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**SCOPE OF SOVIET ACTIVITY IN THE UNITED STATES**  
**(Miklos Szabo, Hungarian Informer)**

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**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-FIFTH CONGRESS**  
**FIRST SESSION**  
**ON**  
**SCOPE OF SOVIET ACTIVITY IN THE**  
**UNITED STATES**

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SEPTEMBER 24, 1957

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**PART 83**

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SUBCOMMITTEE TO INVESTIGATE THE ADMINISTRATION OF THE INTERNAL SECURITY  
ACT AND OTHER INTERNAL SECURITY LAWS

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# SCOPE OF SOVIET ACTIVITY IN THE UNITED STATES

TUESDAY, SEPTEMBER 24, 1957

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 2:15 p. m., in room 457, Senate Office Building, Senator Olin D. Johnston (South Carolina) presiding.

Also present: Robert Morris, chief counsel; Benjamin Mandel, investigator; and Frank W. Schroeder, chief investigator.

Senator JOHNSTON. The subcommittee will come to order.

Mr. MORRIS. Senator Johnston, the first witness this morning is Monsignor Varga, but before beginning with Monsignor Varga—Monsignor, will you be seated?

This is Monsignor Bela Varga, Senator Johnston.

Will you be seated, Monsignor? We have a few things we would like to put into the record before beginning your testimony.

Senator JOHNSTON. I have here a pamphlet entitled "Hungary Under Soviet Rule: A Survey of Developments Since the Report of the U. N. Special Committee," prepared by the American Friends of the Captive Nations, and the Assembly of Captive European Nations in association with the Hungarian Freedom Fighters Federation, the Hungarian National Council, the National Representation of Free Hungary.

I notice this is signed by the editorial committee, A. A. Berle, Jr., Leo Cherne, Clare Boothe Luce, and Reinhold Niebuhr.

I order that this be made an appendix to our record.

Also a two-volume report here of the United Nations on Hungary. The subject here is Report of the Special Committee on the Problem of Hungary, A/3592.

And also The Continuing Challenge of the Hungarian Situation to the Rule of Law: Supplement to the Report of the International Commission of Jurists, published in June 1957; together with the report itself, published in April 1957.

I order that those be made a part of the appendix to the record.

(The documents referred to will be found in appendix I, p. 83, of Scope of Soviet Activity in the United States.)

Mr. MORRIS. Senator, the subject of the hearing today is a situation of which the staff of the subcommittee has taken cognizance in the last 2 weeks in connection with a series of hearings over which you, Senator Johnston, presided, on the general effect of the Hungarian revolution on the world Communist movement.

Subsequent to that particular epochal event, we have taken cognizance of many things which have been happening in and about the whole situation.

Among other things, Senator, that revolution, exposing as it did Soviet tyranny, revealed the Soviet organization to such an extent that we have reason to believe that there have been some defections in our own Communist Party here in the United States.

People who were Communists were appalled at the Soviet savagery at that particular time.

In addition, Senator, we have been surveying the security surrounding some of the refugee organizations, and the defection of a man known as Miklos Szabo has raised some problems of security, Senator, which I think the Senate should know in connection with its deliberations on these and kindred legislative problems.

In trying to arrive at all the facts, Senator Johnston, we have talked to Msgr. Bela Varga, who certainly is a competent witness, and who has had a distinguished record in Hungary and out of Hungary fighting for the cause of freedom, and he is, in addition, in possession of certain facts and is qualified to give testimony today on that particular subject, Senator, and he has agreed to come down from New York to open up this general subject for the subcommittee.

Senator JOHNSTON. Will you please raise your right hand and be sworn?

Do you swear the evidence that you will give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Monsignor VARGA. I do.

Senator JOHNSTON. Have a seat.

You may proceed as you see fit. I see you have papers before you there. You can use them.

#### TESTIMONY OF MSGR. BELA VARGA

Mr. MORRIS. Would you give your full name and address to the stenographic reporter.

Monsignor VARGA. My name is Msgr. Bela Varga, Roman Catholic prelate and the last elected speaker in the Hungarian Parliament, 1945, 1946, and 1947, and in the emigration, the President of the Hungarian National Council.

Mr. MORRIS. And you formerly were an official in the Hungarian Government, were you not, Monsignor Varga? You formerly were an official in the Hungarian Government?

Monsignor VARGA. After the war, in 1945, it was a free election in Hungary, I became, I was member, acting president of Smallholder Party, and my party got 60 percent of absolute majority in the Parliament, and I became the President of the Parliament.

The Parliament was a one-chamber Parliament. We didn't have Senate or Congress, but we had just one chamber and I became the President of this parliamentary body and the Vice President of the Republic.

Senator JOHNSTON. How many people were you the President over? I mean the people that you represented.

Monsignor VARGA. Sixty percent of the Hungarian population, it means 6 million people.

Senator JOHNSTON. Six million.

Monsignor VARGA. Nine million, more than 9 millions were the Hungarians; and 60 percent, around 6 million.

Senator JOHNSTON. Do you recall what the vote was?

Monsignor VARGA. The vote—we got 57 percent of the popular vote, my party, and 60 percent of the seats of the Parliament.

Senator JOHNSTON. How many individual votes were cast?

Monsignor VARGA. We had about 400 deputies in the Parliament, and every deputy should have had 12,000 voters, but you know, I don't know how many voted. It was a very great percentage of the voters. I think about 90 percent of the population voted in this election.

Senator JOHNSTON. Ninety percent?

Monsignor VARGA. Ninety percent.

Senator JOHNSTON. Of the qualified voters?

Monsignor VARGA. Qualified. It was a real democratic election after the war in Hungary, secret ballot.

Senator JOHNSTON. That was a good percentage. That is what I wanted to bring out, just how many were participating in this election.

Mr. MORRIS. Monsignor, that was the last free election in Hungary?

Monsignor VARGA. There were only three elections after the war in Hungary, secret elections, the next one and only free election behind the Iron Curtain, because it was the first election in this country behind the Iron Curtain. When the Russians realized that the people are against the Russians and Communists, they did not permit other free elections in this other countries.

Mr. MORRIS. And you came out of Hungary, did you not, shortly thereafter? You left Hungary, did you not?

Monsignor VARGA. I left Hungary because the Russians wanted to imprison me, and my friends, we discussed the problem, what is the better, to remain in Hungary to be imprisoned and deported by the Russians to Siberia, or to escape and to continue the fight against communism.

And we decided, and I have fulfilled the decision of my friends and even of my church, too, and I escaped first to Vienna and, with the help of my American friends and other nationalities, I came through over the Russian Zone and I came to Salzburg, and from Salzburg to Switzerland, and from Switzerland I came to America.

Mr. MORRIS. What do you do? You are head of the National Hungarian Federation?

Monsignor VARGA. We lost, I lost personally everything in my life what was nice and good for me, I lost my country, but I didn't lose the aim of my life, to fight against the evil, and I met the evil on the earth, and this evil is the communism. And I continued to work on the purpose of my life, to fight against communism, and I came to America because I know, I realize, I saw, I heard from the mouth of Marshal Voroshilov and the other leaders, that they want to destroy America, and I came to America, which is the leader of the free people, of the freedom of the world, and I offer my little strength, little ability to work against the evil, against communism.

Mr. MORRIS. You say you heard from Marshal who?

Monsignor VARGA. Marshal Voroshilov, was the head of the control commission after the war in Hungary, and naturally in my position

as the Vice President of the Republic and President of the Parliament, I was invited by him and he invited me, and I heard—the Russians are good drinkers, and the Russians spoke very openly that they will destroy America.

The indoctrination of the army was perfectly anti-American. The Russian soldiers ate American bread and they used American ammunition, but they were perfectly indoctrinated against America.

And even Marshal Voroshilov spoke very openly. He spoke to me very openly that, "Don't believe in America. America is in our hands. America is infiltrated," he told me in 1945.

Mr. MORRIS. In connection with the National Hungarian Federation, you can carry on this work?

Monsignor VARGA. Yes. When I came to America, we organized immediately former legislators of the Hungarian Parliament. We organized this Hungarian National Council, which means 80 members, former legislators, former members of the Parliament, and I was the highest ranking man among them, as the President of the Parliament and Vice President of the Republic, and I, on the basis of the last free election in Hungary, I had to take over the presidency of this body, which is Hungarian National Council.

Mr. MORRIS. Now, Monsignor, when did you first meet or know about the Hungarian, Miklos Szabo, S-z-a-b-o, M-i-k-l-o-s? The last name is Szabo.

Monsignor VARGA. I met this Miklos Szabo twice in my life, once in Hungary, and it was, I think it was in 1946, in the spring of 1946.

One night—I had my home in a village, Balton Boglar, and one night somebody knocked at the door and knocked at the windows in the night, and I asked, "Who is here?" And he told me, "I am Miklos Szabo, friend of Bela Kovacs," Bela Kovacs.

Mr. MORRIS. That is spelled K-o-v-a-c-s?

Monsignor VARGA. K-o-v-a-c-s, Bela Kovacs, who was the representative of the Hungarian fight against communism. Later he was deported to Siberia. He was general secretary of the Smallholder Party, and a very intimate, good friend of mine.

And he came, this Miklos Szabo, in the name of Bela Kovacs, and he told, "I am coming just from the outside, from Austria, and I am hungry, and I would like to rest in your home."

And I thought, naturally, because he used the name of my friend, Bela Kovacs, and in this time, you know, we were persecuted by the Russian armies, many Hungarians, and I opened the door and I offered my little home and kitchen, and he ate something.

And after that, I told, "You can remain here, you can live here, hidden, until Bela Kovacs will come, and he will speak with you."

But he didn't remain in this night, you know. He left the house.

And after that, I called Bela Kovacs immediately, the next day, and Bela Kovacs was very, very angry, very furious, even, and he told, why—just may I repeat? I beg your pardon, Senator Johnston—that he told, I would like to translate, "Why didn't you kick him out, because he is the most dangerous man. You don't know that he, they are smuggling, they smuggled some old rifles into the house of the Smallholder Party, and after that the Communists came, the Communist police came, and they wanted to prove that we are preparing a revolution against the democracy."

After I spoke with Bela Kovacs and Bela Kovacs told me, "Don't touch this man; he is a dangerous, suspicious man." It was in 1946, more than 10 years ago.

Now, I met him, we had a meeting in Vienna, the new Hungarian leaders of the revolution, Anna Kethly, Mayor Kovago, General Kiraly, some other leaders of the old refugees, and he called me every day in Vienna, and he offered his car and he told, "I know that you love your country and your native village, which is not far from the border. Why don't you come with me? I have a car, and you can have binoculars and you can see even your village, which is not far from the Iron Curtain."

It makes a terrible, deep impression, and I remember that this man, I didn't see him, once he visited me, and he tried to convince me that he was very, very strong, and he wanted to, not intimidate me, influence me that I have to go with him because he will show me some beautiful things at the border.

Now, at the meeting of the Hungarian leaders in Vienna, at the table I mentioned that this Szabo is offering, and I cannot be free from him, every day calling me and telephoning, and he wanted, offering always his car, and he wants to take me to the Hungarian-Austrian border.

Mr. MORRIS. What month was this, Monsignor Varga?

Monsignor VARGA. It was in June of this year.

Mr. MORRIS. June of 1957?

Monsignor VARGA. 1957.

And General Kiraly, who knows these people better than I, because he was in Vienna sometimes, and for a month after his arrival, he told, "Don't touch this man" before the others who were at the table, "because he is security risk."

It was in June in this year.

Mr. MORRIS. So General Kiraly, K-i-r-a-l-y, warned you that he was a security risk?

Monsignor VARGA. Yes, he warned me, and he should testify to that, that he told me in June that this man is a security risk.

I didn't ask him why, because it was enough for me. I had old suspicion against him, and now an expert as General Kiraly just told me and strengthened my old suspicions, I didn't want to speak with him.

But one day he came and visited me and wanted to convince me again, "Come with me and we will go to the border and we will see the border," but naturally I refused.

Mr. MORRIS. How do you interpret now, in the light of subsequent events, how do you interpret his importuning you as he did at that time to go to the border?

Monsignor VARGA. You know, it is a little difficult to interpret around my own personalities, but General Kiraly told in New York now, when he left, he went back to Hungary, "I told you if you would have gone with him by car, by his car, you would be now not here in New York but in Budapest."

He wanted to kidnap me, it is not a question.

Mr. MORRIS. So you think, then that Szabo was trying to kidnap you?

MONSIGNOR VARGA. I am perfectly sure; and even Kiraly, who is the expert, he gave me this explanation.

MR. MORRIS. All right.

What position did Szabo have at that time? What position did he occupy? Did he have an official title among some refugee groups?

MONSIGNOR VARGA. He had—may I read this statement, Senator Johnston?

SENATOR JOHNSTON. You may proceed any way you want to, but we want an answer to the question. You can tell us what position he had.

MONSIGNOR VARGA. Because he had many positions, you know. I was suspicious always against this man. He arrived in 1955, 2 years ago, in Vienna. How did he arrive, nobody knew that, and even the arrival, the escape, was suspicious in this time. And naturally, I didn't want to approach, and I didn't. I told to my friends, "Don't help, and be very careful."

He had, as I heard in Vienna, he was the official representative of the Strassburg Revolutionary Council in Vienna.

MR. MORRIS. What was the Strassburg Revolutionary Council in Vienna?

MONSIGNOR VARGA. It was organized, he was one of the founders of this, this Szabo, and he had in his hands the tickets to travel to Strassburg. This was organized by people who arrived, escaped after the revolution from Hungary.

The leading personalities were Anna Kethly, Social Democrat. She is president of the Hungarian Social Democratic Party in Hungary. And Mayor Kovago, who was general secretary, elected general secretary, in the revolution, of the Smallholder Party. And General Kiraly, who was a general of the Hungarian Army during the Communist regime. These three leading personalities and some former legislators who participated in the revolution and some other revolutionary people, they organized with the help, as we will see, in this case, with the help of some European organizations, the Strassburg Revolutionary Council.

MR. MORRIS. And he was the representative in Vienna?

MONSIGNOR VARGA. He was one of the organizers of the council, of the meeting in Strassburg, and he was the official representative of this organization in Vienna.

MR. MORRIS. All right.

MONSIGNOR VARGA. Envoy of this organization.

MR. MORRIS. In addition, he had a title, did he not, of secretary of the Hungarian Culture and Relief League?

MONSIGNOR VARGA. Yes. It was an organization, as I heard when I was in Vienna, it was an organization to help the refugees, organized by this Szabo and some other Hungarians. Some of them redefected, went back to Hungary, living always together in the home of this Szabo, and some Austrian and other charitable organizations, and he was the head of this organization, and it was very important, this position, because he was able to visit the refugee camps everywhere, this Szabo.

MR. MORRIS. And as we have learned, he went back to Budapest and back to the Communists, did he not?

MONSIGNOR VARGA. He interviewed everybody in the camps as a Hungarian; he helped them with little—as the head of this charitable

organization. And, now, he interviewed all of them, who the most important leaders of the Hungarian revolution were, and how did they fight in the revolution, and with whom did they fight.

He had now the names of all the participants in the Hungarian revolution, even who were not discovered by the Communist regime in Hungary, and he went back and he took these documents with him.

Mr. MORRIS. You wanted to read—I will ask you some questions about that, but you said you wanted to read this statement.

Monsignor VARGA. It is a universal statement, because I am in a very difficult situation, and I would want to write something as a head of the Hungarian National Council, and I would be very grateful if I can read, because I meditated over all of the words and I don't want to accuse anybody without documents.

Mr. MORRIS. By all means, Monsignor, proceed.

Monsignor VARGA. Thank you.

Senator Johnston, one of the principal aims of the Communists is to deprive the exiles and especially the Hungarians of the active sympathy of the free world. They use the well-known methods of dialectical materialism to polarize both the emigration and the free world. Some years ago, the so-called redefection campaign was based on the same plans and principles, and might have been successful without the competent and efficient intervention of your subcommittee.

Today, the Communists' aim is to prevent the unification of the Hungarian political emigration and to weaken its strength and its confidence. Whether Miklos Szabo was an implanted agent, or became only later a traitor, he certainly has taken much valuable information and important documents back to Hungary. This constitutes obviously a serious and dangerous attack against the free world.

For 10 years no political figure has redefected to Hungary from the free world. The first such case, that of Miklos Szabo, creates therefore serious dangers for the United States of America, for the Hungarian resistance at home, and for the Hungarian exiles abroad.

It cannot be a mere hazard that Miklos Szabo has redefected just at a time when the U. N. General Assembly met to discuss the Special Committee's Report on Hungary, 2 days before that.

Every sign indicates that Szabo's redefection was well timed by its organizers in order to raise suspicion against political exiles. It is a basic Communist tactic to shatter the West's trust in political exiles and to touch off thereby the exiles' despair.

Also in Hungary is the Szabo case apt to destroy the people's faith in their political exiles. If the Hungarian people lose their hope that the exiles will fight for their liberation, they will plunge into apathy because one of the principal sources of the resistance at home is the belief placed in the political and moral integrity of the emigration. Thus, the Szabo case and similar cases could gradually annihilate the spiritual contact between the people and the exiles, which is a Communist goal also.

In Hungarian exile circles, the Szabo case already begins to drive a wedge between friends. It is touching off distrust and making reproaches to those who had frequent contacts with Szabo. Thus, the Szabo case is becoming a dividing factor just at a time when the international situation would require closest cooperation between emigre groups.

All these phenomena clearly demonstrate that the defection of Miklos Szabo had been well prepared and very cleverly timed by the Hungarian political police.

Finally, I express my profound gratitude to the Senate Internal Security Subcommittee for its investigation. I am putting all my faith in its thoroughness and objectivity. It is a sad duty but a common interest to unveil the network of Communist infiltrators and to establish responsibilities if those exist.

We consider ourselves as allies of the United States in the fight against communism. We regard this alliance and fight as the main goal of our life. Therefore, I consider it, Senator Johnston, as my duty to be entirely at your disposal.

Thank you.

Mr. MORRIS. Monsignor, I wonder if you could tell us, with as much detail as possible, what records Szabo took with him when he went back to Budapest.

Before I ask you that, based on all that you have told us about Szabo, about your knowledge of him in 1946 when he smuggled guns into the offices of the Smallholder Party—

Monsignor VARGA. Yes; he smuggled weapons, you know. And later, after some days, Communist police came and they discovered the weapons, these old weapons, you know, absolutely nothing, but we were accused by the Russians, because we didn't have peace in this time and nobody had a right to have weapons in the house, that we are preparing, the Smallholder Party was preparing, a revolution against the Russian Army and against the Hungarian democracy.

Mr. MORRIS. Is it your estimate of him, Monsignor, that he was secretly working with the Communists all along, or is it your estimation that he was disillusioned after he came to Vienna?

Monsignor VARGA. I am sorry.

Mr. MORRIS. Is it your estimate, Monsignor Varga—

Monsignor VARGA. Yes.

Mr. MORRIS (continuing). That this man was secretly working with the Communists all along, or is it your estimate that he was a genuine escapee who became disillusioned and went back to Budapest?

Monsignor VARGA. Speaking—I have a very deep and well-based suspicion that he worked from the very beginning with the Hungarian secret police, even when he was in prison. He told that he was in prison. I would like to prove, and to explain, but all of the prisoners who were in prison knew each other, speaking about each other, but nobody saw him in prison.

And now it is my suspicion that he worked together [with the police]. But even if he didn't work together, he became later a traitor to his country.

Mr. MORRIS. Another witness, Senator Johnston, who will testify after Monsignor Varga, has told us in executive session that he had seen Szabo's car at the Hungarian Legation in Vienna; in other words, the Communist government legation in Vienna; he had seen this man's car going up there at the time he was holding his position as secretary of the Hungarian Culture and Relief League.

Now, what records did he take with him, Monsignor?

Monsignor VARGA. He had two big dossiers with him. One was the documents of the Revolutionary Council of Strassburg.

Mr. MORRIS. He had all the records?



Monsignor VARGA. All the records, you know. After the revolution—you know, the Hungarian revolution was a miraculous revolution, and the whole world honored the revolutionary people when they came to the free world, and they were greeted and everybody wanted to help them, even in Europe, you know, the small countries were in ecstasy to help these honest Hungarian people.

And all the documents, naturally, were in the hands of the Strassburg revolutionary people who prepared this revolution, this Strassburg Council.

Mr. MORRIS. What were those records?

Monsignor VARGA. He was one of the founders, and he got and he had all of the documents, who helped the Hungarian refugees, how the European countries, European organizations, even American organizations, helped the Hungarian revolutionary people, how did they help even the Strassburg Council, and how did, perhaps, somebody help the Hungarian revolution in Hungary.

He had a big dossier, as it was proved and documented and investigated by my friends and by some other, I am sure, by the police of Vienna.

Mr. MORRIS. The disclosure of those names, Monsignor, to the Hungarian secret police back in Budapest at this time, as I presume he is doing, will mean executions by the thousands; will it not?

Monsignor VARGA. You know, he had other documents, you know, and he visited all of the refugee camps, and he interviewed all of the leaders of the revolution, and these honest leaders of the revolution, mostly sometimes simple people, sometimes even leading persons, told all the stories, who were fighting; in this ecstasy, you know, even in the ecstasy of the revolution, everybody was happy to speak.

And this man was visiting all of the camps and collected all of the material, all the names, now, and he had a big dossier, another big suitcase. He asked the owner of the house where he lived for two suitcases, and one suitcase was big, full with these names which were collected, and stories which were collected in the camps before the revolution, in the revolution and after the revolution.

This is the terribly shocking thing now in Hungary. In Hungary now, everybody is frightened, even I am frightened for my friends.

Senator JOHNSTON. Were the refugees not suspicious of him having this free right to come into the camp?

Monsignor VARGA. You know, he had a very nice position. He introduced himself as the representative in the revolution, he told that "I am the representative of the revolutionary council." He mentioned the names of Anna Kethly and the other names, and naturally everybody was confident of him, and some other organizations, and he was named the secretary of the Smallholder Party in Vienna. He had many titles.

And some very few were suspicious, but mostly, 98 percent were not suspicious, and they told all of the stories.

Mr. MORRIS. This could lead to thousands of executions, could it not?

Monsignor VARGA. Sure. You know, even hidden people who were wounded in the revolution, and they were, in the revolution, as we knew that hundreds and thousands of the wounded people were hidden by the Hungarian patriots, and later the Communist police investigated that, who were they. And now if they will know that somebody

was wounded in the revolution, and the police couldn't discover until now because the whole country is just one against the Communist regime now, too, and if they will prove that he was wounded, he will be imprisoned, he will be investigated, and perhaps some will be executed.

Mr. MORRIS. Did the refugees speak openly to this man?

Monsignor VARGA. I didn't see that, but I heard that he visited the camps, you know, and the refugees were very happy to speak with some Hungarian who was for 2 years in Vienna and who helped them because he had some organization which helped the Hungarian refugees.

Mr. MORRIS. Senator Johnston, in connection with this testimony we have been trying to get the original source on a special dispatch to the New York Times out of Vienna on September 12 which reads as follows, Senator, it supplements the testimony of Monsignor Varga:

Hungarian emigre organizations in Vienna are greatly disturbed by the unexplained disappearance of Miklos Szabo, a member of the Revolutionary Council in Strassburg, who has been missing from his Vienna apartment since Saturday. He wrote several of his political friends here that, by the time they received the letters, he would be in Budapest. Apparently he took with him all the secret files and card indexes from the local office of the revolutionary council. He was its chief delegate to Austria.

Also missing from his apartment are the names of all Hungarian witnesses heard by the United Nations Commission. The list had been kept secret. He was one of the chief witnesses himself.

Monsignor Varga, do you know anything about this witness list of the people who appeared before the UN commission?

Monsignor VARGA. I didn't know. I read the report of this five-member committee, and I knew that they were—they secretly listened and got audience before the committee.

Mr. MORRIS. Was there any assurance given to the people who appeared before that committee that their names would not be turned over to the Communists?

Monsignor VARGA. Yes. Security assured them they will not be published.

Mr. MORRIS. Now, with his taking that list back with him to Hungary, it will jeopardize the relatives of all the people involved, will it not?

Monsignor VARGA. If in Hungary they will know who testified before the United Nations subcommittee, naturally they will be persecuted and they will be imprisoned.

Mr. MORRIS. The relatives of the people who testified?

Monsignor VARGA. The relatives of them.

Mr. MORRIS. Senator, you will recall that our own procedure was, when witnesses testified here, we gave them false names and put masks on them at the time. Many people thought at that time maybe it was an unnecessary precaution, but I think as times goes on, Senator, we shall find we are very happy to have done that.

Monsignor VARGA. Yes, it was a very, very wise fact that you covered them, because we knew and we know now how frightened are some Hungarians about this case.

Mr. MORRIS. Senator, there were 111 witnesses, 111 witnesses who testified before the United Nations in connection with the report that has since been submitted, 111.

Monsignor Varga, do you know whether or not this man worked with our intelligence agencies?

Monsignor VARGA. I don't know that. You know, I cannot tell anything about that. If you will ask your authorities, they will give the answer.

I know that just as the founder and the organizer of this Revolutionary Council of Strassburg, he had many opportunities to infiltrate our friends and our organizations in Europe and to meet them, because we know some American gentlemen were participating in the meeting of the Strassburg Revolutionary Council, and naturally many French authorities were there.

Mr. MORRIS. Was there any one witness that you can think of, particularly someone who actually worked side by side with this man, who was on the side of the free world, naturally, whom the subcommittee could call to get specific and concrete details of this man's activities?

Monsignor VARGA. One Hungarian who is certainly the martyr and the hero of the whole Hungarian nation, tortured by Nazis and imprisoned by the Communists, and the very good organizer against communism, the name is Ferenc Vidovics, in Vienna, V-i-d-o-v-i-c-s.

Mr. MORRIS. And his first name?

Monsignor VARGA. Ferenc.

Mr. MORRIS. F-e-r-e-n-c?

Monsignor VARGA. Yes.

Mr. MORRIS. And you say he can tell us in great detail about this particular man?

Monsignor VARGA. He knows everything, and he was poisoned even by this man, and with the help of this man, by the Hungarian secret police in Vienna. He was very sick in the hospital, and he, the doctors can prove that he was poisoned, and he was very near to death. And this man forged against him.

He is without question, for every Hungarian, the greatest hero. I honor him as the greatest and purest man of this age, of Hungary, after the First World War, and even during the Nazi regime, and he forged documents—or I don't know.

Mr. MORRIS. Who forged the documents?

Monsignor VARGA. He was not able to come to America.

Mr. MORRIS. Who forged the documents?

Monsignor VARGA. This Szabo.

Mr. MORRIS. Szabo forged documents against Vidovics?

Monsignor VARGA. Vidovics can testify how this Szabo did persecute him, and the Hungarian police connected with some other organizations, perhaps some American men, who helped this Szabo to persecute Vidovics and not to permit him to come to America.

Senator JOHNSTON. So you think it would be advisable to probably have him as a witness?

Monsignor VARGA. Yes, I am sure, Senator Johnston, that he is the key witness, and he is the head witness in the whole tragic Hungarian case.

Senator JOHNSTON. I will request, then, that the subcommittee subpoena him and have him here to testify.

Mr. MORRIS. Yes, sir.

Senator JOHNSTON. Yes.

Mr. MORRIS. I will be in touch on that with the Attorney General today.

Could you tell us, Monsignor Varga, about more details? I want to say what the subcommittee is mostly interested in, if you could tell us—

Monsignor VARGA. It is, you know, the very big material, the whole thing, this man, about the activity of this man, and how the Hungarian refugees everywhere and how even the European, the governments, are shocked by this man.

I got from Vienna two letters, two copies of these letters of this man. He wrote these letters to his friend or perhaps to some other man, and these letters prove now every much that this man began to work against Hungary and against the freedom of the free world, and how did he begin to operate against, with Communists, against the democracies.

It is a very interesting letter. I am sorry it is in Hungarian language. I will translate, and I will send it to the subcommittee, and you can read how he will give some names and how did he begin to work against the free world, telling why did I escape, why did I leave, why did I go back to Hungary? Because I would like to work for freedom. This Russian peace propaganda.

Immediately in this letter of his, which is—

Mr. MORRIS. This is a letter, Monsignor—

Monsignor VARGA. This is a goodbye letter of Szabo to Mr. Paraczký in Vienna, P-a-r-a-c-z-k-y.

Mr. MORRIS. What is his first name?

Monsignor VARGA. Stephen Paraczký.

Mr. MORRIS. So Szabo wrote to Paraczký on what date?

Monsignor VARGA. He wrote this letter, and it is a very interesting letter to study even the Communist propaganda and to study Communist infiltration.

This letter is a document, how he began to work. When he left the free world, he began to work immediately, according to his goodbye letter, among the Hungarian refugees, attacking—as I told in my statement, how important it is to keep the hope of our people in Hungary. And if the refugees, for instance myself, I will lose the hope and I will lose my courage to fight against communism, our people in Hungary will lose the hope and courage and they will sicken to apathy; and the Communists, it will be very easy work for the Communists, for the Russians to liquidate everything in Hungary and the other countries behind the Iron Curtain.

And this letter is a very important fact in this work, because he wrote that the refugees are just working for money of America, and as a witness, you know, he will tell to everybody in Hungary, and this letter will be read in copies by many Hungarians, and I am sure that the Communists will propagate this letter.

Because it was written, this letter, I am perfectly sure, it was written, not by Miklos Szabo, but it was written by the Hungarian secret police, because it is an example of how can you infiltrate to people, and how can you destroy the hope and the strength of the resistance of the spirit and of the heart.

And now, he began immediately in this letter the Russian peace propaganda, "I will work for the peace." Peace, peace, always it is

the Russians, and he began it, the third one, he began to preach very much Czechoslovakia.

As you know, Senator Johnston, the Hungarians are very deeply connected with the Polish people. The Poles influence the Hungarians, and the Hungarians were inspired in the revolution—the Hungarian revolution began in Poland, but it was stopped.

The Hungarians took over the revolution, and they continued the revolution, and they are old friends, for years, old friends, loving each other, these two people.

Now, it is to the interest of the Russians to destroy in the Hungarian people the friendship for the Poles. And, now, I don't want to hurt any in Czechoslovakia, because it is, I know, many and mostly and a very high percentage of Czechoslovakia is anti-Communist. But the Czechoslovak Communist Party, as we know, in the Government is a Stalinist government. And this man, for Hungarians to the Hungarians, began immediately to praise that we have to follow, not Poland, we have to follow not even the other countries, but we have to follow as our example Czechoslovakia.

These three documents are in this letter, and the Communist police, the Communist infiltration, Russian infiltration, naturally began to work immediately by this goodbye letter of this Miklos Szabo, of this traitor.

Mr. MORRIS. Monsignor, will you give us a translation of those letters?

Monsignor VARGA. I will send a copy of this, and I will translate it.

Mr. MORRIS. A translation of it.

Monsignor VARGA. Translation.

Mr. MORRIS. And, Senator Johnston, may that go into the record when received from Monsignor Varga, at this place in the record?

Senator JOHNSTON. When we receive that translation, that will become a part of the record at this place.

Monsignor VARGA. Thank you.

(The document referred to had not been received at the time this publication was sent to the printers.)

Mr. MORRIS. Is there anything else, Monsignor Varga, you can tell us?

Monsignor VARGA. Now, everybody knew that this man had a car in Vienna. To have a car in Europe, not as here in America—to have a car here in America it means it is necessary for work, but in Europe the car is some luxury, and this man had a car, and he proves in the other letter that he was very poor, and he discussed himself always as a poor man. "I don't have clothes, I don't have money," and he is complaining in this letter, the other letter to some man, Sandor Kiss, who is general secretary of this revolutionary council in New York, and he complains that, "I was very poor," and telling that "I left because nobody helped me."

And the other letter may I translate, and I will send this letter, too, because it is his letter, the letter of this Szabo.

Senator JOHNSTON. Yes.

Mr. MORRIS. Where did this man get his money, do you know? He did have money, you say.

