't consider this to be one of your most important periods of responsibility, but did you deal for example with occupation policy?

OHLY: No, I did not. Occupation matters were handled almost entirely by Howard Petersen, who had succeeded John McCloy as Assistant Secretary of War. Although I sometimes sat in on meetings between Patterson and Petersen on occupation issues, my presence

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on these occasions was just coincidental.

WILSON: We ask that, in part, because the records we have, which is pretty full, indicate that there was a continuing debate about turning over responsibilities for the German occupation to the State Department. And with the State Department backing off, it became critical. The reasons given are fairly clear on the State Department's side. They didn't feel they had the personnel, they didn't want to become involved in operations and that kind of program. But the reasons for the apparent eagerness of the Army to get rid of this responsibility are not so clear to us. The Army was dug in in Germany about '46, and it was having things pretty much its own way, and certainly a lot of people liked this, what was going on there. Can you explain that, just as a person who was in the office watching it?

OHLY: I don't think that I was close enough to problems of occupation at that time to justify my expression of any opinion on the matter raised by your question.

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Later, when I was associated with Secretary of Defense James Forrestal, I was somewhat more involved with such problems. Initially, Forrestal followed the general practice of letting Kenneth C. Royall, William H. Draper, Jr., and Tracy S. Voohrees, respectively Secretary, Under Secretary, and Assistant Secretary of War, deal with all

occupation matters and handle relations with the State Department on such matters, treating the Department of the Army as, in effect, his executive agent for such matters. Usually, at least during the first few months of the new military establishment, the Army continued to carry out activities in this area as it had before, namely through the mechanism of an interdepartmental committee -- the State-Army-Navy-Air Force Coordinating Committee (SANACC). Some six months later, when the Russians blockaded Berlin, creating a grave international crisis and raising the specter of active military hostilities, Forrestal himself did become deeply involved in certain occupation matters. Moreover, under the vastly different, new circumstances created by the institution of the

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blockade, and for at least a year thereafter, it was obvious that the Army would have to continue to remain in charge of occupation operations. However, I should perhaps add two other possibly relevant points. First, harking back to your puzzlement over why the Army might have been eager to get out of the occupation business in Germany, I should remind you that with the pressures that the services were under to demobilize -- popular pressures as well as the pressures of severe Truman-imposed budget restraints -- the diversion of manpower and resources required by its occupation duties made it impossible for the Army to perform its primary role, namely, that of maintaining combat forces capable of carrying out its responsibilities for the defense of the nation. Second, although I have stressed the fact, that Forrestal looked to the Army to perform the occupation duties assigned to Defense, Royall and his assistants continually consulted him on basic occupation issues and he himself kept generally

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familiar with the main course of developments.

MCKINZIE: I take it then that it was at the urging of Secretary Patterson that you went to the White House on special loan to serve as Executive Secretary of the President's Advisory Commission on Universal Training, the so-called Compton Commission (named after its chairman, Karl T. Compton)?

OHLY: That is correct although the proposal for this loan originated in the White House and not with Patterson who, in the first instance, opposed it. I am under the impression that the White House request for the loan resulted from a suggestion to someone on the White House staff by Judge Samuel I. Rosenman who had been appointed a member of the commission and who earlier, when he had been counsel to President Truman, had asked me to go to the White House as his assistant. While Patterson argued against the loan--presumably because he had no immediate replacement in mind--he nonetheless immediately agreed to release me and urged me to take on this temporary White House assignment.

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MCKINZIE: Without going into the details of the universal military training controversy we'd like to talk a little bit about the White House in 1947-1949, and the way things worked. There are Presidential styles, and there are ways that people make decisions. It sometimes comes of someone writing memorandum in full, spelling out the problem in considerable detail, as you've indicated that you did on a couple occasions. [General Dwight D.] Eisenhower, I think, used particular people for particular problems, and Truman never did. Did you feel that the White House had its hands on all of the problems in 1947 when you went over there? In short there was considerable flailing around within the Truman staff when he first took over.

Some of the critics now argue that they never did quite get their hands all over it, that his system wasn't very good. Can you just generally comment about the White House and the way he made decisions?

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OHLY: Yes, I can, but not on the basis of my experience or observations during the period when I was executive secretary of this commission. The commission was set up as an independent entity to perform a defined task -- to study, and then to make recommendations concerning, the desirability of establishing a universal training program in the United States. The President himself addressed the first meeting of the commission and told its members the task he wanted them to perform, and he assigned Major General Harry H. Vaughan of his staff to make sure that all of our administrative needs were taken care of. That was the last time that we saw the President, General Vaughan, or any other member of the White House staff until the commission presented its report to the President five months later. The original plan had been to establish the offices of the commission in the White House itself but I arranged to set up these offices in a nearby building both to secure more adequate space and to establish the independence of the commission. The

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commission had no contact with the White House during the period of its deliberations and no effort was made by anyone on the White House staff to influence the conclusions of the commission. Representatives of the War and Navy Departments did of course, and quite legitimately and openly, endeavor through their testimony and their submissions to convince the commission's members of the desirability of initiating a universal training program.

However, based upon my experiences during later periods -- when I was Deputy Director, and later Acting Director, of the Mutual Defense Assistance Program and, again, when I was Deputy to the Director for Mutual Security for Plans and Programs (a title that changed from time to time), and, at times, Acting Director for Mutual Security, and worked very closely with White House and Budget Bureau personnel, in the drafting of Presidential messages relating to foreign aid, in the preparation of executive orders, in obtaining Presidential findings required under

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foreign aid laws, and in presenting, and obtaining final decisions on, foreign aid budgets and legislation -- I do have some impressions on how the Truman White House operated, at least in the defense and foreign policy areas. While I never worked directly with the president himself, I did work extensively with Sidney Souers, Clark Clifford, Dave Bell, other members of the White House staff, and the Director of the Budget Bureau, and I had the impression that they constituted a small, cohesive group of extremely competent people who worked very well with one another as a team and a feeling of extraordinary confidence in their ability and judgment. I had a sense that there was no layering whatsoever and I was able to get quick White House decisions whenever I needed them. If I asked Dave Bell or Clark Clifford for Presidential action on some matter, he would say, "Okay, I'll talk to Truman about it and get you an answer," and invariably he did, and promptly. Similarly, in the case of major budgetary matters, Harriman or I could

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obtain prompt presidential action through the Budget Director. I did not have the impression of a great separate deliberative process taking place within the White House on the substantive issues that we presented, but I had a feeling that the White House personnel were doing a very effective staff job for the President in the areas in which I was concerned and were highly sensitive to, and on top of, the political problems involved in the handling of issues in these areas. This, of course, is the impression of the outsider who was on the receiving end of White House decisions and who never participated directly in deliberations or other activities in the White House itself.

WILSON: I think [Patrick] Anderson in his recent book, *The Presidents' Men*, claimed that after Clifford left that there was a less strong, less effective White House staff. He said Clifford had made a great difference.

OHLY: Well, all I can say is "no comment." At this

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stage -- 20 years later -- I am unable to distinguish between the character of the performance of the White House staff during Clifford's tenure and its performance after he had left. However, I have no impression that its character changed.

WILSON: When you went over to be one of the statutory special assistants for the new creation of the Secretary of Defense, that was a very different kind of operation than we think of when we think of the Department of Defense today. It was designed to be, as you say, a small operation. How much of that was due to Forrestal's own view? Was it entirely his creation, this position that the Secretary of Defense was not to be involved directly in operations of the Navy Department?

OHLY: It reflected his own view of the role that a Secretary of Defense should play and of the character of the organization that he would require in order to perform this role; it also reflected the views of Navy personnel. At the

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time, I didn't personally believe that it would be possible for him to step in and to manage and direct the activities of the military establishment to the extent that I thought would be necessary with the small staff that he contemplated and the relatively limited statutory powers that he was given in the National Security Act of 1947. His experience in the following eighteen months led him to the same conclusion and, in fact, within three or four months after he took office, he was leaning strongly toward such a conclusion. Six months before he left office he had approved the drafting of amendments to the original legislation that would authorize the appointment of a Deputy Secretary of Defense and three Assistant Secretaries of Defense, create the post of Chairman of the Joint Chiefs of Staff, and significantly increase the powers of the Secretary of Defense, and these amendments, only slightly modified, were enacted into law by the National Security Act of 1949 some five months after he left office.

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WILSON: You came to this conclusion yourself very early?

OHLY: I had come to that conclusion even before the National Security Act of 1947 had been enacted. As the Special Assistant to Secretary of War Patterson, I had been aware of, even though I had never participated in or

been directly concerned with, the extensive negotiations between the Navy and War Departments that preceded the submission of unification legislation to Congress in 1947. There had been several years of very controversial discussion between Patterson and General Lauris Norstad on one side and Forrestal and Admiral Forrest Sherman on the other side in an effort to hammer out a compromise, and I was generally familiar with, and on the whole sympathetic toward, the War Department's general position that greater authority should be vested in a strong central organization. However, I was not prepared to say that the compromise arrangement embodied in the new law did not constitute a

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good arrangement with which to start, because I felt that Navy sensibilities had to be taken into account and that, in any event, real unification could not be achieved by a series of initial command decisions. But I also was sure that the central organization would shortly have to be developed into a different kind of organization, and it was not long before Forrestal was persuaded that this was the case. On one issue after another he found that he could not get the services to reach an agreement, and he was unable to control the frequent often publicly erupting conflicts among the services, and particularly those between the Navy and the Air Force on the assignment of responsibilities for strategic bombing, a conflict that reflected itself then and later in the dispute over the respective roles of the strategic bomber of the Air Force and of aircraft carriers and in the contest for limited budget resources between the Navy and the Air Force. The Navy, which had resisted unification in the first place and continued to do so, was no more of a problem

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than the Air Force under Secretary Stuart Symington. The latter was a continuous thorn in the side of Forrestal, using every means that he could find to advance the interests of the Air Force. At the same time he continually expressed strong support for the creation of a much stronger central organization.

WILSON: We had people tell us, and I think mostly people from the State Department side, that they felt all through this period, all through the Truman administration in fact, that the Secretary of Defense never really was in control.. Not only just because of the problems with Johnson, but that in some ways he created a monster. He was not fully responsible for the creation of the monster, but anyway a monster was created, and no individual under that organization was not given the control. One phrase used was that the Joint Chiefs acted as if they were the Pope making pronouncements, And since it was made it was true, you couldn't argue with the Joint Chiefs once a pronouncement was

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made. Is that at all fair?

OHLY: Well, the description and analysis of the situation that others have given you does not adequately bring out the nature of the problem that was presented by the Joint Chiefs of Staff during the years 1947-1949. The Joint Chiefs, like the other entities established as statutory bodies by the National Security Act of 1947 to serve as instruments in administering a unified military establishment -- the Munitions Board and the Research and Development Board, for example -- were tripartite in character, that is, composed of the representatives of the three services, and their effectiveness in carrying out their responsibilities was very seriously impaired by the fact that the service representatives on these bodies invariably stubbornly adhered to the positions advocated by their respective services on the many critical issues on which the positions of the services were in serious conflict and for this reason could not reach any consensus on how these issues might be resolved.

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This problem was particularly serious in the case of the Joint Chiefs of Staff, partly because, unlike the other statutory and non-statutory inter-service bodies, it had no chairman (let alone an independent civilian chairman with no service connection), and partly because it was charged with the responsibility for deciding, or for making recommendations on, the most critical central issues -- issues upon whose adequate resolution the activities of the three service departments and the other inter-service bodies were often heavily dependent, such issues as those that concerned what roles and missions each of the services should perform (e.g., what service should be responsible for strategic bombing, whether the Army or the Air Force should have responsibility for tactical air operations, and what the role of the Marine Corps should be), and how limited budget resources should be distributed among the three departments. In other words, the issues that the Joint Chiefs were responsible for

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effectively handling were both the most important national security issues and, at the same time, the issues on which there was the greatest inter-service conflict. As a consequence, the Chiefs were unable to agree on how to resolve them. Thus, at least during this particular period, the problem with the Joint Chiefs did not result from their making pronouncements that they considered, or others regarded, as having, to use your comparison, the kind of infallibility and finality under canon law of a papal pronouncement, but rather, on the contrary, from their being unable to reach any kind of a decision on a wide range of major questions. I know, since I was very close to this problem because my responsibilities included that of keeping tabs for Forrestal on the status of the JCS agenda and endeavoring to find out why its backlog of critical issues was rapidly increasing. They simply could not resolve the big issues, and when they disagreed there was no mechanism through which Forrestal could resolve the disagreements.

