

United States. Congress. Senate. Committee on the Judiciary. Interlocking subversion in Government Departments. Hearing before the Subcommittee to Investigate the Administration of the Internal Security Act and Other Internal Security Laws of the Committee on the Judiciary, United States Senate, Eighty-third Congress, second session, first session] (Volume pt. online. (page 1 of 13)

[Online Library](#) → [United States. Congress. Senate. Committee on the Judiciary](#) → [Interlocking subversion in Government Departments. Hearing before the Subcommittee to Investigate the Administration of the Internal Security Act and Other Internal Security Laws of the Committee on the Judiciary, United States Senate, Eighty-third Congress, second session, first session\]](#) (Volume pt. → [online text](#) (page 1 of 13)

- Font size +



^

f

'■I

^

s^mztes?

"Bn

^Cv,

\^

'IB'

\

t

Given By
U S. SUFT. OF DOCU.MENTS

3^

INTERLOCKING SUBVERSION IN
GOVERNMENT DEPARTMENTS

HEARING

BEFORE THE

SUBCOMMITTEE TO INVESTIGATE THE

ADMINISTRATION OF THE INTERNAL SECURITY

ACT AND OTHER INTERNAL SECURITY LAWS

OF THE

COMMITTEE ON THE JUDICIARY

UNITED STATES SENATE

EIGHTY-THIRD CONGRESS

FIRST SESSION

ON

INTERLOCKING SUBVERSION IN GOVERNMENT
DEPARTMENTS

JUNE 25, 1953

PART 13

Printed for the use of the Committee on the Judiciary

UNITED STATES
GOVERNMENT PRINTING OFFICE

Boston Public Library
Superintendent of Documents

FEB 9 - 1954

COMMITTEE ON THE JUDICIARY

WILLIAM LANGER, North Dakota, Chairman

ALEXANDER WILEY, Wisconsin PAT McCARRAN, Nevada

WILLIAM E. JENNER, Indiana HARLEY M. KILGORE, West Virginia

ARTHUR V. WATKINS, Utah JAMES O. EASTLAND, Mississippi

ROBERT C. HENDRICKSON, New Jersey ESTES KEPAUVER, Tennessee

EVERETT McKINLEY DIRKSEN, Illinois OLIN D. JOHNSTON, South Carolina

HERMAN WELKER, Idaho THOMAS C. HENNINGS, Jr., Missouri

JOHN MARSHALL BUTLER, Maryland

Subcommittee To Investigate the Administration of the Internal Security
Act and Other Internal Security Laws

WILLIAM E. JENNER, Indiana, Chairman

ARTHUR V. WATKINS, Utah PAT McCARRAN, Nevada

ROBERT C. HENDRICKSON, New Jersey JAMES O. EASTLAND, Mississippi

HERMAN WELKER, Idaho *

JOHN MARSHALL BUTLER, Maryland OLIN D. JOHNSTON, South Carolina

Robert Morris, Chief Counsel

Benjamin Mandel, Director of Research

* Senator Willis Smith, North Carolina, participated actively in the work of the subcommittee until his untimely death on June 23, 1953.

INTEKLOCKING SUBVERSION IN GOVERNMENT
DEPARTMENTS

THURSDAY, JUNE 25, 1953

United States Senate,
Subcommittee To Investigate the Administration
OF the Internal Security Act, and Other Internal

Security Laws, of the Committee on the Judiciary,

Washington^ D. C.

The subcommittee met, pursuant to call, at 10 :30 a. m., in room 318, Senate Office Building, Senator William E. Jenner (chairman of the subcommittee) presiding.

Present : Senators Jenner, Welker, Butler, and McCarran.

Also present: Robert Morris, subcommittee counsel; Benjamin Mandel, director of research ; and Robert C. McManus, staff member.

The Chairman. The committee will come to order.

Mr. Panuch, will you be sworn to testify?

Do you swear that the testimony given in this hearing will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. Panuch. I do, so help me God.