Monsignor VARGA. He had to have money, because it is sure, it is proved, and everybody knew, it is just public opinion, that he was the man who gave the money to many people who went to Strassburg to organize the Strassburg Council in this year, January and February, and who were traveling, they got money always from this man.

And this man had a car, and he got money from the Strassburg Council, too. He was paid as the representative of this revolutionary council, as it is proved in this letter which was sent to Sandor Kiss.

He got money, and it is proved how much money he got from New York, from this Strassburg Revolutionary Council. And as I heard, you know, he was a very careful—even poor Vidovics, who is a very honest man, wrote me a letter that—

He asked me and he even helped me, he has helped me because I don't have money. It is a very great suspicion.

I worked in the Polish underground, helping the Polish underground during the war, and I knew that the Russians sent always spies to Poland and Hungary, just very poor men. It was a Russian custom. And I feel, it is just a feeling, that he proved always that, "I am very poor, I am very poor, I am very poor," repeating always, and everybody knew he had money. It was that he was a spy, a well educated spy, who disguised and who covered the real thing that he had money, because he was able to help many refugees, as we know, and he helped to organize the revolutionary council in Strassburg.

Senator JOHNSTON. Did he have any job or any source of income that you knew about?

Monsignor VARGA. No. Only, which I knew, he was the head of this mentioned committee in Vienna for the help of the refugees, and he was, as in this letter it is clear, he was an employee of the Strassburg Revolutionary Council as representative, and he got \$150 for a month in Vienna from this revolutionary council in New York.

I know just these two. But in Vienna when I was in Vienna, I heard many things which made the impression, the well-based impression, that he had money from other sources, as I heard, and I am sure that other witnesses will tell that he got money from other sources, too.

I know some sources, but I could not prove them.

Mr. MORRIS. Anything else, Monsignor, you can tell us about this case?

Senator JOHNSTON. You say you know of other sources but you cannot prove them. What do you mean by that?

Monsignor VARGA. I heard, I got a letter from Vidovics—

Senator JOHNSTON. We want to know what you heard, too, so maybe we can connect it up somewhere else.

Monsignor VARGA. I got a letter, for instance, from Vidovics, and in this letter Vidovics wrote me that he got money from a gentleman in Vienna; and if Vidovics will be here, he will tell all of the stories, as an eye witness, and about the whole material in Vienna.

Mr. MORRIS. I do not understand that, Monsignor. He got money from whom? Vidovics said he got money from whom?

Monsignor VARGA. I have a letter from Vidovics, Mr. Vidovics, yesterday, and he wrote that he cheated Vidovics even, and he cheated another man, and the name is Mr. Faust, F-a-u-s-t, and Vidovics

knows about that, as he wrote me in the letter. He can testify to all of these things, you know.

Mr. MORRIS. Does it mean he was getting money from Communist sources; is that the effect of it?

Monsignor VARGA. I am sure, in the last time, you know, I am perfectly sure that he was a traitor, and as a traitor he got money from the Russians and from the Communists. It is not a question. He had money, and he worked with the Russian and Hungarian Communist money, because he is a traitor. And even if he was planted later among the Hungarian refugees, in this case, too, he was planted not just in the last day, he was planted months and months before.

Mr. MORRIS. But it is your testimony, Doctor, if we call Mr. Vidovics and other witnesses, we will learn precisely the source of the money?

Monsignor VARGA. Yes; I am sure you will hear about the sources, financial sources, of this man.

Mr. MORRIS. Is there anything else, Monsignor?

Monsignor VARGA. Senator Johnston, may I tell that in, some months ago, in the redefection campaign, your committee saved the Hungarian, the honesty of the Hungarian refugees, and we Hungarians are very grateful to this committee that in this time the subcommittee, your subcommittee, saved our honesty and saved our work together with the Americans, and I am very grateful in the name of all Hungarians, in Hungary at home and in the world abroad of the country, that you now, I am sure, you will save again our good name, because we have just one purpose: To work with America for the freedom of the world.

Thank you very much.

Senator JOHNSON. Thank you.

Mr. MORRIS. Thank you.

Senator, I have one more witness available here today, and that is Mr. Szeredas. I don't think it will take very long.

Senator JOHNSTON. Will you raise your right hand and be sworn?

Do you swear the evidence you will give before this committee to be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SZEREDAS. Yes.

Mr. MORRIS. You do not speak English, do you?

Mr. SZEREDAS. I do not.

Mr. MORRIS. I notice among the spectators, Dr. Kerekes, the distinguished professor from Georgetown University.

Dr. Kerekes, will you help us in this particular situation? We have a witness here who cannot speak English.

Dr. KEREKES. Yes, sir.

Mr. MORRIS. You wouldn't mind taking the interpreter's oath, Doctor?

Senator JOHNSON. Doctor, you swear to this committee that you will interpret, to the best of your ability, whatever the witness testifies on this stand?

Dr. KEREKES. I do.

Mr. MORRIS. Will you give your name and address to the reporter?

Dr. KEREKES. Tibor Kerekes, 3715 Reservoir Road, Washington, D. C.

Mr. MORRIS. And you are a professor at Georgetown University?  
Dr. KEREKES. Georgetown University, yes.

TESTIMONY OF EUGENE SZEREDAS, THROUGH AN INTERPRETER,  
DR. TIBOR KEREKES

Mr. MORRIS. Mr. Szeredas, what is your full name?

Mr. SZEREDAS (in English). Eugene.

Mr. MORRIS. Eugene Szeredas?

Mr. SZEREDAS (in English). Yes.

Mr. MORRIS. That is spelled S-z-e-r-e-d-a-s?

Mr. SZEREDAS (in English). Yes.

Mr. MORRIS. You were one of the Freedom Fighters?

Mr. SZEREDAS (in English). Yes; and vice president of the Hungarian Revolutionary National Council.

Mr. MORRIS. And you are vice president of the Hungarian Revolutionary Council?

Mr. SZEREDAS (in English). Yes.

Mr. MORRIS. And when did you come to the United States?

Mr. SZEREDAS (in English). December.

(The following answers of Mr. Szeredas were given through the interpreter:)

Mr. SZEREDAS. December 28, 1956.

Mr. MORRIS. Will you tell us generally what the Hungarian Revolutionary Council was or is?

Mr. SZEREDAS. It started at the height of the revolution back between October 23 and November 4. It was led by a man by the name of Dudas, D-u-d-a-s, Joseph, who, as I said before, was its leader or head, who since stood trial and he was hanged by the Kadar regime.

Mr. MORRIS. The Hungarians hanged the leader of the council, Dudas?

Mr. SZEREDAS (in English). Yes.

Mr. MORRIS. And you were its vice president?

Mr. SZEREDAS (in English). Yes.

Mr. MORRIS. In connection with—did you ever know Szabo in Hungary itself?

Mr. SZEREDAS (in English). No. In Hungary; no. In Vienna.

Mr. MORRIS. You knew him in Vienna?

Mr. SZEREDAS (in English). Yes.

Mr. MORRIS. All right.

Now tell us what you know about Szabo.

(The following answers of Mr. Szeredas were given through the interpreter:)

Mr. SZEREDAS. I met him in Vienna in the so-called Rothschild Hospital where I was staying myself, and Szabo came to that hospital, invited me to meet with him in a coffeehouse in order to give him information upon settling the Hungarian Revolutionary Committee.

Mr. MORRIS. In order to take from you, Szabo wanted to receive from you—

Mr. SZEREDAS. Yes; asking me for information concerning the activities of this committee.

In the company of Szabo there was a photographer and two newspaper people who participated in the revolution itself, but from Vienna have returned to Budapest while the revolution was still on.



Mr. MORRIS. In other words, see if I understand this: With Szabo at that time when you met him in the coffeehouse were two newspapermen and a photographer who have since returned back to Budapest?

Mr. SZEREDAS (in English). No, sir.

(The following answers of Mr. Szeredas were given through the interpreter:)

Mr. SZEREDAS. I just wanted to present a side picture concerning the activities of Szabo.

The story is as follows: After the first meeting, I had 2 more or 2 additional meetings with Mr. Szabo in the company of the reporters and of the photographer. I learned that after the meeting with him, these people, the photographer, the reporters, and Szabo, went to the Hungarian Legation in Vienna, and I learned also then later that the photographer and the newspaper reporters returned to Hungary.

Mr. MORRIS. What kind of information did they extract from you at that time?

Mr. SZEREDAS. I am sorry that I believed in Szabo's honesty, and consequently I divulged my own participation in that revolution, as well as the participation of Dudas and all my close associates who were active in the revolution itself.

Mr. MORRIS. Was that prior to the execution of Dudas?

Mr. SZEREDAS. I believe that at least part of the information which I have given Szabo was used in the trial of Dudas, against Dudas.

Mr. MORRIS. In other words, this meeting with Szabo and yourself was prior to the execution of Dudas?

Mr. SZEREDAS. Yes.

Mr. MORRIS. What kind of questions were they asking you, Mr. Szeredas?

Mr. SZEREDAS. First he wanted to get from me the information concerning the names and addresses of those who participated in the revolution but remained in Hungary. The explanation for his question was that he would like to aid those people in their escape to the, respectively, to Austria, so that was the first question asked by Szabo of me.

Senator JOHNSTON. Did you find that any of the names that you gave to him, that he did aid them in the future or after that?

Mr. MORRIS. Did he aid any of these people?

Senator JOHNSTON. Did he aid any of them?

Mr. SZEREDAS. Actually, no people were helped by him immediately. He explained to me that the aid and help for these people will come later, but he suggested to me that I should move out of the Rothschild Hospital where I was staying, and that Szabo would give me money to establish for myself regular private apartment, and asking that I should then collect all the data concerning the revolution and prepare, so to speak, a report on the revolution, with facts, because Szabo told me that he intends to write a story or a history of the revolution.

So, in other words, he offered me money, offered me an apartment, if I will give him the facts and data of the revolution in writing.

Mr. MORRIS. Did you give him names, Mr. Szeredas, of people who helped?

Mr. SZEREDAS. At my second conversation with Mr. Szabo, I received from him the name and address of another Hungarian refugee who

had nothing to do with the revolt itself. He was an escapee or refugee of the previous period, by the name of Dessilo, D-e-s-s-i-l-o, first name Darroczy, D-a-r-r-o-c-z-y.

I went there to Darroczy Dessilo, who in turn made it possible for me to receive an apartment in a pension, in kind of a roominghouse, on Dorothy Street in Vienna, and in that apartment I was furnished with a typewriter, and the request was that I should now produce the data on the revolution.

Mr. MORRIS. Did you do that?

Mr. SZEREDAS. I started to work, but during one of my walks I observed that Szabo and those two reporters to whom I previously referred, went into the Hungarian Legation, so I became suspicious and stopped the continuation of the work or the writing.

I was then waiting there in front of the Hungarian Legation as much as I observed that blue Russian automobile, which I had seen previously in use by Szabo, and waited and saw that Szabo came out from the Legation with these two reporters, and they went into the automobile and drove off.

And in consequence, or from that spot, I immediately went to that Mr. Darroczy—Dessilo Darroczy—who secured for me the new apartment, and asked him how come that Szabo uses a Communist automobile and that he goes back and forth in the Hungarian Legation.

Darroczy's answer to me to this question, "How come that Szabo goes back and forth in the Hungarian Legation?" was that according to his knowledge; namely, to Darroczy's knowledge, there are still revolutionary representatives in the Hungarian Legation who had not been removed from there yet, and consequently he establishes his friendly revolutionary relationships with those people.

Mr. MORRIS. If that were the case, he would be exposing them, would he not, by driving up in his own automobile and walking into the Legation? If that were the case, he would be exposing his contact; would he not?

Mr. SZEREDAS. During the revolution, several automobiles were brought out from Hungary, and this blue automobile which was used by Szabo was one of those. In consequence, that did not arouse any sort of particular suspicion, because it was one of the several automobiles which were brought out from the revolution. But after, about the end of November or the second part of November, that automobile went back to Hungary, and was not seen any more in Vienna.

Mr. MORRIS. Do you know where this man is now who gave you the typewriter and the apartment in which to supply names to Szabo?

Mr. SZEREDAS. According to my knowledge, he is in Vienna.

As soon as this incident happened; namely, that I confronted Darroczy with a question, I was told that I should clear out from my apartment, that they did not pay it any more. In fact, they withdrew from me my meal tickets which I had received from them, and also they took away the typewriter.

Mr. MORRIS. They took away your meal tickets and typewriter?

Mr. SZEREDAS. Meal tickets, typewriter, and discontinued the paying for the apartment or the room.

Mr. MORRIS. Is there anything else, Mr. Szeredas, you can tell us about this man?

Mr. SZEREDAS. I had, at the time of the third meeting, general conversation with Szabo, and at the time I informed Szabo that I had my permit to leave for the United States. And then Szabo told me that if I wish to establish myself in the United States, the person whom I should see and to whom I should present myself and who is going to aid me is Ferenc, F-e-r-e-n-c, Nagy, N-a-g-y.

Because of this incident itself, and because I had my suspicions aroused, when I arrived at the United States I failed, however, to present myself to Ferenc Nagy, and I have not met with him.

Otherwise, I know nothing about the activities of Szabo.

Senator JOHNSTON. Any other questions?

Mr. MORRIS. Is there anything else you can tell us about this, Mr. Szeredas?

Mr. SZEREDAS (in English). No.

Senator JOHNSTON. We certainly appreciate your coming here today and giving us this information.

I think it shows one thing that certainly appears to us here: that they have been, and they are carrying out the Communist movement, there are certain cruel acts of espionage among the Hungarian escapees when you see what has taken place and what takes place when someone comes into your own ranks and tries to tell you falsely what they are doing, and I think we have got to watch that very closely.

Mr. MORRIS. Senator, I submit it represents probably a great tragedy for many Hungarians back in Budapest. The cruelty of the thing is apparent.

Senator JOHNSTON. That is apparent.

I think the testimony has proven to me in particular, and I happen to be the only member of the committee here, and I think the attorneys who are here on this subcommittee will also agree, that this matter should be looked into further, and we hope to continue the hearings in the very near future.

Mr. MORRIS. Thank you, Senator.

(Whereupon, at 3:30 p. m., the subcommittee recessed, subject to call.)



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**SCOPE OF SOVIET ACTIVITY IN THE UNITED STATES**  
**(Anonymous Foreign Capital)**

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**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-FIFTH CONGRESS**

**FIRST SESSION**

**ON**

**SCOPE OF SOVIET ACTIVITY IN THE**  
**UNITED STATES**

—————  
**OCTOBER 1, 1957**  
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**PART 84**  
—————

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SUBCOMMITTEE TO INVESTIGATE THE ADMINISTRATION OF THE INTERNAL SECURITY  
ACT AND OTHER INTERNAL SECURITY LAWS

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J. G. SOURWINE, *Associate Counsel*  
BENJAMIN MANDEL, *Director of Research*

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# SCOPE OF SOVIET ACTIVITY IN THE UNITED STATES

TUESDAY, OCTOBER 1, 1957

UNITED STATES SENATE,  
SUBCOMMITTEE TO INVESTIGATE THE  
ADMINISTRATION OF THE INTERNAL SECURITY ACT  
AND OTHER INTERNAL SECURITY LAWS  
OF THE COMMITTEE ON THE JUDICIARY,  
*New York, N. Y.*

The subcommittee met, pursuant to call, at 10:40 a. m., in room 36, United States Courthouse, Foley Square, New York City, Senator Olin D. Johnston (South Carolina) presiding.

Also present: Robert Morris, chief counsel; Benjamin Mandel, investigator; Roy Garcia, consultant.

Senator JOHNSTON. I call to order the subcommittee known as the Internal Security Subcommittee of the Judiciary Committee of the Senate. We will now proceed.

This meeting is, of course, to look into the matter of millions and billions of dollars coming into the United States through Switzerland. We do not say that these funds are coming from Russia or are tainted with Russian activities, but we want to look into the matter to protect our American interests and our security in America and be sure that that is not taking place. Our attorney, Mr. Robert Morris, will now take over.

Mr. MORRIS. Senator Johnston, the first witness appearing in public session this morning will be the attorney general of the State of New York, the Honorable Louis J. Lefkowitz. Mr. Lefkowitz has gone into some aspects of the particular matter that you have set forth, and is prepared to testify in a limited way today in connection with our present inquiry, Senator.

Senator JOHNSTON. We understand that, and we want to be careful what we do here because we do not want to do anything that might jeopardize at any time then any matters that might be pending in the court.

You may proceed.

Mr. MORRIS. Will you stand to be sworn, Mr. Lefkowitz?

Senator JOHNSTON. Do you swear that the evidence you give before this Subcommittee of the Judiciary Committee of the Senate will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. LEFKOWITZ. I do.

Mr. MORRIS. Formally, will you give your name and address to the reporter, General Lefkowitz.

**TESTIMONY OF LOUIS J. LEFKOWITZ, ATTORNEY GENERAL,  
STATE OF NEW YORK**

Mr. LEFKOWITZ. Louis J. Lefkowitz, 390 Western Avenue, New York, N. Y.

Mr. MORRIS. And you are the attorney general of the State of New York, are you not?

Mr. LEFKOWITZ. I am, sir.

Mr. MORRIS. I believe, General Lefkowitz, that we have reviewed in staff sessions with you the general nature of the inquiry that the subcommittee is undertaking.

Mr. LEFKOWITZ. You have, with my staff.

Mr. MORRIS. And what we are trying to do is to determine whether or not the existing situation is such that it could possibly warrant new legislation in the forthcoming session of the United States Senate. Now, could you tell us General Lefkowitz, the nature of the proceeding commenced by the attorney general's office regarding certain Swiss banks in Geneva?

Mr. LEFKOWITZ. On April 23 of this year, my office proceeded in the supreme court, New York County, under the State securities frauds law, which we commonly refer to as the Martin Act. We obtained a court order requiring two Swiss firms to appear in court on June 14, 1957, and produce their records concerning the transactions mentioned in the attorney general's affidavit.

Mr. MORRIS. What are the Swiss banks specifically charged with?

Mr. LEFKOWITZ. The affidavit submitted by my office in court relates that the chief subject of the order of inquiry was a Swiss firm located in Geneva; namely, the S. A. DePlacements Mobiliers.

Mr. MORRIS. May I spell that for the stenographic reporter? Is that S. A. D-e-P-l-a-c-e-m-e-n-t-s M-o-b-i-l-i-e-r-s?

Mr. LEFKOWITZ. That's correct. Which, in international circles, is usually referred to as "Placemobile." We set forth in our papers that this firm was directly implicated in fraudulent practices which caused the investing public the loss of many millions of dollars by the purchase of Green Bay Mining & Exploration, Ltd., securities, an Edmonton, Alberta, corporation.

Senator JOHNSTON. Where is that located?

Mr. LEFKOWITZ. In Canada.

Senator JOHNSTON. Proceed.

Mr. LEFKOWITZ. Moreover, our affidavits set forth that this Placemobile firm was operated, at least to the extent of 50 percent, for persons residing behind the Iron Curtain. The affidavit also stated that another Swiss bank named in the court papers held this 50 percent of the securities of Placemobile. Subsequent to these court papers having been filed, representatives of my office examined a principal officer of the second Swiss bank under oath in Montreal, Canada. According to that official's testimony, this 50 percent of the stock of Placemobile was held by the Swiss bank of Ferrier Lullin et Cie.

Mr. MORRIS. Will you spell that?

Mr. LEFKOWITZ. F-e-r-r-i-e-r L-u-l-l-i-n e-t C-i-e. In a numbered account, being No. 3490. This numbered account was opened for Charles Robert Stahl, a person who has been permanently barred from the securities business in this State on his consent. Mr. Stahl thus

held, in his own name, under a numbered account at Ferrier Lullin et Cie., 50 percent of the shares of Placemobile.

Mr. MORRIS. Have you been able to ascertain what Placemobile did with the moneys it obtained from the sale of the Canabuild units?

Mr. LEFKOWITZ. Well, we have definite proof, in the form of affidavits, that persons in New York State bought securities from that Swiss bank or its agencies. If you want me to specifically answer your question, I don't think we are in a position to answer that, Mr. Morris.

Mr. MORRIS. Did DePlacements Mobiliers actually sell securities to persons in New York?

Mr. LEFKOWITZ. They did. We have definite proof, as I said a moment ago, in the form of affidavits, that persons in New York State bought securities from that Swiss bank or its agencies. It should also be pointed out at this time that Canabuild, Ltd., an Edmonton, Canada, fund, sold units throughout the world, including New York, through the utilization of Placemobile as the issuer and chief distributor of such units. We have received correspondence subsequent to the publicity attending our court proceeding from persons in other States who purchased the shares of Canabuild. The prospectus of Canabuild makes it clear that the Swiss bank is issuing and offering the units. Though Placemobile acted as a dealer in securities in New York State, and apparently in other States also, that bank never qualified as a dealer in securities in New York State or, to our knowledge, elsewhere in this country.

Mr. MORRIS, in answer to your question, did we ever find what Placemobile did with the moneys it obtained from the sale of the Canabuild units, we have never ascertained that information.

Mr. MORRIS. Is there an inquiry underway to so ascertain?

Mr. LEFKOWITZ. There is an inquiry in that regard as well as other places, but we haven't been able to reach the tangible evidence as to just what was done with the moneys.

Mr. MORRIS. How were investments made by the Canabuild, Ltd., fund?

Mr. LEFKOWITZ. Investments were made in leading Canadian, American, British, and Dutch corporations in such a manner that, within a short 2-year period, almost \$2 million worth of securities of major corporations were purchased by the fund with moneys obtained from the sale of its units.

Mr. MORRIS. What was the technique used by the interest behind the Iron Curtain? And this is something that we are particularly interested in, General Lefkowitz.

Mr. LEFKOWITZ. I will give you the benefit of whatever our investigation shows and what we have already recorded in papers. In answer to your specific question, we ascertained that, in the year 1955, on the official records of Placemobile in Switzerland, it was indicated that Placemobile was owned to the extent of 50 percent in the form of bearer shares held and voted by Ferrier Lullin et Cie., a bank with an international reputation.

By the device of Stahl, whose name I mentioned before, placing this 50 percent interest, representing 500 shares of stock, in a numbered account at a leading Swiss bank, there was disguised from the world the true ownership of Placemobile. This 50 percent interest

which Stahl controlled in a numbered account with Ferrier Lullin et Cie. represented ownership in Placemobile by persons residing behind the Iron Curtain. On several occasions prior to instituting the action which I have described before, members of my staff asked Stahl's attorneys for details concerning the stock ownership. The only answer forthcoming was that the stock was owned by persons behind the Iron Curtain whose names could not be divulged.

Mr. MORRIS. So that it will be clear to the subcommittee, General Lefkowitz, may I just linger on that for a short time? The 500 shares of stock was held in a numbered account?

Mr. LEFKOWITZ. That is correct.

Mr. MORRIS. Were those 500 shares owned by Ferrier Lullin et Cie.?

Mr. LEFKOWITZ. This numbered account was in the bank whose name I mentioned, no name in the account, just a numbered account.

Mr. MORRIS. That is a numbered account. On a numbered account you cannot possibly obtain the identity of the people?

Mr. LEFKOWITZ. No; but we understand that the bank itself voted the shares of stock at stockholders' meetings on one occasion.

Mr. MORRIS. What bank so voted?

Mr. LEFKOWITZ. Ferrier Lullin et Cie., and that is a Swiss bank with a large international reputation. In fairness, this bank disclosed to us that they believed, when they so voted the stock, they were acting on behalf of and for Stahl, whose name I mentioned.

Mr. MORRIS. And actually they were acting on behalf of persons the identity of whom they could not ascertain?

Mr. LEFKOWITZ. I think they insisted that they believed they were acting for Stahl. That is a fair statement. That is their statement. I have no reason otherwise to indicate anything else except the statement they made to our office.

Mr. MORRIS. Senator, that is an example, type of an example that we have been looking for in connection with this present inquiry. Here you have the almost classic device of people who belong behind the Iron Curtain using one of these numbered accounts in order to establish an anonymous position so they can effectively penetrate the economy of another government.

Senator JOHNSTON. You are running into the same thing that the committee has run into on several occasions because of the Swiss banks using numbers instead of names. Under their law, when we go to try to find out whose money it is that has been deposited to that numbered account, they will not tell us and according to the Swiss laws they cannot do so, they say. I think you found that to be true.

Mr. LEFKOWITZ. We have found that out.

Mr. MORRIS. General Lefkowitz, how did these acts by the Swiss bank constitute fraud on the State of New York public, if that is the case?

Mr. LEFKOWITZ. Placemobile was charged with conspiring to commit fraudulent practices involving the distribution of Green Bay Mining & Exploration, Ltd., stock, which caused a great loss to American investors. In addition, it is our opinion that, by concealing from the American public that Green Bay had large deposits of money in a Swiss firm, Placemobile, which was being operated for the benefit of persons behind the Iron Curtain, Placemobile committed a fraudulent concealment in violation of our State law. It was our feeling that



even if these interests were innocent and not Communist-dominated, any interest behind the Iron Curtain is so subject to government control that Communist governments could easily deceive the persons acting in Switzerland for the benefit of the Iron Curtain residents into following false instructions.

I am sure that the peril of such a situation is obvious to anyone upon careful examination. Moreover, I wish to emphasize that Placemobile was trustee for the Canabuild, Ltd., fund, which fund was, for a few years, consistently purchasing rather large amounts of securities in American, Canadian, and Dutch firms.

While only a few New Yorkers purchased units in Canabuild, my office thought it important to examine thoroughly the officials of Placemobile to determine this aspect of their operation.

Mr. MORRIS. What is the present status of your action against Stahl and Placemobile?

Mr. LEFKOWITZ. On March 7, 1957, Charles Robert Stahl appeared at the American consul's office in Rio de Janeiro and consented to a judgment permanently barring him from the securities business in the State of New York. He did so at a time when there was outstanding against him an order requiring his presence for examination before the Supreme Court of New York County. Stahl never appeared before the supreme court to answer questions or explain his conduct, but chose to remain in Rio de Janeiro, where he was residing at the time. Subsequent to our charges against Placemobile, which included a charge that the bank was practically bankrupt, we received an official communication from the office of Des Faillites, that is a bankruptcy office of the Republic and Canton of Geneva, stating that, by a court judgment dated May 14, 1957, a Swiss court had adjudged Placemobile to be bankrupt and has placed its affairs in the hands of officially appointed administrators.

Subsequently we were in touch with these administrators and they have been cooperative in providing us with certain information concerning this firm. On August 5, 1957, the Supreme Court of New York County permanently barred S. A. DePlacements Mobiliers from ever again engaging in the securities business in New York State.

This judgment was consented to by the Swiss officials in charge of administering the affairs of Placemobile subsequent to its bankruptcy.

Mr. MORRIS. Have you been in consultation—

Mr. LEFKOWITZ. I just want to finish this.

Mr. MORRIS. Oh, I'm sorry.

Mr. LEFKOWITZ. The firm of Ferrier Lullin et Cie, as I previously stated, compiled with the purpose of the original court order by sending a representative for interrogation as to the affairs of that firm in connection with the 500 shares of Placemobile stock held by it for Charles Robert Stahl.

Mr. MORRIS. Have you been in consultation with Swiss authorities in connection with all of this?

Mr. LEFKOWITZ. Yes. My office has. During the course of our investigation, we have received cooperation of the Court of First Instance of Geneva and from the Attorney General of Geneva.

Mr. MORRIS. Who are the persons and what are the firms behind the Iron Curtain for whom Stahl made investments?

Mr. LEFKOWITZ. Our investigation thus far has not disclosed the identity of the persons behind the Iron Curtain. I will say, however, that the methods used to effectuate these investments disclose a chain of transfers of many thousands of dollars throughout the world to cover up I believe the true nature of the transactions.

Mr. MORRIS. Are the interests behind the Iron Curtain Communist interests?

Mr. LEFKOWITZ. I do not know.

Mr. MORRIS. There is a certain presumption through there that sets in, does it not?

Mr. LEFKOWITZ. I frankly can't even make such a statement that there is a presumption, but we do know they are in countries that are considered Iron Curtain countries, but I do not know whether in fact the persons involved are actually Communists.

Senator JOHNSTON. The only thing you do know, that it is coming from behind the Iron Curtain?

Mr. LEFKOWITZ. Yes.

Senator JOHNSTON. And you do know that behind the Iron Curtain, that those countries are controlled and dominated by Russia?

Mr. LEFKOWITZ. I think that is a fact about which none of us will quarrel, the last part of your statement, and I answer "yes" to the first part of your question.

Mr. MORRIS. General Lefkowitz, is this the first time that your office has moved against a business located in a foreign country?

Mr. LEFKOWITZ. No, it is quite customary for my office to seek injunctive relief in New York courts against securities firms operating fraudulently from other countries, principally Canada. We have recently commenced an action and in fact obtained an injunction against the firm of Stahl, Miles & Co., Ltd., of Edmonton, Alberta, which is also involved in our investigation.

Mr. MORRIS. What was the name of that company?

Mr. LEFKOWITZ. Stahl, Miles & Co., Ltd., of Edmonton, Alberta, which, of course, is in Canada.

Mr. MORRIS. And the Stahl of that firm is the Stahl about whom we have been speaking?

Mr. LEFKOWITZ. That is correct.

Mr. MORRIS. How large a staff do you have to police the securities business in the entire State of New York, General Lefkowitz?

Mr. LEFKOWITZ. There are eight attorneys on my staff, and several investigators and they are charged with this tremendous responsibility of policing the entire securities business in the State of New York. You can well understand how limited our operations must be for that purpose. However, I want to give praise to my office and I think they have been very effective and the men who are principally charged with that duty have been very effective in the several months that I have had the privilege and pleasure to occupy the office of attorney general in this State.

I might say that, during that period of time since January, we have obtained 145 injunctions permanently enjoining persons and firms from engaging in the securities business in this State.

Senator JOHNSTON. You would also say that, in the United States, New York is more or less the heartbeat of all financial interests which come out from New York?

Mr. LEFKOWITZ. Yes, it is the financial capital of the world and we have this tremendous population as well and I think every one will concede it is the financial capital, financial focus for the entire world.

Senator JOHNSTON. That's the reason you have to watch it so closely.

Mr. LEFKOWITZ. That's correct.

Mr. MORRIS. General Lefkowitz, on behalf of the subcommittee I would like to express our appreciation for the cooperation that you have been giving to the staff of the subcommittee during the past few months and we are apologetic for the fact that your appearance here has been twice postponed because of the press of Senate business in Washington.

Mr. LEFKOWITZ. That's all right, I appreciate you have had a very busy session and I was glad to comply with any adjournments you requested.

Senator JOHNSTON. Mr. Attorney General, I also want to add that we certainly appreciate you coming before us here this morning and giving us this information, and we also apologize for having been so rushed down there with not only these kinds of matters but various and sundry other matters that we had to postpone the time to come up here to meet with you, and we hope you will forgive us for the delay.

Mr. LEFKOWITZ. That is perfectly all right, and I am glad my office and myself were in a position to cooperate.

(Whereupon, at 11 a. m., the committee proceeded into executive session.)

Senator JOHNSTON. The committee will come to order.

Mr. MORRIS. Mr. DuVal, would you stand for the open hearing to be sworn, please?

Senator JOHNSTON. Raise your right hand. Do you swear the evidence that you give before this subcommittee of the Judiciary Committee to be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. DUVAL. I do.

Senator JOHNSTON. Just have a seat.

Mr. MORRIS. Senator, this morning, in connection with the testimony of Attorney General Lefkowitz, as you know, we took executive-session testimony as to specific instances of how anonymous sources, using the device of the Swiss trust, can make money in the United States markets, while the United States Government is not able to determine the identity of the beneficiaries of these particular transactions.

The witness, Mr. Pierre DuVal, I think, Senator, should be able to give us in the public record as he did in the executive record some insight into how this is done. Will you give your name and address to the reporter?