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This situation presented Forrestal with perhaps his most difficult problem and a problem whose lack of resolution affected virtually all aspects of the operations of the new military establishment. It was this problem that led him to bring Eisenhower down from Columbia to serve as a kind of unofficial chairman of the Joint Chiefs, hoping that Eisenhower, because of the respect that all the services and their personnel had for him, could somehow get the service chiefs to reach workable compromises on some of the unresolved issues, either by persuasion or by hammering their heads together. It was also this problem or, rather, some of its most important and urgent manifestations, that led Forrestal to hold the conferences which he held at Key West and Newport -- informal meetings lasting several days at which Forrestal could discuss at length with the Chiefs the many issues that they had been unable to resolve by themselves. An agenda of the issues to be considered was prepared and distributed before each meeting so that the meetings, while

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informal, would be somewhat structured and would be focused on the essence of the matters that required consideration. In addition to the three service chiefs of staff, others in attendance included the Director of the Joint Staff, one or more of Forrestal's three special assistants, and several other of Forrestal's principal lieutenants. Some issues, including some very important issues, were resolved during, or as a result of procedures set up at these meetings, but, in many cases, the decisions reached represented a patching-over of differences rather than the final fundamental resolution of these differences that was needed.

In addition to, and to some extent as an extension of, these informal Key West and Newport conferences and the regular, more formal meetings of the War Council and Committee of Secretaries, Forrestal held a series of informal evening meetings during the late summer and early fall of 1948 with some of his principal advisers to consider the kinds of issues that had been discussed at those conferences and other major issues

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confronting the military establishment, including major questions concerning the reorganization of the establishment in ways that would facilitate the ability of the Secretary of Defense to manage the organization and provide machinery that would be better suited to resolve issues involving service differences than the mechanisms created by the National Security Act of 1947. At Forrestal's request, and with the help of Marx Leva and Wilfred McNeil, Forrestal's two other special assistants, I compiled a list of all of the issues and problems that required consideration, and this list, as amended from time to time, served as the agenda for these evening meetings and, after each meeting, I prepared a record of the discussion that had taken place and of the decisions that had been made -- and arranged for a follow-up on implementation of the latter. The Chiefs did not, as I recall, participate in these meetings, although the Director of the Joint Staff did, and much of the attention was focused on how to go about solving unresolved issues rather than on what the

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substantive resolution of outstanding substantive questions should be.

WILSON: You may not have any information about this, but one of the problems that we have and we have to assess is to identify the role of concern about the Russian intentions in the immediate postwar period. It's clear that Forrestal and Harriman were the people warning most strongly about Soviet military intentions and Soviet policy. And, also, [Adm. William D.] Leahy, who was still in the White House for awhile in the postwar period. I forget exactly when he resigned, but he was there in late '46.

OHLY: Yes.

MCKINZIE: He became ill at some point and he was in and out for awhile. By '47 he was gone I believe.

OHLY: Is that right?

WILSON: His diary is in the Library of Congress (anybody can use it); and he's apparently done a lot

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of things and it's difficult for historians, in fact, to understand what his role was under Truman. Have you any information at all about whether Truman was listening to Leahy?

OHLY: No information that would constitute more than hearsay and I can no longer identify the source of such hearsay, which may have been no more than a Drew Pearson column. I saw him only once or twice and do not recall the occasion or occasions for my doing so. It might have been in connection with the Compton Commission. I had no real association with him at all.

WILSON: The relationship of military aid to the Marshall plan is a very complicated business, as you are more

aware than we are. There were some early explorations of trying military assistance on a considerable scale through the Marshall plan, indeed somebody on the European side suggested that this might be done. And the information we have is that the State Department said, "No, this is not the proper time to deal with any

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large-scale military assistance to Europe," this was in '47, of course. Is that correct, were there discussions about which we have no knowledge?

OHLY: Except in the cases of Greece, Turkey, and China I have no recollection of any proposals for large-scale military assistance to any area as far back as early 1947. However, by the end of 1947, the possibility of providing some military assistance to Western Europe was already under consideration in both the National Military Establishment and the Department of State and, in early 1948, very serious consideration was given to the addition to the then proposed Foreign Assistance Act of 1948 (authorizing economic aid to Europe and other aid programs), of a new separate Title VI that would authorize military assistance on a large scale to any country that the President might find required it, and draft language for such a title was actually prepared. I do not have a very clear recollection of the provisions of this proposed title or of all of the considerations

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that entered into the Executive Branch's decision not to seek this additional legislative authority during 1948. While I was an NME representative on the interdepartmental committee that was working on the Marshall plan and its legislative authorization, someone else actually sat for me most of the time since my own background was such that I could contribute little to most of the issues being considered in the committee. However, I do remember that the conclusion was reached that plans for a military assistance program and its conduct had not yet reached the stage at which a presentation thereof to Congress would be advisable, that there was also some feeling in the military establishment that a request for such legislation in 1948 might interfere with its efforts to secure enactment of legislative proposals that were high priorities in its already approved 1948 legislative program, and that personnel in the State Department felt it would be politically unwise, as you suggest, to go forward with proposals for both economic and

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military assistance at that particular moment. Thus I have no question about the general correctness of your information about the attitude of the Department of State, although I believe this matter came up in 1948 rather than in 1947. Moreover, I do not believe that there was any serious difference of view on this matter between personnel in the Department of State and the military. I should add, moreover, there was not any significant difference of opinion on the ultimate necessity for the enactment of general military assistance legislation; any differences had to do with the timing of a request to Congress for such legislation. In fact, while planning was going forward within the Executive Branch for a collective security treaty covering the North Atlantic area and, at the international level, negotiations were proceeding for the consummation of such a treaty, planning and preparations for a military assistance program in support of such a treaty were also taking place both within the Department of State and the military department and in the NSC and

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other interdepartmental agencies, initially SANACC and later a newly constituted Foreign Assistance Correlation Committee (FACC). In early fall 1948, Major General Lyman Lemnitzer, at the time Deputy Commandant of the National War College, was designated by Forrestal to serve as his delegate in discussions with the Military Committee of the recently established Western Union on the equipment that would be required by the military forces of the Western Union countries (France, Great Britain, the Netherlands, Belgium, and Luxembourg), which had agreed in March 1948 in the so-called Brussels Treaty, to collaborate for purposes of collective self-defense in order, among other things, to defend themselves against Soviet attack. Lemnitzer, supported by a specially assembled group of offices, spent several weeks in London on this mission, and I believe some of the supporting group remained in London on a semi-permanent basis to help the Military Committee in its development of deficiency lists.

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WILSON: What about that period? The Vandenberg papers suggest that Senator [Arthur] Vandenberg was very much surprised that NATO became more than a concept, became more than an expression of solidarity. He was indeed taken aback, according to his papers. He was taken back at the kind of specific program brought forward, and this had to be sold to him. How did this come about? Do you know something about Ernest Gross' explorations in the fall of 1948 when he went to London for awhile to talk about possible military aid? In Forrestal's office he carried the brunt of the early NATO exploration.

OHLY: I am generally familiar with developments in this period on NATO and military assistance since, as I indicated earlier, military assistance and NATO matters both fell within the general areas of my responsibilities. However, most of the extensive discussions on NATO between the military establishment and the Department of State were carried on between, on the military side, Al

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[Maj. Gen. Alfred M.] Gruenther, then Director of the Joint Staff, and Najeeb Halaby and Robert Blum, who handled all international security affairs matters in my own office, and, on the State side, George Kennan, then Director of the Policy Planning Staff, John Hickerson, Director of the Office of European Affairs, and Theodore C. Achilles, then in charge of Western European Affairs under Hickerson. At this point I might add a parenthetical note about General Gruenther's role in relation to Forrestal and Forrestal's office in dealing with these and other matters that concerned the Joint Chiefs of Staff. Forrestal often treated Gruenther as a member of his own staff -- as a principal military adviser -- a somewhat risky thing to do since Gruenther's real job was that of a servant of the Joint Chiefs of Staff. However, since the Chiefs could not agree on many things and there was at that time no Chairman of the Joint Chiefs to whom Forrestal could look, he frequently consulted Gruenther, in whom he had great confidence, on military problems on which he felt the need for

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help and used Gruenther for various special assignments. Seldom a day passed when Gruenther was not in Forrestal's office at least once and, at least during the first year of Forrestal's tenure, they played tennis together almost every day. Only a person with the enormous diplomatic skill, the brilliance, the great integrity, and the energy that Gruenther possessed and who enjoyed the kind of virtually universal respect that he enjoyed could have managed this delicate task of combining advice and assistance to Forrestal with the performance of the backbreaking, itself highly delicate job of serving the conflict-torn Joint Chiefs as the Director of the Joint Staff. His contributions were enormous. In any event, it was he, reinforced by working groups in the Joint Staff, together with Halaby and Blum, who handled NATO negotiations preceding the finalization of the Treaty. When

it came to military aid, the same people were involved, but, in addition, Lemnitzer, in January 1949, just a short time after his previously mentioned service as Forrestal's

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delegate to meet with Western Union Military Committee, was assigned to my office to head up a group in the military establishment that could work with representatives of the Department of State in planning and preparing for a military assistance program. Lemnitzer shortly thereafter also became the military establishment's representative on FACC, which had just been established and whose chairman was then Ernest Gross, an Assistant Secretary of State, who also served as a Special Assistant to the Secretary for all foreign aid matters.

WILSON: Is the establishment of NATO and the setting up of the OEEC, can this in any way be considered an exercise in bureaucratic politics from the ERP side? We have information that the establishment of NATO and the whole question of whether NATO headquarters was to be in London and Paris and the relationship between NATO and the OEEC, the question of a possible shift in emphasis from economic to military assistance in the U. S.

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relations with Europe, caused considerable alarm to people in the Economic Cooperation Administration. People like Paul Hoffman, who was adamant, or at the least some of the records we've seen, suggest he was strongly opposed to providing any large-scale military assistance to Europe. Did you get this kind of static?

OHLY: No, I didn't at all, but you must remember, as I said in answer to an earlier question, my contacts with the Economic Cooperation Administration (ECA) during this period were very limited. Moreover, questions such as those involving the relations between NATO and the OEEC (e.g., whether NATO headquarters should be in London or in Paris, where OEEC headquarters was located), and those having to do with what, if any, political impact the introduction of a military assistance might have in Europe at this time were questions that were of primary concern to the Department of State, or the Department of State and ECA, and were not the kind of questions that were of significant concern

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to the Office of the Secretary of Defense at this early stage in the development of a European military assistance program and I was then still in that office. However, I think it is important to note that in Forrestal's mind and in the view of most people in the Department of State, the most important immediate short-term reasons for the North Atlantic Treaty and for an early commencement of the military assistance program to Western European countries were political and economic, rather than military, reasons -- their belief that European economic recovery, and the political stability sought through that recovery, could not be achieved in the absence of the kind of sense of security on the part of Western European people that could only be obtained if they had the feeling that they would be secure against Communist takeover. And in 1948 and 1949 there was in fact a widespread pervasive feeling of insecurity in Western Europe that was viewed as constituting a serious threat to the success of the economic recovery program. Among other things, the Soviet

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Union had taken over control in Czechoslovakia and the Berlin blockade had been instituted. If you would talk to some of the people in ECA who were stationed in Paris during this period -- Ty Wood or Averell Harriman -- you would find that they considered the development of such a feeling of security as a condition precedent to the success of the Marshall plan itself. As I later wrote in the First Semi-Annual Report on the Mutual Defense Assistance Program (covering the period October 6, 1949 to April 6, 1950, which Truman sent to the Congress under letter of June 1, 1950), economic considerations and political considerations played a far more important role than military considerations (even in the Department of Defense and in the thinking of Forrestal, Gruenther, and myself) in the decision of the U.S. Government to join NATO and to launch a military assistance program to support it. But I should add, in view of the Hoffman position which you cite and of which I do not recall having been aware, that I know there

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was great concern in ECA about how the military assistance program could be related to the economic assistance and a fear that a military buildup in Europe would divert resources desperately needed to support the economic recovery. This is the reason that the findings and declaration of policy at the beginning of the Mutual Defense Assistance Act of 1949 included the following language:

The Congress recognizes that economic assistance is essential to international peace and security and must be given clear priority. The Congress also recognizes that the increased confidence of free peoples in their ability to resist direct or indirect aggression and to maintain internal security will advance such recovery and support political stability.

It is also the reason that representatives of ECA participated in the direction and conduct of the MDAP program at all levels.