The Chairman. You may be seated.

TESTIMONY OF J. ANTHONY PANUCH, NEW YORK, N. Y.

The Chairman. You may state your full name to the committee.

Mr. Panuch. J. Anthony Panuch.

The Chairman. Where do you reside, Mr. Panuch?

Mr. Panuch. 44 East 67th Street, New York City.

The Chairman. What is your business or profession?

Mr. Panuch. I am a lawyer by profession.

• The Chairman. Where is your law office located?

Mr. Panuch. 60 East 42d Street, New York City.

The Chairman. Mr. Morris, you may proceed with the questioning of the witness.

Mr. Morris. Mr. Chairman, this witness has been preceded by witnesses who have been in the Office of Strategic Services, the Office of War Information and the Office of Inter- American Affairs. Many of these witnesses whom I have just described have been identified in sworn testimony to have been active in the Communist organization. When called to the stand, all of these people invoked their privilege against incrimination. In connection with this incidence, Mr. Panuch has been called here today to give general background testimony on the reorganization of the State Department that took place at approximately that time.

The Chairman. All right. You may proceed.

841

842 INTERLOCKING SUBVERSION IN GOVERNMENT i

Mr. Morris. Mr. Panuch, would you outline the duties that you have had in connection with service with the United States Government prior to your work in the State Department?

Mr. Panuch. In September of 1938 I became special counsel to the Securities and Exchange Commission in corporate reorganizations.

My jurisdiction involved the representation of the Commission in all corporate reorganizations conducted in the Federal courts in the Federal districts of Connecticut, New York, Pennsylvania, and New Jersey. I held that position until January of 1942. In 1942 I became

deputy chairman and later chairman of the policy committee of the Board of Economic Warfare. That committee was composed of representatives of the Army, Navy, War Production Board, Office of Price Administration, Lend-Lease, State Department, Petroleum Administration, and a couple of others.

The function of that committee was to screen exports from a policy standpoint, and when I say "exports," I mean nonmilitary exports going to Latin America and the non-Axis nations.

While in the Board of Economic Warfare, I was that Board's representative to the requirement committee of the War Production Board, representing the national export interests.

In January 1943 I came to the War Department and became special and confidential assistant to Gen. Lucius D. Clay, then Director of Materiel of the Armed Service Forces. I held that position with General Clay until the end of 1944 and accompanied General Clay to the Office of War Mobilization and Reconversion when he became deputy to Mr. Justice Byrnes, who was then Director of War Mobilization. I held that position under Mr. Justice Vinson and Director Snyder until October of 1945.

In October of 1945, upon Mr. Byrnes' request, I joined him in the State Department in the capacity of Deputy Assistant Secretary of State for Administration and as coordinator of the merger of the Department under the three Executive orders which blended with the Department the wartime agencies operating in the foreign field.

These agencies were the Office of War Information, the intelligence units of the Office of Strategic Services, the Office of Inter-American Affairs, the Foreign Economic Administration, and the Office of Foreign Liquidation Commissioner. There were also certain units of the War Department General Staff concerned with occupation planning.

I stayed in the State Department until January of 1947 and then rejoined General Clay in Germany. He was at that time commander in chief, European Command, and United States Military Governor for Germany. I was in his cabinet with Ambassador Murphy and Ambassador Draper, without portfolio. My special function was administration, reorganization, congressional relations, and special assignments of a policy character.

In that connection and among other assignments I reorganized the military government and the military theater in its common functions and laid the framework for the organization of the Western Republic of Germany and for the shift of control — that is, Allied control — from a military government to the Allied High Commission for Germany.

I then returned to the United States in 1950 and resumed my practice of law and presently I am, in addition to practicing law, serving

INTERLOCKING SUBVERSION IN GOVERNMENT 843

on Governor Dewey's commission on city charter revision, without compensation.

Mr. Morris. Mr. Panuch, would you tell us precisely when and under what circumstances you went in the service of the State Department?