#### TESTIMONY OF PIERRE DUVAL

Mr. DUVAL. Pierre DuVal.

Mr. MORRIS. And where do you reside, Mr. DuVal?

Mr. DUVAL. In Forest Hills.

Mr. MORRIS. And what is your business or profession?

Mr. DUVAL. I am an investment counselor.

Mr. MORRIS. You are an investment counselor?

Mr. DUVAL. Yes.

Mr. MORRIS. I wonder if you would tell the committee the general nature of the work that you do as an investment counselor?

Mr. DUVAL. Well, part of it was publishing a stock-market letter and advising clients which securities to buy and sell.

Mr. MORRIS. And you have also been the editor and the publisher of a newsletter, DuVal's Consensus, have you not?

Mr. DUVAL. Yes.

Mr. MORRIS. Would you tell us when that newsletter was first established?

Mr. DUVAL. October 1947.

Mr. MORRIS. And were you the complete owner of that newsletter?

Mr. DUVAL. Yes.

Mr. MORRIS. And when did it discontinue its publication?

Mr. DUVAL. In the spring of 1957.

Mr. MORRIS. Did it go out of business then or did someone else take it over?

Mr. DUVAL. It was taken over by another firm.

Mr. MORRIS. And you have been the editor of that particular newsletter from 1947 to 1957?

Mr. DUVAL. Essentially, yes. I mean I had assistants but I headed the organization.

Mr. MORRIS. What is the circulation of that newsletter?

Mr. DUVAL. It varied from a few thousand to as many as in excess of 20,000.

Mr. MORRIS. And was it an influential publication, influential with respect to stock market transactions?

Mr. DUVAL. I would say as influential as most stock market letters.

Mr. MORRIS. And you, from time to time, in connection with that newsletter, did recommend that certain stocks be purchased?

Mr. DUVAL. Yes.

Mr. MORRIS. Have you been at the same time a representative of any Swiss trust?

Mr. DUVAL. Yes.

Mr. MORRIS. Will you tell us what Swiss trust or trusts you represented while you were editor of DuVal's Consensus?

Mr. DUVAL. Lavan Trust Co.

Mr. MORRIS. That is L-a-v-a-n?

Mr. DUVAL. That's correct.

Mr. MORRIS. What is the Lavan Trust?

Mr. DUVAL. I don't exactly know if I can answer that. I would describe it, I assume, as an investment trust, to the best of my knowledge.

Mr. MORRIS. And where is its principal place of business?

Mr. DUVAL. Zurich, Switzerland.

Mr. MORRIS. In Zurich, Switzerland?

Mr. DUVAL. Yes.

Mr. MORRIS. And what has been your connection with Lavan Trust?

Mr. DUVAL. I was hired by the president of Lavan Trust to give him investment counsel on American and Canadian securities.

Mr. MORRIS. You were retained by him at what rate, what rate of compensation?

Mr. DUVAL. I would rather not have it go in the record. I disclosed it to you in private session but I prefer not disclosing it for the public record. I mean if it will serve any purpose but I don't

think it will. Don't you know what I mean? That is sort of a private thing.

Senator JOHNSTON. Who is president of that trust?

Mr. DUVAL. Dr. Paul Hagenbach.

Mr. MORRIS. Would you tell us if you have any proprietary interest of any kind in that trust?

Mr. DUVAL. No, I do not.

Mr. MORRIS. And the only compensation you get from association with that trust is—

Mr. DUVAL. A flat fee from Dr. Hagenbach.

Mr. MORRIS. Is that fee which you are at this point reluctant to tell the committee in open session?

Mr. DUVAL. May I qualify it? I have already informed the committee privately of the amount. The Securities and Exchange Commission have a copy of my agreement with Dr. Hagenbach and they know of the amount, but I would prefer to keep it—I prefer to limit it there if it please the committee.

Senator JOHNSTON. You mean you have no money invested in that trust at all yourself?

Mr. DUVAL. No, I do not.

Mr. MORRIS. Have you also been associated with the Union Bank of Switzerland?

Mr. DUVAL. Indirectly, acting for Dr.—let's put it this way: indirectly, acting upon instructions of Dr. Hagenbach.

Mr. MORRIS. Will you tell us what you mean by that, Mr. DuVal?

Mr. DUVAL. I initiated purchases and sales of securities for the Union Bank.

Mr. MORRIS. And is the work you do in that connection related to the service you render to Lavan Trust?

Mr. DUVAL. To Dr. Hagenbach, I would say.

Mr. MORRIS. Dr. Hagenbach is head of the Lavan Trust?

Mr. DUVAL. That is correct.

Mr. MORRIS. Which pays you an annual retainer, sir?

Mr. DUVAL. No, Lavan does not pay me. Dr. Hagenbach pays me.

Mr. MORRIS. But you are therefore not the representative of the Lavan Trust?

Mr. DUVAL. Yes, I do have a limited power of attorney for Lavan Trust.

Mr. MORRIS. But that under the general overall fee that is paid you by Dr. Hagenbach?

Mr. DUVAL. Yes.

Mr. MORRIS. And, under that general retainer with Dr. Hagenbach, you also do work for the Union Bank of Switzerland?

Mr. DUVAL. I did for a period of time but no more.

Mr. MORRIS. In that connection, let us take a concrete case and we will go on from there, Mr. DuVal. Can you recall that on August 23, 1955, you opened an account with McDonnell & Co. for the Union Bank of Switzerland?

Mr. DUVAL. I would like to answer that this way. That I initiated the opening of an account for the Union Bank, but I assumed that the bank officially opened it themselves or at least confirmed the opening of it.

Mr. MORRIS. What is McDonnell & Co.?

Mr. DUVAL. It is a New York stock brokerage house.

Mr. MORRIS. And who owned the stock of that brokerage company at that time; do you know?

Mr. DUVAL. I don't know.

Mr. MORRIS. Early in September did you instruct McDonnell & Co. to buy in shares of Cuneo Press at the market price which was then approximately 95%?

Mr. DUVAL. Yes.

Mr. MORRIS. And do you know how many shares of stock were purchased at that time for the Union Bank of Switzerland by McDonnell & Co.?

Mr. DUVAL. I believe 4,000.

Mr. MORRIS. Had you made recommendations such as that before for the Union Bank of Switzerland and Lavan Trust?

Mr. DUVAL. Yes.

Mr. MORRIS. Shortly thereafter, in fact 1 or 2 days later, did you not recommend in DuVal's Consensus the acquisition of the stock of Cuneo Press?

Mr. DUVAL. I believe the recommendation was almost simultaneous. I don't recall the dates, but I think that the Union Bank purchase was made on a Friday and we had sent telegrams to our telegraphic subscribers on the same day and the bulletin was sent out the following Monday to the mail subscribers.

Mr. MORRIS. Your bulletin went out on the following Monday?

Mr. DUVAL. Yes.

Mr. MORRIS. That would be the 14th?

Mr. DUVAL. I don't remember the dates.

Mr. MORRIS. The 12th is a Monday; is that right? Friday is the 9th and Monday is the 12th?

Mr. DUVAL. That would be correct.

Mr. MORRIS. May I just go through, for your information, the volume on this particular stock during those days? September 6, with the stock selling at 9 $\frac{3}{8}$ , the volume was 900 shares. On September 7, the high for the day was 9, the volume was 400 shares. On September 8, the high was 9 $\frac{3}{8}$ , the volume 500 shares.

A relatively inactive stock. On September 9, the day that you instructed McDonnell & Co. to begin buying stock for the Union Bank of Switzerland, the stock went to 10 $\frac{7}{8}$  and the volume reached 6,300 shares. On the following Monday the stock—that is the day of your DuVal Consensus—was 11 $\frac{1}{4}$  at 7,300 shares.

September 13, the day after your letter came out, the volume went up to 30,000 shares. The stock was then selling at 12 $\frac{1}{2}$ . A day later it went to 87,900 shares, and the price was 14 $\frac{1}{2}$ , so, in other words, 2 days after your DuVal's Consensus came out, the stock had gone to 87,900, and the price had increased 5 $\frac{1}{4}$  points from September 7, which was almost double in value.

Meanwhile, while the stock was going up, were you selling stock for the Union Bank of Switzerland?

Mr. DUVAL. I believe, as I recall, that I instructed McDonnell to sell this stock when the adverse news broke on the ticker tape.

Mr. MORRIS. What was the adverse news?

Mr. DUVAL. When Cuneo Press, an official of Cuneo Press, challenged the earnings prediction published in my bulletin.

Mr. MORRIS. And they said that the true value of the company didn't warrant the strong recommendation that you had made in your newsletter, is that right?

Mr. DUVAL. Essentially words to that effect.

Mr. MORRIS. And did they further say they knew of no reason why the stock should go up except for the strong recommendation given to it by your newsletter?

Mr. DUVAL. I believe that they said words to that effect; yes.

Mr. MORRIS. You say you had the Union Bank of Switzerland sell its stock before or after that newsletter came out, before the announcement from the Cuneo Press came out?

Mr. DUVAL. Right after it came out.

Mr. MORRIS. It wasn't before?

Mr. DUVAL. No; I don't think so.

Mr. MORRIS. How much did the Union Bank of Switzerland make on that transaction?

Mr. DUVAL. I don't recall. I think that the sales were made somewhere around about \$12 or \$13 if my memory serves me correctly, so that they probably made an average of maybe \$3 a share after commissions and taxes.

Mr. MORRIS. Our information, Mr. DuVal, is that on September 15 when the stock was selling at 14½ and 42,000 shares were sold, that on that date you instructed McDonnell & Co. to sell 4,000 shares of the Union Bank of Switzerland stock. The announcement from Dow Jones tape carried the statement of the secretary of the Cuneo Press on September 16; was our information incorrect?

Mr. DUVAL. I don't know.

Mr. MORRIS. Can you verify that at this time, Mr. Garcia?

Mr. GARCIA. At this exact moment, no, but that information is correct.

Mr. MORRIS. It is readily verifiable. Senator, our staff examination indicates that the instruction to McDonnell from Mr. DuVal to sell the 4,000 shares was on September 15, and actually the Dow Jones tape carried the statement of the secretary of the Cuneo Press on September 16. Actually after the announcement was made, the stock went down 2½ points that day and shortly thereafter went right back to 9, its original figure, but meanwhile, Senator, the stock had gone up 5 points and quite a few people must have lost a great deal of money.

Can you tell us who in the Union Bank of Switzerland made the money that we have just brought forth on this transaction, Mr. DuVal?

Mr. DUVAL. We have no way of knowing.

Mr. MORRIS. You were the representative for that bank; were you not, Mr. DuVal?

Mr. DUVAL. Not for the bank. As I said before, I represented—

Mr. MORRIS. I'm sorry, Mr. Hagenbach.

Mr. DUVAL. Dr. Hagenbach.

Senator JOHNSTON. That being covered up like it is by numbers, and it going to the Swiss bank, when it came to paying the income tax they did not pay any on that to the United States, isn't that true?

Mr. DUVAL. I would not know.

Senator JOHNSTON. You would not know?

Mr. DUVAL. No.

Senator JOHNSTON. In other words, it is over there in Switzerland and it is covered up. You don't think they would return that for taxes when nobody knew who it was and certainly it coming from Switzerland you wouldn't think they would pay any income tax, would you?

Mr. DUVAL. Any foreign transactions in the United States that are taxable, taxes are usually withheld by the American agency, whether it be a bank or brokerage house remitting the money to a foreign entity, unless, of course—

Senator JOHNSTON. Not income tax.

Mr. DUVAL. I say unless legally they are exempt from taxation, and I believe that our income-tax laws are reciprocal in that respect with other governments. If the other government does not impose an income tax on capital gains, then our Government respects that law and also does not impose it.

Senator JOHNSTON. Now then, regarding these Americans that lost in this transaction; when they would go to pay their income tax, that would be deductible item for them, isn't that true?

Mr. DUVAL. That would be true.

Senator JOHNSTON. So the United States Government is catching it in both ways, losing the taxes on the profits and then having to drop down on the amount of taxes that it gets when they lose when some transaction like this takes place; isn't that true?

Mr. DUVAL. I would say "yes."

Mr. MORRIS. Mr. DuVal, have you represented, have you bought stock of any other corporation for the Union Bank of Switzerland, for Lavan and for Dr. Hagenbach in the same way as you purchased stock as you have described today in the Cuneo Press?

Mr. DUVAL. Yes.

Mr. MORRIS. Would you tell us what other stocks have you so purchased?

Mr. DUVAL. Amerada.

Mr. MORRIS. Would you spell that, please?

Mr. DUVAL. A-m-e-r-a-d-a Petroleum Corp., Caterpillar Tractor, Corning Glass, Halliburton Oil, Honolulu Oil, Minneapolis Honeywell, Minnesota Mining & Manufacturing, Parke-Davis, Sperry Rand, St. Regis, Westinghouse. That's about all that I can recall at the moment.

Mr. MORRIS. Great Sweetgrass?

Mr. DUVAL. No; not Great Sweetgrass.

Mr. MORRIS. Sapphire Petroleum?

Mr. DUVAL. No.

Mr. MORRIS. And at each time, at approximately the same time was there a recommendation in your DuVal's Consensus that the stock was a good stock to purchase?

Mr. DUVAL. No. All of these stocks we had included in our so-called growth stockletter. We felt that they are growth companies and had recommended them to our subscribers prior, well, some of them prior, some of them simultaneously as they were purchased, but we kept a supervised portfolio on those stocks with comments from time to time as news developed.

Mr. MORRIS. In other words, as you were purchasing these stocks, true in your representative capacity for these anonymous people rep-



resented by the Union Bank of Switzerland, you were at the same time plugging their stock in your DuVal's Consensus?

Mr. DUVAL. Yes.

Mr. MORRIS. Don't you think that the mere plugging of the stock in your DuVal's Consensus had the effect of driving the market up?

Mr. DUVAL. Not necessarily. Frequently when we recommended a stock, it would even go down and not up. Many factors entered into it.

Mr. MORRIS. In the case of the Cuneo Press stock, the combination of forces was almost irresistible. One, you are putting out a request to buy stock, to buy up stock the day before the recommendation.

In other words, an order of 4,000 shares of stock in a market that is currently five, six, seven, or eight hundred a day is going to make the stock scarce, is it not?

Mr. DUVAL. May I answer that in these words? I think there were several factors that were responsible for the action of that stock, and I would say that of all the stocks that we have recommended and bought or just recommended, that that was the only stock that acted in that fashion, and the reason for it as I can reconstruct in my mind now, and the figures there of volume seem to indicate, is there must have been two leaks, one, when we delivered the telegrams over to Western Union Friday, which was probably done either during the morning or about midday, before the stock market closed. Someone at Western Union obviously must have tipped somebody else off for that volume to jump up that much in that day, because our newsletter had not been released. Or perhaps someone in our organization, having seen the editorial content of the letter on Friday, because it is run on Friday partially and finished on Monday, could have tipped somebody off. The third factor is the cable coming from Switzerland to McDonnell for the Union Bank to purchase 4,000 shares.

I think that someone there must have tipped somebody off, and the fact that Union Bank was going to take such a heavy position in a slowly moving stock, combined with the fact that we were sending telegrams to all of our subscribers, thousands of telegrams to telegraphic subscribers recommending this stock.

Mr. MORRIS. May I just break in? On that day, September 9, which is the day we are talking about, the volume was 6,300 shares.

Mr. DUVAL. That is the first day it went up.

Mr. MORRIS. Now, there were 4,000 shares purchased by the Union Bank of Switzerland.

Mr. DUVAL. I don't know if all 4,000 were purchased on that day.

Mr. MORRIS. On that day 3,400 shares were bought by McDonnell & Co., care of the Union Bank and 1,700 were bought by two Canadian brokers.

Did you recommend to Canadian brokers that they buy that stock?

Mr. DUVAL. No, I did not. Excuse me—

Mr. MORRIS. One of them has indicated that he had been in touch with you before his purchase.

Mr. DUVAL. He may have been one of our telegraphic subscribers. If he was, then naturally we would have. I would have no way of knowing that.

Mr. MORRIS. So that accounts for virtually the whole margin certainly over the market of September 6th which was 900 shares?

Mr. DuVAL. That could, and the other big factor I believe in this situation is that the floating supply of that stock was very small. The capitalization, I think, was only a few hundred thousand shares.

Mr. MORRIS. But isn't there in the evil of the thing, Mr. DuVal, that here you have a stock that is in short supply. If an abnormal purchase, 3,400 shares by you or through you together with some shares by persons to whom you made recommendations to buy the stock, that will dry up all the stock. Now then, when your news letter came through on Monday, the whole thing just soared because there was a shortage of stock at the same time.

Mr. DuVAL. That is one of the contributing reasons that I discontinued that function for the Union Bank.

Senator JOHNSTON. Isn't that one of the main reasons why you advised them to buy this stock, knowing that at the time there was very small stock on the market and you had them buy this, knowing what effect it would have on the market, isn't that true?

Mr. DuVAL. No. The reason that I advised them—

Senator JOHNSTON. You knew that it would have that effect, did you not?

Mr. DuVAL. No.

Senator JOHNSTON. You certainly have that much—

Mr. DuVAL. No, I had no way of knowing. Now looking back in retrospect, I can see what the contributing factors were, because we had entered other orders and nothing like that happened.

Senator JOHNSTON. When you put this in your bulletin and sent it out to all your subscribers and also then advised them to make this large purchase and two of your main clients, both of them hopped in and bought, wouldn't that be enough to let you know that it would make the market hop up—

Mr. DuVAL. Not—

Senator JOHNSTON. When there are so few stocks on sale—

Mr. DuVAL. Not necessarily because—

Senator JOHNSTON (continuing). In the open market?

Mr. DuVAL (continuing). There was another instance I recall, in the case of Ultrasonic Corp. I believe that I also recommended that the bank purchase a large block, I think it was also about 3,000 or 4,000 shares, and we also recommended that stock quite highly at about the same time, and actually the stock went down in price, and that was also a stock in very short supply.

Senator JOHNSTON. What did you do in regard to that? Did you sell immediately? Didn't you sell immediately?

Mr. DuVAL. We held that for—

Senator JOHNSTON. For how long?

Mr. DuVAL. A while. I wouldn't remember. Possibly a matter of months maybe.

Mr. MORRIS. Mr. DuVal, in connection with our inquiry into these matters, would you have objection to signing a waiver authorizing the subcommittee to go into any accounts of yours that may be held anonymously in Switzerland? Do you have any objection to that?

Mr. DuVAL. No.

Mr. MORRIS. We have a waiver here, and with this waiver you know we can make inquiries that we couldn't if we didn't have your waiver.

Mr. DuVAL. You mean accounts of mine in Switzerland?

Mr. MORRIS. Yes.

Mr. DU VAL. Oh, yes, sure, definitely.

Senator JOHNSTON. Or any connection that you have with any trust funds?

Mr. DU VAL. Or any connections; yes.

Senator JOHNSTON. From what has been brought out here today, it is necessary for our committee, as I see it, to go further and deeper into this matter in order to protect the people of the United States and the taxpayers of the United States in regard to these matters, and also to protect the stockholders in the various corporations in the United States, and also I think it would be necessary probably for us to pass certain legislation that would protect us in this field and would further protect the citizens of the United States against the unfair use of the activities of the market in the United States with money from the foreign fields coming in competition with people here who have to pay taxes on any profits that they might make.

Mr. MORRIS. Senator, for today, the rest of the day, we have some executive session testimony which we can take immediately, and then with respect to tomorrow, we have the following problem to be scrutinized by the committee. Very often insurance companies as well as the Veterans' Administration are posed with a problem when money is due under an insurance policy under the contractual terms of an insurance policy, and the beneficiary is behind the Iron Curtain.

Now they have found, it has been their experience, that this money, if given to the representatives of the governments here in the United States who turn up with the power of attorney for the beneficiaries living behind the Iron Curtain, the money does not reach the beneficiaries. In fact the people have told us in executive session, the insurance companies have told us in executive session that the beneficiaries frequently plead with the insurance companies not to send them the money because they are going to get into trouble if it is sent to them.

Now, because of recent developments, the Government policy has been, with respect to Veterans' Administration payments and other payments on the part of Government agencies, to withhold payments to beneficiaries because there is a strong presumption that the money will not reach the beneficiaries if the beneficiary is in an Iron Curtain country.

There have been some interesting developments on that, Senator, and we have taken executive session testimony and information from representatives of some of the insurance companies, and they are prepared to testify tomorrow on this subject, Senator, if you will sit for that.

The insurance companies are the Equitable, the Prudential, the Metropolitan, and the Guardian Life, and then we have one insurance company in Boston, Senator, where a similar situation exists. That, Senator, is all the public business that I have prepared for this morning. We have two more witnesses to be heard in executive session.

Senator JOHNSTON. We will adjourn this open session and go into executive session.

(Whereupon, at 12:10 p. m., the hearing was adjourned, to reconvene at 9:45 a. m., Wednesday, October 2, 1957.)

The first of these was the discovery of gold in California in 1848. This led to a great influx of people to the West, and the discovery of gold in Colorado in 1859 led to a similar influx.

The second was the discovery of gold in Nevada in 1846. This led to a great influx of people to the West, and the discovery of gold in Colorado in 1859 led to a similar influx.

The third was the discovery of gold in California in 1848. This led to a great influx of people to the West, and the discovery of gold in Colorado in 1859 led to a similar influx.

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SCOPE OF SOVIET ACTIVITY IN THE UNITED STATES  
(Attempts To Seize Insurance Benefits)

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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-FIFTH CONGRESS

FIRST SESSION

ON

SCOPE OF SOVIET ACTIVITY IN THE  
UNITED STATES

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OCTOBER 2, 1957

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PART 85

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BENJAMIN MANDEL, *Director of Research*

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# SCOPE OF SOVIET ACTIVITY IN THE UNITED STATES

WEDNESDAY, OCTOBER 2, 1957

UNITED STATES SENATE,  
SUBCOMMITTEE TO INVESTIGATE THE  
ADMINISTRATION OF THE INTERNAL SECURITY ACT  
AND OTHER INTERNAL SECURITY LAWS, OF THE  
COMMITTEE ON THE JUDICIARY,  
*New York, N. Y.*

The subcommittee met, pursuant to call, at 10 a. m., in room 36, United States Court House, Foley Square, New York City, Senator Olin D. Johnston (South Carolina) presiding.

Also present: Robert Morris, chief counsel; Benjamin Mandel, director of research; and Roy Garcia, consultant.

Senator JOHNSTON. The committee will come to order.

I notice that one of our witnesses, Mr. A. L. Pomeran, sent a note in that he is sick and will be unable to attend. We will want to take note of that and probably have him in at a later date.

Mr. MORRIS. Very well, Senator.

Senator Johnston, the hearing this morning concerns itself with the situation that has from time to time posed a problem to the United States Government. Apparently some years ago the Soviet Union was able to attract money from the United States through beneficiaries of life insurance policies, from estates, and other devices.

I would like to offer in that connection a rather old article by D. H. Dubrowsky. The articles are dated in 1940, there are three of them, and they are entitled "How Stalin Steals Our Money." I would like this to go into the hearings as background for the session this morning, Senator.

Senator JOHNSTON. These articles shall become a part of the record and be used as background and as we see fit during the hearings.

(The articles referred to were marked "Exhibit No. 514" and read as follows:)

## EXHIBIT No. 514

[*Colliers* magazine, April 20, 1940]

### HOW STALIN STEALS OUR MONEY<sup>1</sup>

(By D. H. Dubrowsky as told to Denver Lindley)

For most of my life I have been a Bolshevik agent. I was born in Russia and began my revolutionary activities at the age of 15 when I joined the Social-Democratic Labor Party. Twice before I was 20 I had to flee to this country to escape the Czarist police.

<sup>1</sup>This is the story of gold for Moscow, told by the man who started it flowing. Dr. Dubrowsky was born in Russia, became a revolutionist in his youth. He was a friend of Lenin, Trotsky, and other Communist leaders. For 14 years he was head of the Soviet Red Cross in this country. He has handled hundreds of millions of dollars in cash and supplies intended by American citizens for the relief of suffering in Russia. Here he shows you how the Soviet Government continues to squeeze millions of dollars a year in American money out of our citizens.

Although I became an American citizen in 1916, I kept up my interest in Russian affairs. In 1921 I was appointed director of the Soviet Red Cross in this country, a post I held for 14 years.

I have known all the Soviet leaders—Lenin, Trotsky, Stalin, Kamenev, Zinoviev, Bukharin, Rykov, and many others. Today, if there were a Communist uprising in this country I would fight against it—with cobblestones against machineguns if necessary.

My break with the party came long before Stalin made friends with Hitler and invaded Finland. It came when I realized that Stalinism had become a gigantic racket, a systematic way of exploiting the very people the Russian revolution had been designed to help.

It amuses me today to hear or read about "Moscow gold," money supposedly flowing from the Kremlin into this country for the purpose of carrying out subversive plans. Once there was truth in this picture. I know, for I was one of the men who arranged for the transmission of money and jewels from Russia to New York. But today the stream flows the other way.

The rulers of the Kremlin have found a way of extending their powers of expropriation beyond the borders of the U. S. S. R. The amount of money they have succeeded in extracting from this country—from the American public and State and Federal Governments—runs into hundreds of millions of dollars.

This process is going on right now.

I shall show you how it works, for I was instrumental in devising its ways and means. My intention was to relieve the Russian famine; the Stalin government turned my system into a racket.

Let me begin with an actual case, one of the first indications I had of the direction Stalin's policy was taking.

As head of the Soviet Red Cross in this country, I had persuaded the United States Veterans Bureau that they could safely pay the sums due to Russian beneficiaries of American soldiers. This was in 1926. No payments had been made to citizens of the U. S. S. R. before that time principally because the Bureau feared the money would be confiscated. I, however, induced the Soviet Government to pass decrees exempting all money received by beneficiaries of American soldiers from confiscation and taxation. I was put in charge of adjudicating the cases, and the Bureau began to make payments.

Almost immediately there began to be signs that something was wrong. One of the first cases I investigated was that of Movsha-Khaim Goldstein.

Goldstein was a native of Gomel Province, in what is now the White Russia Soviet Socialist Republic. He lived in the town of Rechitsa and was a tailor by trade. Before the war his son emigrated to this country where he changed his name to Louis Gold. He did well and became the mainstay of his family in Russia. When the war came he was drafted into the United States Army and was killed in action. Meanwhile, as a result of the Bolshevik revolution, his father's tumbledown house in Rechitsa had been confiscated as capitalistic property and the old man had been forced to wander about with his daughter and her family, relying on the charity of neighbors for a place to stay.

#### A REAL FORTUNE FOR A PEASANT

Goldstein began to petition the American Relief Administration for the benefits due him in 1922. At that time the ARA was combating the famine in Russia. But his appeal was denied, since there was no American consul in Russia to authenticate his claims. When his case finally reached me, I discovered that his monthly insurance benefits had accumulated in 12 years to the sum of \$8,000.

This would have meant untold riches to a citizen of the poverty-stricken town of Rechitsa. But Goldstein never got the money.

The check was cleared through the State Bank of the Soviet Union and went to the local branch, where its receipt was reported to the Government authorities. Goldstein was called into the bank of Gomel, the provincial capital, and induced to sign away his \$8,000 to the credit of the State Bank, receiving in return his confiscated house.

When news of this transaction reached me I lodged a vigorous protest with the central committee of the Red Cross in Moscow, demanding a thorough investigation. Word came back that Goldstein was quite happy to have his old house back again for himself and his daughter's family and that he had bought it voluntarily, not under duress, for \$8,000. This explanation did not satisfy me, for I knew that in Rechitsa a whole block of such houses would hardly be worth

\$8,000. My suspicions were further aroused by notification that Goldstein's address had been changed. I investigated and found that shortly after the old man had moved into the house with his daughter and grandchildren the house had again been confiscated and all of them had been evicted.

This reduced the old man to such a state of desperation that he risked death by writing directly to Washington. The Veterans' Bureau sent an indignant inquiry to me.

I cabled at length to my superiors in Moscow, demanding an instant investigation and the return of Goldstein's house. I explained that unless this was done all work on the veterans' cases would stop.

The cablegram produced results. A telegraphic reply from Moscow informed me that a Government commission had already left for Rechitsa to investigate. A second communication reported that the commission had found that the house had actually been confiscated, had placed the local authorities on trial, and had returned the house to Goldstein. I transmitted all these official reports to the Veterans' Bureau in Washington.

Several months later I received a letter from the old tailor that showed me that the assurances of my superiors in Moscow had been brazen lies. His house had not been returned to him; he and his daughter and her children had been allowed to occupy only one room in it. Nevertheless, the old man was grateful and thanked me warmly for doing so much for him.

I was sick at heart about the case, but I felt there was nothing more I could do without endangering Goldstein still further, and I was relieved that he was satisfied with the compromise.

But his story doesn't stop there. Every month the Treasurer of the United States was sending him \$57.50 war-risk insurance plus \$20 compensation. Presently despairing letters began reaching me from Goldstein, pleading with me to devise a way by which he could get some good out of the checks. Changing them into rubles at the official rates of exchange was as good as giving them away. At that rate his total monthly allowance of \$79.50 had a purchasing power of less than \$4, and he could not live on that. At the same time he was not allowed to keep the checks without cashing them into worthless rubles.

Between the years 1930 and 1935 the United States Treasury had transferred to his credit \$14,000. Whatever excuses Soviet apologists may offer, the grim fact is that during all of this period and at the end of it Goldstein was living in desperate poverty. Documents in the Veterans' Bureau and in my own files definitely establish the fact. In 1935 I left the Soviet service. I do not know whether Goldstein was allowed to continue in occupancy of the one room in the house that had once been his.

The money, of course, went directly into the coffers of the Soviet Government. Taken alone, the case seems pathetic and trivial. But the sums involved in all the veterans' cases are not trivial. There were 56,000 Russians in the United States Army during the war. Most of them had relatives in Russia. The payments accruing on a \$10,000 war-risk insurance policy aggregate \$13,800 each. With adjusted compensation, the estate of each deceased veteran swells to \$18,000. It is the settled policy of the Stalin government to see that as much of this money as possible shall go directly from the United States Treasury into the State Bank of the U. S. S. R. and stay there. The nominal beneficiaries never get their hands on it.

Although this division of veterans' benefits is a particularly crass example of Soviet methods, it is by no means the only source of income, nor is it the largest. The following lists of sums annually siphoned out of this country is, I know from personal experience, extremely conservative. These are figures I am sure of. The total may well be much higher.

The parcel business	\$10,000,000
Propaganda films	10,000,000
Publications	2,000,000
Worthless advertising (Inreklama)	1,000,000
American estates	2,000,000
Industrial insurance	500,000
Life-insurance confiscations	500,000
War-risk insurance (Veterans' Bureau)	2,000,000
Intourist (including the ransom racket)	1,000,000
<b>Total</b>	<b>29,000,000</b>

Before I go on to explain the working of these rackets, I shall tell you how I came to occupy a position of importance in the Soviet system.

#### EVOLUTION OF A REVOLUTIONARY

My interest in Social-Democratic ideas began when I was in high school and by the time I went to the University of Kiev I was a full-blown revolutionary. Just before the uprising of 1905 I went to the Baltic provinces on party business. When that abortive revolution was crushed, I escaped on a freighter bound for England.

My arrival in Hull made an impression on me that I shall never forget. As I got off the boat I saw a hansom cab standing at a street corner. It had stopped directly under a gaslight, and the cabby, perched on the roof, was reading a newspaper. "That," I said to myself, "is what it means to live in a civilized nation. Even the cab drivers know how to read."

I shipped as a sailor on a boat bound for Boston, and arrived with nothing in the world but my revolutionary enthusiasm and the \$5 I had received as pay for the trip. Russian friends aided me and I finally got a job as a latheworker in a metal-fixtures plant in New York. My salary was \$3 a week and, since I had a room in Brooklyn, carfare took a considerable part of that. After I had worked for several weeks I made a calculation and discovered that the net proceeds of a day's work amounted to 32 cents. I could not see that at this rate I was bringing the revolution appreciably nearer, and so I started back to Russia, working my way on a cattle boat.