Of course, the invasion of South Korea caused a great change in thinking about the reasons for having a military assistance program for Europe, about its objectives, and with regard to its relative priority. Up to the time of this invasion, it had been contemplated that we would

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continue to mount only a relatively modest military assistance program and one that was designed to support only a relatively modest increase in the capabilities of Western European forces -- a program designed, along with the collective security commitments of NATO, to create a sense in Europe that there was an effective shield against outside aggression. Prior to that event there had been no widespread belief that there was any real likelihood in the immediate future of a military invasion of Western European countries and of a consequent need to constitute forces that would be adequate to combat the large Russian forces stationed in Eastern Europe. However, the invasion of South Korea, which was widely viewed as at least Soviet supported if not, as some felt, Soviet-instigated, was taken as an indication that the Soviet Union was prepared to use, or to threaten to use, military aggression, as well as subversion and various other political means, to expand its empire elsewhere in the world,

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including Europe, and thus led to the conclusion that NATO forces must be increased and strengthened to the point where they would at least provide a real military deterrent to any such aggression in the NATO area.

WILSON: We certainly have that feeling from talking with Averell Harriman.

OHLY: Well, there is no doubt about this.

WILSON: I guess I didn't phrase the question very well. I think that we found that there was some difference between the Washington crowd in ECA and some people in Harriman's offices in Paris about this. Perhaps it's because people in Paris were closer to the problem and recognized it more clearly.

OHLY: This may very well have been true. However, for the reasons I gave in my answer to your immediately preceding question, I wasn't at that time in a position to know whether this

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was in fact true. In any event, I would be surprised if it was Harriman's view.

WILSON: Yes, it's clear it was not.

OHLY: I'm pretty sure it was not Ty Wood's view.

WILSON: Yes. We've talked to Ty Wood. Harriman, indeed as much as said that his primary interest, even from the first day he was serving as Special Representative in Europe, was with the security problem.

It's sort of jumping here, but what you've said leads me to ask this question. What do you think was the effect of Korea? Do you think that Korea caused an overreaction? This is in retrospect, of course, but did it cause an over-reaction to the possible threat of Soviet aggression in Europe?

OHLY: In retrospect, probably yes, at least psychologically. However, I am still of the view that the substantive measures that were taken -- the

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steps to strengthen NATO and the very large increases in the military assistance program -- were measures that should have been taken. I think that there may have been an overreaction in terms of a tendency thereafter to view all developments adverse to the United States that occurred at or near the perimeter of the Soviet Union as being Soviet-inspired and as requiring some sort of an American response. There was, I believe, a tendency to interpret every adverse development all around the world as simply the manifestation or consequence of a deep, dark plot to spread Communism throughout the world. I was worried by this tendency at the time, partly because I thought it led to a de-emphasis or disregard in some instances of other important factors that might be wholly or equally responsible for the adverse development with which the Government was concerned. I think this tendency was evident with regard to the situation in Indochina in the early 1950s and I was among the first to question, if not to condemn,

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the extent and character of our support of the French there. I thought we might be misinterpreting the situation, tending, without adequate justification, to view it as analogous to the situation in Korea, wholly disregarding the anti-colonial aspects of the struggle and the unwillingness of the French to take the kind of measures that I thought might have led to the creation of a stable national government in the area. I am talking about the period

before the partition of the country and not about the situation after the Diem government had been established.

But my answer is ambivalent. It's very easy in retrospect to conclude that one overreacted in one or another respects to a particular development, but one should remember, before coming to any such a conclusion, that many other unconnected and, to some extent, unanticipatable important history-shaping events occurred in the years following the period when the initial reactions to the Korean invasion took place and that there were

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various unrelated powerful, but poorly-understood, forces operating in the world that would also vastly affect the course of subsequent history. I refer to such things as the timing, and the character of the succession after Stalin's death, the strength of nationalist aspirations in the colonial world and the speed, nature, and consequences of the disintegration of this world, rising expectations in the developing countries as a result of the communications revolution and their political and sociological effects, and the defection of Tito. So many things happened in the world during the ten years following the Korean invasion that it is hard to say, given the situation existing at the time, that the United States overreacted. There is no question, however, that the steps that were taken by the United States within two weeks after the invasion occurred constituted a basic change in U.S. policy -- a basic change in approach toward the Soviet Union and the rest of the Soviet world, a change that

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reflected itself in military terms and in terms of the use of major U.S. resources.

WILSON: Yes. I think you certainly have indicated the problems that tended to make that kind of judgment.

OHLY: I think the basic line followed was probably justified even though, quite obviously, a number of the specific steps might not have been. However, I also think that the psychological climate that was created as a result of, and constituted a reaction to, the Korean invasion, probably produced many bad decisions later on -- decisions that reflected a tendency to think there were Communist spies under every bed, to engage in unrealistic evaluations of the Communist threat in particular areas or specific situations, and to disregard or to minimize the importance of other factors that were responsible for or contributing to developments on which Communist forces were thought to be exercising an important influence.

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WILSON: To put the question differently -- it's still a very difficult question to answer, but, again in retrospect, NATO when it moved from its rather modest goals to the quite ambitious goals of the post-Korean, NATO never accomplished those goals. It's tempting to say in retrospect that there was an overreaction to what could be done in Europe. How much pressure the United States could bring to bear on the European nations to contribute. How much pressure we could bring on France to try to wind down or to provide a realistic contribution to European defense. The whole problem of the EDC, the difficulties in the Franco-German relations that caused difficulties there. Is it fair enough in retrospect to say that there was, not necessarily a strategic lack, but a lack of ability to bring European contributions up to the strategic assumptions that undergirded NATO after Korea. For a while, at least, a very ambitious strategy, much more than a mere deterrent. I guess what I'm saying is, do you believe at the time that what was set forward ultimately as goals

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for NATO, so many divisions, so many tanks, so many planes, that this could be accomplished in a given period of time?

OHLY: I didn't believe it. No.

WILSON: You did not?

OHLY: No, at least not on the assumptions that were being made at the time with regard to future levels of military and economic aid to Western European countries. At those assumed levels one could not achieve the goals that people were talking about.

WILSON: That's very helpful.

OHLY: I'm not sure that very many people agreed with this conclusion. I think that our government -- both its legislative and executive branches -- has been unrealistic and naive in its judgments concerning what other nations, both developed Western European nations and less developed nations, are likely to do, and will be able to do, on the basis of various assumptions with regard to the level

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of aid that they will receive, and also in situations in which no aid from us is involved. One tends to look at another government as though it were a person, rather than a complex social structure, and to conclude that, like a person, it will in fact have the capacity to achieve a goal that is physically feasible. One forgets that, like our government, foreign governments have political, social, and economic problems that make it unrealistic for them to achieve objectives that appear, if these problems are disregarded, to be attainable as a practical matter. One also tends to minimize the extent to which their outlooks or their problems may be different from our own. I think one of the greatest weaknesses in our foreign policy during the last twenty years has been due to our inability to understand the capabilities of other governments. Our judgments with regard to what another government will be capable of doing politically have often been faulty. Thus, while we may have correctly estimated the theoretical

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economic capability of Western European governments to raise a certain level of forces with a certain level of U. S. assistance during a given number of years, we failed to recognize that political and social factors made it impossible for these governments to exploit and realize such capability. Had I been able to assume that Congress would continue to provide aid to Western Europe at an annual level of 10 to 12 billion dollars for some years, then my conclusions with regard to the realistic possibility of achieving the force objectives being discussed in mid-1950 would have been different. We did move immediately after the invasion to dramatically increase the size of our FY-1951 military assistance program, adding a supplemental request for \$4 billion to the original request of slightly over \$1 billion, for a total of just over \$5 billion. However, it was obvious that even this added amount would not go very far toward financing the equipping of the number of European divisions that were already

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being talked about as needed, let alone the number talked about in more ambitious later force plans.

WILSON: Did you feel that one factor was the shift in Congressional attitudes toward aid? That there was clearly by 1950 some dissatisfaction in Congress about a lack of tangible benefits from economic assistance, from economic programs. It was tempting, at least, for advocates of military assistance to say, well here, look if you give us X number of dollars, it will be demonstrated in establishing this security shield. And that there might have been excessive claims for what can be done with this aid to sort of appease Congress. Did that have any effect?

OHLY: Well, I'm not sure that this was the case in 1950. The Congressional experience in 1950 was a very special one. We had already gone through our Congressional presentation of the regular FY-1951 program when the invasion took place. Then, within a matter of a few days after that event,

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the administration reached a decision to seek a \$4 billion supplemental appropriation as well and to attempt to obtain this appropriation without going through the process of first obtaining legislation authorizing such an appropriation. The successful implementation of this decision constituted a minor miracle. If a single person in either house had objected to the passage of this appropriation on the ground that there was no authorization for it, this approach would have been blocked. Nobody did object and so the whole time-consuming authorization process was circumvented successfully.

WILSON: I didn't know that.

OHLY: So this was a situation in which there were no authorizing hearings in which, quite possibly, if they had been held, an approach such as you suggest might have been attempted. There was one day of hearings in the House Appropriations Committee on the supplemental appropriation request. I don't

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recall specifically but I think that the hearing before the Senate Appropriations Committee was even shorter. In three weeks time \$4 billion was appropriated for military assistance without a single objection being raised in either chamber.

MCKINZIE: You know this 1950 appropriation also created a technical cooperation program in the States, and at the same time we began to pour...

OHLY: Well, the technical assistance program was authorized in separate legislation.

MCKINZIE: Yes. I realize that that was separate legislation, but it all comes within that period of 1950. And, of course, you were beginning to build up in the underdeveloped areas too, now that you had the money. Was there some kind of coordination of military aid with technical assistance? Were there conferences between your office and the technical assistance people or was that a kind of secret?

OHLY: No, at this time there was no coordination in

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the development or in the Congressional presentation of the military assistance and the technical cooperation program. However, at this early stage the technical assistance program was pretty small potatoes and, similarly, military aid for less developed countries in which the technical cooperation program was scheduled to operate was also pretty small potatoes. Except for Greece, Turkey, Korea, and the Philippines, all of which were under the jurisdiction of ECA for purposes of economic and technical assistance, Iran was, I think, the only country for which a specific military assistance program had been planned for FY-1951 in which it was also contemplated that there might be a Technical Cooperation Administration (or "Point IV") program. There was, however, as a result of an amendment added to the FY-1950 legislation at the insistence of Senator William F. Knowland, an FY-1950 appropriation of \$75 million for use to further the purposes of the Military Assistance Act in the general area of China. I

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think Knowland conceived that it would be used primarily in Taiwan or in connection with efforts that might be mounted against the Chinese Communists on the mainland or other forces in Southeast Asia. As a result of this provision Marine Major General Erskine was asked to head a mission to the Far East and Southeast Asia to consider what programs should be undertaken (whether military, economic, or political, and either overt or covert) in these areas with these funds. However, while the FY-1951 legislation sought a further appropriation for this purpose, where and how such funds and the FY-1950 funds would be used had not been determined at the time either the Technical Cooperation legislation or the FY-1951 military assistance legislation were drafted. Up to the time that the Technical Cooperation legislation was enacted, the only programs of technical assistance being conducted anywhere were those under the auspices of ECA in the Far East and in the dependent overseas areas of the

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metropolises. The Point IV programs proposed for the first period were for an amount of only something like thirty to forty million dollars; I've forgotten the exact amount.

MCKINZIE: Thirty, thirty-five million.