Mr. Panuch. In October of 1945 I was asked to come to the Department to conduct the merger and the reorganization of the Department, growing out of the merger, under the Executive order. I believe I

furnished you with a copy of my designation.

Mr. INIoRRis. Mr. Panuch, I have duplicates of exhibits that we are going to make reference to. Duplicates of exhibits that we are going to make reference to have been put in front of you : "Departmental Designation 300, issued October 24, 1945."

Mr. Panuch. Yes, sir.

Mr. Morris. Will you describe that for us ?

Mr. Panuch. I was asked to prepare a chart for my duties, and Mr. Byrnes said, "Don't make it very long"; and I said, "All I need is about six lines"; and this is the result, and he signed it, and I was in business.

Mr. Morris. This is Mr. Byrnes' designation of you as Deputy to the Assistant Secretary for Administration?

Mr. Panuch. That is right.

Mr. Morris. You will —

act as coordinator until such time as the coordination and integration of functions transferred to the Department under Executive Orders 9608, 9621, and 9630 is completed.

Mr. Panuch. The second point was necessary in order to give me the authority that was required to put the reorganization into effect. That was the deputization of Mr. Byrnes as Secretary of State under Mr. Truman's Executive order. So I w[^]as his direct Deputy under the executive power.

Mr. Morris. May that go into the record, Mr. Chairman ?

The Chairman. It may go into the record and become a part of the record.

(The document referred to was marked "Exhibit No. 261" and follows:)

Exhibit No. 261

Department of State

Departmental designation 300. Issued 10-24-45.

Effective 10-24-45.

OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION (A-R)

1. Mr. J. Anthony Panuch is herel)y designated Deputy to the Assistant Secretary for Administration (routing symbol A-R/P).

2. Mr. Panuch will also act as Coordinator until such time as the coordination and integration of functions transferred to the Department under Executive Orders 9608, 9621, and 9630 is completed.

James F. Byrnes.
OcTOP.ER 24, 1945.

Mr. Morris. You mentioned, in the course of describing your Government functions, the reorganization of the State Department during October 1945. Now, what was the precise position you held in con-
^ nection with that particular reorganization ?

Mr. Panuch. Well, you had to hold two positions really, to effect the reorganization. One was the power iinder the Executive order.

844 INTERLOCKING SUBVERSION IN GOVERNMENT

to deal with the properties, personnel, and functions that were transferred to the Department, and under the administrative order it was necessary that I be the deputy to the chief administrative officer of the Department to implement this into the structure of the Department as it then existed.

Mr. Morris. Wliat was the origin of this particular reorganization? How did that get its start ?

Mr. Panuch. That was in the Bureau of the Budget.

Mr. Morris. Will you trace the development of that, to the best of your own knowledge?

Mr. Panuch. You mean these agencies?

Mr. Morris. No. You say that the original Executive order was drafted in the Bureau of the Budget?

Mr. Panuch. Yes.

Mr. Morris. Do you know who in the Bureau of the Budget did this?

Mr. Panuch. No.

Mr. Morris. Then how was it transferred over into the State Department?

Mr. Panuch. Well, the Executive order acted as the transfer to the Department, and after that we simply took over the functions and the properties, the funds and personnel of these agencies; we set up an organization under my jurisdiction, to effect the transfer.

Mr. Morris- Now, Mr. Panuch, will you look at the next exhibit you have there? That is the letter from Mr. Truman, dated January 22, 1946.

Mr. Panuch. January 22; Yes, sir.

Mr. Morris. Wliat is that, Mr. Panuch ?

Mr. Panuch. That is the directive signed by President Truman, setting up the National Intelligence Authority, and under it the Central Intelligence Group, under the headship of Gen. Hoyt Vandenberg, taking over Central Intelligence operations that could not be performed by the agencies of the Government having their own intelligence units, and that is the predecessor of the present statutory Central Intelligence Agency.

Mr. Morris. May that go into the record?

The Chairman. It may go into the record and become a part of the record ?

