



**Federal Bureau of Investigation
United States Department of Justice
Washington 25, D. C.**

May 25, 1946

PERSONAL AND CONFIDENTIAL
BY SPECIAL MESSENGER

Honorable George E. Allen
Director
Reconstruction Finance Corporation
Washington, D. C.

Dear George:

I thought the President and you would be interested in the following information with respect to certain high Government officials operating an alleged espionage network in Washington, D. C., on behalf of the Soviet Government.

Information has been furnished to this Bureau through a source believed to be reliable that there is an enormous Soviet espionage ring in Washington operating with the view of obtaining all information possible with reference to atomic energy, its specific use as an instrument of war, and the commercial aspects of the energy in peacetime, and that a number of high Government officials whose identities will be set out hereinafter are involved. It has been alleged that the following departments and agencies of the United States Government handle the problem and current development of atomic energy and among these departments and agencies, the United States secret of atomic energy is held in trust. The names of the individuals in each department or agency who control such matters have been furnished as follows:

State Department - Under Secretary State Dean Acheson
Assistant to the Under Secretary of State W. M. Barker
Former Assistant Secretary of War John

War Department - Assistant Secretary of War H. C. Pakula

Commerce Department - Secretary of Commerce A. A. ...

Bureau of the Budget - Paul H. Appleby
George Schwartzwalder

Bureau of Standards - Dr. Edward U. Condon

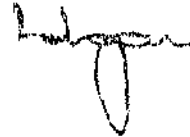
United Nations Organization - Alger Hiss
Abu Feller
Paul Appleby (who is considered for transfer from the Bureau of the Budget to the United Nations Organization)

Honorable George E. Allen

The fact that Condon has turned over information of a confidential nature to Silvermaster. It has also been reported to this Bureau through various sources in the past that the political views of Under Secretary of State Dean Acheson, Assistant Secretary of War Howard C. Paterson, and Secretary of Commerce Henry Wallace have been pro-Russia in nature, and it is not beyond the realm of conjecture that they would fit into the picture set out above. Alger Hiss of the United Nations Organization was referred to this Bureau as a former member of the Communist Party who was operating within the Government in Washington.

Since James R. Newman has been described as the head of an alleged espionage network and, further, since Herbert S. Gold has had touch with information dealing with relations between the U. S. and Russia at the State Department in the office of Dean Acheson, it is being conducted by this Bureau concerning the activities of these individuals. You may be assured that you will be kept advised of any developments in connection with the above allegations.

Sincerely yours,



Honorable George E. Allen

Office of War Mobilization and Reconversion - James R. Newman

Advisors to the Congressional Committee
on Atomic Energy - James R. Newman
Dr. Edward U. Condon

The individual who furnished this information has reported that all of the above individuals mentioned are noted for their pro-Soviet leanings, mentioning specifically Alger Hiss of the United Nations Organization, Paul Appleby and George Schwartzwalder of the Bureau of the Budget, Dr. Condon of the Bureau of Standards, and John J. McCloy of the State Department.

The informant has stated that the McMahon Committee headed by Senator Brien McMahon of Connecticut is charged with formulating the policy concerning atomic energy and serving as advisors to the Committee are Dr. Condon of the Bureau of Standards, who, the informant states, is nothing more or less than an espionage agent in disguise, and James R. Newman, an employee of the Office of War Mobilization and Reconversion who is known to the informant as a personal friend of Nathan Gregory Silvermaster, who, you say, was one of the principal individuals who had operated as an agent of the Soviet Government in U. S. Government offices for a considerable time until December, 1944. It is known that Silvermaster obtained information through his associates in a Russian espionage network and such information was turned over to the Soviet Government. The informant has indicated that Newman is also a friend of the news commentator Raymond Gran Swing and columnist Marquis Childs. Newman is also reported to be the so-called ring leader of this particular Soviet espionage network and through his employment with the Office of War Mobilization and Reconversion, he had access to material flowing from the White House. The informant stated that through Dr. Edward Condon at the Bureau of Standards, Newman has access to technical data concerning atomic energy. The informant further stated that Secretary of Commerce Henry A. Wallace knows of the background of Dr. Condon but condones his further employment in this highly strategic and important position.

James Newman allegedly obtains from the War Department through the cooperation of Assistant Secretary of War Peterson highly technical information on the atomic bomb itself and all matters relating generally to atomic energy. According to the informant, Newman has a direct line to Assistant Secretary Peterson's office.

With reference to the State Department, it was reported that Newman is in personal and daily contact with Dean Acheson, Herbert Marks, and on some occasions with John J. McCloy, and therefore, any knowledge of atomic energy and international relations with reference to it are immediately known to him.