OHLY: But to answer specifically the question of whether there was any consultation between those preparing the legislative proposals for military assistance in FY-1951 and the legislative proposals for technical cooperation under the Point IV program for the same period; there was no such consultation. However, in the year that followed, partly because of disputes between the new Technical Cooperation Administration and the Economic Cooperation Administration over which agency should be responsible for technical and economic assistance programs in certain countries, partly because of the need for closer coordination of the military assistance program with economic assistance programs in countries where ECA was in charge, and partly

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because of a growing feeling that there should be single central management of all use of U.S. resources overseas for any foreign aid kind of purpose, there were continuing efforts to bring all of these programs under coordinated direction. The first major development was the constitution of a new office in the Department of State -- the Office of International Security Affairs -- headed by a Director of International Security Affairs [who would also be an Assistant to the Secretary of State for such affairs], to supersede the Office of Mutual Defense Assistance and the simultaneous creation, with Presidential approval, of a new interdepartmental committee -- the International Security Affairs Coordinating Committee (ISAC), to supersede the Foreign Military Assistance

Coordinating Committee CFMACC). The new office, constituted in December 1950, was to direct all foreign aid activities within the Department, including the overseeing of the Technical Cooperation Administration (which was a kind of semi-

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autonomous organization within the State Department), and its head was to chair the new inter-departmental committee which was to be the vehicle for ensuring the coordination of all foreign aid activities, including the continuing performance of the functions of the now abolished FMACC. Apart from the need to straighten out jurisdictional matters between TCA and ECA, the Korean invasion had vastly changed the nature of the relationships between military assistance and economic assistance and hence the character of the coordination required between these two types of aid. To oversimplify the nature of this change I might explain it as follows: Before Korea, ECA's concerns with the military assistance program were twofold -- first, to ensure that this program would not result in imposing a military burden on the Western European countries that might interfere with their economic recovery, which was to have first priority, and, second, to aid in getting a munitions industry established and

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functioning in Western Europe that could supply some of the military equipment required by the military forces of Western Europe and, again, to do so, without interfering with economic recovery; after Korea, the goal became that of fashioning and implementing military and economic assistance programs that, together, would make it possible for the Western European countries to both (a) create and maintain military forces adequate to deter Soviet aggression against themselves and (b) complete the economic recovery contemplated by the Marshall plan or, at least, preserve the degree of recovery already attained. Thus, the combination of the resources provided through the two programs was, after Korea, to achieve a goal that had both military and economic (and, I might add, political) facets. Obviously this required that the planning and execution of the two programs should be coordinated. Moreover, since these programs represented the most important instruments of American foreign policy, it was

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essential that, in the last analysis, the Department of State maintain general control over both programs and it was for this reason that the organizational structure that I have described was placed under the leadership of the Department of State. The Director of International Security Affairs, using the mechanism of TSAC, was supposed to pull everything together, assuring both coordination of all programs of aid and their responsiveness to U.S. policy. (I should add, parenthetically, that this same individual was supposed to coordinate the participation of the United States in NATO and to ensure that the aid programs were fashioned and administered in such a way as to give maximum support to U.S. positions on NATO matters.)

The new arrangement didn't operate wholly as intended. This was partly because of the particular personalities involved and partly because of the inability to resolve what the respective roles of the State Department and ECA should be -- to determine what issues constituted foreign policy issues that

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should come to, and be decided by, the Department of State and what issues were purely operational and should be resolved by ECA -- a controversy that was complicated by the fact that some of the stronger personalities in ECA had views about policy that were at variance with those of some of the dominant individuals in State. State wanted greater control over ECA and the latter wanted greater independence from State.

However, in spite of these jurisdictional problems, we did manage to put together a presentation to Congress for FY-1952 for all foreign aid activities that reflected a really coordinated effort. A single set of hearings over which I, as the State Department representative, presided, encompassed all of the programs -- Point IV, ECA programs, military assistance, and a miscellany of other foreign aid activities, such as U.S. contributions to various international aid-giving organizations.

At the same time that this integrated program

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presentation was under development, there were extensive continuing negotiations among high-level representatives of State, ECA, and Defense on the kind of organizational structure that was needed to provide a permanent coordinating mechanism for the future. The Department of State, represented by James Webb, the Under Secretary, argued in favor of placing full control under the Department, with perhaps a Director of Foreign Aid in the Department. ECA, on the other hand, was all for maintaining its complete independence and the integrity of all of the programs, but with provision for lateral coordination among interested agencies through some sort of a committee. Moreover, a new figure had entered the picture -- Averell Harriman, who had returned from Europe, where he had headed the ECA overseas organization, to become a Special Assistant to the President, with a kind of roving assignment in the international security field. He was in turn supported by a small staff of superb first-rate people --

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Lincoln Gordon, Theodore Tannenwald, Thomas Schelling, and two or three others.

When we went to Congress with the FY-1952 program, we found Congress more insistent than anyone else on the necessity for an effective permanent resolution of the organizational controversy that had developed -- on the need to provide for a single office that had the position in the Governmental hierarchy, the prestige, and the legal authority to pull all foreign aid activities together and ensure that they would be carried out in a coordinated fashion. I don't know the full story of what happened behind the scenes -- of all the maneuvering that went on -- but, in any event, Congress came up with a solution that neither State nor ECA had advocated and that I do not know whether Harriman had advocated -- the creation immediately under the President of the position of Director for Mutual Security, a position whose incumbent would have two hats, one as coordinator of all foreign aid activities and the other as director of what had been the operating programs of ECA.

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Congress had concluded that all of these foreign aid activities were so interrelated that one could not properly deal with one without at the same time considering the others.

MCKINZIE: That's what I was getting at about the 1950 business. You were talking earlier about the importance of the level of assistance. And whether you are talking about that by nation or whether you are talking about it by region, each had its own pie to divide, and sometimes not knowing what size portions the other agencies were

dealing out. So, as far as you know there was no coordinated effort to pump in so much total assistance to Iran.

OHLY: There was not in 1950, but, from then on, at least in the case of aid to European countries, there was this kind of coordinated effort. The goal of this effort was essentially to determine that combination of economic aid (in terms of both level and form) and military aid (likewise in terms of both level and form) that was most

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likely to enable a given country, given its own political, military, and economic capabilities, to support military forces of a certain size and composition while at the same time continuing its economic recovery (or continuing to maintain its economic and political stability). Such a determination was dependent on the assembly of a great deal of basic data when a country's economy, military forces, and political conditions by individuals capable of gathering and interpreting such data and the assessment of its meaning and implications by individuals with professional skills required to make assessments of this nature. Obviously also, any such determination would be affected by one's assumptions with regard to a number of key variables, such as the total amount of all forms of aid (both economic and military) the United States would make available for the country and the roles and missions that the military forces of the country must have the capability of performing. Orchestrating such a determination, including the gathering of the

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necessary data and judgments and the making of the essential assumptions, not only with regard to each individual country but also with regard to all aid recipients considered as a collective group, was a complex task. This task could not be carried out with the scientific precision that representatives of ECA sometimes claimed, but it was nonetheless done with the most sophisticated instruments and techniques that people had available at this time. My own feeling was that the aid program for Europe that was presented to Congress in 1951 for FY-1952 constituted as good a job as human beings could have prepared at that time with then available knowledge. Unfortunately, the initial Congressional sessions went badly; however, this was the result of poor presentation rather than faulty preparation.

MCKINZTE: These hearings that you had with the ECA people and the joint forces people, did it turn out that there were fairly common interests?

OHLY: The major differences of opinion were between

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the political officers in the State Department at the country desk and area level and the counterparts of these officers in ECA rather than between people in State and people in Defense who were working on military assistance. The officers in State would take the position that they were the only persons who could make the political judgements and assessments of what needed to be done in a country and what level of aid a country should have in order to maintain forces at a certain level. On the other hand, ECA representatives would say that they had the responsibility for running the program and should be entitled to make decisions of this kind. They would say, "Give us overall policy guidance and we will make the decisions on how to carry out a program within that guidance."

WILSON: Yes. Well, it sounds like Dick Bissell here.

OHLY: The biggest problem was that of reconciling the frequent differences in the views of the country

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desk and regional people in the State Department with those of their counterparts in ECA on such issues as the following: whether the level of forces proposed by Defense for a country could be supported by a country; what level of aid should be provided to a country, particularly if a certain level of military forces was to be urged on the country; on what, if any, conditions should aid to a country be conditioned (e.g., monetary, labor, agricultural, budgetary, or military reforms; the country's support for regional institutions, such as the European Payments Union (EPU), for the policies and activities of such institutions). Sometimes the problem was further complicated by differences between representatives of the so-called "E" area of the State Department (the Office of the Assistant Secretary for Economic Affairs, a functional office) and State's country desk and regional officers. It was necessary to take a tremendous number of complex factors into account. However, the hearings were successful in

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producing a coordinated executive branch program and they set a pattern for the development of the annual program that, with adaptations to take into account later organizational changes and other important new considerations, was followed during at least the following six years (the whole period that I was in charge of program planning and development) and I believe longer. Eventually, personnel of the Bureau of the Budget participated extensively and in some years these hearings were treated by the Bureau as constituting a substitute for the hearings the Bureau had normally held to review foreign aid requests -- an action that resulted in the elimination of a great deal of duplication. Representatives of the Treasury Department were also normally active participants and sometimes added an additional viewpoint on economic or politico-economic matters that differed from the viewpoints expressed by representatives of the State Department or ECA. Every effort was made to ensure that every agency with an interest in the programs under consideration would be present

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and have an opportunity to be heard. This practice resulted in large mass meetings but there seemed to be no other way to involve the some hundred or more people who had a legitimate interest in one or another or all of the issues that had to be considered.

WILSON: You said the presentation was badly handled in '51. Why was that/

OHLY: Well, it started off badly, partly due to the inexperience of the first major executive branch witness to follow the lead-off Cabinet witnesses -- the individual who was intended to carry the main substantive burden of an extended presentation. He was Thomas D. Cabot, an eminent businessman who had been brought down to Washington from Boston to fill the position of Director of International Security Affairs, the position that I have previously noted had been created in order to bring about better coordination of the whole foreign aid program. He had had no prior government experience except as a member of a business advisory committee to the

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War Production Board, had had no experience with Congress (except for a confirmation hearing in which he had

run into some problems with Senate Foreign Relations Committee chairman, Tom Connally, who seemed to be irked by his patrician background as well as his lack of any governmental experience), had never conducted a presentation of the kind involved in this instance, and had not been on the ground long enough to begin to master the complex features of the program. He had been a successful businessman (head of United Fruit earlier and now running the carbon black industry), was a great philanthropist, knew considerable about education, and is certainly one of the nicest human beings I have ever know. But these latter advantages did not compensate for his inexperience and he collapsed under the batter of questions addressed to him in his first Congressional appearance. A rescue team composed of Dick Bissell (for ECA), myself (for State), and a representative of Defense, was put together by Under Secretary of State Webb

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and managed to get the presentation back on course. No permanent harm had been done, but that first session had been kind of a fiasco, which is too bad, because it gave him a sort of black eye which he didn't deserve and really couldn't be blamed for.

WILSON: One thing that's come up we'd never heard this stated quite so baldly as in some materials we've seen -- discussions between high ranking people of the Truman administration, which took place a couple of years after Truman left office -- several people said the entire Korean war was financed out of foreign aid. And the additional explanation was that it may not have been true, but they really didn't know what was going on, in that Lovett, in particular, with whom these people had very close connections, his office could never give them the kind of information they needed about allocations, about how aid was used, about what was going to come out of the pipeline, this sort of thing. How do you react

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to that?

OHLY: I think that you are really raising two separate, although closely related questions. One is whether the Korean war was financed by using funds that had been appropriated for Mutual Defense Assistance and the other has to do with the alleged continuing inability of the Department of Defense to make any reasonably accurate predictions of when deliveries would be made of the equipment for which MDAQ funds had been appropriated and with the incredibly long lapse of time between appropriations and delivery.

With regard to the first question, one might answer that it is literally true that a considerable amount of equipment that was used by U.S. forces during the Korean war was equipment that had been paid for with funds originally appropriated for Mutual Defense Assistance. However, such a literally true answer will be very misleading to anyone who does not understand the manner in which military assistance programs were customarily

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financed and carried out, or who is unfamiliar with the financial and logistical problems that confronted the Department of Defense immediately after the invasion of South Korea. Hence an explanation of these matters is necessary. Under the Mutual Defense Assistance Act of 1949, the military assistance program was to be financed from funds appropriated to the President for the purpose of carrying out that act, funds that would then be allocated by the President to the Secretary of Defense for the purpose of implementing specific programs of assistance that had been approved by the Director of Mutual Defense Assistance. Such funds were entirely

separate from the funds appropriated directly to the military establishment to carry out its own programs. Equipment for MDAP programs was to come from two sources, stores of equipment already owned by and in the possession of the services and new procurement. Equipment in the first category was of two types, equipment that was entirely excess to the needs

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of the military establishment and equipment that constituted stocks of the services retained for current use or as a mobilization reserve. Up to a dollar limit specified in the Act (and annually increased in subsequent annual amendments to the Act), excess equipment that was used to carry out MDAP programs was to be provided without any charge against the MDAP appropriation except for any costs incurred by the services in rehabilitating, repairing, or modernizing the equipment in order to put it in first class order before its delivery (and, of course, for the costs of packing, handling, and delivery). Service equipment that was not excess was to be charged to MDAP funds in an amount that, under a statutory formula, in most instances equaled the cost to the services of replacing the same item in kind or with an equivalent item of the same general type that the services considered more desirable for inclusion in the mobilization reserve than the item transferred to MDAP. (It should be noted, since it resulted in considerable

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abuse, that the latter formula provided the services with an ideal mechanism for replacing their World War II equipment with more modern equipment, thus charging the cost of modernization to MDAP funds.) In the case of equipment that had to be procured, MDAP paid for the cost of such procurement. It was contemplated at the outset that most of the equipment furnished during the early stages of the program would come from existing service stocks rather than from new procurement and in the months between the commencement of the program around January 1, 1950 and the Korean invasion in late June this was the case. These methods of financing and processes of supply are described in detail and at length in the first two Semi-Annual Reports to Congress on the Mutual Defense Assistance Program, both of which I wrote in full and both of which were printed verbatim in the form in which I had prepared them.