(The document referred to was marked "Exhibit No. 262" and follows:)

Exhibit No. 262

The White House,
Washington, January 22, 1946.
To The Secretary of State,
The Secretary of War, and

The Secretary of the Navy,

1. It is my desire, and I hereby direct, that all Federal foreign intelligence activities be planned, developed and coordinated so as to assure the most effective accomplishment of the intelligence mission related to the national security. I hereby designate you, together with another person to be named by me as my personal representative, as the National Intelligence Authority to accomplish this purpose.

2. Within the limits of available appropriations, you shall each from time to time assign persons and facilities from your respective Departments, which persons shall collectively form a Central Intelligence Group and shall, under the direction of a Director of Central Intelligence, assist the National Intelligence

INTERLOCKING SUBVERSION IN GOVERNMENT 845

Authority. The Director of Central Intelligence shall be designated by me, shall be responsible to the National Intelligence Authority, and shall sit as a nonvoting member thereof.

3. Subject to the existing law, and to the direction and control of the National Intelligence Authority, the Director of Central Intelligence shall :

(a) Accomplish the correlation and evaluation of intelligence relating to the national security, and the appropriate dissemination within the Government of the resulting strategic and national policy intelligence. In so doing, full use shall be made of the staff and facilities of the intelligence agencies of your Departments.

(b) Plan for the coordination of such of the activities of the intelligence agencies of your Departments as relate to the national security and recommend to the National Intelligence Authority the establishment of such overall policies and objectives as will assure the most effective accomplishment of the national intelligence mission.

(c) Perform, for the benefit of said intelligence agencies, such services of common concern as the National Intelligence Authority determines can be more efficiently accomplished centrally.

(d) Perform such other functions and duties related to intelligence affecting the national security as the President and the National Intelligence Authority may from time to time direct.

4. No police, law enforcement or internal security functions shall be exercised under this directive.

5. Such intelligence received by the intelligence agencies of your Departments as may be designated by the National Intelligence Authority shall be freely available to the Director of Central Intelligence for correlation, evaluation or dissemination. To the extent approved by the National Intelligence Authority, the operations of said intelligence agencies shall be open to inspection by the Director of Central Intelligence in connection with planning functions.

6. The existing intelligence agencies of your Departments shall continue to collect, evaluate, correlate and disseminate departmental intelligence.

7. The Director of Central Intelligence shall be advised by an Intelligence Advisory Board consisting of the heads (or their representatives) of the prin-

cial military and civilian intelligence agencies of the Government having functions related to national security, as determined by the National Intelligence Authority.

8. Within the scope of existing law and Presidential directives, other departments and agencies of the executive branch of the Federal Government shall furnish such intelligence information relating to the national security as is in their possession, and as the Director of Central Intelligence may from time to time request pursuant to regulations of the National Intelligence Authority.

9. Nothing herein shall be construed to authorize the making of investigations inside the continental limits of the United States and its possessions, except as provided by law and Presidential directives.

10. In the conduct of their activities the National Intelligence Authority and the Director of Central Intelligence shall be responsible for fully protecting intelligence sources and methods.

Sincerely yours,

Harry Truman.

Mr. Morris. Will you look at the next document, "Organization and procedure on agency transfers"?

Mr. Panuch. Yes, sir.

Mr. Morris. Will you identify that document, Mr. Panuch?

Mr. Panuch. That was a document which I issued over my signature and which set up the blueprint of the reorganization which was to handle the transfer and the methods of procedure in effecting the transfer of the agencies put into the State Department by Executive order.

That has a chart, incidentally, sir, of the agencies affected.

Mr. Morris. Mr. Chairman, may those two documents go into the record ?

The Chairman. The first document is already in. The second document may go into the record and become a part of the record.

846 INTERLOCKING SUBVERSION IN GOVERNMENT

(The document referred to was marked "Exhibit No. 263" and follows :)

Exhibit No. 263

Department of State

Administrative Instruction, Coordinator 1. Issued 10-26-45.