I arrived in Warsaw on August 1, 1906, the day that Stolypin declared martial law, better known as Stolypin's necktie, because the invariable penalty was hanging. Life had become very hazardous for revolutionaries. Court-martial and hanging were the order of the day. I made my way back to the University of Kiev, and in December was arrested, together with Bill Chatov, the IWW leader who was later to become the head of the Petrograd Cheka and the builder of the Turksib railway.

#### HEART AND SOUL FOR RUSSIA

Luck was with me, and my only punishment was exile to Ekaterinoslav in South Russia. There I found plenty to do carrying on propaganda work among the soldiers and Cossacks of the garrison. After the dissolution of the Duma in June 1907, however, the Government cracked down on all agitators, and I had to run for my life. As a matter of fact, I was able to escape only because I was tipped off that the building in which I was living was surrounded.

I left immediately and finally made my way back to this country. This was in the summer of 1907. I was not to return to Russia again until 1920.

Meanwhile, I had been in close touch with Communists in this country—Martens, Weinstein, Nuerteva, Hourwich, Alexander Trachtenberg, Hartmann, John Reed, Louis Fraina (now known as Lewis Corey), Gruzenberg (who became famous as Michael Borodin), and others. When word came that our impossible dream was an accomplished fact, that Lenin and Trotsky had captured the Russian state, I abandoned all thought of a personal career and devoted myself heart and soul to the revolutionary cause.

We, the men I have named and myself, formed a committee to keep in contact with the revolutionary government and to help in any way we could. This was not easy, for the nations at once blockaded Russia and threw a cordon sanitaire around her to prevent the spread of the Communist infection.

It was part of my job to devise ways of communication. This I did by starting a system of couriers among sailors from any American port bound for Sweden. In Stockholm, Vorovsky had established underground communications with Petrograd. My system was very simple. I kept on hand a stock of shoes of all sizes. The sailors would report to me and exchange their old shoes for new ones. In the soles and heels of the old shoes I would find money—usually in Swedish notes of a thousand kronor each—and instructions. The money was for purposes of organization and propaganda.

One day a sailor named Peterson arrived bringing with him, in the sole of his shoe, the appointment of Martens as plenipotentiary representative of the Soviet Government in the United States. Martens and I rented offices at 110 West 40th Street, in New York. This was the first, and never recognized, Soviet Embassy in America. My post was that of second secretary.

In 1920 it became necessary for some member of the Embassy to go to Moscow. There were two tasks involved. The first was to purchase in Europe and



smuggle into Russia \$50,000 worth of supplies for the Red Army. The second was to explain in Moscow what was happening to the unrecognized Soviet Embassy in the United States. The Lusk Committee had raided our offices and was trying to have Martens, and as many of his staff as were not American citizens, deported (as was afterward done).

I was the only member of the staff who could undertake the mission. Hammer, the Embassy's financial adviser, was a prisoner in Sing Sing. The commercial attaché, Heller, after the raid on the Embassy, had developed a diplomatic illness that took him to Miami. Hartmann knew no Russian. The others, unlike me, were without American passports and once out of the country presumably would not be allowed to return. And so the job was mine.

The principal difficulty was to find some country that would let me pass through into Russia. Theoretically none of them would do it—Russia at that time was cut off from the rest of the world—but I decided that if I could get into Estonia I would be able to find some way of crossing the Russian border.

But getting a visa for Estonia proved almost impossible. I tried in London, Copenhagen, Berlin, and Stockholm, but without success. In Copenhagen I had several long talks with Maxim Litvinov, whom I used to meet late at night at a cafe. We discussed the business of the Embassy, and I remember asking him whether I should help the wives and children of the Bolsheviks who had returned to Russia rejoin their husbands and fathers. He strongly advised against it. "Most of the men have new wives in Russia," he said. "Leave them alone."

It was on Litvinov's advice that I went to Berlin, for, he said, the best way to get into Estonia was to go as fast as possible away from it. But I got no visa there and so I went to Stockholm and still no visa. I found there was a boat leaving for Helsinki and took it on the chance that something might be accomplished in Finland.

The trip across the Baltic was very fine, with a magnificent display of northern lights over the Aaland Islands. I carefully avoided all Russian-speaking passengers on the steamer and made the acquaintance of a counselor from the Japanese Embassy in Paris. He was a viscount sent to investigate the railroads of northern Europe.

#### A VISA AT LAST

We stayed at the same hotel in Helsinki that night, and I went in his company to the Finnish Foreign Ministry and obtained an exit visa. That helped me with the Estonian legation in Finland the next day. There I explained that I was a tourist desiring to see the medieval town of Reval. The auspices must have been good, for I got my visa for Estonia.

But for some time after I arrived there it seemed I was no nearer Russia than I had been in New York. Krassin had helped me smuggle the medical supplies from London to Reval. Now I had to get them into Russia. The Estonian Foreign Office was adamant, and it finally became clear to me that I should have to get myself and my supplies smuggled across the border. This in itself was not easy, for the entire length of the border was guarded by electrified barbed wire.

Finally, with the aid of the Soviet Embassy, a plan was worked out. One cold spring night I supervised the loading of my supplies onto a car in the railroad yards of Reval. This car was to go on to a small junction some miles away.

Unfortunately I could not go in the car myself. Two secretaries of the Soviet Embassy drove me to the railroad junction in an open automobile. We arrived before either train. It had begun to rain, and we waited in a steady downpour all through the night. Just at dawn the German train finally pulled in. It consisted of 18 or 20 boxcars, all sealed shut. In each of them were from 40 to 50 Russian prisoners of war sick with typhoid. The epidemic had broken out in the prison camp in Germany and the prisoners were shipped home wholesale.

There was no time to waste. Before the train had stopped moving, the men from the Embassy were hurrying me toward the tracks. They broke open the doors of one of the cars and pushed me inside. The doors were immediately closed and sealed again on the outside. I was crowded in darkness among 40 sick and dying men. Plank bunks had been placed into the cars in tiers. On these we crouched or lay, unable to stand up, almost unable to breathe, without food or water, surrounded by dreadful misery and filth.

The trip from Reval to Jamburg is 120 versts—about 80 miles. It took us 3 days. During that time none of us could even once stand up.

In Jamburg the Cheka (Soviet secret police) had been notified by telegraph that I was in one of the cars. They found me. They also found that eight of the men in my car had died. What happened to the survivors I do not know. I felt barely alive myself and was hurried off to a Red Cross car to be deloused and to recuperate.

When I was able to travel again I was put in charge of a young Red Army soldier with instructions that I was to be delivered to Zinoviev in Petrograd. This was not long after Yudenitch's attack on that city and the country through which we traveled was horribly wrecked and full of graves. In Petrograd itself we found barricades, and grass growing in the streets.

My escort took me to the Smolny Institute, where we were received by Zorin. At that time he was secretary of the northern commune and one of the most powerful officials in the country. But that was not enough for the Red Army boy. He had been told to get a receipt for me from Zinoviev, and no one else would do. Zinoviev was in the country and, due to a flat tire, could not get back that night. Zorin put us both up at the Hotel Astoria. The young soldier, still taking no chances, slept on the floor at the edge of my bed.

Next day Zinoviev was back in his office, and the soldier got his receipt.

#### ORGANIZATION TO ACT AS SCREEN

From Petrograd I went to Moscow and reported at the Foreign Office. I discovered that my smuggling in of medical supplies was regarded as something of an exploit by Kamenev, Chicherin, and other Soviet leaders. When I explained to them the situation of our Embassy in the United States, they told me to resign from it and establish an All-Russian Public Committee in America. This was to be a charitable, nonpolitical organization and as such safe from interference by the Department of Justice. It was also to act as a screen for my duties, which were those of representing the commissariat of nationalities, whose head at that time was Josef Stalin. In case the Martens Embassy was deported, I would still be there as a political link with the Krenlin.

This All-Russian Public Committee was the predecessor of the Soviet Red Cross in the United States. On its behalf I appealed to Russians all over this country to aid their kinsmen who were suffering from the aftermath of the revolution and the civil war.

The condition of these people was dreadful. Scapegoats of Czarist oppression before the revolution of 1917, they became the victims of various temporary governments throughout the civil war. The citizens of Kiev, for example, saw their city change hands no less than 17 times between 1918 and 1920. Entire regions were devastated by cannonades, street fighting, pillage, and mass banditry. Hundreds of thousands were murdered in cold blood. Millions were left homeless and destitute. Over a thousand towns and villages were completely destroyed.

Many of these unfortunate survivors had relatives in the United States among the 5 million immigrants of Russian nationality. The response to my appeal, therefore, was far more generous than I or anyone else had foreseen, and I soon found myself chartering steamers for the shipments of food, clothes, and medicines through the blockade. Each individual relief package was taxed by Martens (until he was finally deported) in order to support the Embassy. The donors had to pay cash for the privilege of sending gifts to Russia.

In April 1921 came an imperative summons to return to Moscow. On the way I had two unpleasant shocks. The first came in Stockholm. I had asked Ambassador Kerzhentsev to forward my documents to Moscow by diplomatic pouch. Among them was a sealed letter entrusted to me by the Chekist Peterson, who had been assigned to me by Martens before his deportation. Kerzhentsev insisted on examining all my documents before transmitting them. He then discovered Peterson's sealed letter, which I was expected to deliver in person to Marcel Rosenberg (head of the Anglo-American department of the Soviet Foreign Office and one of the Cheka's secret agents there), and was a denunciation of me as a counterrevolutionist. Kerzhentsev was decent enough to let me read it.

The second shock came in Berlin, where I met Lomonossov, at that time Dzierzhinsky's purchasing agent of locomotives in Europe. He told me that Dzierzhinsky was planning to have me shot as soon as I entered the country. Dzierzhinsky at that time was commissar of railways as well as head of the Cheka. He was furious at me, so Lomonossov said, for overtaxing the Soviet railroads with commodities from the United States.

## THE MOGILEVSKY SYSTEM

Krassin was also in Berlin, and I appealed to him for advice. He admitted that I might be shot, but thought it was best for me to take the chance. It was in no cheerful frame of mind that I crossed the border, expecting the worst.

I found it all the more pleasant, therefore, to be hailed as a miracle worker at the Kremlin and made much of on all sides. Dzierzhinsky took no action against me, and the letter of denunciation was turned over to Mogilevski, who put it away in his files—for possible future reference.

Mogilevsky was a prominent member of the Cheka, with a long and grisly record as an executioner. His very name has a cheerless sound in Russian ears: "mogila" means a grave. But he was always pleasant to me. Ordinarily a taciturn man, he would occasionally, when we were drinking vodka together, become talkative. I remember his saying once that he could make a man eagerly confess anything at all. "A man is not a horse," he said. "After we have worked over him for a while, he will agree to anything you ask him in exchange for the greatest boon he can think of, the privilege of being shot."

Mogilevsky himself met a violent death. He got into an airplane piloted by a man whose father he had executed. There are no records of that trip, but neither one survived it.

In Moscow I learned the reason for my urgent summons. Kamenev, who was the Vice Premier under Lenin, told me that the country was facing a widespread and serious famine. The people, of course, knew nothing about it, for there was no way for them to know anything except what the Government chose to tell them. Only the inner circle were in possession of the facts and they realized the situation was very grave. Kamenev told me to rush back to this country and begin organizing relief work. The name of the organization was to be changed to the Russian Red Cross in America. Thus it would be a branch of a respectable and internationally recognized institution and could not be accused of being Soviet controlled. I supposed at that time that some distinguished scientist would be appointed to serve at least as nominal head. But when I got to my office in New York on August 14, 1921, a cable was waiting for me there appointing me plenipotentiary representative of the Soviet Red Cross for the United States, Canada, and all Latin American countries.

The first thing I did was to dismiss the Chekist Peterson, who had denounced me. I then opened up a suite of offices in the building that had housed the Martens embassy and prepared to devote myself to Red Cross work and famine relief. Captain Paxton Hibben joined my staff as secretary of the Soviet Red Cross. With the aid of Walter Liggett, who subsequently was murdered in Minneapolis by Communist agents, I organized the American Committee for Russian Famine Relief and I set up organizations in Canada and Mexico.

The work went on so efficiently that soon the Russian railroads were more overtaxed than before, and once more Dzierzhinsky was threatening to have me shot. This time the threat disturbed me less and I kept on.

During all this time I had been treated by the American Red Cross as the head of a bona fide sister organization. Their cooperation was friendly, courteous, and unstinting. From time to time they sent me correspondence about unsettled claims for insurance on the part of Russian relatives of former American war veterans. Similar letters reached me through the Moscow offices of my organization and directly from destitute orphans, widows, and parents.

## THE SOVIET OBLIGES

It was in 1926 that I realized that here was a new service I could render the Soviet Union. Russia was in desperate need of foreign exchange; the beneficiaries were in dire straits; the Veterans' Bureau was willing, but unable, to settle the claims. It would be highly desirable from everyone's point of view if we could find a solution.

One difficulty was the impossibility of legally identifying the claimants in Soviet Russia. The act of Congress authorizing payments required the signature of the American consul stationed in the country where the claim was made. For 15 years prior to the recognition of the U. S. S. R. (in November 1933) there were, of course, no American consuls in the Soviet Union. But even if proper identification had been possible, the Bureau was reluctant to make payments for fear the Soviet Government would confiscate the money.

I discussed the situation with American Red Cross officials—Judge John Barton Payne, Col. Ernest P. Bicknell, and Ernest J. Swift. They were sym-

pathetically responsive. I then decided to put the matter squarely up to the Veterans' Bureau.

I traveled to Washington with Boris Evseyevitch Skvirsky, who had succeeded Martens as unofficial Ambassador in 1922, and as such was in charge of the Soviet Information Bureau. When I broached my plan to him, he decided it was wholly fantastic. Only a person politically naive and unschooled in Marxism could believe it would work. Economic determinism, he said, held the answer to my request, and the answer was no. Why should the United States, an avowed foe of bolshevism, concern itself with the welfare of Soviet citizens simply because they were the beneficiaries of American soldiers? And why should a capitalist government, so opposed to the Soviet Government as to refuse to recognize its existence, aid that Government by placing at its disposal millions of dollars?

From the Bolshevik point of view, Skvirsky's logic was irrefutable. Nevertheless, I told him that I didn't think this Government would concern itself with the politics or nationality of the beneficiaries; it would make due payment provided it had guaranties that the money would reach its proper destination.

All the way down to Washington Skvirsky laughed at my innocence, saying that I was simply making an ass of myself. He indulgently promised, however, that he would help me get adequate guaranties from the Soviet Government.

Armed with that promise, I went to the Veterans' Bureau, where I soon found out that my judgment had been right. In high spirits, I went back to Skvirsky, and together we succeeded in persuading the Soviet authorities to meet the guaranties demanded by the Veterans' Bureau. These included a decree of the Central Executive Committee signed by President Kalinin and a letter from Assistant Commissar of Finance Frumkin, exempting from inheritance taxes and all other taxes all moneys derived from insurance or compensation of veterans of the American Army.

Since my verbal assurances were reinforced by these statutory guaranties, the Bureau declared itself ready to go ahead. I reorganized my Red Cross office in New York to take care of this new job, and we got off to a flying start. I was proud of the fact that, in spite of the absence of diplomatic relations between the two countries, it was possible to carry on this task.

#### TIME TO INVESTIGATE

But soon after we began to adjudicate cases, strange communications began to reach me from Soviet beneficiaries. They ran all the way from polite inquiries about remittances gone astray to downright charges of embezzlement. I began to investigate.

My responsibility extended not only to the indigent and suffering beneficiaries in Russia, for whom the money was intended, and to the Veterans' Bureau, to which I had given my personal assurances, but to the American Red Cross as well. What I found as my investigation proceeded I shall show in detail in subsequent articles. It is a record of broken promises, confiscation, and extortion on the part of the Soviet Government. It is part of the record that forced me, in 1935, to break with the Soviet Government, to whose interests I had devoted the best part of my life.

[Colliers, May 4, 1940]

#### HOW STALIN STEALS OUR MONEY (Continued)

The United States Treasury paid out each year about \$2 million to the Russian beneficiaries of American soldiers while I was head of the Soviet Red Cross. And it continues to pay. Only a trivial fraction of this money ever reaches its destination. The one real beneficiary is the Stalin government.

Many thousand veterans' cases passed through my hands, and at first I thought the reason the beneficiaries were cheated lay in Soviet redtape and official stupidity. Gradually it dawned on me that this was a settled Government policy—a deliberate fraud perpetrated upon helpless citizens of Russia and upon the Government of the United States.

The principal ways in which the money is diverted are these: Conversion into rubles at an artificial rate of exchange (with varying rates, this has amounted to confiscation of from 70 to 95 percent; at present it is about 90 percent); outright confiscation; enforced signing over of checks to the state bank, and the forgery of signatures.

Soviet apologists like to say, "Perhaps there once were abuses; but all that has been changed." The situation has changed from time to time, but the purpose of the Soviet Government has remained the same. And the result has been the same: The Government gets the money, and the beneficiaries are left no better off than before—sometimes much worse off, as I shall show.

There are three distinct phases in the affairs of the Russian beneficiaries of American soldiers: The period before 1931 when there was nothing for them to do with their checks except cash them into rubles; the period from 1931 to 1935 when, in theory at least, they could use part of their money at the Torgsin stores (these were stores established, as the Russian names suggests, for "trade with foreigners"; they accepted nothing but foreign exchange); and the present period in which, with the end of the Torgsins, there is once more nothing to do but cash the checks into rubles. Even hoarding the checks is impossible; unless the recipients cash them promptly, agents of the OGPU drop in to inquire why they haven't. And no one wins an argument with the OGPU.

To show you what this enforced conversion into rubles at the official rate of exchange amounts to, I shall give you the present prices of a few common commodities. Bread, when there's enough of it, can be bought for as little as 2½ rubles a pound—that is, 50 cents—often it is higher. Eggs cost from 20 to 25 cents apiece. The lowest figure for butter is \$2 a pound. Milk is 50 cents a quart. Cottage cheese is \$2.50 a pound; coffee \$7 a pound; tea \$5 a pound. Light woolen cloth for dresses costs \$25 a yard. Shoes range from \$50 to \$200 a pair.

The ruble is given the fictitious value of 20 cents. In purchasing power, as measured by world prices, it is worth slightly less than 2 cents. And so, out of a \$30 dependency compensation check cashed by the beneficiary at the state bank, \$3 in purchasing power goes to the beneficiary, and \$27 in sound American currency goes to the Soviet Government. Often the Government is not content with this cut and takes it all.

#### MONEY THAT MEANT DISASTER

The official view of the Soviet authorities is that its ruble exchange is a perfectly legitimate monetary operation and not a violation of its pledge not to confiscate or tax any part of the veterans' benefits. The Veterans Bureau had required this pledge before any benefits were paid. In the first article of this series I explained how I helped to obtain it.

One of the things that neither I nor the Veterans' Bureau could possibly foresee was that the receipt of these benefits would be regarded by the Soviet Government as transforming the beneficiaries into kulaks—rich peasants—thus automatically making them enemies of the state and subjecting all their property to confiscation.

How often this happened I have no way of telling for I was able to investigate only a few cases at first hand, and the Soviet law making it treason to cast aspersions on the Government did not encourage full reports either from the sufferers or their friends. But in the case of Andrian Pavlov Matveyuk I received, almost by accident, the account of an eyewitness.

The American veteran in this case, Matveyuk's son, whose name, thanks to whim of the United States immigration officers, was Jacob Maturk (XC-102-907) died in action in France. His beneficiaries were his father and mother, living in the village of Mikhirinetz. The first complaint, dated October 26, 1931, came through the mails and was called to my attention by the Veterans' Bureau and the Washington office of the Jewish Welfare Board, although neither the veteran nor his beneficiaries were Jews.

In this letter Matveyuk, who was then 70 years old, said that the OGPU had taken away from him 2 Veterans' Bureau checks—1 for \$1,667.50, made out in his name, and the other for \$883, made out in his wife's name—as well as 770 rubles, which he had obtained by cashing previous remittances from the United States Veterans' Bureau at the rate of 1 ruble 94 kopeks per dollar, and which he had saved up to buy himself a pair of boots. (Incidentally, these boots were to have cost him about \$400, the normal price for boots in those days, when they could be obtained at all.)

The possession of so much money made kulaks of these harmless old people in the eyes of the Soviet law. And so their shack and strip of property were confiscated, as well as their money. They became pariahs in their native village. They managed to hide 2 small checks—one for \$15 and the other for \$11—but they did not dare present them anywhere even for exchange into practically

worthless rubles. Subsequent checks which they received were also hoarded, and the OGPU, discovering from time to time that the Matveyuks had not cashed any checks at the local branch of the state bank, would raid whatever barn the homeless old people happened to be living in at the moment and take the checks away from them.

Since Matveyuk was illiterate—all his letters were written by friends at his dictation—and could endorse a check only with a cross, the OGPU made the endorsement itself, certified to its correctness, as provided by the Soviet statutes, and cashed his checks. Meanwhile, the two old peasants subsisted through the surreptitious charity of neighbors, for any aid given to an OGPU suspect is looked upon as treason to the state.

In June 1932, another letter reached me, which concluded with the words: "We have nothing to live on, since we are without a crust of bread and without a kopek of money." The following spring Andrew Yarmoluk, a resident of New York who had been born in the same village as the Matveyuks and had returned there to see his aged mother, brought me a final letter. From it and from Yarmoluk I learned in detail what had been happening to the old peasants. After that there was no word.

#### WE'RE STILL PAYING

Considering the advanced age of the beneficiary and the fact that his house and land were confiscated even before the famine that was deliberately brought on by the Soviet Government in this part of the Ukraine in 1932-33, I have every reason to assume that he and his wife are no longer living. As kulaks they were subject to liquidation, and everything points to the conclusion that that is what happened to them. I have no doubt that these two old people were among the millions of Ukrainian peasants who either starved to death in the richest grain-producing region of Russia or were driven north to hew lumber and perish in one of the sub-Arctic concentration camps. The Soviet authorities maintained a stubborn silence about their fate and continued to collect their benefits, month by month, from the Veterans' Bureau. So far as my records show, they are still doing it.

In the case of Andrew Romanchuk (XC-2,109), the beneficiary's wife and daughter were exiled to Siberia as kulaks and entirely deprived of their benefits. This matter was called to my attention by the deceased veteran's son-in-law in Chicago. Another case of a beneficiary being converted into a kulak was brought to my attention by a cousin of Veteran Xenofon Ivanov (XC-40,471). The veteran's widowed mother had exchanged a check for \$5,341.45, which represented accumulated insurance benefits, at the Soviet State Bank for 10,300 rubles. She thus yielded about nine-tenths of the actual value to the Soviet Government and kept approximately \$600 in purchasing power for her share. But when these thousands of rubles were found in her home, their possession automatically converted her into a kulak. The rubles were taken away from her, her monthly insurance checks for \$40 were kept from her, and she was classified as a social and political outcast.

The Veteran Maurice August Stein (XC-304,620) was born in the Ukrainian market town of Mogilev-Podolsk. His father and mother, Wolf and Beyla Sterenstein, made a meager living there as small traders. Some years before the war, Maurice came to the United States and settled in Oklahoma. He changed his name to Stein and became an American. Plans were made to bring his family to this country. Meanwhile he sent them regular remittances.

In 1917 Maurice became a soldier in the United States Army. That same year the Bolsheviks captured the government of Russia.

Maurice contracted tuberculosis while fighting in France. His brother, Boris, was killed while fighting in a Red partisan detachment in the Russian civil war. Marauding bands were sweeping over the Ukraine, burning, pillaging, and raping. In 1919 Maurice's sister, Rosa, a girl of 17, escaped the soldiers of Hetman Simon Petlura by fleeing across the Dniester River into Bessarabia. With her as guard and protector went her 12-year-old brother, Joshua.

These two children made their way to Bucharest, Rumania, and there located the consul of the defunct czarist government of Russia. He provided them with identification cards which made it possible for them to remain in Rumania until they could locate their American brother. They dreamed of being able to join him in this country. Finally they got in touch with him at the United States Veterans' Hospital No. 55 in Fort Bayard, N. Mex. Three years later they had saved up enough between them, principally from Maurice's pension, for their

trip to America. They arrived in New York in February 1923, and at once took a train for El Paso, Tex., where they were met by Maurice.

Rosa and Joshua changed their names to Rose and Jack Stein and made a home for their brother in El Paso, where he stayed, receiving home treatment from the Veterans' Bureau. Meanwhile, there remained in Mogilev-Podolsk the Stein's aged parents, together with three other children. Once more plans were made to bring the whole family together in this country, but they were never carried out.

Jack Stein became a house painter and moved to Oklahoma City. Rose married, and Maurice returned to the veterans' hospital where, in August 1923, he died. His entire estate, consisting of insurance compensation and pension allowances, was willed to his father in Mogilev-Podolsk. The checks, after arrangements had been made with the Veterans' Bureau, went regularly to Wolf Sterenstein, and the major portion of them was as regularly confiscated by the Soviet authorities through payment in rubles.

Ten years after Maurice's death, Rose died in El Paso, and Jack moved to Brooklyn, where he still carries on his profession as a painter.

In July 1934, the father, Wolf Sterenstein, died of food poisoning, and the mother and children moved to Kharkov. I was handling this case, but no notice was sent me of Sterenstein's death. As in so many other instances, the Soviet authorities deliberately withheld information in order that the checks should continue. In September I remitted \$1,397.51 of Maurice Stein's estate, to be divided equally between his father and mother. If I had known of the father's death, I should have divided the money, according to law, between the mother and children.

The mother longed to see her son, Jack, before she died, and he wanted to return to Russia to see her. His portion of the money I had sent would have made the trip possible, but the Soviet authorities refused to return a cent of it on the grounds that no funds are allowed to leave the country. The fact that the Soviet Government, including the state bank and the Red Cross, had obtained the money fraudulently made no difference.

Jack then volunteered to spend every kopeck of his share of the estate in the Soviet Union. Word came back that this would not be possible inasmuch as Jack was an enemy of the state and could not be granted an entrance visa. Why was he an enemy of the State? Because in 1919, as a boy of 12, he had fled from the bandit-ridden Ukraine. This automatically made him a White Guard and an enemy for life of the Soviet Union. His share of the estate was forfeit.

I protested so vigorously at this barefaced thievery that the Soviet authorities finally agreed to acknowledge Jack's right to his share of the estate. But he never got it. First the Soviet authorities arbitrarily scaled down his portion from 25 to 10 percent. Jack was willing, under protest, to accept even that—a total of \$139.70—since, as he explained to me, "my trade is fast asleep for the last few months." But he was then informed that he would not be paid in cash; they would give him Soviet bonds. These he refused as worthless. And so he got nothing.

The final touch of irony came when his mother requested that the personal property of her dead son Maurice be sent to her. Upon application to the Soviet authorities in Moscow, Jack was told that the Government had no objection provided he paid Soviet customs duty on his brother's personal belongings in dollars at the official rate of 1.11 rubles to the dollar, the valuation to be made, of course, by Soviet officials.

Although the Soviet Union denied an entrance visa to Jack Stein, two of whose brothers had died fighting in the Red Army, it was eager to welcome home even dangerous lunatics, provided it could get control of their money. I was twice practically ordered to secure the release of homicidal maniacs from the asylums to which they had been committed in order that their accumulated benefits—both were American veterans, and the money in one case amounted to \$12,000—might be sent back to Russia with them. In both instances I found reasons for refusing.

#### PROOF OF FORGERY

I should like to cite briefly one case of forgery in which I caught my Soviet colleagues redhanded. The incident arose in connection with the case of Veteran Albert Gus (XC-183,878). The beneficiary, being illiterate, signed his receipts and endorsed his checks with a cross. That signature was certified by local Soviet officials as correct and legal, and was accompanied, as required by

the Veterans' Bureau, by a legal certification of the beneficiary's illiteracy. Several months later, it became necessary for this man to sign certain additional documents I had forwarded to him. They were duly returned—with the beneficiary's name signed in full. Even more surprising, the signature was clearly the work of an accomplished penman.

I returned the documents to the Red Cross in Moscow, politely pointing out there seemed to be a mistake. In reply, I received from Moscow a new document, stating that in the interim the beneficiary had become literate, and authenticating the new signature. I wrote back that such educational progress would be viewed with skepticism in America. Once again the documents were returned to me, this time signed with a cross and duly certified as heretofore. That was the end of the incident.

Considering the enterprise of the Soviet secret police, one can never be sure whether any signature on a Soviet-authenticated document is genuine, or whether any given beneficiary is actually among the living. I strongly suspect that a considerable percentage of benefits are paid in the names of beneficiaries actually long since dead. The Veterans' Bureau, having no official notice of their death, naturally continue to send monthly remittances, and the Soviet Government collects them in toto.

One of the guaranties I had secured from the Soviet authorities expressly exempted veterans' checks from collection charges.

"Collection charges," however, became common practice. Thus, the mother of Veteran Sergei Pavliuk complained to the United States State Department that when she presented a check for \$419.03 for exchange into rubles, the Soviet State Bank deducted \$104 as charges for collection.

#### MRS. PAVLIUK RECONSIDERS

I wrote to Moscow requesting that this flagrant violation of official Soviet guaranties be rectified. After 6 months of correspondence, the Veterans' Bureau received the following statement from the original complainant:

"In the end of 1930, I sent you a complaint to the effect that the state bank deducted in its favor 134 rubles 40 kopecks when paying me out sums of money. Regarding the facts of my application to you, I request you to consider it as canceled, as it was sent by me by mistake, rather by my not knowing that the bank deducted this amount not in its own favor, but in payment of expenses of legalization of documents by the Red Cross, which amount I actually did have to pay to the Red Cross. This was not known to me, and later upon receipt of explanations from the Shepetovka Committee of the Red Cross, I was convinced of the correctness of the deduction of these sums, and therefore do not have any claims. Which I sign. (signed) A. Pavliuk. July 16, 1931."

To anyone with experience in these matters, it is perfectly clear that this letter was dictated, if not actually written, by the OGPU to whitewash a violation of their own laws and regulations by the state bank.

When I set out to help the Veterans' Bureau find the rightful heirs and beneficiaries of American veterans in Soviet Russia, I was motivated primarily by humanitarian considerations. It's true I had the secondary motive of desiring to supply the Soviet state with foreign exchange—but only on a legitimate basis. Moreover, I believed the Soviet Government intended to live up to its promise. This belief was founded on two considerations: (1) however amoral the Bolshevik attitude toward a bourgeois state might be, the Bolsheviks were first of all champions of the oppressed and disinherited—and the beneficiaries were almost without exception members of this class; (2) the Soviet state was eager to gain American recognition and was therefore on its best behavior, endeavoring to impress American officials with its trustworthiness.

But during the time I was in office a quiet revolution took place within the Soviet Union. It profoundly altered the nature of the Soviet state. From the foremost champion of the exploited, the Soviet state has been transformed into the most egregious exploiter of its own workers. What began as a step toward socialism turned into the most ruthless system of state peonage. By comparison, feudalism in its darkest aspects was an ideal social state.

This change was brought home to me by the thousands of veterans' cases that passed through my hands. My indignation was mixed with fear for my own safety. I had resigned from the party in 1925, the year after Lenin's death, but I had been allowed to retain my post as head of the Soviet Red Cross in America because of the services I could render the Soviet Union. There were increasing indications, however, that I was not trusted. As early as 1928 I had assigned



to me, ostensibly as my assistant, a Dr. Mark Sheftel, who turned out to be an agent of the OGPU.

In addition to keeping an eye on my doings, Dr. Sheftel engaged in lively espionage activities, and finally found this country too hot to stay in. I obtained a promise from Moscow that his successor would be a trained Red Cross man who would be of some use to me.