The outbreak of the war forced major changes in the plans that had been made. In the first

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place, the materiel requirements of U.S. forces skyrocketed immediately. Newly activated divisions and other units had to be outfitted; very serious battle losses had to be replaced; and there was a need for an enormous amount of equipment to continuously sustain intense combat operations for a long period through a supply pipeline stretching more than 5,000 miles overseas. In the second place, the decision, which I mentioned before, to increase and accelerate the buildup of NATO forces and to increase the size of the military assistance program fivefold added other huge new military materiel requirements. Neither the full needs of the U.S. forces or the full needs of the military assistance program, let alone the combination of those needs, could begin to be met out of the reserves on hand nor out of such reserves plus the limited amount of military production then underway. Several steps were obviously necessary under these circumstances. One was the establishment of priorities among the requirements, and

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obviously the needs of American forces engaged in overseas combat or being called up to participate in that combat came first, important as everyone, the Joint Chiefs of Staff included, felt that a rapid European buildup was a matter of great urgency and importance. Another step required was the partial mobilization of industry to undertake the task of producing the equipment that was needed, a slow process, especially since the war production machine built up during World War II had been to a large extent dismantled and also because of a desire to avoid establishing new production lines on going to two or three shifts where this could be avoided. From the standpoint of the military assistance program the consequences of this situation were for several years disastrous. Obviously the requirements of U.S. commanders for equipment (and especially of those who were engaged in active combat) took precedence in most instances over the requirements of foreign forces that were not engaged in combat (and, in many instances, had still not

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been raised or were not even in the process of being raised) when there was a conflict between the two, and it often made no difference that the equipment in question, if it were part of the service mobilization reserve stocks, had been already earmarked for MDAP [or even so earmarked and repaired, rehabilitated, or modernized at MDAP expense), or, if it was being newly produced, was being produced under a contract which was partly financed by U.S. service funds and partly by MDAP funds or, in some instances, wholly by MDAP funds. All equipment of a kind required by both MDAP and the services was regarded as a pool of equipment whose contents were to be allocated in accordance with priorities established by the Joint Chiefs of Staff. This meant that for many months after the invasion, much equipment that had actually been paid for with MDAP funds went to U.S. forces fighting in Korea or stationed elsewhere; but, of course, the MDAP program was not a permanent loser for it received a credit

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for each item for which it so paid and that was then diverted in this manner to U.S. forces, a credit that was to be repaid, and was in fact so repaid, by the delivery to the program of a subsequently produced item of the same kind. In this general connection I should mention the extremes to which we went in putting the \$4 billion supplemental funds to work to increase the pool of certain kinds of critical basic equipment that was in short supply just as soon as the President signed the supplemental appropriation bill. Instead of following the usual practice of not allocating funds to Defense until after it had submitted, and the Director of Mutual Defense Assistance had approved, the detailed programs for individual countries, a process that would have consumed many months since no detailed determination of requirements had yet been made, we decided to allocate a large portion of the \$4 billion for the mass production of certain items of equipment that we knew would be required in

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great quantities for both U.S. and MDAP-supplied forces, mostly tanks and aircraft and, by so doing, made it possible for Defense immediately to place large contracts for these items and thereby to get the machinery of production rapidly cranked up and going as soon as was humanly possible. This was very important for in the early postwar years war production was at a low level. Most war production plants had been shut down or reconverted back to civilian production and plants that were still engaged in war production were for the most part operating one line on a one-shift basis at the lowest economical rate and primarily so that there would be one "hot" line that could be quickly speeded up and placed on a three-shift basis in an emergency. It was vital for the Executive to immediately commit all the resources that it could command to effecting the most rapid possible re-conversion of certain portions of American industry to war production as well as to accelerate to the maximum

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existing war production lines. I suspect that the MDAP program never received a single one of the specific items that were produced with the specific money that was allocated in this mass fashion in the summer of 1950 and everyone was aware that this might well be the case; but the MDAP program did, of course, though at a later date, receive identical items (or their equivalent) that were subsequently produced. To put it another way: MDAP in effect loaned the services equipment that it had financed, such loan to be repaid in kind as soon as the supply situation improved.

The basic principles that were applied were certainly sound; it made complete sense to ensure that equipment under the control of the U.S. Government should, under the emergency conditions that existed, be allocated to fill the highest priority needs. However, I believe that in the continuing competition between MDAP and the services for items of equipment that were not available in

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sufficient quantities to meet nearly all the needs of both, the policies (priorities) that were developed by the military and, even more, the application of these policies in the day-to-day allocation of individual items of equipment to fill U.S. or MDAP needs, often tended unduly to favor U.S. needs. I also believe that the services sometimes seriously abused the MDAP system of financing and supply in order to feather their own nests, particularly by exploiting the pricing system established by the law to improperly finance their own modernization with MDAP money, and that they often followed contracting and production policies that unduly postponed the production, and hence the delivery, of equipment that was required by MDAP and for which MDAP had allocated the funds. These various problems and their causes are far too complex for explanation in the course of this interview. I went into these in some detail in the long paper entitled, "A Study of Certain Aspects of Foreign Aid," that I submitted to the Presidents Committee

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to Study the United States Military Assistance Program (Draper Committee) and that is printed as Annex G to its final report in Volume II of that report, dated August 17, 1959 (see especially pp. 307-311 and 313-315). However, I can give a number of illustrations that may be useful in understanding what some of the kinds of difficulties were.

Suppose, for example, as was in fact the case, that the Army had a substantial number of model X-1 World War II vintage tanks in its mobilization reserve, each of which had cost the Army \$100,000. While serviceable and still first-rate weapons, they were inferior to an improved model X-2 with better armor and improved firepower, each of which would cost \$150,000, and very, very much inferior to a revolutionary new type of tank, model V-1, with even better armor and firepower and, in addition, a variety of new electronic devices, each costing \$250,000. (The prices and model numbers are fictitious.) The

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Army would like to replace all its X-1's, preferably with Y-1's, but, if not with the latter, then with X-2's. Unfortunately, the Army's budget during this period did not contain the funds that would permit it to follow either course. In this situation MDAP appeared to be a veritable godsend. If the Army could include the X-1

tanks in MDAP programs, it could modernize all its armor without needing to obtain funds of its own, charging MDAP the replacement cost of the S-1's, if possible, \$250,000 apiece (the price of the Y-1) but, in any event, \$150,000 (the price of the X-2). The temptations were obvious and included the following; (1) to include more X-1 tanks in the MDAP country programs than made the best sense militarily, thereby increasing the number of new tanks it could procure at the expense of MDAP; (2) to use X-1 tanks to fill a tank requirement in a country program even though it would be significantly better in terms of the country's technical capabilities or likely military needs

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to provide a different type of tank (e.g., lighter or heavier) than the services also had in their mobilization reserve; (3) to replace the X-1 tanks included in MDAP programs with the Y-1 tank, rather than with the X-2 tank, and attempt to charge MDAP with the additional \$100,000 of doing so even though the Y-1 was radically superior -- virtually a different sort of weapon; and (4) to supply X-1 tanks to a foreign country under MDAP when it would make much more sense from a political and/or military standpoint to use MDAD funds to procure new X-2 or Y-1 tanks for delivery to that country than for delivery for U.S. force use (e.g., it might, from a military standpoint or in terms of political impact on actions of the French, be better to have Y-1s in French frontline D-Day units than in a U.S. reserve division or a National Guard unit in the United States). One or another of these temptations often proved irresistible to a service and for a long time the services got away with murder. In spite of

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strenuous efforts by the Office of the Secretary of Defense to prevent or correct abuses, it proved very difficult to control processes that were going on far down below at the operating level--in, for example, Ordnance supply offices or a depot. The same was true in the case of priorities in the allocation of equipment. Harriman tried to do something about it and so did Lovett; and Stassen, when he became Director for Mutual Security, found himself in an almost continuous fight with Struve Hensel in OSD over the practices of the military in allocating available equipment. The military resisted participation by any outside agency (and even by officials of the Office of the Secretary of Defense) in the determination of priorities in the allocation process or in the application of those priorities, and this resistance was never successfully overcome. The military tended to treat all procurement funds, whether MDAP or appropriated to the services, as fungible and subject to their control, and inevitably, given the

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conflicts of interest that were involved, the MDAD program was treated as a kind of stepchild.

Many of the considerations mentioned above were also responsible for, or involved in, the extraordinarily poor delivery record of the services during the first few years and the inability of the services to provide the non-defense director of the program (successively, the Director for Mutual Defense Assistance, the Director of International Security Affairs, and the Director for Mutual Security) with accurate forecasts of deliveries (or of expenditures or even obligations) or with reliable status reports. This situation was a source of very serious difficulty in dealing with the Congress and Secretary of Defense Lovett ran into a great deal of criticism because of his inability to convince many Congressmen that the development of this situation had been unavoidable and was the product of conditions that could not have been avoided. Lovett himself

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was several times placed in a seriously embarrassing position because of the poor forecasts the services prepared for him and their failure to provide him with reliable reports.

There was another practice of the services that contributed to the seriousness of the delivery problem, a practice that became particularly serious with regard to certain items. I can illustrate this practice with a hypothetical example. Let us assume that, after taking into account the supplies of Model X airplanes in the Air Force reserve stocks, the Air Force had a requirement for an additional 1,200 Model X planes over the following twelve months to complete its force buildup and to take care of anticipated attrition and the MDAP had a requirement for the same quantity.

Let us assume also that the plant which produced Model X planes could produce 100 such planes a month (or 1,200 such planes a year) by operating one production line on a one-shift basis, Under such circumstances the Air Force would have a

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number of alternatives of which I shall mention the two that would probably have the most extremely different impacts on the MDAP program. The Air Force could ask the plant to operate its already going line on a two-shift basis and thereby ensure that the requirements of both U.S. forces and MDAF would be met in a little over 12 months, at which time, unless further requirements emerged in the interim, the production line would have to be shut down and placed in standby status or, as might often be the case, mothballed or wholly dismantled. Alternatively it could treat the MDAP requirement as an add-on requirement to be filled by the operation of the one production line on a one-shift basis after the U.S. force requirements had been met twelve months hence. Choice of the second alternative would result in twelve-month later deliveries of the MDAP planes than choice of the first alternative but, from the standpoint of the Air Force, would have the great advantage of keeping

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a production line for the Model X planes continuously operating -- maintaining it as a "hot line" -- and thereby available to immediately fill Air Force requirements in a future emergency, either by diverting the MDAP planes then coming off the line to its own use and/or immediately having the production line placed on a two or three-shift basis. Since military mobilization capability is a key factor in national defense preparedness and time required to reactivate, de-mothball, or newly reconstruct a production line for complex weapons can often be considerable, the temptation to follow the second course and to use MDAP as a stretch-out device to keep the one production line operating on at least a minimal basis was very great and one or another of the three services from time to time succumbed thereto and, in so doing, adversely affected MDAP deliveries.

WILSON: I wonder if you might comment on the general problem of offshore procurement? We know that there was some pressure to develop production

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facilities in Europe. For example, to use a jet engine plant in North Italy that was given a contract to turn out engines for trainers, and to license that plant to produce the engines for a jet fighter. Using this as an example, there was the strong opposition to doing these sort of things. But I remember Eisenhower at one time said, "Well, we won't even tell the British how to manufacture the proximity fuse." You know it was captured during the

Battle of the Bulge by the Germans, or something like that. From whence was this pressure coming? Was it coming directly from the services or from American manufacturers? How did that work?

