

Noted PGH

*Trip ECA
in reading not!*

October 15, 1951

Noted PGH

*Must keep
PGH*

PERSONAL

Mr. Donald C. Stone
Director of Administration
Economic Cooperation Administration
Washington 25, D. C.

Noted MK

Dear Don:

Your letter of October 10th reaches me just as I am about to take off for a trip East. I am taking your memorandum along and expect to have it read before I reach Chicago.

Strangely enough, I find working for the Foundation almost as strenuous as working for ECA.

Sincerely yours,

Director



PGH:VKP:MLC

ECONOMIC COOPERATION ADMINISTRATION
WASHINGTON 25, D. C.

CABLE ADDRESS
ADECA



October 10, 1951

*Will send
a copy*

Mr. Paul G. Hoffman
Director, Ford Foundation
914 East Green Street
Pasadena, California

Dear Paul:

We were all disappointed that you could not attend the breakfast two weeks ago in honor of Bill Foster. Your presence would have added a great deal to the occasion and might have helped relieve a bit of the blue that was resting on ECA.

I started to write a letter to you at that time regarding some of the ominous developments in connection with Mutual Security legislation. There was no leadership in the Executive Branch producing any real coordination or effective presentation in regard to the Committees on the Hill. The Committee Members were confused for this and a variety of other reasons and it seemed to me that your presence for a couple of days might have helped greatly in promoting action along more constructive lines.

I was especially concerned at that time that the new agency would be given such a weak mandate and the Defense Department would be clothed with such a comprehensive responsibility that it would be impossible for the new agency to exercise any real influence on Defense even in connection with economic aspects of military assistance.

This aspect of the legislation came out remarkably well even though the organic structure is somewhat bizarre. However, there are some implications in other aspects of the Act which are truly ominous. As I reflected on these a week ago Sunday, I decided to point them up, and the attached is the result of personal reflections with my wife's typewriter. Perhaps you will find them of some interest and use.

We surely do miss you here.

Yours sincerely,

Donald C. Stone
Donald C. Stone
Director of Administration



Attachment

DRAFT

Donald C. Stone
October 4, 1951

Memorandum

IMPLICATIONS OF MUTUAL SECURITY ACT AND REQUIREMENTS FOR ACTION

Considering the amount of confusion and lack of understanding both in the Executive Branch and on the Hill in regard to the enactment of the Mutual Security Program, we can be thankful that the Act came out as well as it did. The Act assures that other than military factors will be brought to bear on policies and actions of the Department of Defense which have important effect on the economies and peoples of the countries with which the U.S. is working, and while somewhat bizarre, the organizational arrangements can be effective.

However, the legislation threatens to destroy, after June 30, 1952, the economic foundations of our foreign policy and the progress which this country was beginning to make in knitting the free countries of the world together not only military-wise but also politically, economically, psychologically, and spiritually.

1. The bill allows a continuation of past and existing ECA activities until June 30, 1952, but thereafter would restrict operations narrowly to direct support of military programs. The assumption implicit in its wording and explanations would lead to the conclusion that the U.S. believes peace and well-being and the achievement of a united democratic world will come from military strength.

2. In the struggle between USSR and the non-communist dominated countries (which are only partially united), military strength can do no more to save the U.S. and the democratic way of life than to buy time. Time to do what? Time to do those things necessary in cooperation with

other countries to make democracy more appealing than what the communists offer and to give a vivid demonstration that life can be better if persons and nations work together in a brotherly spirit for their common good. This means joint economic development programs, extensive technical exchange on a two way basis, cooperative information activities to get the truth about the Soviet Union and communist techniques across to people everywhere, more intense activity to get common understanding of the simple elements of the democratic way of life and what individuals can do to build a better world for themselves and fellow men. It means also doing those things on the one hand which will reveal the horror of life when brutality, deceit, corruption, privilege, and hate become the instruments for social action and, on the other hand, those things which will symbolize and demonstrate what life can be when friendliness, concern for the other person or country, humility, honesty, and other ingredients of the democratic way become the guiding principle. This all calls for mobilizing private as well as public resources, institutions and individuals to carry on a global offensive of good will, understanding, and mutual betterment, using all the "tools in the kit" useful for this purpose.

3. In this connection the functions to be performed under the Act give an impression that security and peace can be assured by military might. Force tends to become the primary instrument for waging peace. Does this not overlook the fact that the Soviet Union has brought into its orbit millions of people without firing a shot? Have we not failed to benefit from the lessons we should have learned in China - that ideas can't be stopped with bullets - and that it takes more dynamic ideas - not armaments -

to capture the minds of men? Are not the tools provided by the Act gravely insufficient when we ponder the fact that the great Chinese wall was first punctured by bribery, not by battery? In framing effective foreign assistance and mutual security programs must we not take fully into account that peace can be assured only when enough government leaders and other important people in all nations reflect in their personal lives those moral values which produce stable and democratic institutions - when a sense of individual and national responsibility begins to be felt for human misery wherever it may be found - when we act on the belief that all war is "civil war"? As a statute the Act is perhaps bound to be dry and legalistic in language but aside from a few sweeping generalities it gives no hint that the American people in concert with peoples throughout the world have something to offer as a preferable alternative to communism.