This successor was named Jacob Sterngluss. He had earned his appointment, as I later discovered, by being chief OGPU agent in Afghanistan. Among his disabilities for his present job was a total ignorance of English. As a matter of routine, he opened and read my mail. This didn't especially surprise me, but when I discovered that he was also tampering with the United States mail, I became alarmed. As responsible head of the organization, I could be held accountable for his acts. A prolonged visit to Leavenworth loomed before me as an unpleasant possibility. I decided to have a showdown.

I cabled Moscow urgently for permission to report there in person. A crisp reply informed me that my request was categorically denied. Two weeks later another cablegram arrived granting me permission to come. Sterngluss who, of course, had read both cables, was dumbfounded. "I can tell you this," he said finally, "you will never see Yenukidze." Yenukidze was president of all the Soviet Red Cross societies and thus my chief in office.

I wasted no time in argument, but caught the first boat for England and from there sailed to Leningrad. My wife was already in Moscow, staying with close friends of ours who had visited us frequently when they were in this country on official business.

#### EMBARRASSING GUEST

On my arrival, I discovered that there were other friends in Moscow eager to repay the hospitality we had extended to them in America and so, to the inconvenience of all concerned, we moved from time to time, visiting different friends in turn. It was thus that we found ourselves guests at the home of General Khalepsky. His apartment was in a modern building put up for high-ranking army officers and their wives and it was the last word in efficiency—except that quite often the gadgets didn't work. Usually there was no hot water and sometimes there was no water at all.

On one of these occasions, when we were all suffering from drought (you couldn't borrow water from your neighbors, for they had none; when the water goes off in Moscow, it goes off everywhere) the cook suggested that we might get Marshal Tukhachevsky, who occupied the apartment above us, to do something about it. We sent up our maid, but she returned with the report that the marshal was still in bed. A half hour later I went up, wondering whether he would remember me from our meeting almost 15 years before. He did, treating me very cordially and chatting about the dark days of 1920. (They had been glorious days for him; he was the hero of the nation, a second Napoleon at 28.) He called up the Kremlin, and in short order we had water. That was the last time I saw the marshal. In 1937 he was shot as a spy and saboteur—and with him died the best brains of the Russian Army.

But I get ahead of my story. I had been warned by my friends that it would be dangerous for me to return to Russia, and I wished to take reasonable precautions against a prearranged accident. My first move was to call at the foreign office. While I was there I took the opportunity of telephoning to Ambassador Bullitt's office. I had provided myself with a pretext in advance. Lincoln Colcord had given me a book to be delivered to Mr. Bullitt. It turned out that the Ambassador was not in Moscow, but I had made my point. The American Embassy knew where I was, and the Soviet Foreign Office, and of course the OGPU, knew that the Embassy knew.

My appearance at the Red Cross office produced consternation. What was I doing in Moscow? Didn't I know that my request to leave New York had been denied? I patiently explained that I had received permission—and produced a photograph of the cable to prove it. Further excitement ensued, during which I discovered that I had only got there through a blunder on the part of the Moscow cable office—a Government service, of course. The message authorizing me to come had been filed first, but had not been sent; later it had been decided to replace me in New York, and the message forbidding me to leave had been filed. The second message got off with only a day or two of delay, but the first was held up for over 2 weeks. I, of course, got them in that order.

When I taxed the executive secretary with putting an OGPU man in my office, he readily admitted the fact, but said it was out of his hands. What business

was it of mine, anyway? he asked. I replied that unless he were removed I would resign. He told me not to bother; I had already been replaced. "You complained too much," he said.

My connection with the Soviet Red Cross might have ended then and there, if it hadn't been that Zhdanov (who is now boss of Leningrad and is regarded as Stalin's probable successor) persuaded me to retain my post for 6 months in order to break in the new man. I agreed to do this only on condition that Sterngluss be recalled. Zhdanov promised that he would be. (This promise, by the way, was carried out. When I got back to New York I found Sterngluss in the hospital suffering from a wholly imaginary appendicitis in order to avoid returning to Moscow to face the music.)

#### RAKOVSKY'S REWARD

While I was in Moscow, a conference of the League of Red Cross Societies was in session at Tokyo. Russia had been a member of the International Red Cross for years but had never before been admitted to the league. She gained the much-coveted invitation this time because her delegation to the International Red Cross convention was headed by Dr. Christian Rakovsky. I had had a hand in that.

The way it had come about was this. While I was still in New York, the Red Cross authorities in Moscow had written me, urging me to do what I could to get Russia admitted to the league. I replied that Judge John Barton Payne, who was president of the league, had a high regard for Rakovsky, and if he were made head of the delegation I thought it likely that Russia would be invited to the league conference. I knew that Rakovsky, who in Lenin's time had been Premier of the Ukrainian Republic and had served as Soviet Ambassador to France and Great Britain, was in political exile in Siberia.

Rakovsky was recalled from exile, dusted off and sent to Tokyo. I solemnly hoped that once out of the country he would stay out. But his wife had not been allowed to accompany him. He returned to Russia in time to be caught in the purges which followed the assassination of Kirov in December 1934. In 1938 he was sentenced to life imprisonment for being an agent of the Japanese Government.

This gives you some insight into the validity of the charges brought by the Soviet Government. If Rakovsky was a Japanese agent, then Judge Payne and I, who got the idea of sending him to Japan, are also in the pay of Japan.

After I returned to New York and wound up my work for the Soviet Red Cross, I wrote to General Hines, director of the Veterans' Bureau, explaining the situation. Part of the letter said:

"As I am no longer connected with the Russian Red Cross, a fact which I wish to call to your attention, I am no longer in a position to bear any responsibility for the conduct of veterans' cases by the Russian Red Cross. These cases are now entrusted to a Soviet official whose loyalty is necessarily pledged to the Russian Communist Party of which he is a member and to the Soviet Government of which he is a citizen. In these circumstances, the beneficiaries of American funds are left without adequate protection and guardianship."

#### A JOB FOR THE VETERANS' BUREAU

That is a problem that still disturbs me. Nearly 25 percent of the United States budget goes to the veterans. A considerable portion of that helps to support the Soviet Government instead of going to the Soviet beneficiaries of American veterans. Something should be done to safeguard these people. It is high time that they received protection from the trickery of their own Government and that the money of American taxpayers stopped being used for the support of another government.

I suggest that the Veterans' Administration, or the American Red Cross, or the United States State Department establish its own agency in the Soviet Union to supervise payments to Soviet beneficiaries. These American representatives will be obliged to make certain in each case that the veterans' beneficiaries do not merely receive the checks mailed to them but procure actual benefits in terms of commodities. Otherwise the very purpose of such representation would be defeated.

The American representative will have no easy time. He will find that the veterans' beneficiaries are scattered throughout the length and breadth of the Soviet Union, over one-sixth the surface of the earth. He will have to have

a large enough staff so that he can send agents to visit beneficiaries in subarctic concentration camps, in Siberia and perhaps in Kamchatka. But if the purpose of the Veterans' Administration is not merely to get rid of money in any old way, it must either make sure the money it sends out reaches its destination, or it must stop making payments altogether, thus at least saving the taxpayers' money.

[Colliers, May 11, 1940]

#### HOW STALIN STEALS OUR MONEY (Continued)

One day in 1928 an inquiry reached my Red Cross offices in New York from the Central Committee of the Red Cross in Moscow. It was about an ingenious scheme designed to turn the Red Cross into a kind of murder trust.

The plan was simple and quite logical. We were to arrange for the emigration to the United States of thousands of Soviet workmen. Once they were over here, we were to see that they secured employment in the most hazardous occupations we could find—after insuring them heavily with private companies. Inevitably there would be a large number of accidents. The resulting insurance plus the benefits accruing under the workmen's compensation acts would furnish a handsome bit of foreign exchange for the Soviet Government.

This money would be pure profit. It would, in fact, never leave this country. The workmen's heirs, if they received anything at all, would be paid by the Stalin government in printing-press rubles. The dollars would stay here to be used as the Government saw fit.

One interesting feature of the plan was that it had been thought up in my offices without my knowing anything about it. It was the brainchild of Dr. Mark Sheftel, nominally my assistant but actually an agent of the OGPU, as I later discovered. Since the OGPU is the secret supergovernment of Soviet Russia, Dr. Sheftel owed his allegiance to it and not to his superiors in office. He reported his plan directly to Moscow, where it was approved and referred to me for execution.

Objections on humanitarian grounds would have been laughed out of court as "petty bourgeois sentimentality." Fortunately I was able to quote the United States Immigration Act and quota law—and the plan died.

The desperate need for foreign exchange, which had inspired Sheftel's scheme, was a result of the first 5-year plan. With the crushing of Trotsky, Zinoviev, and Kamenev in 1927, the focus of attention in Moscow had shifted from world revolution to socialist construction at home. Under Stalin's ruthless direction an insanely ambitious program of industrialization was undertaken, with no thought of the cost. By comparison the loss of life in building St. Petersburg on the marshes of the Neva River under Peter the Great sinks into insignificance. Millions of Russian lives were exacted by Stalin in payment for the execution of the first 5-year plan; millions of miserable peasants were starved to death for the promise of an industrial paradise.

To carry out the plan it was absolutely necessary to purchase capital goods abroad. But the Soviet printing-press rubles were completely worthless in the markets of the world; they would purchase exactly nothing at all. And there were no bankers anywhere—much to Stalin's surprise—who were willing to finance the undertaking. The only way the Bolsheviks could get what they wanted was by obtaining foreign exchange. To do this they dumped soap and butter abroad and let their own people go unwashed and undernourished. They dumped millions of tons of wheat and let their grain producers, by the millions, starve to death.

My own contribution to the Soviet foreign exchange funds through the adjudication of the cases of American veterans with relatives in Russia has been described in earlier articles. In the course of that work I had run across thousands of estates of Russians who, although they had not served in the United States Army, had died here, leaving heirs in Russia. When any of these estates had been settled, the inheritances had been held in trust by the court.

I at once saw in them another source of foreign exchange for the Soviet Government.

It's worth noting that the whole principle of inheritance is expressly denied by the Bolsheviks. The Soviet decree of April 27, 1918, says: "Inheritance, whether by law or by will, is abolished." However, when the chance presented itself of laying hands on property outside the borders of the Soviet state, they obligingly altered their principles and, with them, the law. It was a useful thing to do, for it immediately extended their powers of confiscation beyond

Russia itself to all the thousands of places where Russians lived throughout the world. As soon as the money thus obtained reaches Soviet jurisdiction, the basic law of the abolition of private property is immediately invoked and the money is confiscated. What the change in Soviet policy amounts to is the temporary recognition of private property for the sole purpose of confiscating it.

That this would be the Soviet attitude I had no way of knowing when I first proposed that the Red Cross help in salvaging the residuary estates of Russian nationals in the United States and the benefits due Soviet citizens from industrial-insurance compensations. My motives were the same as those that had impelled me to take up the veterans' cases, a desire to help the beneficiaries and at the same time to provide a legitimate source of foreign exchange for the Soviet Government.

After initial skepticism, the authorities in Moscow agreed to let me try my plan. I went to Col. Ernest P. Bicknell, vice chairman of the American Red Cross in charge of foreign operations, and explained the situation to him. Colonel Bicknell saw in my proposal another opportunity to help destitute people and promised to put me in touch with the attorney of any Red Cross chapter in America. That meant that henceforth the Soviet Red Cross would have at its disposal the willing assistance of over 3,000 Red Cross chapters throughout the length and breadth of the United States. With such help I could not fail in my plan.

#### A CONSTANT DEMAND FOR TRACTORS

Shortly after this work began I spent a weekend at the house of Max Rabinoff, the American impresario. Saul Bron, then chairman of the board of the Amtorg Trading Corp., was also there. Bron had heard of the rapid progress I was making with the new money-raising enterprise. He knew, he said, about my phenomenal success with the veterans' cases and he wanted to pin me down to a promise that I would raise \$15 million out of the settlement of civilian estates during the current year. He needed that much additional cash to pay for tractors, machinery, and other capital goods.

There was, and still is, a constant demand for tractors in Russia. The need is legitimate enough, but it is greatly increased by the constant destruction of tractors at the hands of the peasants. When a tractor stops running, the peasant's first move is to kick it. If this fails to produce results, he seizes the first heavy object that comes to hand and begins beating it. After the tractor has been hopelessly disabled, it stands in the field indefinitely, for the peasant has no way of hauling it off. Russian peasants are still puzzled at the refusal of tractors to respond to treatment that works so well with horses.

Amtorg was always in need of cash. American manufacturers were reluctant to deal with the Soviet Government, and when they did it was usually on very stiff terms. I know personally about one contract for tractors that called for a first payment in cash that exactly equaled the usual purchase price of the machines. The additional deferred payment came to as much again. These Amtorg acceptances were then disposed of for whatever they would bring. They sold in the money markets of the world at a discount of from 30 to 60 percent and many a fortune has been made by men who bought them, realizing that Soviet credit was vital to the success of the 5-year plan and therefore the acceptances would be duly paid. (The ultimate payment was always made, of course, at the expense of the peasant.)

#### WITH THE HELP OF THE RED CROSS

Naturally Bron was interested in the settlement of estates. Once the courts had released the money, all that was required to put it at his disposal was a bookkeeping transaction in New York. I told him that I had rounded up several million dollars' worth of estates in the first few months, but I had no way of telling how many would be definitely settled during that year. He thought I was hedging and began to give me advice about how the business could be speeded up.

Reduced to plain English, his counsel was that I should buy the press and bribe the authorities. I told him that this was America and such methods would not work. This seemed to amuse him. He was, he said, familiar with the workings of capitalistic countries. Money could accomplish anything, and in view of the millions we stood to gain it was silly to haggle over a few thousands. Every man had his price. He knew. He had been in France. The press there could be

bought; officials could be bribed. America was also a capitalistic country. And so all I had to do was get to work. I ended by inviting him to go and try to buy one of the New York papers or to bribe Colonel Bicknell.

Dr. Sheftel was present at this interview, and I have no doubt that his report to his superiors in the OGPU scored another black mark against me as a counterrevolutionary. It is dangerous to insist upon facts when orthodox Marxists declare they should be otherwise. Such insistence is looked upon as disloyalty. (It's an interesting fact that the people who hold this point of view go right on insisting that Marxism is scientific.)

Of course I ran into difficulties in handling civilian estates and industrial compensation cases. There were hard-boiled skeptics who remained unimpressed by the recommendations of the Red Cross and the example of the Veterans' Bureau. They refused to entrust money to the Soviet State Bank. I was impatient with them at the time. Now I feel I should make public acknowledgment of the soundness of their instincts.

One of the most obdurate of these skeptics was Judge Henry Horner, later Governor of Illinois. In spite of the ironclad guaranties my attorneys offered him and in spite of the fact that I was represented by Donald Richberg, as able and persuasive an advocate as any in the United States, he refused to let the money leave the United States.

But the great majority of American judges, public administrators, surrogates and industrial compensation commissioners fell in line. That should not be held against them. They acted on the perfectly reasonable assumption that the edicts and decrees of a sovereign state constitute an adequate guaranty. It doesn't occur easily to anyone in a civilized country that a state may be bent upon cheating its own citizens.

The procedure I worked out was this: As the inquiries and claims came in, I would investigate to determine the proper jurisdiction. Then with the aid of the attorney of the local chapter of the Red Cross I would proceed to the adjudication of the case. I would instruct the attorney about the Soviet beneficiary's interests and ask him to discuss the case with the judge. Then I would provide the proper Soviet documents to substantiate the claim. These I assumed in every case to be genuine, although now I know that this was not always so. Usually the case was adjudged in our favor. To offset difficulties I engaged the ablest attorneys I could secure.

#### THE STRANGEST CASE OF ALL

Before long I was swamped with work. Thousands of cases, some of them pending for as much as 12 years, were unearthed by my organization and hustled through the courts. The stream of dollars began to flow, presumably for the claimants in Russia, actually for the State Bank of the Soviet Government.

Here is a typical compensation case: Afanasi Bartosik, a truck driver, was killed while at work in Milwaukee. He lived at 311-313 East Water Street in that city. He had a daughter in the Soviet Union. My attorneys argued the case and overcame all objections. A check was drawn in the name of the beneficiary and I, as attorney-in-fact, deposited it to my account and transmitted the money to the central committee of the Red Cross in Moscow. Only 5 percent, as I learned afterward, was paid to the beneficiary; 95 percent went to swell the foreign-exchange fund of the Soviet Government. Nevertheless, a receipt for the full amount in dollars came back signed by the beneficiary, and this I forwarded to the Wisconsin Industrial Board.

Sometimes the very documents substantiating the claims, I later found out, were forged by the Soviet authorities.

One of the first cases I handled involved, as one of the beneficiaries of the will, Nadezhda Konstantinovna Krupskaya, Lenin's widow. The bequest was made by a Russian immigrant whose name had originally been Kneerin, later changed to Kay in this country. He had become a prosperous businessman, but his sympathies remained with the Bolshevik cause.

The amount of the bequest was not very great, and the money, in any event, would have meant nothing to Krupskaya. She had abandoned wealth and social position in her youth in order to become a social worker and had been one all her life. But it is interesting to note that the Stalin government, with perfect impartiality, cheated her, too, out of the money justly due her.

Stalin's own treatment of Krupskaya was even more outrageous. He thrust her unceremoniously into the shadows of the Kremlin where she was, to all intents and purposes, a prisoner. Nevertheless, until her death last year, a hope

lingered on among her friends and admirers that she might some day be the instrument for reforming the present Soviet Government.

There is a story, possibly apocryphal, that shortly after the death of Lenin when Krupskaya opposed some of Stalin's high-handed policies he sent word to her, saying: "Tell the old hag to shut up or I'll appoint a new widow for Lenin."

Another case that passed through my hands was the estate of Leopold Auer, the great violin teacher, who died in the United States, leaving a fortune of about \$20,000. His heirs were two daughters in Moscow and a grandson in this country, Mischa Auer. The latter, of course, got his full share; the daughters received a negligible fraction, and the Soviet Government took the lion's share of their inheritance.

The strangest of all the inheritance cases referred to me by the Red Cross in Moscow was that of the alleged heirs of Haym Salomon. This claim amounted to \$600 million. And it was to be filed against the United States Government.

The fact that it was made at all proves the Moscow authorities had swung around from doubting that the United States would have anything to do with Soviet citizens to the belief that it would do anything that was asked and believe any fabrication that was presented to it.

Not that Haym Salomon was a fabrication. He existed all right, as I learned when I looked into the matter. A native of Lissa, Poland, he came to New York in 1772 when he was in his early thirties. Before that he had wandered through Europe, picking up a working knowledge of 10 languages and a good deal of business experience. In New York he opened a brokerage office and at once began to make money. In September 1776, during the British occupation of New York, he was arrested because of his Whig sympathies.

Next he turned up as interpreter on the staff of the Hessian General Heister, actively engaged in persuading Hessian soldiers to desert. He was again arrested, paroled, married the daughter of a rich New York banker and immediately got into trouble for a third time. He was charged with participation in an anti-British plot and condemned to death. He managed to escape by bribing his guards and went to Philadelphia, where he became a dealer in bills of exchange and other securities. Later he became the paymaster for the French forces in America.

It was during this time and later that he contributed large sums to the cause of the American Revolution. In the accounts of Robert Morris, American Superintendent of Finance, Haym Salomon is mentioned 75 times. James Madison wrote of him in 1782:

"The kindness of our little friend in Front Street near the coffeehouse, is a fund that will keep me from extremities, but I never resort to it without great mortification, as he obstinately rejects all recompense \* \* \*."

Salomon's heirs, however, were not so obstinately generous in attitude. Ten times within the last hundred years, their claims have been considered by the United States Congress. But no award was ever made.

#### WHAT'S TO BE DONE ABOUT IT?

It was this claim that the Soviet Government had unearthed and decided to push. They provided me with a great packet of marriage licenses, birth certificates and family trees designed to prove that a family in Odessa were the true heirs of Haym Salomon. Although I looked into the matter thoroughly I was never able to discover that any of Salomon's descendants had ever returned to Poland or to Russia. I have no reason to believe that the documents were anything but an elaborate forgery by the masterminds and accomplished penmen of the OGPU.

These documents were accompanied by a letter from the Moscow headquarters of the Red Cross urging me to hurry, because the Russian claimants were in "dire need." Dire need, presumably, of \$600 million. I was instructed to spare no expense on trips to Washington and to present the case to Congress as vigorously as possible. After I discovered that the American heirs had given up all hope of recovering the money, I decided to forget the whole business—which I successfully did, despite periodic reminders from Moscow.

#### COUNTERFEITED UNITED STATES CURRENCY

To anyone familiar with the strain of Dostoevskian madness that infects the schemes of the OGPU there can be no doubt that there was a double purpose in

presenting this claim. First they hoped and expected to get the money for the use of the Soviet Government and, secondly, they believed that a raid on the United States Treasury to the tune of more than half a billion dollars would strain the Government's credit and hasten its economic collapse. They tried 2 or 3 other grandiose plans with equally little success.

These attempts belong in the same category with the ambitious scheme of printing counterfeit United States currency, in which the Soviet authorities successfully indulged for a time. I hasten to add that I had no part in this, but I knew about it. Some of the facts have been made public in the proceedings of the Dies committee. This plan included the establishment of a banking house in Berlin—Sass & Martini—and connections with the underworld in Chicago to help in passing the currency. When the FBI got wind of these operations and closed in, a young idealist by the name of Valentine Burtan took the rap. He is now serving a 15-year sentence in Lewisburg Penitentiary and, no doubt for adequate reasons, is saying nothing about his associates and superiors.

Although these two schemes went awry, the Soviet Government continues inconspicuously to draw, year in year out, a handsome income from the people and Government of the United States. For instance, I have before me now a list of upward of 1,000 estates pending at this moment. Some of the amounts are small, but the average is about \$3,500. There you have a total of between 3 and 4 million dollars in a single list. And that leaves out of account the occasional large estates, such as Prince Matchabelli's, which ran to over \$100,000, and on which the Soviet Government is still trying to lay its hands.

The industrial-insurance cases net the Stalin government another half million a year at least.

What's to be done about it?

A good solution was found recently by Surrogate G. A. Wingate of Brooklyn. In settling the estate of Hyman Landau, Judge Wingate ruled that the legacy should not be paid to Landau's daughter, Frieda H. Gomelskaya of Sverdlovsk, U. S. S. R., on the ground that: "It is a matter of common knowledge that private ownership of property has been abolished in the Soviet Union. So far as Russian nationals are concerned, such confiscation by and for the use of the Soviet Government would be of the fund in its entirety. \* \* \* It would be used by the agencies of the Soviet Government in this country to attempt to undermine our institutions and to sabotage our industries."

This principle was extended by Surrogate Foley of New York in settling the estate of Michel Bold, whose heir is his father, living in Odessa. Judge Foley ruled that: "\* \* \* it has been proved by the evidence that the father of the decedent as his sole next to kin would not have the 'benefit or use or control' of the moneys if they were transmitted to him."

He went on to say: "It is not intended that a foreign government, of which the beneficiary is a national, should be the object of the testator's bounty, nor that the right to succeed to the property of a New York decedent should be diverted from the statutory next to kin to a foreign power \* \* \*."

"In the pending proceeding the moneys due the father of the decedent are directed to be deposited with the city treasurer to await adequate and satisfactory proof that the beneficiary will be paid his share in the fair equivalent of American dollars without confiscatory reduction or outright expropriation."

The phrase "adequate and satisfactory proof" is important. Receipts signed by an heir mean nothing. Any Soviet citizen will sign anything the OGPU asks him to sign. If he doesn't he will find himself in a concentration camp, and the document will bear his signature anyway.

I sincerely hope that other States will lose no time in following the precedent set by New York.

Another lucrative source of income to the Soviet Government from this and other countries is the ransom racket. The minimum sum for which an emigrant from Russia can get a relative out of the country is about \$1,000. The sum goes up with the emigrant's ability to pay. The charge is fixed at as high a figure as can possibly be squeezed out. And this amount is very carefully estimated by foreign agents of the OGPU.

The records of the case I am about to cite are in my files. I shall not give the woman's name, for the daughter whom she tried to ransom is still in Russia. We will call her Mrs. S.

During the civil war in Russia, Mr. S. was killed and his wife became separated from their 2-year-old daughter. Mrs. S., after a series of adventures, found her way to New York where she got work as a scrubwoman. By this time she had found out where her daughter was and began sending regular remit-

tauces for her support. Meanwhile she was saving up money for the daughter's fare plus the \$250 exit passport fee. This she finally deposited with Intourist. After months of waiting she was told that her request had been rejected because her daughter was too young to travel. The \$250, minus 10 percent, was returned to her.

Mrs. S. bided her time. When her daughter had reached the age of 15, she once more deposited \$250. Again there were months of waiting, and again the money was returned, minus 10 percent. She was informed that, inasmuch as her daughter was of bourgeois extraction, the passport fee would be \$500. Mrs. S. saved the additional money and deposited it together with a new application. After the usual delay and the inevitable deduction of 10 percent, the money was returned and the application denied on the grounds that the applicant had not shown satisfactory evidence of being able to pay for her daughter's journey to the Russian border.

Mrs. S. went on saving and presently was able to resubmit the application together with \$500 plus the amount demanded by Intourist for her daughter's transportation to the Russian border. The story was repeated: months of delay, deduction of 10 percent of the total, denial of application.

On her next attempt Mrs. S. deposited an addition to the \$500, an amount sufficient to pay her daughter's expenses all the way to New York. There was another delay of months, another deduction of 10 percent, another refusal—this time on the grounds that the OGPU were not satisfied as to her daughter's political reliability.

This toying with human misery is a deliberate part of the Stalin government's campaign to raise foreign exchange. It is constantly being carried on.

By comparison, Inreklama's racket, which nets about a million dollars a year, is a harmless and amusing shakedown. It consists of demanding that foreign companies that sell to the Soviet Government shall buy advertising space in Soviet periodicals. The preposterousness of this procedure can be seen when it is realized that the purchases are of capital goods and metals. No private citizen of Soviet Russia could possibly buy any of these things. Conceivably, however, his enjoyment of his daily paper, when he sees one, is enhanced by the presence of the ads.

The amount of advertising demanded in any given year is calculated with mathematical precision at 5 percent of the total foreign purchases.

In the field of publications and propaganda films, which together show an annual profit of some \$12 million, the Soviet Government has found an ingenious way of making propaganda not only pay for itself but contribute handsomely to the support of the regime.

The next largest source of revenue is the parcel business. In it the Stalin government has found another device for applying thumbscrews to human misery for its own profit. I shall explain its methods in the next article.

[Colliers, May 18, 1940]

#### HOW STALIN STEALS OUR MONEY (Continued)

In 1920 Moscow was slowly starving. I arrived there in the spring, after breaking through the blockade with medical supplies for the Red army, and was given one of the best suites in the Hotel Savoy. But even for a privileged guest life was miserable.

The pavements of the city were still torn with the signs of street fighting, and an hour's walking in ordinary shoes such as mine would send me back to the hotel crippled and longing for hot water to soak my feet in. But water of any sort was hard to get. Since my rooms were above the third floor, it had to be carried up by the porter.

The only thing of which there was real abundance was bedbugs. Sound sleep was out of the question. After a night of tossing and scratching, I would jump out of bed and pour water over myself from head to foot to drown the pests.

These were incidental annoyances. The real problem was food, for, as I have said, Moscow was starving. My breakfast consisted of a thin slice of black bread, half straw and half unbakable dough, and a tea substitute without sugar.

For dinner a kind of watery porridge was served—made apparently of chicken feed. Or, by way of variety, we would be given frozen potatoes boiled into an unappetizing, soft, gray mass. There were no fats. Salt was worth its weight in gold.

The citizens of Moscow were sustained in these hardships by the hope of great things abroad. Russia was still at war. The main Red army under Tukhachev-



sky was marching on Warsaw from the northeast. The cavalry under Budenny, with Stalin and Voroshilov as commissars, was supposedly executing a flank movement from the southeast. From day to day Moscow was expecting news of the fall of Warsaw, the thrust of communism into Western Europe, the spread of world revolution and the end of slow starvation.

But nothing came of these hopes. Stalin, as is generally believed by those who followed the operations, purposely delayed the approach of the cavalry—out of jealousy for Tukhachevsky. (It was Tukhachevsky's report of this maneuver that earned him Stalin's undying hatred and led, when the time was ripe, to Tukhachevsky's execution.) The French general, Weygand, seizing this unexpected opportunity and exploiting it brilliantly, turned the Russian attack into a rout. And the pall of despair fell over starving Moscow.

#### ONLY FOOD HAD VALUE

In this atmosphere of brooding helplessness there were still a few bright spots. They were the concerts, the opera and the theaters. Men and women, weak from hunger and despair, could still find forgetfulness at the Bolshoi Theater, listening to the exquisite music of Tchaikovsky, or in watching the magnificent acting at the Moscow Art Theater.

Money was worthless in those days, and so the singers and actors were paid in food. I shall never forget my first sight of Feodor Chaliapin's dressing room at the Moscow Academy of Music. I had heard him sing and was taken backstage by Lydia Kopeikina, an assistant to Anatol Lunacharsky in the Commissariat of Education.

In one corner of the dressing room stood a sack of flour and beside it a sack of potatoes. On the dressing table were a mound of butter, a bag of sugar and even a small bag marked "salt." The highest paid artist of the Russian stage, who used to receive thousands of rubles for each appearance, was now being paid in the greatest available weight and variety of produce.

He was in good spirits after the performance and appeared to be pleased when I told him that his voice seemed even finer than when I had heard it 15 years before at the Metropolitan Opera in New York. Presently he began to talk about his youth in Nizhnii Novgorod, the town on the Volga that now bears the name of Russia's greatest modern writer, Maxim Gorky. When they were boys Gorky and Chaliapin had tramped all over Russia together. With appreciative chuckles he told me how, when they arrived in Kazan, they both applied for jobs in a choir. Gorky was hired, but Chaliapin was turned down because he had no voice.

#### ONE AVENUE OF ESCAPE

Then with a sigh (and when Chaliapin sighed it was just as well to hold onto your chair to keep from being blown out of it) he said that he supposed he would never escape from this misery around him and see the outside world again. I tried to reassure him, but he shook his head in despair.

It was then that I had a brain wave—for the Soviet Government to send Chaliapin as an ambassador of good will to the United States. I mentioned it to him immediately. But he was doubtful.

"The Government will never let me out," he said. "The people need me here. They forget their empty stomachs as long as the performance lasts. The Government needs me to keep up the morale. I used to be just a singer, but now I perform a public function of political importance. I am a serf of the state."

And he was right. When I broached the subject to Lunacharsky, he said, "It's out of the question. We can't possibly spare him. And besides, he hates it here; if we let him out, he'll never come back."

But the idea stuck in my mind. When I was summoned back to Moscow the following year, I put it up to Lunacharsky's superior, the then all-powerful Leo Kamenev. Kamenev had just told me about the famine that threatened Russia and had instructed me to lay the groundwork in this country for relief. I suggested that a Chaliapin concert tour through the United States would be a great help in winning us American good will. He saw my point at once and agreed. When I warned him that Lunacharsky was opposed to it on the grounds that Chaliapin would not return, he remarked smilingly, "That can be arranged. We'll keep his family as hostages. He'll come back."

That was the beginning of the tours, not only of Chaliapin, but of other Russian artists as well and of the Moscow Art Theater. It became my duty to collect 10 percent of their profits or salaries for the Soviet Government. This task was

often very difficult, for despite the acclaim of critics, the Russian players often had trouble meeting expenses. In April 1924, the assistant to Stanislavsky in the Moscow Art Theater wrote to me from Chicago:

"\* \* \* Will you not be kind enough to tell Moscow of our dire financial straits \* \* \* All the 'old people' headed by K. S. Stanislavsky have not received any salary at all for 4 weeks already and will receive none for 4 more weeks—that is, until the end of the American tour. Moreover, on top of the remaining debts, we have no money for the return trip to Moscow \* \* \* In Moscow they think that it is easy to earn in this country hundreds, thousands, tens of thousands of dollars. But you know that it is not so. Perhaps what you tell the committee about it will be more convincing than our letters."