OHLY: The subject of offshore procurement is a very important one since more than \$3 billion in offshore procurement contracts were let by the services using MDAP funds during the first four years in the 1950's. However, the subject is also a very, very complicated one and I can discuss only a few highlights in this interview. An

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offshore contract is simply a procurement contract that is placed in a foreign country rather than in the United States. Only a few such contracts were placed during the first year of the MDAP program and for the most part these early contracts had one or both of the following reasons: (1) to facilitate and encourage the development of a European munitions industry, both for logistic reasons (to reduce supply lines from factory to front in the event of war for items required in quantity and with high attrition rates (e.g., ammunition) and to eliminate the highly vulnerable oceanic link in any supply line originating in the United States), and in order to eliminate European dependence on foreign aid and (2), after the invasion of South Korea, to utilize, or to develop and utilize, European capacity for munitions production at a time when, for certain items at least, combined U.S. and MDAP requirements far exceeded the short-term production capacity of the U.S. munitions industry and the European capacity was in fact badly needed in order to

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meet those combined U.S. and Mutual Defense Assistance requirements.

Thereafter, however, both for the foregoing two reasons and for other entirely different reasons, the volume of such contracts rapidly increased and remained at a high level for a considerable number of years. The new reasons were for the most part political and economic reasons and, in many instances, came to be the controlling reasons and led to the placement of many contracts offshore that the Department of Defense would have preferred to see placed in the United States due to any one or more of a variety of considerations, among them (a) the difficult and troublesome problems encountered in negotiating and administering major contracts in a foreign country; (b) the impact that the placement of such contracts had on production scheduling in the United States, including its effect on efforts, described above (in my answer to your immediately preceding question), to use MDAP funds to sustain a high level of industrial mobilization readiness by financing the

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continuing operation of "hot" production lines; (c) the danger in the case of very advanced types of weapons that production in a foreign country would increase the possibility of unauthorized disclosure of highly classified information, especially in countries or in particular plants where the U.S. viewed security procedures as lax -- a danger your question mentions but which I do not think was of any real significance in more than a few instances since contracts for such items were rarely, if ever, candidates for offshore procurement; (d) a fear that production line established in Europe through offshore procurement might be vulnerable to strikes or even sabotage on the part of Communist or Communist-dominated trade unions in certain plants that might be logical candidates for offshore contracts; and, presumably, as you suggest in your question, (3) pressures on Defense from potential American contractors who wanted to get the business for themselves -- although I do not recall specific instances where this was the case, at least during

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the period of the Truman administration.

The economic reasons that contributed so extensively to the great increases in the offshore procurement program were the threats posed to the continuation of European economic recovery by the serious new burdens placed on the still fragile European economies as a result of the necessity for European countries to undertake the costly task of greatly increasing their national defense efforts. Thus, just as the Marshall plan economic aid program was scheduled for gradual phase-out and the American Congress was pressing for reductions in foreign aid, there was a new desperate need for the infusion of dollars into Europe in order to enable the NATO countries to engage in a large and rapid military build-up without suffering a disastrous collapse of their economies and, as a result of such collapse, the devastating political consequences that the Marshall plan had been launched to prevent. It was under these circumstances that offshore procurement came to

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be considered an ideal device for the massive transfer of dollars to those European countries that might be capable of producing military equipment on a large scale for MDAP (and, to some extent, for U.S. forces as well), ideal not only because it permitted the Executive to avoid increased requests for the increasingly unpopular economic aid programs but also because one end result would be the provision of the military end-items for which the funds used to finance these contracts had been appropriated. Thus, in a very real sense, the funds so used served a dual purpose -- to provide the foreign exchange necessary to sustain Europe's economic recovery while at the same time providing for the production of the military equipment that Europe's growing military forces required. The importance of the economic effects of placing offshore procurement contracts became so great that the level of such contracts that were to be placed offshore during each of several years was determined provisionally (in terms of a target) by the Director for Mutual Security on the basis of economic considerations

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and before the Department of Defense had finally refined its annual end-item programs and reached any conclusions of its own with regard to the locus of procurement of the items likely to be included in such programs. I don't recall the specific targets established in the peak fiscal years of 1952, 1953, and 1954, but I believe the planning figure specified by the Director in FY-1953 was \$1.2 billion. Moreover, as the economic crisis in Europe, and especially in France and Italy, deepened in the early 1950's, offshore procurement was also used on a substantial scale to deal with budgetary crises, but this part of the story is too complicated for any further explanation in this interview. Of course, there was resistance in Defense to this greatly increased emphasis on offshore procurement and its use for so many different purposes, but fortunately Marshall, Lovett, Foster, Nash and others at the head of Defense understood just as well as the Director for Mutual Security that the security of Europe

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depended as much on the economic and political stability of European countries as upon the buildup of Europe's military forces and hence were prepared to use the device of offshore procurement and other devices that would serve both purposes even though such a course created numerous problems for the military departments and significantly reduced their capacity to use MDAE funds to maintain "hot" lines in the United States that would be

expandable in a national emergency.

While some mistakes were undoubtedly made, I believe that the offshore procurement operation represented a highly successful venture and that it reflected wise judgments and great ingenuity on the part of such individuals as Harriman, Lincoln Gordon, William Foster, Lovett, Frank Nash, William Draper, and their colleagues. While resulting in the production of the equipment for which the MDAF funds had been appropriated, in some cases significantly more cheaply and much more quickly than such equipment might have been produced at the

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time in the United States, it also helped to create a munitions industry base in Europe (thus establishing shorter supply lines in the event of war), contributed to standardization of NATO military equipment, and was an important, and possibly the most critical, factor in sustaining European economic and political stability during the early 1950s. It was so important that it ought to be the subject of an exhaustive essay or book that draws on the knowledge and experience of those who were directly familiar therewith while these aging individuals are still living.

With regard to your specific inquiry concerning objections raised to offshore procurement, I should repeat that I don't think that there were many objections that were based primarily on any fear that military secrets of importance might be jeopardized. There were problems with the British on security of information during the period 1947-1949, or so I was told, but these problems came before the military assistance program

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had been launched and were of a different kind. The services at that time were suspicious of the integrity of the British security system. There was also a problem of security of information that came up in connection with the question of whether the United States should set up a guided missile testing ground in Australia, but this had nothing to do with offshore procurement or the military assistance program. The matter of security became much more important during the early days of the Eisenhower administration than it was in the Truman administration because those days were the days of the Joseph R. McCarthy era when the fear of communism and Communist spying and subversion reached a peak; however, I do not recall its having affected, or come up in connection with, the subject of offshore procurement, but it could have significantly affected the composition of items provided some countries under the MDAP program.

WILSON: But there wasn't any particular concern or

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desire to maintain an American lead over particular European countries as possible enemies, I mean, that didn't come in at all. This is to make sure that they didn't have...

OHLY: No, I don't recall anything of the kind you mention beyond what I have said in my answer to the preceding question. I discussed this subject briefly at page 311 in my previously mentioned published paper for the Draper Committee.

WILSON: We're a little unclear, where were you exactly when Harriman came back from Paris to be Special Assistant? What was your status at that time? This would be in June of '50?

OHLY: In June of 1950 I was Acting Director, Mutual Defense Assistance, and Special Assistant to the Secretary of State.

WILSON: Yes. Then Harriman was located in the White House as Special Assistant until '50. He still was in the White House?

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OHLY: Yes.

WILSON: He also became Director for Mutual Security. Did you come in to work with him when he became Director for Mutual Security?

OHLY: Not immediately in the sense of becoming a member of his immediate staff. However, because he was in Europe as the U.S. member of the Temporary Council Committee of the North Atlantic Council (CTCC) that emerged from the Ottawa meeting of the Council at the time he was sworn in as Director in October of 1951, along with his principal substantive assistant, Lincoln Gordon, he asked me, although I was still attached to, and physically located in, the State Department, to act on his behalf in his capacity as the coordinator of the whole aid program -- to provide "coordination and general policy direction with respect to the implementation of the 1952 Mutual Security Program and the development of the 1953 Mutual Security Program" -- until he returned to the United States, which he did some

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four to six weeks later. After this initial period as in effect Acting Director for Mutual Security, I continued to be carried on State Department rolls until mid-April 1952, but serving during most of this period in a dual capacity -- as Assistant Director for Program in the Office of the Director for Mutual Security and as, I believe, Special Assistant for Mutual Security Affairs in the Office of the Secretary of State (pending the designation of a permanent appointee to that office). On April 17, 1952, my formal transfer to Harriman's office was recorded.

WILSON: We have the impression that that period after he came back was not a particularly happy one. The line of his responsibilities while he was in the White House as Special Assistant were somewhat vague. I don't know whether he had anything to say about that.

OHLY: Well, they certainly were vague. You mean when he came back in June of 1950?

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WILSON: Yes.

OHLY: I can't throw much light on the character of his responsibilities during the period when he was a Special Assistant in the White House. I did have some associations with Lincoln Gordon and Ted Tannenwald, who were his principal aides and whom I had known before. My recollection is that he didn't get into the military assistance program itself until early in 1951 although I think that Gordon, Schelling, and some of the people on their staffs sometimes came to meetings of FMACC and, later, ISAC. I don't have any personal knowledge about the matters he was most concerned with. However, he and his staff became involved in the development of what became the FY-1952 Mutual Security Program and the discussions on organization and other matters that were eventually dealt with by Congress in the Mutual Security Act of 1951.

WILSON: What about after that when he did become the head of it?

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OHLY: When Harriman became Director for Mutual Security his functions were no longer vague; they were fairly clearly spelled out in the Mutual Security Act of 1951 and in the Presidential orders issued to implement the Act. However, I should bring out and underline a fortuitous circumstance that greatly facilitated the relatively smooth operation of the new inter-agency structure that was created as a result of the new law and the actions taken thereunder. This circumstance was the close personal relations that went back some years among the top people in all of the agencies concerned -- Marshall, Lovett, Poster, Acheson, and Harriman. These people were not newly thrown together. These people had worked together for a long time and some of them had had experience in two or more of the agencies that were concerned with the Mutual Security Program. In many instances their friendships had developed during the war years or, even earlier, in the investment and banking community in New York. Many of them had played squash, polo, and poker together and were close personal friends.

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This circumstance was a very, very important factor in facilitating the operation of the complex of programs covered by the Mutual Security Act. Moreover, perhaps equally important -- and continuing to be important for a time after the end of the Truman administration -- was the close personal association of the next level of officials in those agencies in which the foregoing were the principals. The group included: Frank Nash and Najeeb Halaby from the Office of the Secretary of Defense, the highest Defense officials in the area of international security affairs; Paul Nitze, Director of the Policy Planning Staff, his aides John Ferguson and Philip Watts, and Edwin Martin, Director of the Office of European Regional Affairs, from the Department of State; Richard Bissell, Tyler Wood, and Harlan Cleveland from the Mutual Security Agency; and Lincoln Gordon and Theodore Tannenwald from the Office of the Director for Mutual Security. Every one of these individuals was an extraordinarily able person and many of them had been working together in one capacity or another since the end of

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the war and some of them during the war as well. Each of them was also a strong character who could be expected to present the views of his organization forcefully, but their debates, while they were vigorous and to an outsider might have sounded acrimonious, were in fact friendly and intended to produce the best solution from the standpoint of the Government as a whole. While some were ambitious and there was sometimes bureaucratic maneuvering, they were all working primarily toward common objectives. Most of them were or became very close personal friends and, to the extent that they are still living, remain so. Together, impossible as it looked to be from the charts, they made the complex international security affairs organization work. They met almost every week for lunch at the Metropolitan Club, where Paul Nitze was a member, and would customarily jointly review the major international affairs matters that required attention. When there was a consensus or, if not a consensus, at least a negotiated agreement on what should be done, this invariably constituted

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the policy of the United States Government because the individuals could usually speak for, knew the views of, and were almost certain they could get the approval of, their principals.

WILSON: This had been done just on your own sort of a mutual agreement among the group.

OHLY: Yes. I think this grew out of the associations that all of us had had together.

WILSON: I talked to Ambassador Martin the summer of '70, I guess, in Paris. He mentioned this. We'd been looking at the charts and the records that had come out of these kinds of discussions, and it could appear from the record that what was done mostly was to engage in this bureaucratic infighting. He mentions very particularly details about that. He said that this organization or informal arrangement -- was it on Thursdays?

OHLY: I don't know when it was.

WILSON: Thursday. He said, "If we could get the

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luncheon, if we could get the" -- somebody kept a diary, some secretary kept a diary of who attended these things, and then traced the decisions the next day or over the next few days we'd have a pretty good idea of how decisions were made.