4. During the past year ECA has made a significant start in getting several countries in South East Asia to organize programs aimed at better development and distribution of their resources, at strengthening the ability of their governments to govern justly and efficiently, and at building morale and stability. The task of ECA has been to set in motion such training, demonstration, production, and other activities which will unlock the economic potential of each country and tap latent capacities of the people to improve their lives. These activities relying upon technical assistance processes, supplemented by small grants for tools, equipment, and other essentials are relatively inexpensive compared with the needs of the industrialized countries of Europe. But the dollars required, and more important, the chain reaction of new ideas, changed ways of doing things, and increased hope of a better life are the key which unlocks the door of friendship and solidarity with the West.



The Act cuts the ground from under these efforts after June 30, 1952 and advises the people of Asia that we cannot be counted on for carrying through systematically our stated intentions, that we are not really interested in improving conditions of life, that we are interested only in their help for our defense against Communism. This is what the Communists have always said, and they will surely make the most of it.

5. The stated intention of the Act to stop economic programs of this type where speed is of the essence in creating better conditions, political strength, and a will to resist aggressive pressures carries with it the conclusion that Point IV activity does not have short range purposes. In light of the aggressive encirclement and infiltration of Communism not only in Asia but also in the Near East and some parts of Latin America it is timely for a rethinking of U.S. economic and technical assistance - whether called Point IV, TCA, ECA, MSA, or some other name. While South Asia is today a testing ground of all that the Western World stands for, the whole free world is at stake.

6. With respect to South East Asia, it is important that we realize that we have completely failed to put across to Congress and to the public (as well as to other agencies of the Executive Branch) the nature, purposes, and potential of the operations ECA has launched in that area, how they differ from previous kinds of aid, how in their distinctive setting they hold as much promise compared with other methods that the Marshall Plan held for Europe -- and at only a small fraction of the cost.

7. The doctrine, developed in a straight line by the Truman Administration since 1947, that security, peace, and in fact victory in our



contest with communism, must be built upon sound economic foundations, thus seems headed for the junk pile. The policy initiated in the Truman Doctrine and continued in the Marshall Plan, aid to Asia, and to a degree in the Point IV program, has received what is in effect a death sentence. Ignored are the definitive plans of action advanced by various members of the Congress, by the Executive Branch, by the Rockefeller Committee, Gordon Gray, Mr. Hoffman's Committee on The Present Danger, and others who have studied the problem. Economic and technical assistance appears to be considered important in the bill when it contributes to military build up, yet even here it is reduced to a homeopathic dosage for Asia under a new Point IV label at the very time its purpose must be to bring about internal economic strength in a country, to help make life worth fighting for, to create a positive answer to the communist appeal, and establish a mutual confidence and moral framework for collaborative action. Let us ponder over the effectiveness of our past homeopathic program for winning Iran to the cause of democratic cooperation, and the consequential cost in dollars alone if Iran is lost to the U.S.S.R. Oversimplification as it may be, a comparison of Iran with the successful approaches in Greece and Turkey is also useful.

8. These implications of the Act, plus the idea that the job can be done by reducing a thin line of administrative employees (slightly over 2,000) by 10% "for the good of the order", points sharply to the need for a powerful Executive Branch strategy and performance in the next six months if the U.S. is to succeed in its stated purposes. I urge therefore that we do everything we can to develop the issues, to frame constructive proposals, and to encourage consideration of the problem by the various agencies concerned, by the Executive Office, by members of Congress, and others. A principal job



of the new Director of Mutual Security should be to get the facts out in the open and through the process of discussion and consultation to frame the concrete and convincing measures adequate for the extremities in which this country finds itself. These include:

- (a) Policies to be advocated by the President in the State of the Union Message and in other appropriate ways;
- (b) Refinement of objectives by the MSC and making these objectives lucid and known;
- (c) The drawing up of a plan of Executive Branch action by the Psychological Strategy Board;
- (d) Preparation of drafts of amendments to the new Act for the consideration of the Executive parties concerned and the Congress;
- (e) Formulation of basic country and regional programs adequate for the situations and the operational plan (including budgets) to put the programs into effect;
- (f) A more intensive information program including a planned campaign of speeches and articles by agency heads, a great increase of factual reports, and the promotion of public discussion and consideration by groups of all types.



Meanwhile the government should drive ahead without let-down in the South East Asia operations and in activating the South Asia programs. Policies and objectives, techniques and practices, in all U.S. economic and technical assistance programs need refinement, elucidation, and effective application, with a maximum of inter-agency cooperation. Through assessment of what has worked well in actual practice the objective should be to institute those measures which will have maximum economic, social, and psychological impact.