The artists were required to pay this 10 percent not in rubles, but in money of the country in which they were playing. Failure to pay the tax when due was penalized at the rate of 2 percent a day. Over and above that hung the threat of the severest punishment next to death—confiscation of the artist's living place in Moscow. This was seldom more than a single room, but to return and find it gone meant that the artist would become a homeless wanderer in a city where thousands of people have no place of residence and for years on end move about subleasing a corner of a room whenever they can find one.

Sympathizing with these artists, I made it possible for as many of them as possible to prolong their stay in this country while they were casting about for opportunities in the American theater. As a result, many of them were able to escape from serfdom to the Soviet Government and remain permanently in this country. Among these were Maria Ouspenskaya, Leo Bulgakova and his wife Barbara Bulgakova, Ivan Vasilyevich Lazarev, and Akim Tamiroff, to mention only a few. It was easier to help artists at that time, for until the advent of the first 5-year plan, the attitude of the Soviet authorities was comparatively liberal. It became rigid during the early thirties, and after 1935 wantonly brutal.

As for Chaliapin, he needed no help from me, once he got out of Russia. His tour was a spectacular success. On the strength of it he not only managed to avoid paying the 10 percent tax, but actually succeeded, when he returned to Moscow, in winning the confidence of the Soviet authorities, including Kamenev, and so got his family out of the country. After that he was completely beyond their control and never returned to Russia.

#### NO ROOM FOR ART

When the Moscow Art Theater Musical Studio came to this country in 1926 for a highly successful tour, a number of the artists wanted to remain here. I helped them as much as I could. The two leading singers, Olga Baklanova and Ivan Velikanov, found engagements on Broadway. One of the conductors, Konstantin Shvedov, went to Hollywood, and the other, Vladimir Bakaleinikov, became assistant conductor of the Cincinnati Symphony.

Bakaleinikov's experiences in Moscow, as I heard them from his own lips, clearly show why even those artists who loved Russia deeply found it impossible to live there and were happy to escape at any cost.

Bakaleinikov had been a member of Prince Oldenburgsky's famous quartet and a musical director of the Moscow Opera. Yet this gifted musician was obliged to practice his viola and piano and write his compositions in subzero temperature with frost-stiffened fingers. He was crowded out of his apartment into a single room, which had to serve as bedroom, bathroom, kitchen, and studio combined. In the other rooms of what had once been his apartment were crowded 40 adults with attendant children, dogs, and cats.

On top of the discomfort, noise, and stench came the attentions of the chairman of the house committee. He would appear from time to time with a ruler, and measure the space occupied by Bakaleinikov's piano. He had decided he would move it out and put a new tenant in its place. In fact, he got as far as bringing up the prospective tenant and his wife to discuss arrangement of furniture once the piano was out of the way.

Fortunately Bakaleinikov had powerful friends who saved his piano for him when things became critical. The house chairman, however, foiled in his attempt to get rid of that sinful symbol of bourgeois luxury, got even with Bakaleinikov by assigning him more often than anyone else to the job of snow clearing. No matter if for weeks afterward he could not practice on his piano or viola with his frostbitten hands; at least he could conduct an orchestra.

When I visited him and his wife, a talented singer and actress in her own right, at their home in Cincinnati, Bakaleinikov showed me that he had a room

devoted solely to his grand piano. "Do you know," he said, pointing out the window where the snow was beginning to fall, "at times I feel almost homesick for the visits of that house committee chairman."

This flight of artists from the homeland (there was, of course, only a comparatively small number who were able to get away) was the worst possible advertisement for the proletarian paradise, and it is not surprising that the Soviet Government quickly put a stop to it.

My personal interest was involved because I have all my life loved the theater and opera, and many of the performers were my good friends. The larger problem, however, and my particular job for as long as I was head of the Soviet Red Cross in America, was the relief of those sufferers in Russia who could not get out.

Want is the normal state of affairs for the vast majority of Soviet citizens, even in those times when starvation is not stalking the land. I was able to help by the transmission of money, food, and clothes, paid for either by public collection, as in the time of the famine, or supplied privately by friends and relatives.

#### THE PARCEL RACKET

Out of the parcel business, which I started, the present rulers of Russia have made one of their most profitable rackets.

My own enterprise in sending parcels, after flourishing for a while, was stopped, partly, it must be admitted, because the senders took advantage of the system to smuggle in contraband of all sorts, including drugs. At the same time I had started the telegraphic transmission of money from individuals here who had relatives in Russia. This was in 1920, and all might have gone well if the rate of exchange proposed by Krassin, who was then Foreign Trade Commissar—a rate of 1,500 rubles to the dollar—had been adopted. But Litvinov, an inveterate enemy of Krassin, insisted that the rate should be only 250 rubles to the dollar. This killed the enterprise.

In 1924, however, Sokolnikov "stabilized" the rouble, exchanging 1 million of the old for 1 rouble of the new issue, and it became possible again to send money to Russia. The new arrangements were made by Amtorg officials and by representatives of the Soviet State Bank. For 5 years thereafter, from 1924 through 1929, dollars flowed in a steady stream in the form of money orders from Russian immigrants in the United States to their relatives in Russia. A conservative estimate would place the total at between 75 and 100 million dollars, or an average of between 15 and 20 million annually.

Suddenly, in 1930, the flood of foreign exchange began to shrink until it became a mere dribble. The Soviet bankers wanted to know why.

I remember participating in a number of discussions on the subject with various Soviet experts, in particular with Baryshnikov, the chairman of the Soviet Bank of Foreign Trade and a director of the Soviet State Bank, during his visits to New York. The trouble with these discussions was that we always skirted around the subject, shunning the central problem like the plague. Nevertheless, our conclusions were sound, for each of us knew the hidden and unmentionable truth—the real reason for the termination of the flood of foreign exchange. Word had reached the senders of remittances in America that the dollars they were sending to their relatives were being "sweated" out of the latter by agents of the OGPU.

#### THE OGPU ON THE JOB

The sweatbox system of which they had heard—*parilka* is the Russian name for it—is not a pleasant thing to contemplate. It came about as a result of the difference between the arbitrary official rate of exchange of the rouble and its real value measured in purchasing power. The recipients of remittances from abroad had been demanding payment in dollars. For a time they got it, but with the advent of the 5-year plan in 1928 the practice was stopped. Those who had been receiving money informed the senders, who thenceforth, instead of transmitting through the banks, would send batches of saved-up dollars with friends who went as tourists or specialists to the Soviet Union. The Government was thus deprived of many million dollars in badly needed foreign exchange.

It was the OGPU that came to the rescue. (Whenever anything goes wrong with any Soviet institution, the OGPU is invariably called in by the Political Bureau to clean up the trouble.) Their agents went to the banks and got the names and addresses of all citizens who had ever received remittances from

abroad. Presently these citizens received notice to appear at a given time at the local OGPU office. Such invitations are never declined.

The citizen would appear, and the conversation would follow stereotyped lines. The official would speak of the glory of building socialism and the Government's need of foreign exchange. His caller would reply by expressing his devotion to the cause, his willingness to lay down his life for it. The OGPU official would then politely suggest that it would be simpler for him just to exchange his dollars for rubles at the official rate. The citizen would swear that he would gladly do this—if he had the dollars or, for that matter, any foreign exchange.

The conversation would then get down to cases. On the basis of the record, so many dollars were transmitted, so many were exchanged, then the transmission stopped. If the amount exchanged was less than the amount transmitted, the OGPU would demand the immediate exchange of the balance. If not, the OGPU would inquire how much additional money had been sent privately. The invariable answer would be that no foreign exchange had been transmitted except through banks. To such replies—to any replies pleading no more foreign exchange—the OGPU had a stock answer: "Think the matter over, citizen. Talk it over with your family."

All this was preliminary. The real pressure was applied the same night. At an hour or two past midnight the citizen would be dragged out of bed by OGPU agents and hustled off, half asleep and numb with terror, to headquarters. There the questioning would be begun in earnest. The next stage was the sweatbox.

This was a room with boarded-up windows, so crowded with human beings, with men and women of all ages and classes, that none of them could sit or lie or move about, but all had to stand, pressed against one another, day after day, crying, protesting, hating one another, hating themselves. No food, no water, no conveniences of any kind. No consideration for the sick—except the added hatred of their neighbors. This was the parilka, a fiendish device for forcing human beings to furnish one another's torment. Squeezed together like cattle in a boxcar, they stood there trying to remember where they had hidden their foreign exchange.

#### THE INQUISITION BELT

In many instances persons arrested on the suspicion of having foreign exchange or other valuables—gold, jewelry, and the like—did not have anything to give up. They were never believed, for the OGPU prides itself on never arresting anyone who is not guilty as charged. Furthermore, those arrested would always be questioned about the culpability of friends and relatives. Many wildly accused others in the desperate hope of buying their own release. And so the net of incriminations spread.

After several days in the parilka, the victims would be taken out separately to run a gantlet called the belt. This was a device borrowed from American mass-production methods. The suspect would be marched or dragged by guards before an investigator, who would question him or her either politely or brutally. The moment one investigator was through, the suspect would be dragged before another. This was kept up without interruption night and day. Investigators changed, guards changed; the suspect continued to move along the belt.

When the suspect fainted, he was revived and the inquisition continued. The methods of revival varied; sometimes the victim was merely doused with water; sometimes he was subjected to incredible indignities and brutalities.

If the suspect would not surrender his valuables, or could not because he had none, this process—alternating between the sweatbox and the belt—continued until he died.

It was rumors of this system leaking out of Russia that put an end to the transmission of foreign exchange. And it was then that Baryshnikov and others turned to me for suggestions.

Just before this time the Soviet Government had established the Torgsin stores—Torg-s-in is an abbreviation of Torgovlya s inostrantsami, which means trade with foreigners. At them only foreign exchange was accepted; rubles were as valueless there as they are in the United States. It was natural that I should suggest to Baryshnikov that the privilege of buying at those stores be extended to Soviet citizens who possessed foreign exchange or other valuables.

He looked at me for a moment without saying a word. Then he glanced around to make sure we were alone. "You know," he said, "you are not the first one to make the suggestion. I myself broached the subject at a meeting of

the Central Committee in Moscow." He lit his cigar and waved out the match. "Do you know what happened? I was almost thrown out of the party."

"But why? It would bring in more foreign exchange at less expense than other methods that have been tried."

"That's true enough, and I, as a banker, thought it was a good idea. But you forget the wider aspects. Ever since 1917 we have been trying to exterminate certain undesirable elements—the bourgeois and petty bourgeois. These are just the people who have or may receive foreign exchange and gold. The party considers it more important to let them starve to death as encouragement to our workers abroad than to garner a few millions in foreign exchange. No union cards for them, no jobs, no ration cards—and certainly no Torgsin orders. Let them starve."

But a few months later the Kremlin took a slight turn to the right. It was decided that foreign exchange was more important after all. Authorization was granted for its transmission through the Torgsins to all comers, and the stores were allowed to accept it or other valuables from Soviet citizens as well as foreigners. Thereafter anyone who argued against this policy was branded as a "right-left double-dealing deviator."

The Torgsin stores opened toward the end of 1930. Before the enterprise was liquidated early in 1936 they had taken in about \$200 million. It was one of the fairest and most businesslike of the Soviet financial schemes. The prices were rather high, but not inordinately so, and the merchandise was good. Many very rare items—such as buttons, shoes, butter, oranges, lemons, and the like—could be obtained nowhere else or only in very limited quantities.

But it was this very fact that led to the downfall of the system. Communist Party members who regarded themselves as the real rulers of Russia found themselves unable to obtain some of the things that could be purchased by the "nondescript petty bourgeois riffraff" that had managed to have gold or other valuables, including the gold crowns of their teeth, or who had relatives abroad. To appease these party members, the stores were liquidated.

#### THE END OF THE TORGSINS

I argued against this move when I was in Moscow in 1934. At a conference in the board rooms of the Soviet State Bank, I made it plain that the Russian immigrants in America were thoroughly disillusioned with Soviet promises and would not revert to sending dollars once the Torgsin stores were closed. I pointed out that the Americans we were dealing with were former Russians who kept themselves well posted about affairs inside Russia, and therefore knew just how valueless the ruble really was. They would simply refuse to send dollars over to be cashed into rubles at the official rate.

In addition I reminded the officials that the Soviet Government had assured the United States Veterans' Bureau that beneficiaries could use their benefits at the Torgsin stores.

A year later the abolition of the stores was decreed. But not before a new plan for acquiring foreign exchange, or rather the modification of an old one, had been devised. This consisted in reviving the business of shipping parcels, with excessively high duties on the merchandise to be paid by the shippers in foreign exchange. Over and above the duty, exorbitant fees were charged for a license to ship, shipping charges, and other service charges.

It was obvious to me that the Soviet Government was deliberately intent on exploiting the needs of its citizens and the sympathies of their relatives in the United States in order to replace the \$40 million turnover from the Torgsin system. This plan was, in part, responsible for my determination to leave the Soviet service. I could no longer face my friends in the Veterans' Administration, the American Red Cross, and elsewhere in the United States.

There is an ironic circumstance in this parcel business. Most of those who send parcels were originally petty tradesmen or artisans in Russia, thus being classed by Communists as petty bourgeois and enemies of the proletariat. In the United States they got jobs in shops and factories; they are industrial workers, strong trade unionists—the very class the Communists court most assiduously.

By constantly threatening to abandon these relatives to starvation, the Soviet Government forces American wage earners to scrimp and save, denying themselves the essentials of life, in order to send parcels at exorbitant rates, paying exorbitant duties, to the Soviet Union. It was out of the pockets of these people

that the Soviet Government extracted a large portion of its turnover at the Torgsins; it is out of their pockets today that it continues to extract 10 to 15 million dollars a year.

## PROFITS IN A HURRY

In an attempt to clear its own skirts, the Soviet Government placed this business in private hands, thus exposing the shippers to further exploitation by individual firms. Here are the contents and prices, exclusive of shipping charges, of two packages sold today by a company specializing in shipments to the Soviet Union:

*Package No. 1. Price \$6.10*

3 pounds white flour-----	\$0.18
3 pounds sugar-----	.15
2 pounds farina-----	.24
1 pound cocoa-----	.08
Value of contents at New York retail prices-----	.65

*Package No. 2. Price \$7.50*

2 pounds white flour-----	\$0.12
2 pounds sugar-----	.10
2 pounds butter-----	.70
2 pounds farina-----	.24
1 pound cocoa-----	.08
Value of contents at New York retail prices-----	1.24

In addition to all this, there are the regulations with which the whole business is hemmed in. For example, no old or used clothes may be sent, and each article must be accompanied by a bill of sale from a local department or chainstore. Moreover, parcel companies in many instances force their customers to buy direct from them by raising all sorts of technical objections to bills of sale issued by the stores. In this they are supported by the Soviet authorities, for the simple reason that the higher the price the greater the income from duties. Add to this the sender's fear of reprisals against his relatives in Russia, and you have the perfect setup for a racket.

In the four articles of this series, I have discussed some of the ways in which the Soviet Government siphons money out of the United States. I have not mentioned the sale of bonds (now worthless) nor the occasional financial raids. I have left out of count the fact that Russia now controls the eastern provinces of Poland, which have provided heavy emigration to this country in the past generation, and as a result the scope of her activities has been greatly extended.

Even without these—counting only the parcel business, the veterans' cases, propaganda films and publications, Intourist receipts, worthless advertising, and industrial and life insurance—a conservative estimate of the Soviet Government's annual revenue from the United States is \$29 million.

Mr. MORRIS. Now, Senator, special regulations have pretty much solved the particular problem of behind-the-iron-curtain beneficiaries of insurance policies, where they have contractual relationships with the insurance companies, that they be paid a certain amount of money and that Federal regulations provide the nonpayment of these moneys—not that the people are not entitled to the money but rather because the circumstances in the particular countries were such that it would be pretty certain that if the money were paid that it would not be given to the beneficiaries themselves but appropriated by the Soviet Government.

In connection with these hearings, I might state we are undertaking a survey of the situation existing now to determine whether or not there may be some relaxation of this rule that has until recently proved rather effective. It may still be effective, Senator, but I think that we should have a look at the situation as it now exists with a view of determining whether or not any legislation may be necessary or

whether the existing legislation on the books is inadequate or may have to be amended.

The first witness we have here—we have representatives of four outstanding insurance companies of the country and they are all prepared—we had a staff session with them a few days ago and they are prepared to give testimony on the existing situation.

I suggest, Senator, that the first witnesses be Daniel J. Reidy and his attorney, John Walsh. They represent the Guardian Life Insurance Co. I wonder if these two gentlemen would come forward.

Senator JOHNSTON. Will you stand up and both be sworn?

Do you swear that the evidence you are to give before this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. REIDY. I do.

Mr. WALSH. I do.

**TESTIMONY OF DANIEL J. REIDY, VICE PRESIDENT AND GENERAL COUNSEL OF GUARDIAN LIFE INSURANCE COMPANY OF AMERICA; ACCOMPANIED BY JOHN WALSH, COUNSEL FOR THE COMPANY**

Mr. MORRIS. Mr. Reidy, would you give your full name and address to the reporter?

Mr. REIDY. Daniel J. Reidy, 73 Beacon Hill Road, Ardsley, N. Y.

Mr. MORRIS. And what is your position with the Guardian Life Insurance Company of America?

Mr. REIDY. I am vice president and general counsel.

Mr. MORRIS. And have you been working in the Guardian Life Insurance Co. in such a way that you are conversant with the problem set forth by us today?

Mr. REIDY. I am, sir.

Mr. MORRIS. And, Mr. Walsh, I wonder if you would identify yourself for the record?

Mr. WALSH. John Walsh. I am a member of the firm of Watters & Donovan. Their offices are at 161 William Street, New York 38, N. Y., and we are counsel-attorneys for Guardian Life Insurance Company of America in litigation involving the questions now before this subcommittee.

Mr. MORRIS. And you have from time to time worked on that particular problem?

Mr. WALSH. Yes; I have.

Mr. MORRIS. Well, Mr. Reidy, I wonder if you would tell the subcommittee the present status of the situation with respect to insurance companies having to fulfill their contractual obligations of paying to the beneficiaries of life insurance and other insurance policies, which beneficiaries are residing behind the iron curtain and therefore subject to Soviet authority?

Mr. REIDY. Yes. The problem, gentlemen, that has faced the insurance companies is to prevent the proceeds of American life insurance payable to these beneficiaries residing in the Iron Curtain countries from falling into Communist hands, and try to preserve these funds so that the true beneficiaries will eventually have the use and benefit of the funds.

We have been successful so far, and I think that I can speak for all of the life-insurance companies in this country, that since the problem was brought to their attention back in 1954 not one company, to my knowledge, has paid any proceeds to beneficiaries residing in the various Iron Curtain countries.

Mr. MORRIS. You say since 1954?

Mr. REIDY. Since approximately 1954.

Mr. MORRIS. May I break in there? What was the situation prior to 1954?

Mr. REIDY. Prior to 1954, why, I would imagine that some of the companies—you see, when you get an isolated case you don't think too much about it, and when you get a power of attorney or something, why, you might just pay under that power of attorney. The power of attorney, of course, would usually come from the Iron Curtain countries.

My own company, Guardian, had adopted the policy prior to 1954 of not recognizing any one of these powers of attorney, and of holding the money in this country until such time as these unfortunates will be able to get it.

I think we have done that for two reasons. Obviously, I think, we have not only a legal, but I think we have a moral obligation to our policyholders, that only the beneficiaries that they have designated get these proceeds. Secondly, I think that we have a patriotic duty to our country to make sure that no dollars fall into Communist hands where those dollars may be used against our Republic.

Mr. MORRIS. And, Mr. Reidy, in holding back payment to these beneficiaries you do not do that to deny payment to them but to assure that ultimately they will have these payments; is that right?

Mr. REIDY. That is correct. We hold the money at interest in the company.

Mr. MORRIS. I see. What is the situation today? Is there any evidence on the horizon that this rather effective regulation is being relaxed?

Mr. REIDY. I am sorry to say there is. I think, Senator, it is more a question of national policy. I would like to quote from Secretary Dulles' address here which helped us considerably. This is an address made to the Congress and the people of the United States as to what our foreign policy was.

Senator JOHNSTON. You are reading from his address of what date, for the record?

Mr. REIDY. January 27, 1953. It is from volume 99, Congressional Record, page 703. Secretary Dulles at that time said:

Now, in our own interest, our enlightened self-interest, we have to pay close attention to what is going on in the rest of the world. And the reason for that is that we have enemies who are plotting our destruction. These enemies are the Russian Communists and their allies in other countries. \* \* \* The threat is a deadly serious one. \* \* \* Any American who isn't awake to that fact is like a soldier who's asleep at his post. We must be awake, all of us awake, to that danger.

Since that time, Senator, I would like the record to show—and this is an expression of my own personal views; naturally, I cannot express the views of all the insurance companies of this country—we have now gone to what we call a calculated risk wherein we are recognizing national communism, which is supposed to be distinct from this Soviet



type of communism. Therefore, we find that, in the last 6 months, I believe, the Polish Communist delegation has come to this country and made certain arrangements with us whereby this country has granted them certain loans and what not, and, as the result of the conclusion of those negotiations, early this year the Secretary of the Treasury removed Poland from the Treasury regulation as one of the countries where no United States checks and warrants would be sent, on the ground that there was no reasonable assurance that the people would receive the moneys and have the use and benefit thereof.

Mr. MORRIS. When was Poland taken from this list?

Mr. REIDY. The date, I believe, is June 27, 1957.

Do you have the Federal Register, Mr. Morris? I can give you the date right from that.

The Federal Register is dated June 12, 1957, page 4134 of the rules and regulations. It amends Treasury Department Circular 655 by just withdrawing the name of Poland from the list of Communist countries, the others of which are Albania, Bulgaria, Communist-controlled China, Czechoslovakia, Estonia, Hungary, Latvia, Lithuania, Rumania, Soviet Russia, and the Russian zone of occupation of Germany, and the Russian section of occupied Berlin. (See appendix I.)

Mr. MORRIS. Now, what is the procedure whereby the beneficiaries from these countries apply for the receipt of money that they are entitled to under the terms of an insurance contract? Do the individuals themselves get in touch with the insurance company?

Mr. REIDY. I can cite three specific examples, if you care for me to do so—

Mr. MORRIS. I wish you would, Mr. Reidy.

Mr. REIDY (continuing). Which would give you some concrete countries. One case involves Czechoslovakia. We have beneficiaries residing in America, and, of course, there was no problem there, and, of course, they received their portion of the funds. The other beneficiaries reside in Czechoslovakia. We did receive word from one of those beneficiaries that under no circumstances were we to send any money to Czechoslovakia, to please hold it in this country for the benefit of her children, and that we have done.

Mr. MORRIS. In other words, the beneficiaries asked you not to send it over?

Mr. REIDY. That is correct. Word came to us from the beneficiary in one Russian case involving Soviet Russia. We received a printed power of attorney from Soviet Russia, printed in English and in Russian, with the printed name of a New York attorney who is to act as an attorney in fact for these people in Russia.

I would like to hand up a photostatic copy of such power of attorney, and call the Senator's attention to the 2 signatures purportedly signed by 2 different Russian beneficiaries which, to me—I think it is very obvious that whoever signed them, that one person signed both of them.

Mr. MORRIS. Mr. Reidy has shown this to the staff, Senator, and I call your attention to the marked similarity between the two purported signatures there.

That is the power of attorney in the Russian language, is it not, Mr. Reidy?

Mr. REIDY. It is printed in both, in half Russian, one-half of the paper being in English and the other, Russian; yes, sir.

Mr. MORRIS. All right.

Senator JOHNSTON. I am not a handwriting expert, but I think that most anyone can look at this and see it must have been written by the same person.

Mr. REIDY. Yes, sir. We have refused to honor that power of attorney, and we are still holding those funds, hoping that someday these unfortunates will be able to have their use and benefit.

Mr. MORRIS. What is the most recent litigation on this subject, Mr. Reidy?

Mr. REIDY. There are two facets to this whole thing—

Mr. MORRIS. There is an important case involving the Guardian Life Insurance Co. recently handed up by Judge Edelstein?

Mr. REIDY. Yes, sir. That is the only case, to our knowledge, involving a lawsuit where one of the Communist countries is endeavoring, allegedly on behalf of their citizens, to secure these funds. That case is pending here in the United States District Court for the Southern District of New York, Civil No. 95-262.

Mr. MORRIS. I wonder if you would, Mr. Reidy—or perhaps you, Mr. Walsh, are the more appropriate person to ask on the subject—tell us the precise legal significance of that particular holding and what implementation there has been to that decision since the time it was rendered in March 1957.

Mr. WALSH. Well, the decision was made—

Mr. MORRIS. You appeared in that case: did you not?

Mr. WALSH. Yes; I did, Mr. Morris. The decision was made on a motion of the plaintiff, through the attorneys originally retained by the Polish consul, for summary judgment, and a cross-motion by the Guardian Life Insurance Co. for the same relief, for summary judgment, not seeking a denial or adjudication of any lack of the right of the plaintiff to the funds, but seeking the invocation of certain statutory provisions in New York, for the deposit of funds in the court, for the benefit of these people.

Mr. MORRIS. May I ask you this question: In this particular cause you had many plaintiffs?

Mr. WALSH. There are 11 plaintiffs named in the caption.

Mr. MORRIS. Are they Polish nationals?

Mr. WALSH. They are Polish nationals.

Mr. MORRIS. And they instituted this action in the court to collect the proceeds of the insurance policy?

Mr. WALSH. That is correct.

Mr. MORRIS. And the defense of the insurance company was not that these people were not entitled to these funds, but, rather, that they should be preserved under the existing statutes in New York State on behalf of the people because the funds would be simply turned over to the Polish Government representatives?

Mr. WALSH. That is correct.

Mr. MORRIS. And what is the New York statute on that, Mr. Walsh?

Mr. WALSH. Well, there are three statutes on that, Mr. Morris; sections 474 and 978 of the Civil Practice Act and section 269 of the Surrogate Court Act. Of course, this not being an estate case, the

Surrogate Court Act would not apply. All the statutes, in substance, have the same language.

Mr. MORRIS. Senator, may I offer for the record sections 474 and 978 of the Civil Practice Act?

Senator JOHNSTON. Yes; it will be part of the record.

(The sections referred to were marked "Exhibit Nos. 515 and 515-A," and read as follows:)

EXHIBIT No. 515

CIVIL PRACTICE ACT

SECTION 474

Judgment may be for or against any of the parties

1. Judgment may be given for or against one or more plaintiffs and for or against one or more defendants. It may determine the ultimate rights of the parties on the same side, as between themselves, or of a party who claims that any other party to the action is or may be liable to him for all or part of a claim asserted against him in the action, and it may grant to a defendant any affirmative relief to which he is entitled. Where it shall appear that a party is entitled to money or other personal property, and he would not have the benefit or use or control of such money or other personal property, or where other special circumstances make it appear desirable that payment or delivery thereof should be withheld, the judgment may direct that such money or other personal property be paid into or deposited in court for the benefit of such party, or other persons who may thereafter appear to be entitled thereto. Such money or other property so paid into or deposited in court shall be paid out or delivered only by the special order of the court.

2. Where the action is against two or more defendants, and a several judgment is proper, the court may render judgment or require the plaintiff to take judgment against one or more of the defendants; and direct that the action be severed, and proceed against the other as the only defendants therein.

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EXHIBIT No. 515-A

CIVIL PRACTICE ACT

SECTION 978

Disposition of property in action or proceeding

Where it is admitted by the pleading or examination of a party, that he has, in his possession or under his control, money or other personal property capable of delivery, which, being the subject of the action or special proceeding, is held by him as trustee for another party, or which belongs or is due to another party, the court, in its discretion, may grant an order, upon notice, that it be paid into or deposited in court, or delivered to that party, with or without security, subject to the further direction of the court. Where it shall appear that a party to a proceeding or action has in his possession or under his control money or other personal property capable of delivery, which belongs or is due to another party to the proceeding or action, and it shall appear that such party would not have the benefit or use or control of the money or other property due him, or where other special circumstances make it appear desirable that such payment or delivery should be withheld, the court, in its discretion, may direct by such order that such money or other personal property be paid into or deposited in court for the benefit of such party or other persons who may thereafter appear to be entitled thereto. Such money or other property so paid or deposited in court shall be paid out or delivered only by the special order of the court.

Mr. WALSH. In substance, as you will note, section 474 and the other similar statutes simply provide that when it shall appear that a party is entitled to money and that he would not have the benefit or use or control of such money, or where other special circumstances

make it appear to be desirable that payment or delivery thereof should be withheld, then the judgment may direct that such money or other personal property be paid into or deposited in court for the benefit of such party or other persons who may thereafter appear to be entitled thereto.

Such money or other property so paid into or deposited in court shall be paid out or delivered only by the special order of the court.

It is obviously a protective provision.

Those statutes, I might add, were passed in 1939 at a time when we were having great difficulty with what might be described as another kind of Iron Curtain country—in other words, Nazi Germany.

All of the decisions of our court are in our motion papers on file in the action, all of which, however, pertain to estate matters rather than contract matters, and all of those decisions have consistently invoked or sustained these statutes and have, where it appeared that a payee of money otherwise due resided in one of the then Iron Curtain countries, Nazi Germany, or one of the affiliated countries, directed the payment of that money into the court under these statutes.

In a fairly recent case involving a payment to a resident of Hungary, the validity of those statutes was challenged and it was taken right up to the Court of Appeals. As a matter of fact it was also taken to the United States Supreme Court, that is, on a petition for a writ of certiorari that was denied. That case was the matter of *Braier's Estate* (305 New York 148), decided in 1953. Various challenges were made in that case to the constitutionality of these statutes, among them that it might involve a burden on interstate or foreign commerce by a State, and that they are a violation of constitutional rights and so forth.

The constitutionality of the statutes was upheld and it is interesting to note that, in the Braier case, considerable reliance was placed by the Court on Treasury regulations which were passed, incidentally, subsequent to the passage of these statutes. The Treasury regulations were enacted, I believe, in 1940, and I am referring to the Treasury regulation indicated in Department Circular No. 655 of 1941 which provides that these regulations are prescribed and issued under the authority of section 5 of Public Law No. 828 approved October 9, 1940.

Mr. MORRIS. And they were originally invoked, you say, in the case of Nazi Germany?

Mr. WALSH. Yes.

Mr. MORRIS. And the list of countries in these regulations, is it opened up from time to time?

Mr. WALSH. That is correct. I think that Mr. Reidy gave you a list of the countries and in the particular one that I just referred to, Poland is among those on the list that you might call recognized Iron Curtain countries.

The Treasury regulation, I might add, applies to United States funds, in other words, if there is a question involving the payment of national service life-insurance funds, if they are private life-insurance funds, there is no question, the Treasury regulation would be applicable.

To get back to the matter of Braier, which is a State decision, the court of appeals in that case took cognizance of the Treasury regulations and placed reliance on them in holding in effect that public

policy required that these funds be deposited in court despite any particular or specific inquiry as to what conditions actually were, and it might be interesting to read what the court said on that subject. It said:

That regulation was made, it should be noted, with the benefit of all the sources of information concerning conditions in Hungary that are available to a department of the Federal Government and not to the surrogate. Nor may the finding be limited to Government checks or notes, for a check drawn on Government funds would be no less likely to reach a Hungarian payee than would a draft on any private "account."

And in language such as I have just read, the court sustained the application of our local State statutes to which I referred, referring in passing to the Treasury regulations governing the same subject.

We came before Judge Dimock, on the motion for summary judgment, and these statutes and the Treasury Regulations were called to his attention. The form of his decision in substance, you might say, is a granting of the plaintiff's motion for summary judgment because he points out that their entitlement to the money has never been questioned, so he grants their motion for summary judgment but he provides that under the State statute, which he finds incidentally equally applicable under Federal rules in a case pending in Federal court, where unless a hearing is demanded within a stated number of days he will order the deposit of the funds in court—

Mr. MORRIS. Was there a hearing demanded in this case?