OHLY: I think that such a diary may well have been kept for part of the period when this group was meeting. I do not recall specifically. In any event these lunches provided the kind of climate in which it was possible for people with often tremendous differences of opinion on matters of substance to come to agreements on the courses of action that all would support. I often disagreed strenuously with some of the others present, and particularly with Dick Bissell. He is a very strong character, as were the others from ECA -- splendid people with brilliant ideas with whom it was a great pleasure and privilege to work, and we respected one another.

WILSON: What about the role that Eisenhower played

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when he came in? I wonder if you might comment on that? We had not been aware of how important he was in selling the mutual aid program, and also then, after he went to Europe as NATO Commander there, he seems to have occupied a unique role in the last year and a half of the Truman administration. Is that correct?

OHLY: I can comment on the role and influence of Eisenhower during a part of this period. I saw a great deal of him during the times when I was with Patterson, Forrestal, and Johnson. He was Army Chief of Staff when I was Special Assistant to Patterson and during the first weeks after I joined Forrestal's staff. Then, from December 1948 until mid-summer 1949, he was back in the Pentagon to help Forrestal and his successor, Louis Johnson, as a kind of informal chairman of the Joint Chiefs of Staff. However, I didn't see very much of him during the last year and a half of the Truman administration -- the period about which you particularly asked -- but I was

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nonetheless in a position to appreciate the enormous role that he played. At that time there was no one who packed the power that he had with the Congress. There was great respect for his integrity and his judgment as a

military leader, especially on questions involving European military matters. Harriman, who knew him very well, had great confidence in him, and I think that Harriman and a number of other leaders in the Democratic Party were thinking of him quite seriously as a possible Democratic candidate in 1952. I have also gotten the impression from what some others have said that Truman himself might have been thinking of him seriously as a possibility for that role. I believe, on the basis of what I heard when I was with Patterson and also when I was in the White House as Executive Secretary of the Compton Commission, that Truman thought very highly of him both as a person and as a military leader. He obviously had many associations with him, beginning very shortly after his inauguration, at Potsdam, if not before. I think also that Truman

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may have been partly responsible for getting Eisenhower down in December 1948 to work with the Joint Chiefs of Staff; in any event, I know that Forrestal talked to Truman about the possibility of Eisenhower's taking on this assignment. Certainly Eisenhower's opinions had an important impact on the formulation of the executive branch requests to Congress for funds for military and economic aid to Europe and on the actions of Congress on those requests. He also understood the inter-relation and the interdependence of military and economic aid and the importance of ensuring economic and political stability in Europe. I think that you are right in concluding that he played an important and unique role during this period.

WILSON: It was a remarkable group of men. You had a chance of particular advantage to see these people as they operated with the President. In some ways it's difficult for us, as you know, to get some idea of how strong-willed and how admirable in

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many ways that Harry Truman really is. It's difficult for us to understand the kind of loyalty which apparently he evoked; that he received from people like Acheson, from Lovett, from Marshall, and a great many people. How do you explain this yourself? How did you at the time? These are very powerful people and ambitious people, and so forth. People with very different mind sets than Harry Truman.

OHLY: I doubt that I can satisfactorily explain this phenomenon. I never saw any of these individuals in Truman's presence and, in fact, I only saw Truman three times -- twice to shake hands with him in the receiving line at one of his massive receptions for military people stationed in Washington and once to be introduced to him by Louis Johnson along with others when he came over to the Pentagon at Johnson's invitation on an inspection tour. However, from things that people such as you mention said about Truman, I got the impression that they felt he was a person of great integrity, a person

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who shot straight from the shoulder, who said precisely what he felt and believed, and whom they could trust and deal with straightforwardly. I think they liked his lack of pretension and his sincerity and honesty. I think some of them were also impressed by his intelligence, by the amount that he read, and by his knowledge of history (he and Patterson, for example, shared a passion for American military history). In connection with his voracious reading habits I might mention an interesting incident even though it is a diversion from the subject that you raised.

When Karl Compton, Chairman of the President's Commission on Universal Training, went to the White House just before the Memorial Day weekend (I think on May 29, which was a Thursday) to make arrangements for a

session with him the following week when all the members of the Commission could meet with him and formally present the Commission's report and, presumably, have their pictures taken with him, he said that he was going to take the Memorial Day weekend off and asked if the Government Printing

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Office could send over proofs as they were prepared so he could start reading it. Shortly after the weekend -- I don't recall whether it was Monday or Tuesday -- when the Commission's members filed into his office with the ribbon copy of the report, it turned out that he had already read not only the main report, which was 100 pages long and contained upward of 40,000 words, but also all of the thirteen annexes that had been prepared under the direction of Wilbur Cohen, the Commission's Research Director (later Secretary of Health, Education and Welfare and one of the finest research men I have ever known), and were some 350 pages in length, covering such things as the constitutionality of a universal training program and universal military service programs in countries like Switzerland. Moreover, it was apparent, I am told, that his reading had not been superficial, for he commented on and discussed various parts of both the main text and the annexes, a somewhat embarrassing situation since I don't think a single member of the Commission,

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other than perhaps Dr. Compton and Father Walsh, had read any of the annexes.

I don't think I can add much to the foregoing on why the individuals whom you mentioned were so devoted to him. Forrestal's relations with him appear to have been quite different, but I really never knew much about them. Of course Truman discharged him after he was re-elected in 1948. I have never been sure of the particular reasons why he took this action. I thought at the time that it might have been because of Forrestal's unwillingness to make speeches during the 1948 election campaign, feeling strongly that national security officials (i.e., those in State, Defense, CIA, and the like), should not get involved in partisan politics, although he contributed very heavily financially to Truman's campaign fund. But I have read of other reasons since. I simply don't know what the story was.

WILSON: Do you wish to make any comments about the Louis Johnson era?

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OHLY: Well, to be perfectly honest, I didn't really like Louis Johnson or, to put it more precisely, I wasn't attracted to him and disliked some of his personal traits. We got along reasonably well and, in spite of several quite angry clashes with him, I think we parted reasonably good friends. I also have to admit that he was my benefactor. He told me that he had recommended to the President that I be named Director of the Central Intelligence Agency to succeed Rear Admiral Roscoe Hillenkoetter, who was returning to the Navy Department for sea duty and asked if I would accept such an assignment. There was probably no one less qualified for the post than I was and I told him so. I have no idea whether he had in fact made such a recommendation; I would be sure that he had not done so but for the fact that a few months later Lt. General Walter Bedell Smith, who had just been named Director of CIA, asked me to become Deputy Director, with the understanding that I would succeed him when, as he said he would do,

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he resigned after placing the Agency on a sounder basis and putting into effect the approved recommendations of the Dulles-Jackson-Correa study of the CIA that had resulted from Forrestal's recommendations to the National Security Council for a study on how that agency should be set up and operated, I have always assumed that Bedell Smith's offer, which presumably must have had some White House acquiescence, had resulted from recommendations from Anna Rosenberg who had long been a friend of Smith's and who had been a member of the President's Commission on Universal Training and/or from the fact that I had had something to do with the setting up of the above study and its monitoring (Bob Blum, my principal assistant in the area of international security affairs in Defense had served as executive secretary or director of the committee); but conceivably Johnson could have had something to do with it. However, at this time, which was, I think, late October 1949, I had just committed myself to accept an offer for which Johnson was in fact certainly at least

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partially responsible, namely to become Deputy Director, Mutual Defense Assistance, under James Bruce in the State Department -- I say partially responsible since he was a friend of Bruce (who was among the heaviest contributors to Truman's campaign fund, which Johnson had been in charge of) and, as I recall it (vaguely now), had arranged the appointment I had with Bruce to discuss this job. However, I should add that Under Secretary of State James Webb had asked me the previous winter -- some eight months before the Mutual Defense Act was passed -- to succeed Ernest Gross as Special Assistant to the Secretary of State on foreign aid matters and it is conceivable that it was Webb who initially suggested me to Bruce. Hence, I have never known what part Johnson may have played in either instance. He was always pleasant and courteous on the few occasions when I saw him after I left Defense, both when he was still Secretary and after he had returned to private life; most people did not have such an experience.

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I should mention two of the cases in which we had angry clashes in which he exhibited characteristics that kept me -- and I think many others -- from ever really liking him. One of these instances was at a staff meeting early in his incumbency at which there were perhaps 25 people present. He began the meeting by asking whether anyone present knew a James Kearney. Nearly everyone did; he was classified as a Research Assistant and had worked directly for Forrestal both at the Navy and in Defense, primarily, I believe, to help Forrestal in Forrestal's capacity as a member of the Hoover Commission on the reorganization of the government. I think he was also a lawyer and may have had some attachments to Marx Leva's office, but on this I am not clear. His identity and prior work was described to Johnson by someone on the staff. Johnson thereupon said, "I just had a call from Hoover" (I assume he meant Herbert Hoover, given Kearney's prior relation with the Hoover Commission's work, although he could have meant J. Edgar Hoover, with whom he maintained

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very close relations), and then went on to say that Hoover had reported that Kearney had said something or done something which he, Hoover, had not liked and which he had apparently described to Johnson (I don't recall the details, perhaps Marx Leva or someone else who was present would). Having done this he added, "Get him fired." A command, which he expected executed at once; just like that. This so offended my sense of fairness that, after a bit of sparring with Johnson, I simply lost my temper, got up, and said something like, "God dammit, you can't do that!" We were both fighting mad and Steve Early, the new Under Secretary of Defense, had to practically pull me out of the room. I thought this was the most outrageous thing that I had ever seen. I hadn't seen a responsible person do anything like this before.

Another instance, which was quite different but, because of its far-reaching importance, much more disturbing, was his decision to direct cancellation of the supercarrier contract that had

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theretofore been let by the Navy. It was a Saturday afternoon, I think, three or four weeks after Johnson took office, when he called Gruenther and me into his office and said, "I want to issue a press release at once stating that we are canceling the construction of the supercarrier." We were flabbergasted and argued strenuously against his doing such a thing precipitously, particularly without any forewarning to the Navy. We said in effect, "Well, look, you haven't heard the arguments in favor of the carrier. You can't do it this way. Even if it's the right decision you're going to be pilloried for going about it in the wrong way." It probably was the right decision, but this was just no way to go about it. And the release was drawn and issued without prior notice to the Navy. The repercussions were far-reaching and Secretary of the Navy Sullivan resigned. There were all sorts of strange performances like this, and many people who worked with him over a period of time developed a strong dislike of him. He

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was a very strange person and I don't know what motivated him beyond his terrific ambition. He was a terrible egotist. I didn't think he was honest or could be trusted. However, I probably started with certain prejudices against the man simply because of the stories, which may or may not have been true, that I had heard about the man when I first came down to work with Judge Patterson in the fall of 1940. These stories had to do with his actions as Assistant Secretary of War under Secretary of War Harry Woodring before Stimson was appointed to the latter office in the summer of 1940. The rumor was that he had tried every kind of maneuver to oust Woodring as Secretary and, when Roosevelt had removed Woodring and appointed Stimson, complained bitterly because he had not been appointed and went off and sulked. It was unfair of me to be prejudiced by these stories (which nonetheless were probably largely true), but I did start off with an antipathy to the man. He did, of course, have a lot of ability.

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WILSON: One brief question. The role of the Bureau of the Budget in this period seems to be more than one would think it would be from looking at the chart of operations. The Bureau, at least under particular people, seems to have had very great power, more than a lot of people thought it should have. Is that correct?

OHLY: My experiences with the Bureau of the Budget were of two kinds. During the war I had the problem of getting some 30 or more executive orders cleared by the Bureau for the President's signature, orders having to do for the most part with the takeover by the War Department of some private plant or service activity whose continued operation had been interrupted or threatened with interruption as a result of a labor dispute. The Bureau acted as the channel to the President, making sure the order was in proper form, but sometimes endeavoring to influence its substance. During the days of the national emergency that preceded the war and the very early war days, we often had

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difficulties and delays, mostly, I think, because all of us were dealing with an entirely new sort of activity.

Moreover, most of us in the War Department were newly arrived in Washington and very unfamiliar with the ways of government and the people in the Bureau were in some instances inflexible old-line bureaucrats who had their own customary peacetime way of doing things. But, as personal relationships were developed with the key people in the Bureau who were involved and experience with the activity involved had led to a mutual understanding of what was involved and to standardized methods of approach, the processing of such orders became largely mechanical except when important new substantive issues were introduced, and then the channels often bypassed the Bureau and went through some of the new war agencies and the participants in the decisions were Cabinet members or their equivalents in those agencies (e.g., in the takeovers of the American railways, the coal mines, the Philadelphia transit system, and Montgomery Ward).