Effective 10-24-45.

organization and procedure on agency transfers
Purpose

The purpose of this Instruction is to establish the requisite machinery and appropriate procedures to accomplish the transfer to the State Department pursuant to Executive Orders Nos. 9608, 9621, and 9630 of certain functions, personnel, funds, and equipment of —

Office of Strategic Services

Office of War Information

Office of Inter-American Affairs

Foreign Economic Administration

Army and Navy Liquidation Commission

1. Time : Such transfers shall be completed on or before December 31, 1945.

2. Mission : The Coordinator and the Committees and Groups serving under his direction shall be responsible for:

(a) Proper integration into the Department of the functions, positions, personnel, facilities, and funds transferred pursuant to the respective Executive Orders.

(6) Inventory, evaluation, and allocation among the several Departmental and Foreign Service interests of the budgetary, fiscal personnel, and central service functions, positions, personnel, facilities, and funds of the agencies referred to above.

3. Transfer Organization :

(a) Coordinator. — Reporting and responsible to the Assistant Secretary for Administration, the Coordinator shall direct and expedite the transfers referred to above. He shall be assisted by an Executive and an appropriate secretariat.

(h) Agency Task Groups. — Responsibility for the gathering and development of all program and administrative data pertinent to the transfers shall be assigned on an agency basis to three specialists as follows :

Specialist for OSS

Specialist for OWI— OIAA

Specialist for FEA— ANLC

Each specialist, within his own sphere of responsibility shall :

{i} act as Chairman of an Agency Task Group consisting of representatives of budget, accounts, general services, security, personnel, and foreign service.

(ii) establish appropriate procedures for the systematic and orderly collection and development of all pertinent transfer data.

{in} assure prompt dissemination of such data among the members of his Task Group.

(iv) report and be responsible to the Coordinator.

{v} "follow up" action with the offices responsible for action.

{vi} working out and recommending means of integration,

(c) Functional Groups. — The data developed by the several Task Groups shall be coordinated on a functional basis and translated into Departmental and Foreign Service action by the chiefs of the following elements of their designees :

Budget and Finance

Personnel

Central Services

Foreign Service

Security

Each divisional chief or his designee shall :

(i) act as Chairman of a functional group consisting of the appropriate Departmental and Foreign Service specialists and their opposite numbers in the agencies whose functions are being transferred.

(ii) maintain current liaison with appropriate functional specialists on

the several Task Groups.

INTERLOCKING SUBVERSION IN GOVERNMENT

847

(iii) develop requirements of the Departmental and Foreign Service interests for program and administrative data and prescribe the form and detail in which it will be presented.

(iv) each designee must be fully authorized to act for his organization.

(d) Steering Committee. — The work of the Functional and Task Groups shall be correlated by a Steering Committee under the chairmanship of the Coordinator. The Steering Committee shall consist of the Chairman of the Task and Functional Groups.

4. Miscellaneous :

(«) The chairman of the Steering Committee shall prescribe its rules of conduct, regulate its procedures and fix the time and place of its meetings.

(h) Procedures of the several Task and Functional Groups shall be fixed by the Chairman of each group. Except where considerations of flexibility appear to be paramount, such procedures should follow the same general pattern.

(c) Reports of group chairmen to the Coordinator shall be filed with the Executive who shall act as Executive Secretary of the Steering Committee.

(rf) Designations of personnel to carry out the plan of transfer above outlined are hereby made in Schedule A attached. Changes in such designation may be made at any time by the Coordinator.