Mr. WALSH. Yes; a hearing was demanded in this case.

Mr. MORRIS. Who, by the way, was attorney for the plaintiff?

Mr. WALSH. It was the firm of Wolf, Popper, Ross, Wolf & Jones, 160 Broadway, New York City.

Mr. MORRIS. And of the members of that firm, Paul Ross is the one who is particularly the expert on this particular subject?

Mr. WALSH. That is correct. I believe that the same firm appeared in the matter of Braier. The case went to the court of appeals that I just mentioned to you.

The exact status of the hearing, it is in a sort of suspension. At the time Mr. Ross has a motion granted for issuance of letters rogatory to take testimony in Poland over our opposition, asking that the hearings be held over until after these letters rogatory are issued and in the meantime we had attempted to take an appeal from the order for issuing such letters rogatory.

Mr. MORRIS. I wonder if you would, Mr. Walsh, just discuss for a minute all the implications surrounding an application for letters rogatory. I think it is important for our record.

Mr. WALSH. Well, as you know, letters rogatory in effect are letters issued by one sovereign state to another requesting the good offices of the court in the foreign sovereign state to summons its nationals and take their testimony for use in a case pending in the original or first sovereign state.

Mr. MORRIS. And what would be involved in this case?

Mr. WALSH. That the United States court would petition, through our State Department, for Poland or the Polish Government to summons in these beneficiaries and take their testimony on the subject of whether or not they in fact desire the prosecution of this action and whether or not they would receive the full use and benefit of the money.

Mr. MORRIS. And it would seem a little unreal, would it not, in a case where you have communism in a country, when that country officially calls in people who are beneficiaries of a policy, to ask them if they will specifically pursue a particular matter?

Mr. WALSH. That is what we argued in opposition to the motion; that is, we pointed out that it would be a mere matter of form to call in these people and ask them whether this prosecution of this action was their will, whether they wanted the money paid to the Polish consul because, as we pointed out, the local statutes in Poland would make it a crime for them to do otherwise. As a matter of fact, the crime is punishable by as much as total confiscation of property and even life imprisonment, and we cited the statutes.

I do not want to appear critical of any court that disagreed with us on any point in my testimony here. I think the decision of Judge Dimock—it was decided finally in favor of the original motion, we had argued the matter of the issuance of letters rogatory—that he would have the testimony taken and on the trial of the case before any court here on the merits, that court could weigh the value of the testimony taken. I think that was the basis of his decision—but, of course, we had pointed out, as you have noticed, that such testimony, in our opinion, would be useless.

Mr. MORRIS. You have made an effort, I don't know whether you or Mr. Reidy, have made an effort, specific effort, to determine precisely what happens in Poland when a situation like this develops. I wonder if Mr. Reidy might interrupt your narrative at this time.

Mr. REIDY. I would like to comment and develop a little bit of the background relating to these powers of attorney.

In the specific case the amount involved is a little less than \$20,000.

Mr. MORRIS. In this particular case?

Mr. REIDY. In this particular case. The decedent was a policyholder of ours in Minnesota who died in Minnesota. Some of the beneficiaries resided here and they got their money.

We thereafter received a letter which had come through from the Iron Curtain from some of these other beneficiaries whom, incidentally, we had written to, sending our claimant's statements, which were never returned to us. A letter came through to the administrator of the estate who forwarded it on to us from Minnesota.

In that letter these people specifically requested that the money be held here.

Mr. MORRIS. In other words, the people don't want you to send the money over there. Does all the evidence indicate that, Mr. Reidy?

Mr. REIDY. Yes, sir. Incidentally, Senator Johnston, the plaintiff's attorney, Mr. Ross, attempted to compel us to produce these letters on pretrial hearings and on taking my deposition, but Judge Ryan, of this court, after reviewing the letters that we submitted him, denied the motion on the ground that it would subject these people to oppression if their names were known.

Senator JOHNSTON. Would there be any way that people now living in America having, say, relatives in Austria, for them to have some agreement with those people in Austria to turn the property over to them there and have them receive the benefit of the payments?

Mr. REIDY. Senator, you cite Austria. Austria is not a behind-the-Iron-Curtain country.

Senator JOHNSTON. I am sorry, I meant Hungary.

Mr. REIDY. Hungary is. No; I think that has been pointed out by the Massachusetts Judicial Council, where they say there is no rule or law that would permit such a thing and also no rule of law which would allow any American citizen to claim any property they might inherit in these Communist countries.

Senator JOHNSTON. That is the trouble we are facing right now. I have had parties in my office in the last 3 or 4 days complaining that they have property in Hungary and that they could not get any benefit from it. That is the only reason I made that statement, wondering if there was any solution we might work out between the parties there, say in cases where some families have property, a part in an estate, where people have died over there and they cannot get it out of there; so I certainly do not think it would be right to get it out from America if we cannot get it from those people over there to people over here. It is certainly tied up in that regard right now. I know a doctor in America that inherited property in Austria and it is still there.

Mr. REIDY. May I read this?

Senator JOHNSON. Go ahead. I did not mean to interrupt your presentation.

Mr. REIDY. That is all right, Senator. This is a letter, and I will omit, with the committee's permission, the names of individuals mentioned here.

Mr. MORRIS. Senator, there is every indication that to disclose the names of the people communicating would get them into trouble. The letter indicates that.

Mr. REIDY. The laws in Poland are such that, if you have any inheritance, you must report immediately to the Polish foreign-funds control and you must do everything in your power to get those moneys. (See appendix II.) Of course, the people don't get the moneys, they would get the official rate of exchange which was recently 4 zlotys to the dollar, where some traveling American tourists got 85 zlotys to the dollar, so it is practically confiscation in the last couple of months, although I think they relaxed that and have gone up to 24 zlotys to the dollar.

Mr. MORRIS. May we develop that? In other words, if these people actually did receive the proceeds of the policies, the disparity between the actual rate of exchange and the technical rate of exchange was such that what they would receive would be just one-twentieth of what they were entitled to?

Mr. REIDY. Yes, sir; they would never get American dollars. American dollars would never leave this country, to the best of my knowledge, they would be used by the Communist country.

Mr. MORRIS. Now, we will not ask you to name any of these people, but who represents them, I mean, formally, as far as litigation is concerned?

Mr. REIDY. Mr. Ross, who has power of attorney with the Polish Embassy. The power of attorney was originally to the Polish consul in Chicago. Our country some years ago closed all Polish offices and left only the Embassy in Washington.

Mr. MORRIS. And so therefore you are presented with a situation whereby beneficiaries have expressed themselves as taking a position in opposition to the formal position taken by their counsel, they are

trying to covertly ask you not to send money to the counsel purportedly representing them?

Mr. REIDY. We have some correspondence asking when they are going to get the money, but making some comments on this alleged power of attorney which we have refused to honor so far.

If I may develop one point in relation to this power of attorney and show how it developed?

Senator JOHNSTON. Let me ask you this. Under the circumstances you feel like you have some responsibility to see that the man you owe really receives the money, that is where the question comes up?

Mr. REIDY. That is correct; yes, sir.

Mr. MORRIS. You say that you would like to develop that point, Mr. Reidy?

Mr. REIDY. Yes. In this letter, this person writing to the administrator of this estate said:

We received some weeks ago a letter from the Guardian Life Insurance Company of America informing us that those eight persons will share as beneficiaries. In that letter there were enclosed nine forms, claimants' statements to be filled up and to be certified by the American consul as to their execution, but there lie a lot of difficulties in the way. The first step is to get the permission of the committee for foreign bills of exchange. At any rate, it is a long and difficult way.

Those eight beneficiaries declared, therefore, they would rather have the money remain where it is, to make use of it in the decline of their lives when they will be in want of money, being not strong enough to earn their own living. That is in the letter. And the letter goes on to ask the company whether we would be good enough to hold the money for them.

Based on that letter, the executor's attorney in North Dakota prepared a power of attorney and sent it to these Polish beneficiaries naming the executor as their attorney in fact so he could sign the formal documents requesting we hold the money. That power of attorney was never returned.

Two years after that letter which I just quoted from, which was written in 1952, we received a letter from the Iron Curtain addressed to the company and they referred to the insurance, they referred to the fact that the Guardian Life Insurance Company of America had sent "for each of us" a form to be filled out and sent back again and in this letter this woman said:

As we wanted the money to remain at the company's—to use it when becoming old and weak) and because of the long and difficult way of settling the matter by filling forms and striving hard for a lot of permissions—we decided to abstain from filling the forms. Some day in 1953 we received a summons to appear in court, all of us. The final result of the whole matter was that we signed, each of us, a power of attorney, entitling the \* \* \* consul in the United States to take the money being our share to \* \* \* and to let us have it.

Mr. MORRIS. That is clearly coercive; is it not?

Mr. REIDY. The power of attorney shows on the face of it. The county court at Opole on February 16, 1953, at hearing in open court, heard the case on motion of the consulate general of the Polish Peoples Republic at Chicago—in other words, it is quite apparent that the Polish consul in Chicago learned of these insurance proceedings and then wrote over there and asked these people be brought into court and this power was given by the Peoples Republic.



Now, the Senator of course knows that a power of attorney is supposed to be voluntary, the voluntary act of people naming someone else to act in their place instead. So we refused that power of attorney and the result was that Mr. Ross' firm was thereafter retained by the Polish Embassy in Washington and is now allegedly representing these people to secure this money for them. Since that time we have had several other letters from these people, one of which——

Mr. MORRIS. You mean these people in Poland?

Mr. REIDY. Yes; wherein they say that several of them revoked that old power dated February 16, 1953, that they were advised by the Polish officials that perhaps, if they executed a power directly to the law firm of Wolf, Popper, Ross, Wolf & Jones, they would have more success. Some, of course, have executed such power and others have refused and are glad that we are holding the money.

But I think the case has now gone full circle because here we have these people brought into a court in Poland and they say that the net result is, "We all signed this power of attorney." And now we are having our own district court in New York issue letters rogatory which will go through diplomatic channels, probably right down to the same court and they will probably bring some of the same unfortunates to that court and ask them, "Did you sign this power of attorney of your own free and voluntary act?"

And that is based on Judge Dimock's decision, which I would like to hand to the committee.

Mr. MORRIS. You have a copy?

Mr. REIDY. Yes.

Mr. MORRIS. I would like to offer at the same time the decision of Judge Edelstein against the Guardian Life Insurance Co.

Senator JOHNSTON. They will become part of the record, both of them.

(The documents referred to were marked "Exhibits Nos. 516 and 516-A" and read as follows:)

EXHIBIT No. 516

MOTION FOR LETTERS ROGATORY (WRITTEN INTERROGATORIES) BROUGHT BY  
PLAINTIFF

UNITED STATES DISTRICT COURT, SOUTHERN DISTRICT OF NEW YORK

Civil 95-262

*Jan Danisch, Antoni Danisch, Julia Danisch, Anna Schwientek, Gertrud Wojtczyk, Emma Schweda, Sofia Janta, Jadwiga Salawa, Maria Stanczyk, Luiza Lesch, and Gertruda Urganek, Plaintiffs, against The Guardian Life Insurance Company of America, Defendant*

MEMORANDUM

DIMOCK, E. J. :

On July 24, 1956, I filed an opinion by which I granted plaintiffs' motion that their testimony be taken under letters rogatory in Poland. Their testimony was to be submitted in opposition to defendant's position that the attorneys at present appearing for plaintiffs were doing so without authority.

Defendant now moves for reargument of the motion on the ground that I overlooked the point that to compel plaintiffs to testify in Poland may put them in a position of either committing perjury in response to the commands of a police state or else submitting to the punishment which awaits those who defy those commands. A new affidavit is submitted in support of the statement that

my earlier decision meant that plaintiff's must choose between perjury and prosecution.

The plight of one who found himself in such a dilemma simply because a relative in America had died leaving insurance moneys to which his relatives were entitled, would be very appealing. I cannot take it for granted, however, that this is the case here. On the face of the record plaintiff's have retained counsel to collect for plaintiff's own account the insurance moneys due them. The proceedings at the recent Posnan trials indicate that we cannot accept without very strong proof the claim that the administration of justice in Poland is wholly a mockery. Unless and until the Executive department of this country withdraws its ambassador and consuls from Poland it seems to me presumptuous for the judiciary to declare that Poland is beyond the bounds of the circle of nations within which testimony can be taken in one nation for use in another.

Nevertheless, just as I am impressed with the harm that might be done by refusing to let plaintiff's give their testimony that they themselves have retained their ostensible counsel, so I am impressed with the harm that might come to the plaintiff's by forcing them to testify if, indeed, their ostensible counsel have been retained by and for the benefit of the Polish Government. I would feel much happier about the situation if I could effectively direct that the testimony be taken before an American consul in Poland but American consuls in Poland are not permitted to take testimony for use in American courts. Letters rogatory must, however, pass through the hands of an American diplomatic representative in Poland so that the identity of the deponents would be called to the attention of someone who would at least take note of any reprisals visited upon them on account of their testimony.

Faced with a choice I refuse to set up an iron curtain where none has been interposed by Poland.

The motion is denied.

/s/ E. J. DIMOCK,  
United States District Judge.

NOVEMBER 13, 1956.

UNITED STATES DISTRICT COURT, SOUTHERN DISTRICT OF NEW YORK

MOTION FOR THE ISSUANCE OF LETTERS ROGATORY

*Jan Danisch, Antoni Danisch, Julia Danisch, Anna Schwientek, Gertrud Wojtczyk, Emma Schweda, Sofa Janta, Jadwiga Salawa, Maria Stanczyk, Luiza Lesch, and Gertruda Urganck, Plaintiff's, against The Guardian Life Insurance Company of America, Defendant*

OPINION

DIMOCK, D. J.:

Plaintiffs by their attorneys, Wolf, Popper, Ross, Wolf & Jones move pursuant to Rule 28 (b), F. R. C. P. for an order that letters rogatory issue to the appropriate judicial authorities of the Government of Poland, under which there may be taken in Poland, the depositions of plaintiff's and agents of the National Bank of Poland.

The question of the authority of these attorneys to bring this action is raised by the opposition to the motion. I shall, however, assume that authority for the purposes of this motion, as I did for the purposes of another application in the case, 18 F. R. D. 77.

The action purports to be brought on behalf of citizens and residents of Poland to recover proceeds of insurance policies and supplementary contracts issued by this defendant on the life of one Reverend Theodore A. Kupka, who died in the United States. The parties are agreed that these plaintiff's are the named beneficiaries under those policies and contracts. Defendant admits that it has proceeds which are due to those named beneficiaries but has resisted recovery in this action on two grounds: (1) the attorneys appearing for these plaintiff's have no valid authority to commence this action, and (2) if plaintiff's were awarded judgment in this action, there is no assurance that plaintiff's will be permitted to receive the benefits of this judgment in Poland. In conjunction with this second defense, defendant requests that it be authorized to deposit in court the sum due plaintiff's to be held until the plaintiff's are free to receive the benefit therefrom. Defendant points to the fact that this

practice is provided for in New York by Sections 474 and 978 of the New York Civil Practice Act.

Letters rogatory are asked for the examination of plaintiffs in Poland so that, at the trial, testimony may be offered in support of the authority of these attorneys to appear for them. Defendant objects on the ground that any such testimony would be without value since plaintiffs are residents of a police state which would not permit plaintiffs to testify freely and truthfully. Defendant points to various statutes in force in Poland which, it alleges, make it a crime for any citizen of Poland to hinder the collection of any claim in a foreign country.

Defendant does not controvert plaintiffs' allegations that letters rogatory constitute the only procedure available to obtain plaintiff's testimony. Thus the requirement of Rule 28 (b) that letters rogatory may only issue "when necessary or convenient" is fulfilled. It may well be true that the testimony thereby obtained will be of little or no value because it was taken in a police state. This is something for the trier of the facts to consider; it does not make the testimony inadmissible. See *Bator v. Hungarian Commercial Bank*, 1st Dept., 275 App. Div. 826.

Defendant also objects to the issuance of letters rogatory to examine agents of the National Bank of Poland. The purpose of the requested examination is stated by the plaintiffs' attorneys as follows:

"In this connection the plaintiffs desire to question the National Bank of Poland in Warsaw as to the manner in which the moneys transmitted from the United States would be paid over to and receipted for by the Polish beneficiaries thereof. Also, to ascertain what taxes or other charges, if any, are deducted under the applicable provisions of Polish law. Finally, the degree to which Polish citizens have the free right of disposition of the moneys turned over to them and the full use and benefit of said moneys."

Almost all of what is asked is foreign law and there is no statement that the representatives of the National Bank of Poland who will testify are lawyers. Nevertheless, even if they are not members of the profession, they can perhaps qualify themselves. 2 *Wigmore Evidence* § 564 Pg. 658 (3 ed. 1940); *Murphy v. Bankers Commercial Corp.*, D. C. S. D. N. Y., 111 F. Sup. 608. The representatives' qualifications can be passed upon by the trial court which will have the benefit of the witnesses' answers to the interrogatories as to their qualifications and any cross interrogatories on the subject.

Insofar as anything else is wanted from the National Bank it is information "as to the manner in which the moneys transmitted from the United States would be paid over to and receipted for by the Polish beneficiaries thereof." Implicit in the request is the assumption, no doubt valid, that the National Bank of Poland would be in complete control of the payment of the fund to the beneficiaries and their receipt for them. On that subject the testimony would either be as to the provisions of law governing the payment and receipt or would be as to the nature of an agreement by the National Bank as to what it would do. To obtain such an agreement expressed in a deposition would be a waste of time. Courts have no machinery by which to enforce such an agreement with a witness. The interrogatories must, therefore, be limited to the law applicable to the proposed transactions.

Defendant says the plaintiffs' attorneys have been guilty of such laches in moving for letters rogatory that the application should be denied. No suggestion of prejudice by the delay is made except that, because of the importance of the question raised to this and other insurance companies, the action should be tried and disposed of at the earliest possible date. Issue was joined on November 12, 1954, and no note of issue has been filed by either party. Under the circumstances I hold that the motion is not barred by laches.

Motion granted. Interrogatories to representatives of National Bank of Poland limited to questions of law.

Dated: July 23, 1956.

E. J. DIMOCK.

## EXHIBIT No. 516-A

UNITED STATES DISTRICT COURT, SOUTHERN DISTRICT OF NEW YORK

Civil Action 95-262

Jan Danisch, Antoni Danisch, Julia Danisch, Anna Schwientek, Gertrud Wojtczyk, Emma Schweda, Sofia Janta, Jadwiga Salawa, Maria Stanczyk, Luiza Lesch, and Gertrude Urganek, plaintiffs, against The Guardian Life Insurance Company of America, Defendant

## MEMORANDUM

EDELSTEIN, D. J.:

In an action on certain policies of insurance and supplementary contracts issued by the defendant on the life of a decedent who died in the United States, the plaintiff beneficiaries move for summary judgment. The defendant has filed a motion labeled as a cross-motion for summary judgment. The defendant has admitted the issuance of the policies and supplementary contracts; it has admitted the death of the insured and that it was notified and received proof of his death from beneficiaries residing in the United States; and it has further admitted nonpayment to the plaintiffs in this action. Thus, the policies of insurance themselves are not in dispute nor is the liability of the defendant to the named plaintiffs.

But the defendant does resist payment to these beneficiaries, who are residents and citizens of the Polish People's Republic. It denies the authority of the plaintiffs' attorneys to institute this action on their behalf, on the ground that no faith or credence can be given to such an authorization as free and voluntary when it originates in a communist police state. And in any event, it is alleged, there is not a reasonable assurance or likelihood that the plaintiffs would actually receive or have the benefit or use or control of the insurance proceeds if the money were to be transmitted to them or to persons purporting to represent them. Accordingly, the defendant urges as an alternative to dismissal that, pursuant to sections 474 and 978 of the New York Civil Practice Act, it be authorized to deposit the funds in court for the benefit of the persons entitled to them, until such time as they can be assured of actual receipt or beneficial use of the money.

Both of these issues are raised by the defendant in what purports to be a cross-motion for summary judgment. But a summary judgment, under Rule 56, deals with the merits and results in a judgment in bar. See 6 Moore's Federal Practice (2nd ed.) par. 56.03, page 2025. The defendant does not seek a judgment in bar, but a judgment in abatement, without prejudice, on the ground that the court has no jurisdiction to proceed because the plaintiffs have, in fact, commenced no action against the defendant. Accordingly, the motion will be treated as a motion to dismiss under Rule 12, and inasmuch as a threshold issue of jurisdiction is presented, it must be considered first.

It has long been well settled that an appearance by a practicing attorney creates a presumption that he has authority to act and the law casts the burden of proving the contrary upon the one asserting it. *Osborn v. United States Bank*, 9 Wheat. 738, 829, 830; *Hill v. Mendenhall*, 21 Wall. 453, 454; *Paradise v. Vogtlandische Maschinen-Fabrik et al.* (3 Cir.), 99 F. 2d 53, 55; *Booth v. Fletcher* (D. C. Cir.), 101 F. 2d 676, 683; *In re Gasser* (S Cir.), 104 F. 2d 537, 538; *In re Pearl Coal Co.* (3 Cir.), 115 F. 2d 158, 159; *Bowles v. American Brewery* (4 Cir.), 146 F. 2d 842, 847. In its attempt to meet that burden of proof, the defendant sets forth that counsel acting for plaintiffs have no direct authority from them. That point is conceded, inasmuch as counsel are proceeding under the authority of the Polish Consul in Chicago and his successor, to whom plaintiffs have purported to give powers of attorney.<sup>1</sup> It is argued,

<sup>1</sup> Counsel for plaintiffs produced three documents purporting to be powers of attorney. One dated May 12, 1953, and another dated May 30, 1953, name the Polish Consul in Chicago, Illinois, or his substitute, attorney for plaintiffs to collect the insurance proceeds that are the subject of this action. Both of these powers bear signatures purporting to be those of the plaintiffs, affixed as a part of a court proceeding in which they were summoned to appear, and "Authenticated" by the American Vice Consul in Warsaw. The third document, dated April 6, 1955, and executed and acknowledged on that day by the Chief of the Consular Division of the Embassy of the Polish People's Republic, Washington, D. C., purports to be a ratification by that official as successor to the Polish Consul in Chicago, of the authority of the plaintiffs' counsel to institute and prosecute the present action. The summons is dated September 3, 1954.

however, that the powers of attorney ought not to be given recognition or effect. For, it is asserted, following the death of the insured, the defendant forwarded to his beneficiaries in Poland its printed form of "Claimant's Statement." These statements were never returned to the defendant. Instead, the defendant received communications from the then Consul of the Polish People's Republic in Chicago forwarding the powers of attorney and the protocol or transcript of the court proceedings in Poland following which they were executed by the plaintiffs. From this it is argued that the primary moving force behind this action and the real plaintiff is the communist government of Poland, not the named beneficiaries, and the powers of attorney must have been obtained from the plaintiffs by a police state mass court proceeding, to which they were summoned.

The defendant's conclusion proceeds from an evaluation of conditions prevailing under a government in a communist country, an evaluation of which this court requires no persuasion. But valid as it may be, the evaluation falls short of providing evidence on the specific problem in issue, and only surmise and suspicion remain. I can merely repeat Judge Dimock's words in deciding a previous motion in this case, 18 F. R. D. 77, 79: "At this time \* \* \* I have nothing but suspicion and surmise in support of such a conclusion [that the powers of attorney were not voluntarily executed]. The Polish People's Republic is a nation which is recognized by and has diplomatic relations with the United States. I cannot question the validity of these documents on the present state of the record." Nor is that result altered by the existence of the Treasury Regulations<sup>2</sup> pursuant to which United States Government funds will not be paid to persons residing in specified foreign countries, because of a lack of reasonable assurance that the payees will actually receive such funds or be able to negotiate checks or warrants for full value.

The Polish People's Republic is one of the specified countries<sup>3</sup> and an amendment<sup>4</sup> to the regulation provides that powers of attorney for the receipt or collection of such funds will not be recognized. The refusal of the United States Government to recognize powers of attorney from payees of government funds resident in Poland is merely in furtherance of the policy not to transmit such funds to Poland, for the reasons stated. The policy might be contravened by the recognition of even voluntarily given, valid powers of attorney. Thus the regulation itself is not authority for the invalidity of powers of attorney given by residents of the Polish People's Republic. The defendant has failed to meet the burden of proving the lack of authorization of plaintiffs' counsel. Accordingly, the motion to dismiss must be denied.

With the jurisdictional issue decided in favor of the plaintiffs, they are entitled to summary judgment, for there is no defense on the merits. The only question remaining is whether that judgment should be conditioned by the application of sections 474 and 978 of the New York Civil Practice Act. There is no provision in the Federal Rules of Civil Procedure covering the situation, but by Rule 83, the District Court may from time to time make and amend rules governing its practice not inconsistent with the federal rules. By Civil Rule 13 of this court, provision is made for the discretionary application of the procedure prevailing in the Supreme Court of the State of New York, in a situation not covered by the provisions of any statute of the United States or of the Federal Rules of Civil Procedure, where there are no parallels or analogies furnished by such statutes and rules, and in default of a procedure previously prevailing in courts of equity of the United States. See *United States v. Certain Land etc.*, 71 F. Supp. 363, 364. This situation would seem to be one where the New York procedure might appropriately be applied.

But the plaintiffs argue that to apply it, by ordering the proceeds of the judgment to be deposited in court for the benefit of the plaintiffs, to be paid out on the special order of the court when they subsequently are able to show that they will have the benefit or use or control of the money, would be in violation of the Constitution of the United States. Specifically, it is contended that such statutes so applied would impair the obligation of contracts, in

<sup>2</sup> Adopted under the authority of Public Law No. 828, approved October 9, 1940. See section 211.3 (a) of Department Circular No. 655, dated March 19, 1941, 31 C. F. R. (1949 ed.), 211.3 (a); 6 F. R. 1534.

<sup>3</sup> Amendment of February 19, 1951, 16 F. R. 1818, and amendment of April 17, 1951, 16 F. R. 3479, amending 31 C. F. R. (1949 ed.) 211.3 (a).

<sup>4</sup> Amendment of September 24, 1951, 16 F. R. 10017, amending 31 C. F. R. (1949 ed.) 211.3.

violation of Section 10 or Article 1;<sup>5</sup> would contravene the provision of Section 1 of the Fourteenth Amendment, that no state shall deprive any person of property without due process of law; and would violate the provision of Section 1 of the Fourteenth Amendment, that no state shall deny to any person within its jurisdiction the equal protection of the laws.

It is, of course, an axiom of constitutional law that a substantial impairment of a means of enforcement is an impairment of the contract obligation. *Sturges v. Crowninshield*, 4 Wheat. 122; *McCraeken v. Hayward*, 2 How. 608; *White v. Hart*, 13 Wall. 646; *Edwards v. Kearsney*, 96 U. S. 595; *Bronson v. Kinzie*, 1 How. 311; *Penniman's Case*, 103 U. S. 714, 720. The plaintiffs cite *Sliosberg v. New York Life Ins. Co.*, 244 N. Y. 482, as authority directly controlling the case at bar. An action had been brought in 1925, prior to United States recognition of the U. S. S. R., to recover on an insurance policy "expressed to be payable in Russian roubles" and "expressed \* \* \* to be performed in whole or in part within the territorial confines of the former Russian Empire \* \* \*." An application was made, pursuant to section 169-a of the Civil Practice Act (a section added by Chapter 232 of the Laws of 1926), to stay the action until the expiration of 30 days next following the recognition de jure of a government of Russia by a government of the United States. The New York Court of Appeals held the statute to be unconstitutional as depriving parties entitled to sue on a contract of a remedy for an indefinite period, that is, until the happening of an event which might never happen.

But the Sliosberg case is, I feel, inapposite. Assuming that a deposit of the proceeds of the insurance policies in court should be ordered, there would nevertheless be no denial of a remedy. Judgment, on the contrary, would have been granted the plaintiffs. Nor would there even be a denial or a postponement of the right of plaintiffs to possession of the property. For the court would be acting on a determination that they would not in any event have the "benefit or use or control of the money," and that there were "other special circumstances [making] it appear desirable that payment \* \* \* should be withheld \* \* \*," relating to the possibilities of the effectuation of the judgment for the benefit of the plaintiffs. Cases more closely analagous than the Sliosberg case are those involving the distribution of estates (cf. for example, *In re Braier's Estate*, 305 N. Y. 148, and cases cited on page 158; *In re Weidberg's Estate*, 172 Misc. 524). True, these cases are distinguishable on the ground that they involve decedents' estates, over which the state may exercise the power of controlling distribution, rather than contracts, over which the state's power is limited by the United States Constitution. Nevertheless, the conclusion stated is equally applicable, that the procedure of section 269 of the Surrogate's Court Act (analogous to the procedure of sections 474 and 978 of the Civil Practice Act here involved), "far from constituting an impairment of [plaintiffs'] legal rights, was designed as, and in fact is, a potent protector thereof" (*Matter of Weidberg*, supra, 172 Misc. at p. 531; *In re Braier's Estate*, 305 N. Y. at p. 158). The plaintiffs would have title to the funds; they would be set aside for their benefit and account, and be theirs for the asking when reasonable assurance could be given that they would receive the benefit or use or control of the money, and would, in short, enjoy the possession to which they are concededly entitled. Therefore, I cannot conclude that applying the challenged sections would have the effect of impairing the obligations of contracts. Similarly, inasmuch as there would be no impairment of rights at all, there would be no denial of due process or of equal protection of the laws.

<sup>5</sup> Defendant argues that all the contracts involved in the case were issued subsequent to the effective date (June 2, 1939) of the challenged sections of the Civil Practice Act. One of the policies and two of the supplemental contracts in suit do bear subsequent dates. However, they were issued in accordance with settlement options contained in policies antedating the enactment of the legislation. They were, accordingly, not new contracts, for their terms were fixed when the original policies were made; they were issued not as the result of any new negotiation or agreement, but in discharge of preexisting obligations (*Aetna Life Ins. Co. v. Dunken*, 266 U. S. 389). That the insured was required to present new evidence of insurability did not alter the preexisting obligations to insure subject to such new evidence, nor did it convert the discharge of those obligations into new contracts.

The remaining policy in suit was made after the effective date of the legislation claimed to impair the obligation of the contract. But it was a North Dakota contract, not subject to the New York law when issued. It is argued that inasmuch as the challenged sections did not operate on the contract until suit was brought in New York, they violate the contract clause of the Constitution. In *Home Ins. Co. v. Dick*, 281 U. S. 397, the Supreme Court left open the issue of whether the guaranty of the contract clause relates to the date of a statute's effect on contracts or to the date of its enactment.

But the exercise of the court's discretion to order the deposit of the proceeds of the insurance policies in court, subject to its further order, depends upon the court's conclusion that the plaintiffs would not have the benefit or use or control of the money, or that there are other special circumstances making it appear desirable that payment should be withheld. The defendant's argument is, essentially, that the court may take judicial notice of the existence in Poland of a communist government employing police-state tactics, precluding the realization of any rights by Polish citizens without special leave from the authorities, and that the right to receive dollar exchange in the Polish People's Republic is precisely the kind of a right which would be preempted and confiscated by the government. In substantiation of this position, affidavits are submitted citing foreign exchange decrees of the Polish government. It is further argued, with supporting affidavits, that even if the plaintiffs were to receive the funds, they would be able to realize only a very small portion of them because of the confiscatory rates of exchange maintained by the Polish government between their currency and the dollar. And finally, the defendant cites the Treasury regulation specifying the Polish People's Republic as one of the countries the residents of which may not be sent United States government funds, because of a lack of reasonable assurance that the payees will actually receive such funds or be able to negotiate checks or warrants for full value.