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My other association with the Bureau was during the period from 1950 through the end of the Truman administration, and beyond until 1958, in connection with the processing of the annual foreign aid budget and legislation -- an almost twelve month affair, beginning often with the provision by the Bureau of targets, ceilings, or guidelines that were supposed to influence or provide the budgetary framework for the development of the program and budgetary proposals that would be submitted by the President to the Congress in January of the following year to cover the fiscal year beginning on July 1 of that year -- and, once Congress had passed the necessary authorizing legislation and made appropriations thereunder, with the periodic release of funds from the appropriations for use in carrying out the programs they were intended to finance, what was known as the apportionment process. Of course, the Bureau during this latter period was a much larger and very different organization than the one that I had dealt with in the early war years. Then I dealt for the most part with a single individual on the executive

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orders, almost always on the phone and only when an order came up for processing, whereas in the late 1940s and 1950s the Bureau had a staff of perhaps a dozen people who spent all of their time dealing with the activities of the foreign policy agencies -- the State Department, the foreign information agency, the intelligence community, and the foreign aid operations. At times during this second period, and particularly during its early portion when I was once again dealing with unfamiliar problems and activities, I found the Bureau a nuisance, but now in retrospect, and even then after a short period, I came to conclude that the Bureau's involvement, while extensive, was constructive. However, I was always troubled by the apportionment process; I could not understand, though I learned and now do understand, why, the budget decisions for a year having been made, the Bureau should then have quarterly hearings on the question of how much and when the money that had been appropriated by the Congress should be

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released -- apportioned -- for actual obligation and use by the administering agencies. This seemed to me at the time an unnecessary and annoying activity.

In the case of the major budget hearings each fall on the foreign aid proposals to be included in the President's budget for the following fiscal year, we gradually worked out an arrangement with the Bureau under which bureau personnel would participate as interrogators in the lengthy hearings -- extending two weeks or more -- that were conducted each fall by the program office of the foreign aid coordinator covering all foreign aid proposals from all agencies for the following fiscal year as a preliminary to his (the coordinator's) own decision with regard to what the final proposals to the President should be. Under this arrangement, also, the Bureau

would limit its own independent hearings to a day or two, with questions usually confined to matters of peculiar interest to the Bureau, to issues raised by the coordinator's decisions following his lengthy hearings, and to

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matters that the Bureau thought had not been sufficiently explored in those hearings. I worked out this arrangement because I didn't feel that we could afford the luxury of lengthy hearings at each successive level of government, especially since any hearing necessarily involved large numbers of people from many agencies of the Government. I felt we needed this kind of economizing in people's time and that it was possible, as I think it proved to be, for everyone to make his contribution to the process of program and budget development through this single major set of hearings. I think it worked out very well although the Bureau people sometimes expressed the view that the adoption of this technique constituted an abandonment by the Bureau of its independent review function. I think if it had not been for this lingering feeling, they might have abandoned even the short independent sessions that they still continued to schedule. I tried to conduct these hearings in a manner that could be considered as being on behalf of all the half dozen or more

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agencies that were concerned and whose full participation therein I did everything to facilitate.

MCKINZIE: When did you initiate this, by the way?

OHLY: I don't recall exactly. My recollections with regard to the long hearings on the FY-1952 program, which I mentioned earlier, are fuzzy; I don't remember what kind of Bureau hearings took place after these had been completed. I suspect the change may have taken place over several years as I got to know the key people in the Bureau who were responsible for foreign aid programs, principally, then, Robert M. Macy, Hart Perry, and George W. Lawson, Jr. I wasn't at all prepared for my first encounter with them -- on the proposed FY-1951, MDAP program. I had never heard of budget hearings before and I thought it a great nuisance to be called over to testify before them with all the other things I had to do; but in retrospect I know it was a very valuable experience for me. Their questions made me think about a lot

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of things that I might not have thought of until long afterwards. They helped to prepare me for the still more rigorous experience of testifying before Congressional committees. In the years that followed, my office worked very closely with the Bureau and, as I expanded that office, I must have recruited some one-half to three-quarters of its personnel from personnel who composed the Bureau staff. Most people don't realize what a large number of the best personnel during this period came into Government through the Bureau of the Budget. The Bureau made a conscious effort to bring scores of bright young people onto its staff, to train them, and then to feed them out into the other agencies. The philosophy was that if the Bureau could get and train good young individuals and then infiltrate them into the rest of the Government it would be doing as much to promote good management, sound programming, and proper budgetary processes as by supervision and surveillance. The Bureau expected to lose a

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large portion of the young people that it recruited. The people I obtained from the Bureau were uniformly excellent and many of them advanced to very important positions and became well-known.

I should perhaps add one other point. People don't realize that during the period of which we are talking, the President had only a few assistants and that his supporting staff, to the extent he had such a staff, was the Bureau of the Budget. Someone had to pull the budget together, to coordinate the many separate programs of dozens of Federal agencies, to establish uniform procedures, to concern itself with problems of governmental organization and management, and to provide the many other functions required to enable the President to oversee the Government properly. Perhaps Bureau personnel, including Bureau directors, went too far in injecting themselves into the substance of matters that were the responsibility of the regular departments and, as the Bureau expanded in size, it may have assumed too great a role in endeavoring to monitor departmental performance.

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But the proper dividing line is hard to draw.

WILSON: How did you happen to meet Stanley Andrews?

OHLY: Andrews was the Deputy to Dr. Bennett, the first Administrator of the Technical Cooperation Administration, the agency set up within the Department of State in the summer of 1950 to administer the newly enacted Point IV program of technical assistance to developing countries. I met him, I believe, early in 1951 when, as Assistant Director for Program in the new Office of International Security Affairs, I had the responsibility of helping to pull together a coordinated foreign aid program for FY1952 and to prepare for its eventual presentation to the Congress. Shortly thereafter, when Dr. Bennett was killed in an airplane accident, Andrews succeeded him and Jonathan Bingham, who had also been an Assistant Director in the Office of International Security Affairs, became Andrews' Deputy. However, my real association with Andrews began later in 1951 after the Mutual Security Act of 1951 had been passed and I was acting for

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Harriman in devising procedures for coordinating and directing all facets of the foreign aid program. We worked together on the development and the presentation of the FY-1953 program; then, with the change of the administration, he soon departed. Thereafter we kept in close touch and I would often lunch with him during his recurrent visits to Washington and still do; he has been associated in one way or another with aid to the developing countries, especially in the fields of agriculture and community development. I hired him as a consultant to AID when, from 1958 to 1962, I was engaged in running a study of the whole problem of technical assistance and he went around the world to study the experience AID and its predecessors had had in providing such assistance during the preceding decade. Last year we had a wonderful evening together; he came here for dinner along with Congressman Henry Reuss and Jonathan Bingham, now a Congressman from New York. He is a really great character.

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MCKINZIE: Well, he had maybe an ability to sell the kind of program he had to sell to Congress.

OHLY: Yes, he did have. But he was selling a very, very tiny, highly appealing, and very popular program. Still, he did run into some problems in the Senate Appropriations hearings during a session over which Senator Homer

Ferguson was at the time presiding. He was one of the worst sons of a bitch that I have ever encountered and he was inexcusably mean and rude to Andrews; and I think he continued to be, even after he became Ambassador to the Philippines.

MCKINZIE: Ferguson's been mentioned by the last three people we've talked to.

WILSON: That's right. Yes. We talked to John Kenney yesterday, and he mentioned Ferguson in the same tone you did, and then also we just...

OHLY: Mention of Ferguson reminds me of one of the most interesting two Congressional sessions that

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I can remember, one of them involving a delightful incident in which Dean Acheson was a participant and which ought to be recorded if it has not already been. Both sessions were of the Senate Committee on Appropriations which at the time had among its minority members (Republicans) Ferguson, Kenneth S. Wherry, and Styles Bridges, the worst bunch of bastards I can remember on one committee at the same time -- outrageous people -- and at the second of the two sessions, Joseph McCarthy, the worst of them all, was also present, I assume as a guest. The first session, which related to the regular Mutual Defense Assistance appropriation for FY-1951, took place some 48 hours after the invasion of South Korea; the invasion had taken place on Sunday and the hearing was on Tuesday morning. The witnesses were General Lermnitzer, a representative of ECA, and myself, and we were the first executive branch witnesses familiar with military and foreign affairs to appear before any Congressional committee after the invasion and

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South Korea was one of the countries for which Congress had authorized assistance the preceding year. Lemnitzer and I were given the works, especially since we could report that only several hundred dollars worth of military assistance had yet reached South Korea -- some Signal Corps cable that one of the Senators kept referring disparagingly to as that "chicken wire" that you have delivered. I've never spent such a day and Lemnitzer and I were groggy from the questioning. The next day the administration threw in its big guns -- Secretary Acheson, Louis Johnson, and, from ECA, William Foster. This time the going was really rough from the Republican side of the table and Acheson consciously lost his temper over some of Wherry's remarks and got up and tried to slug him. Adrian Fisher, State Department Legal Adviser and a close friend of Acheson, caught his arm, fortunately, because Acheson would have missed Wherry by about three feet and probably fallen flat on his face on the floor. It was a great show.

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WILSON: We talked to Dean Acheson last summer. We had the privilege of talking to him, and he was very strong as you can imagine.

He said, "Except for three or four people in his experience, people in Congress were completely non-educable." I think that was his word; very pessimistic view of the legislative involvement in a program such as foreign aid.

MCKINZIE: He felt bi-partisanship as being necessary and magnificent fraud.

OHLY: I don't agree with him completely, but certainly there is no person who is more qualified and entitled to

make a judgment on this subject than he is. He did a magnificent job with Congress, not only in his formal committee appearances but also in his informal sessions with key Congressional leaders. I can remember numerous trips with him to the Hill when, after a splendid performance before a committee, he would have his chauffeur drop him off at the apartment of Senator Arthur

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Vandenberg, who had become increasingly ill during late 1949 and 1950 and was a key to the approval of NATO and the foreign aid program, and would chat with him at length on these and other foreign policy issues. He knew a lot about keeping in touch with the right people and, had he not been so skillful in handling some of these relations as well as so articulate in presenting and discussing the most critical issues, a lot of the foreign policy accomplishments of the period would not have been possible. In winning Congressional support for NATO and military and economic aid programs, his activities were indispensable, and among the most important of these was the thorough job he did behind the scenes working with a few of the key members of Congress.

WILSON: How do you maintain control in a situation when you've made as good a study of the problem as you can? You have an excellent staff working on it, you make a detailed and clear strong presentation, and go up, say, before a House

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Appropriations Committee and there's a guy like [John] Taber sitting there -- he asks a stupid question and he is just using this as a forum for an attack on the program, that it can't be justified as being necessary? How do you maintain control in a situation like this? You know, the legislative process in our system is a necessary one and yet particular practitioners of it can distort it, and obviously did in the Truman period, use it to their own ends without regard for larger purposes. Didn't it on occasion cause you to think about, well, how can we possibly get these things going and get them underway if we have people like this?

OHLY: I certainly did. However, on the whole, at least during the period that we have been talking about, I felt the executive branch did fairly well as far as legislation in the foreign affairs field was concerned. In this respect I feel we have gone down hill ever since; but then, during the last eight or ten years, there hasn't really been any

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of the kind of leadership that you need in order to maintain long-term support for the foreign aid program. Thus, in spite of people like John Taber, ranking Republican member on the House Appropriations Committee -- who was a difficult person to work with and with whom I tangled on several occasions -- and all those awful guys that I mentioned on the Senate Appropriations Committee, we did succeed in getting very large amounts of money from their committees. The two authorizing committees -- the Senate Foreign Relations Committee and the House Foreign Affairs Committee -- did not present too much of a problem in those days. I don't mean that an appearance before one of them was always a pleasant occasion for a witness because frequently it was not. Senator Tom Connally, Chairman of the Senate Foreign Relations Committee, and Senator William Knowland, one of the more vocal Republican members of the Senate Committee on Armed Services (which during these years had joint jurisdiction over military assistance authorizing legislation), were tough

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guys to deal with; but we still succeeded in getting a great deal of what we asked for. Legislatively, from the standpoint of foreign policy, it was a fairly productive and constructive period.

WILSON: Oh, yes. There's not a doubt about that, yes. I guess it's the fact that there were these maverick situations that, perhaps, bring that into greater clarity, because of the general success of the program, with Taber sort of counting dollars and cents. Acheson said last summer that they would always require that it all be spelled out, every expenditure was spelled out to the dollars and cents, wasn't it interesting it always came out at the round hundred million?

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