J. Anthony Panuch, Coordinator.
OCTOBER 24, 1945.

COORDINATOR
J. Anthony Panuch
EXECUTIVE OFFICER
O. A. SIMMES

AGENCY TASK GROUPS

STEERING
COMMITTEE

OSS
McKay

Budget
Accounts
Personnel
Dept. Services
Security

Foreign Service

Ot.g-OIAA
Ward-Stewart

Budget
Accounts
Personnel
Dept. Services
Security
Foreign Service

FUNCTIONAL GROUPS

FEA-AMLC
A'Heam

Budget
Accounts
Personnel
Dept. Services
Security
Foreign Service

1 »

BF

FOREIGN

Howell -

Budget

SERVICE

Thompson -

Fiscal

Steyne
033

OSS

OVff

om

OIAA

OIAA

FEA

FEA

AIILC

AI.-LC

PERSONNEL
Morgan

OSS
OI.I

OIAA

FEA

A^.'LC

SERVICES

Gen. Serv,
Cooney - Com.

OSS

ova

OIAA

FEA

ANLC

SECURITY

Bannerman

OSS

OWI

OIAA

FEA

ANLC

Mr. Morris. Mr. Panuch, will you tell us to the best of your ability — and drawing on your own first-hand experiences, how this Executive order was executed whereby the agencies that we have been discussing, were transferred over to the Department of State?

Mr. Paxuch. Do you mean to tell you what happened ?

Mr. MoRiiis. Yes. Tell us exactly what happened, drawing on your own personal experience and describing in as full detail as possible.

32918°— 53— pt. 13 2

848 INTERLOCKING SUBVERSION IN GOVERNMENT

Mr. Panuch. Well, prior to the war the State Department had been a policy agency exclusively and with a limited grouping of economic and cultural and other functions. During the war it was necessary to build up other agencies to carry on operational functions in the field of foreign affairs, which were not directly policy functions, and for that purpose many agencies were organized, and the best examples of that in the economic field is the Board of Economic Warfare which subsequently became the Foreign Economic Administration, the Office of Lend-Lease Administration, which handled loans and the financing of our allies' mobilizations ; the Offices of Strategic Services, which handled strategic services parallel to army operations, resistance movements, and secret intelligence, the Office of War Information which handled propaganda, and the Office of Inter-American Affairs, under Nelson Rockefeller, which handled cultural relations with the Latin American countries, and, toward the end of the war, the Office of Foreign Liquidation was set up under Mr. McCabe, who handled the disposal of foreign surplus in theaters of war.

Mr. Morris. As I understand it, all of these organizations which you just described, were being incorporated into and transferred into the Department of State ?

Mr. Panuch. With one exception, the strategic units of the Office of Strategic Services, which remained in the War Department, under direct control of Assistant Secretary Patterson.

Mr. Morris. One branch was not transferred, therefore?

Mr. Panuch. Secret service unit of OSS was not transferred.

Mr. Morris. What was transferred to the State Department?

Mr. Panuch. All intelligence.



Mr. Morris. Now, Mr. Chairman, we have had quite a few witnesses from all these various agencies at various times, and I think that since we have at this time a qualified witness present, it would

[1](#) [2](#) [3](#) [4](#) [5](#) [6](#) [7](#) [8](#) [9](#) [10](#) [11](#) [12](#) [13](#)

[Online Library](#) → [United States. Congress. Senate. Committee on the](#) → [Interlocking subversion in Government Departments. Hearing before the Subcommittee to Investigate the Administration of the Internal Security Act and Other Internal Security Laws of the Committee on the Judiciary, United States Senate, Eighty-third Congress, second session, first session\]](#) (Volume pt. → [online text](#) (page 1 of 13))

Using the text of ebook [Interlocking subversion in Government Departments. Hearing before the Subcommittee to Investigate the Administration of the Internal Security Act and Other Internal Security Laws of the Committee on the Judiciary, United States Senate, Eighty-third Congress, second session, first session\]](#) (Volume pt. by United States. Congress. Senate. Committee on the active link like:

[read the ebook Interlocking subversion in Government Departments. Hearing before the Subcommittee to Investigate the Administration of the Internal Security Act and Other Internal Security Laws of the Committee on](#)

Leave us your [feedback](#) | [Find us on Google+](#)  | [Links exchange](#) | [RSS feed](#) 

Online library ebooksread.com © 2007-2016