The general conditions prevailing in a communist country are indeed of such common knowledge as to require no proof of their fundamental antithesis to the public policy prevailing in our own country. Yet in the absence of proof, it is inadvisable for a court to hold, on the basis of judicial notice alone, that the general conditions negate the specific likelihood that these plaintiffs would receive the proceeds of a judgment. There can, of course, be judicial knowledge of specific circumstances sufficient to justify a decision, see *In re Weidberg's Estate*, supra; but as distasteful as the court considers the general conditions in Poland to be, he has no judicial knowledge to justify the specific conclusion that these plaintiffs would not receive payment. However, the void of judicial knowledge may be filled by the Treasury Regulations precluding the payment of United States government funds to persons residing in the Polish People's Republic, because of a finding of a lack of reasonable assurance that the payees will actually receive such funds or be able to negotiate checks or warrants for full value. This "authoritative conclusion reached by the Treasury Department" was relied upon for decision in *In re Braier's Estate*, supra (305 N. Y. at p. 157). But in that case there was no denial that conditions in the foreign country (Hungary) negated the likelihood that the legatee would receive her bequest, and no hearing was sought on the issue. Here, denial is made, supported by affidavits, and a hearing is demanded, although in a roundabout manner; for it is claimed in answer to defendant's cross motion for summary judgment that a genuine issue of material fact is presented, requiring a trial. The defendant's cross motion, as indicated, cannot be treated as one for summary judgment, and therefore the raising of an issue of material fact for trial may be treated as a demand for a hearing on the issue of the "defense" that there is not a reasonable assurance that the plaintiffs would actually receive or have the benefit or use or control of the insurance proceeds, if the funds were to be transmitted to them.

Accordingly, the plaintiffs' motion for summary judgment will be granted, but entry of judgment will be held in abeyance for ten days from the date of this memorandum, during which time plaintiffs may apply for a hearing. Failing such an application, the defendant's motion pursuant to sections 474 and 978 of the Civil Practice Act will be granted, appending to the judgment an order requiring the deposit of the proceeds of the judgment in court.

[s] DAVID N. EDELSTEIN,  
United States District Judge.

Dated: March 13th, 1957.

Mr. REIDY. I would like to offer you also this memorandum opinion by Judge Ryan in this case wherein he refused to permit these letters to be examined by the plaintiff's attorney and his able reasoning behind it.

Mr. MORRIS. That is important, Senator.

Senator JOHNSTON. That will be made a part of the record also.

(The document referred to was marked "Exhibit No. 517," and reads as follows:)

## EXHIBIT No. 517

## MOTION FOR DISCOVERY AND INSPECTION OF DOCUMENTS IN DEFENDANT'S POSSESSION

Plaintiff's attorneys have by informal ex parte application brought to my attention the fact that the memorandum decision filed by me on April 20, 1956, did not specifically rule on documents, reports, and other material requested in items 2 and 3 of the notice of motion.

Accordingly I amend the memorandum decision so as to include a denial of items 2 and 3 for the reasons set forth in that decision.

SYLVESTER J. RYAN, U. S. D. J.

So ordered 5/3/56.

## MEMORANDUM OPINION

*Danisch v. Guardian Life Insurance Company, Southern District of New York, Civil 95-262*

Plaintiffs' move for discovery and inspection of certain correspondence which allegedly establishes that the attorneys herein are not properly authorized to represent plaintiffs and that any money paid to plaintiffs while they continue to reside in Poland will be of no benefit to them due to the policies of the present Polish Government. Defendant opposes disclosure urging that it may subject the writers to severe penalties in Poland.

The authority of plaintiffs' attorneys is based on powers of attorney executed en masse in Poland and designating the Polish Consul in Chicago as attorney in fact to collect the proceeds of the policies of insurance in suit. Defendant has submitted translations of certain applicable Polish laws pertaining to the collection of foreign claims by Polish citizens from which it seems that any communication between a Polish citizen and this defendant which might tend to dispute the validity of the consul's activity in this matter or the authority of him and these attorneys to conduct this litigation might constitute an attempt to hinder the collection of these claims and if so would be a crime under Polish law.

Public policy requires that litigants, whether citizens or aliens, be free of restraint in the selection and retention of counsel, and courts will not compel disclosure of information which might in any way abridge this right to counsel of one's choice, and which might tend to "annoy, embarrass, or oppress" Rule 30 (b).

Disclosure of the correspondence sought might give rise to a charge, even though unfounded, that certain Polish residents have violated Polish law and the duty of the consul to uphold the laws of his own country may result in a conflict with the interests of the individuals from [sic] whom he is acting as attorney-in-fact. The attorneys of record in this case were retained by the consul and they would be required to submit to him such information as the examination of this correspondence might reveal; they, too, as a result may be placed in the position of representing conflicting interests. It seems best that this possibility be avoided. Motion denied; so ordered.

SYLVESTER J. RYAN.

4/20/56.

Mr. MORRIS. Have you made any effort—Is it not a fact that you have sought out people with experience in Polish justice in connection with this problem?

Mr. REIDY. Yes, sir. In our petition opposing the letters rogatory we had an affidavit from a former judge of Poland who had escaped from Poland. In his affidavit he stated the conditions relating to alleged justice in Poland.

In addition to that we have presented, and it is in the record in this case, a publication by the International Jurists Commission entitled, "Justice Enslaved," 75 pages of that publication referring to the alleged justice of Poland.



If I may I would like to point out the affidavit of this former judge as to what conditions he experienced in Poland under the Communist regime.

Mr. MORRIS. What is his name?

Mr. REIDY. I will have it in just a minute.

It is Joseph Dolina, and his affidavit, a copy of the affidavit was filed in the United States District Court for the Southern District of New York in Civil Action 95-262. Mr. Dolina at the time—and this affidavit was executed on the 8th day of August, 1956—was residing in New York City but he is now residing in Washington, D. C. (See appendix III.)

Mr. MORRIS. I might state, Senator, we have endeavored to reach him and ask if he would testify here this morning but we learned only this morning or late yesterday, was it not, Mr. Garcia, that he had in fact moved to Washington and would not be able to testify today. Therefore we show that as the best evidence, his affidavit, submitted in 1956, was it not?

Mr. REIDY. Yes, sir.

Senator JOHNSTON. Do you have his address in Washington, D. C.?

Mr. REIDY. I believe we can secure that. We have kept in touch with him.

Senator JOHNSTON. We would appreciate getting that.

Mr. REIDY. I will see that Mr. Morris gets it.

Mr. MORRIS. The best evidence that we have is the affidavit dated in 1956. And I think, Senator, that it would be a good point, having his views as late as possible, because if there has been any thaw, if that is the right word to use, in the Polish situation, it is something that developed in the last year. So I think that, really to understand this thing thoroughly, we should have an up-to-date basis.

Mr. REIDY. May I point out some of the comments that he makes with regard to Polish justice? I will not go into complete detail because I will see that the committee gets a copy of it, but in paragraph 3 he states:

I served as Special Court Assessor trying and deciding cases for about three months until the Nazi invasion and occupation of Poland. At that time I left my Poland post and joined the Polish underground resistance movement. In August, 1944, when Poland was again invaded and occupied by Soviet Russia, I was arrested. I was imprisoned in various camps and concentration camps in Russia until November 1947, when I was released and sent back to Poland.

In January 1948 I was reappointed by the Minister of Justice of the Communist Government of Poland to the same judicial position I held before the Nazi invasion in 1939, namely, that of Court Assessor, and continued to function as such in the trial and decision of cases and in all the usual judicial functions of that office until December of 1948. In January 1949 I made my escape from Poland.

I have been requested to and do make this affidavit in support of a motion for reargument on a motion which resulted in the granting of an order for the issuance of letters rogatory under which I understand interrogatories are to be sent to the named plaintiffs in this case in Poland with the aid of the Polish courts concerning whether they have freely authorized the bringing of this action for the collection through the Polish consul of insurance money due them in this country.

I wish to concur in the assertions made in the papers opposing the letters rogatory, both originally and on this motion, that the named plaintiffs will be subjected to annoyance, embarrassment, and oppression if they are subjected to interrogation on these matters by requisition of this court and through the procedures of the Polish courts. The named plaintiffs will have to testify they

wish this money collected through a Polish consul or they will subject themselves to criminal penalties and prosecution.

In this connection, I wish to point out from my own personal experience that a judicial officer of the courts of Poland under the present Communist regime is not free to administer justice as he sees it or to protect the interests and property rights of Polish people coming before him. The courts are under Communist domination and are mere instruments for carrying out the policy of the Communist Government. In my own case, during the year I served as judicial officer under the Communist regime in Poland, I was subjected to constant interrogation by the secret police (Security Office). This occurred sometimes 2 or 3 times a day and sometimes even during the night, and on some of these occasions they attempted to influence my decisions. Moreover, they wanted me to act as an informer for them with respect to matters, among others, which came under my judicial cognizance. I know from my acquaintance with my associate judicial officers that they were subjected to the same kind of constant government pressure. Moreover, as a matter of policy, all judges were frequently summoned to conferences at which they were lectured on the policy which should govern their judicial determinations. I can, therefore, assure this court that the fact that the proposed interrogatories were presented to the named plaintiffs in or under the auspices of the Polish courts would be no guaranty whatsoever they would be answered freely and truthfully. Just the contrary is the case. This is the sad state to which judicial administration has fallen under the regime of the Polish People's Republic.

In this connection, Senator and Mr. Morris, and not to take up the time of this committee, these Polish beneficiaries have indicated they would not get the money even if we paid it, but they would get parcels through an outfit in New York City familiarly known as PKO.

Mr. MORRIS. In other words, they would not even get the cash?

Mr. REIDY. They tell us they have been told they would get parcels and not the cash. In fact, they have asked us if we would not send the money through this PKO outfit. We have done some investigation of PKO.

Mr. MORRIS. How do you spell that?

Mr. REIDY. The official name of the corporation is PKO, that is, PEAKO Trading Corp., of 25 Broad Street, New York City.

That is a corporation which was organized in April 1948, in the State of Delaware. We have and will give to the committee a copy of the incorporation papers. It solicits orders throughout the United States for all kinds of goods, merchandise, machinery, clothing, drugs, food, and the like for people living in Poland.

It is an official branch of the Polish National Bank, the bank being called Polska Kasa Opicki. This is the only agency through whom people in this country who have relatives living in Poland are able to send them any goods at all. Were they to try to do it outside of the official Polish Communist channel, the duties would be so high and so prohibitive that the poor unfortunates would not be able to pick up these packages.

This PKO Trading Corp. operates through the United States through little steamship ticket offices and these agencies, you see in the various cities, you know, where people would go in to purchase foreign exchange in the days before the Communists took over, and the like. They will order food packages, they will pay in American dollars. They can deal directly with PKO by going down to 25 Broad Street and paying their American dollars there. The orders—not goods, no American goods are transmitted—the orders are sent to Poland and these people will get some packages eventually.

PKO maintains 2 bank accounts in this country, 1 of which I believe is at the Bankers Trust Co. in Wall Street, New York. The other, I don't know where it is, but it should be easily identified.

Were they to send their money direct to PKO it is my considered belief that the dollars would never reach these beneficiaries, that these dollars would be deposited in the account of this PKO trading company, they would be reported to the Polish National Bank and the dollars would be held subject to the orders of the Polish National Bank which holds accounts in other banks. (See appendix IV.)

Mr. MORRIS. It is clear, Mr. Reidy, that the people themselves are being coerced in signing these powers of attorney?

Mr. REIDY. It is clear.

Mr. MORRIS. And it is against their will, their demonstrated will that the lawsuits are being instigated, by coercion and against their will?

Mr. REIDY. I would agree; yes, sir.

Mr. MORRIS. Now I wonder, Mr. Walsh, if you will tell us—I think you were telling us the consequences of the last legal decision. I wonder whether there is any indication on the part of Paul Ross or any other attorney that this thing is about to be pursued more vigorously on the part of, or professedly on the part of beneficiaries behind the Iron Curtain?

Mr. WALSH. I think I mentioned that we have appealed from the letters rogatory order, and the appeal was dismissed on the ground that, as a nonfinal order, it was not appealable, Judge Edelstein having in abeyance the question of hearings, the date that would be set for hearings, asked by Mr. Ross, he asked us to notify him as soon as we had word from the court of appeals as to whether or not our appeal should be entertained, and the appeal was dismissed in June and we had notified Judge Edelstein and of course Mr. Ross. A day or so later, Mr. Ross called my attention to the fact—and I will have to confess I did not know at that time, it had just occurred, that the Treasury regulation had now been amended and the name of Poland had been taken off the regulation and he asked us to consider whether or not we would not withdraw our defense in view of that matter.

Mr. MORRIS. Would you say that this modification of the Treasury ruling promises to open the floodgates to a lot of applications?

Mr. WALSH. As far as Poland is concerned, yes, that could well be true.

Mr. MORRIS. And at the same time, judging from your dealings on the spot, there is nothing to indicate there has been any relaxation in the practice of coercing these individual beneficiaries to make applications through attorneys; is that right? Is there any departure from that?

Mr. Reidy, I will ask you, is there any relaxation as far as the evidence of coercion is concerned?

Mr. REIDY. Not to our knowledge.

Mr. MORRIS. And, Senator, just to show you that this thing goes across the board, I spoke to Mr. Paul Ross yesterday and asked if he could possibly be in court today because there would be testimony concerning this whole subject. He had originally been asked to testify earlier in connection with some other testimony before us, Senator, and he acknowledged that. I asked him whether he could not be here and he said he could not be here and then I asked him,

short of that, would he take a quick look in his files and see how many of these cases he was representing. He was not able to make a complete search—this was the day before yesterday that we spoke, or rather yesterday afternoon but he said that he was able to find that their firm represents 52 commercial and mutual cases and 35 fraternal and benefit cases.

I asked him then what countries were involved and he said Hungary, Czechoslovakia, Poland, Rumania, Bulgaria, and Soviet Russia. So apparently he is handling all these cases across the board with no distinction or no refinement made with respect to Poland.

Senator JOHNSTON. I think it would be well to have him appear before us to testify and get the information from him more definitely and certainly as to what is taking place.

Mr. MORRIS. Now, is there anything else, Mr. Walsh, on the legal situation?

Mr. WALSH. No; that is about it.

Mr. MORRIS. Do you have anything more, Mr. Reidy?

Mr. REIDY. Just one concluding statement which was made by Surrogate Collins, one of our most distinguished judges in New York, particularly applicable to powers of attorney while we were having estate cases:

If this court had available to it any means of supervising the payment of funds to nationals of these countries and assuring itself of the beneficiary's ability to hold and enjoy it, the issue would be capable of ready solution. In this case neither beneficiary has personally made any request for the funds. This circumstance does not present any insuperable obstacle, for the court entertains no doubt that if a personal request were insisted upon it would normally be produced, no matter how painful to the beneficiary such a request might prove. We avert to the fact only to emphasize the problem in this type of case, for ordinarily a beneficiary who, of his own free act and will, desires transmission of such large sums as these, would not lack means of assuring this court that he could use, control, and enjoy the money if such were the fact.

That was *In Re Well's Estate* (204 N. Y., misc. 975).

Mr. MORRIS. From your observation, Mr. Reidy, has any attorney other than Paul Ross represented the Soviet Government in this connection?

Mr. REIDY. Mr. Charles Recht, whose name appears in the power of attorney, in that printed form, has represented these beneficiaries on four similar alleged powers of attorney from Soviet Russia for a great number of years.

Senator JOHNSTON. One question right here in regard to Paul Ross, according to the records and files and the information you might have, has he ever been identified as a Communist?

Mr. MORRIS. Well, Senator, Paul Ross is a well-known attorney in New York. In fact, he was confidential secretary to a former mayor of New York City, but a witness before the subcommittee who proved to be very competent has testified that Paul Ross was a secret member of the Communist Party and was active in Communist circles.

Yes, Mr. Walsh; did you have something?

Mr. WALSH. You might be interested, with respect to the legal concepts involved here, in a statement by a court in an early case, the matter of Weidberg, which discusses the reasons for the enactment of these statutes in New York, and I think you might well want it in your record. The matter of Weidberg was reported in 172 Miscellaneous Reports 524.

Mr. MORRIS. Miscellaneous Reports of New York?

Mr. WALSH. That is correct.

Mr. MORRIS. May that go into the record?

Senator JOHNSTON. It may became part of the record.

(The document referred to was marked "Exhibit No. 518," and reads as follows:)

EXHIBIT No. 518

IN THE MATTER OF THE ESTATE OF ISAAC WEIDBERG, DECEASED

SURROGATE'S COURT, KINGS COUNTY, OCTOBER 30, 1939

Executors and administrators—payment into court for foreign distributees and legatees—distributees, German nationals of Jewish race, now resident outside Germany, executed power of attorney authorizing payment to German Consul or his attorneys—decree entered directing payment to city treasurer—Surr. Ct. Act, § 269, as amd. by Laws of 1939, chap. 343, authorizes such decree, where legatee or distributee would not have benefit of money or "where other special circumstances" warrant withholding—sums due distributees would be subject to confiscation in whole or in part if turned over to German Consul—exercise of authority under said section with respect to share of infant distributee does not conflict with treaty with German government, since infant is now in British protectorate—attorneys for Consul not entitled to payment to themselves as individuals although specifically named in power of attorney—power of attorney confers only such authority as may be permissible under laws of place where action is contemplated—attorneys may seek remuneration for services under Surr. Ct. Act, § 231-a or § 231-b.

In a proceeding on an accounting of an administrator involving the distributive shares of four German nationals apparently of the Jewish race, two of whom are said to be residents of Palestine, one of Belgium, and one of Denmark, a decree is entered directing payment to the city treasurer of the net distributive shares in question unless some demonstration be made that the sums to which the distributees are entitled are capable of payment to the individuals themselves without danger of confiscation or diversion, either in whole or in part, despite the claim of the German Consul and his attorneys that the sums should be paid to him or them by virtue of a power of attorney executed by the distributees appointing the said Consul or his two attorneys as attorneys in fact to deal with the interests of the distributees.

For the purpose of authorizing the deposit of moneys in the Surrogate's Court, where payment to a beneficiary or legatee in a foreign country might be circumvented by confiscation in whole or in part, section 269 of the Surrogate's Court Act was amended by chapter 343 of the Laws of 1939, authorizing a decree to that effect, where it shall appear that a legatee or distributee would not have the benefit or use of the money, or where other special circumstances make it appear desirable that such payment should be withheld. It is clear that by "special circumstances" it was intended to cover cases where payment might be circumvented by confiscation; and it is obvious under the circumstances of this case and the attitude of the German government toward its nationals of the Jewish race that the sums due these distributees would be subject to confiscation in whole or in part if turned over to the German Consul or his attorneys.

As to one of the distributees, an infant admitted to be in Palestine, a British protectorate, it cannot be successfully contended that the exercise of the authority created by said section 269 violates the treaty of the United States with the German government, for, in view of the war between Great Britain and Germany, it is clearly impossible for the German Consul either to remit to the infant the funds belonging to him through the appropriate agencies or to furnish to the court any evidence of such remission, as required by the treaty.

While it seems that one of the adult distributees is in Palestine, another in Belgium, and another in Denmark, some or all of them may be dead, and in such case it seems improbable that their rightful representatives would be actively sought and the funds in question paid to them by representatives of the German government.

The contention of the attorneys for the German Consul, that there is no reason why they, as individuals, cannot carry out the obligation which will arise if the shares be paid to them, is without merit, for no authority has been accorded to them as mere individuals, and payment to them as attorneys for the German

Consul General is subject to the same objection as payment to that officer directly.

Furthermore, it is an implied term of every power of attorney that it confers on the donee only such authority as may be permissible of exercise under the laws of the place in which action thereunder is contemplated, and the law of this State, in protection of the rights of a distributee, forbids payment other than to him of sums which may be due him, where it is possible that he will not receive the benefit thereof.

The attorneys involved should be permitted a reasonable opportunity to seek remuneration for the services which they have performed up to the present time, under either section 231-a or section 231-b of the Surrogate's Court Act, and for this purpose entry of the decree will be postponed for sixty days.

PROCEEDING on accounting of administrator.

*Morris Weinstein*, for Hyman Weisberg, as administrator, etc., petitioner.

*Topken & Farley*, for the German Consul, attorney in fact for Johanna Weidberg, Thea Weidberg Rothschild, Israel Weidberg, and Johanna Weidberg, as guardian of Emanuel Weidberg.

*Miles F. McDonald*, special guardian for Emanuel Weidberg, infant distributee.

WINGATE, S. The issue here presented is as to whether it is within the authority, or is the obligation of this court to direct the payment into court of the distributive shares in this estate of four German nationals, apparently of Jewish race, or whether the sums in question may, or must, properly be paid to the German Consul in New York city or his attorneys. Three of the distributees, whose shares are in question, are said to be adults and one an infant. Two, including the infant, are now said to be residents of Palestine, one of Belgium, and one of Denmark.

In support of the contention of the German Consul or his attorneys that these sums should be paid to him or them, there has been presented a "Power of Attorney—Vollmacht" which is printed in English and German in parallel columns. This is a stock form of the German consular service with which this court has become quite familiar.

The English version reads in part as follows: "Know all men by these Presents, that we *Johanna Weidberg, residing at Berlin, N. Templinerstr. 17, Germany individually and as legal guardian for her minor child Emanuel Weidberg, Thea Weidberg, residing at Berlin, Israel Weidberg, residing at Berlin*, do hereby make, constitute an appoint the German Consul at the City of New York, or his representative or successor in office, William J. Topken and Philip F. Farley, attorneys for the German Consulate General, 17 Battery Place, or any one of the aforesaid alone, our true and lawful attorney in fact."

The foregoing matter is wholly printed, with the exception of the portion which has been italicized, which is typewritten. The succeeding portions of the document, which extends over more than two large printed pages, accords the donee the broadest conceivable authority to deal with the interests of the donors in the estate of the decedent Isaac Weidberg. It is wholly printed except for three typewritten insertions of the name of the decedent.

The document is undated, but appears to have been acknowledged by Chaja Weidberg and Israel Weidberg before the United States Consul in Berlin, Germany, on October 20, 1938, and by Thea Rothschild "geb Weidberg" (*nee Weidberg*) on November 25, 1938, before Harold Ebbeson, notary public and public prosecutor, known in Sweden as "landefiskal," in and for the district of Stoby, Sweden. His authority in this regard is certified by the United States Consul at Goteborg, Sweden.

By chapter 343 of the Laws of 1939, in effect on April twenty-fourth of this year, an addition was made to section 269 of the Surrogate's Court Act. This reads as follows: "Where it shall appear that a legatee, distributee or beneficiary of a trust would not have the benefit or use or control of the money or other property due him, or where other special circumstances make it appear desirable that such payment should be withheld, the decree may direct that such money or other property be paid into the Surrogate's Court for the benefit of such legatee, distributee, beneficiary of a trust or such person or persons who may thereafter appear to be entitled thereto. Such money or other property so paid into court shall be paid out only by the special order of the surrogate or pursuant to the judgment of a court of competent jurisdiction."

At the time of its enactment, a note, explanatory of its scope and purpose, was appended to the bill. This must be considered in any interpretation of its effect. (*American Historical Soc. v. Glenn*, 248 N. Y. 445, 451, 452; *People v.*

*Schweidler Press*, 214 id. 395, 404; *Matter of Greenberg*, 141 Misc. 874, 882; *affd.*, 236 App. Div. 733; *affd.*, 261 N. Y. 474; *Matter of Cluskey*, 169 Misc. 264, 265; *Matter of Pelcyger*, 171 id. 1016.) This note reads: "This amendment is proposed by the Executive Committee of the Surrogates' Association of the State of New York. The purpose of the amendment is to authorize the deposit of monies or property in the Surrogate's Court in cases where transmission or payment to a beneficiary, legatee, or other person resident in a foreign country might be circumvented by confiscation in whole or in part. The amendment authorizes the impounding of the fund by the Surrogate to await the time when payment can be made to the beneficiary for his own benefit, use and control."

Similar enactments were incorporated into sections 474 and 978 of the Civil Practice Act by chapter 672 of the Laws of 1939 and were accompanied by a similar note at the time of their consideration and enactment by the Legislature.

The conditions in certain foreign countries which motivated these enactments are matters of common knowledge. Under certain foreign governmental systems private ownership of property was and is either wholly or partially prohibited. In others, assets belonging to individuals, especially when in the form of foreign credits, are either seized and wholly appropriated by the authorities or are subject to compulsory exchange for local currency at a fraction of their intrinsic value.

As a result of those practices, benefits which an individual decedent had dedicated to indicated beneficiaries, either by express testamentary instrument or by its virtual substitute of a "statutory will" (*Matter of Williams*, 162 Misc. 507, 509; *affd.*, 254 App. Div. 741) under the Statute of Distribution, were diverted from their intended recipients to the promotion of international banditry and the propagation of ideologies which are a complete antithesis of the conceptions of a vast majority of American citizens and which have now plunged the continent of Europe into a second great war.

The primary object of this legislation was to promote the basic object and obligation of courts of decedent devolution to use their utmost endeavors to effectuate the express or implied wishes of a decedent respecting the disposal of his assets on death. Only subordinate to this purpose was the effort to prevent the diversion of assets here located to foreign governments whose conceptions of the proprieties were totally at variance with those which form the basis of the national existence of this country.

According to the terms of the statute, payment into court may be directed "where other special circumstances make it appear desirable that such payment be withheld." The nature of such special circumstances envisaged in the enactment is clarified in the note which states that it is applicable "in cases where transmission or payment to a beneficiary, legatee, or other person resident in a foreign country *might* be circumvented by confiscation in whole or in part." (Italics not in original.)

The italicized word "might" is the preterit of the word "may" and is equivalent to "had power" or "was possible" (*Owen v. Kelly*, 6 D. C. 191, 193), or, as defined in the Standard Dictionary, "have the physical or moral opportunity \* \* \* to be contingently possible."

The question is, therefore, whether it is "contingently possible" that the sums due these distributees would be subject to confiscation in whole or in part if turned over to the German Consul or his attorneys.

The answer to this question must be in the affirmative. It will be recalled that substantially contemporaneous with the execution of this power of attorney, the German government levied a mass fine of \$400,000,000 upon all of its nationals of Jewish race by reason of the act of a single individual of their race in a foreign land. It has frequently and publicly been asserted and not denied, that this was a joint and several obligation imposed on all members of the race resident in the so-called Third Reich. According to reliable reports this mass fine has not been paid in full up to the present time, and renewed efforts for its enforcement have been instituted. In view of these commonly known facts, it cannot be asserted that there is not a distinct possibility, whether or not these distributees are now alive, that if money belonging to them came into the hands of a German official or his representative, it might not be seized for this purpose, especially if, as is asserted is the present situation, they have escaped from the immediate territorial jurisdiction of the Gestapo and its concentration camps.

The question thereupon arises as to whether an exercise by the court of the authority accorded by the amendment to section 269 of the Surrogate's Court Act would violate the provisions of any controlling law. Necessary for consideration

in this connection is the present treaty with Germany which is of especial importance in connection with the distributive share of the infant, since it is admitted that the power of attorney is not effective as to him by reason of the fact that his mother, who purported to execute it, on his behalf, was not his legal, but only his natural guardian and consequently possessed no authority to act on his behalf in respect of his property interests. (*Folcy v. Mutual Life Insurance Co.*, 138 N. Y. 333, 342; *Matter of Goodchild*, 160 Misc. 738, 756, and authorities cited.)

It follows that the only authority of the German Counsel in respect of the share of the infant is such as is accorded by the terms of the treaty of the United States with his government. The only portion of this treaty which is here pertinent is found in article XXV, which reads: "A consular officer of either High Contracting Party may in behalf of his nonresident countrymen receipt for their distributive shares derived from estates in process of probate \* \* \* provided he remit any funds so received through the appropriate agencies of his Government to the proper distributees, and provided further that he furnish to the authority or agency making distribution through him reasonable evidence of such remission."

In the present case it has been admitted that the infant is now in Palestine, which is a British protectorate. The German government is now engaged in what the German Chancellor has stated to be "a war to the death" with that of Great Britain. It is, therefore, manifestly impossible for the German Consul either to remit to the infant the funds belonging to him "through the appropriate agencies of his Government" or to furnish to this court any evidence of such remission. It follows that there is no obligation under the treaty which in any wise conflicts with the application of section 269 of the Surrogate's Court Act, so far as the infant is concerned.

The main argument of the attorneys for the German Consul is, however, directed to their right to receive payment of the distributive shares of the adults. Their thesis on this phase of the controversy is predicated on the premise that they were individually designated as attorneys in fact by the power hereinbefore noted, and that there is no reason why they cannot, as individuals, carry out the obligation which would arise if the distributive shares were paid to them, of transmitting the avails to the adults.

One difficulty with the acceptance of this position is the fact that the appointee, according to the terms of the instrument, is "the German Consul at the City of New York or his representative or successor in office, William J. Topken and Philip F. Farley, attorneys for the German Consul General." When read in their context, it is obvious that the italicized words are not the mere *descriptio personarum* but are an essential part of the appointment, and that this is of the German Consul or his representative or successor or attorneys; in other words, of a representative of the German government in his capacity as such. It must follow that, as mere individuals, no authority has been accorded to them, and that collection by them other than in their capacities as attorneys for the German Consul General would be unauthorized.

In view of this fact, there is present in respect of the distributive shares of these adults, the same contingent possibility which has heretofore been considered, in the evaluation of the rights of the Consul under the treaty, that if payment thereof were made to the German Consul or his *alter ego*, the rightful recipients might not receive them. This again makes the terms of section 269 of the Surrogate's Court Act applicable.

It is said that one of the adult distributees is in Palestine, another in Belgium, and another in Denmark. No proof of this has, however, been tendered other than the formal allegations of the petition which recites the fact only on the basis of "so far as can be ascertained with due diligence." None of them has been served other than by publication in the *Brooklyn Eagle*, which presumably does not enjoy an extensive circulation in any of these countries. Conceivably, some or all of them may be dead. In a war-torn Europe, the weight of the inference of continuance of existence becomes negligible. If such death has actually occurred, the chances that their rightful representatives would be actively sought out and the funds in question paid to them by representatives of the German government, do not appear bright.

There is precedent for denying recognition to a power of attorney under circumstances not remotely dissimilar to those here present even when this resulted in continued liability of one who had paid the agent. The situation disclosed in *Fretz v. Stover* (89 U. S. [22 Wall.] 198) was that a resident of Pennsylvania had, prior to the outbreak of the Civil War, appointed a Virginia



lawyer as his attorney to collect an obligation due from a resident of that State. The attorney, after the outbreak of the war, purported to act on this authority. The United States Supreme Court, in holding that the obligation was not discharged, said (at p. 206) : "If he was authorized when he received the bond to collect it when due, in bank bills which were current in Virginia at the time, this authority was conferred in ignorance of, and without reference to, the contingency of war, and in the nature of things was revoked when war broke out."

An inevitable implied term of this, and every other, power of attorney is that it confers upon the donee only such authority as may be permissible of exercise under the laws of the place in which action thereunder is contemplated. The law of the State of New York forbids payment, other than to the individual distributee, of sums which may be due him in situations in which there appears to be a reasonable possibility that he will not receive the benefit thereof. This deprives him of no right, since the money is always available to him and is his for the asking at any time that reasonable assurance is forthcoming that he, and he alone, will get it. This statute, far from constituting an impairment of his rights, was designed as and in fact is, a potent protector thereof.

The attorney in fact possesses no personal rights whatsoever under the power. If the money were paid to him, he would receive it solely as a trustee for his principal. So far as concerns any rights to remuneration which he may possess, these are predicated solely on the value of the services which he may have performed in the past, and are not determinable in accordance with the power, except to the extent that it may demonstrate that his actions were not those of a volunteer. If, therefore, his delegated authority is held to be circumscribed by an applicant of section 269 of the Surrogate's Court Act, he is in precisely the same position as if his authority for further action had been terminated by the death of the donor of the power or some act of revocation of the authority previously accorded.

The attorneys here involved should be permitted a reasonable opportunity to seek remuneration for the services which they have performed up to the present time. This may be sought pursuant either to the provisions of section 231-a or section 231-b of the Surrogate's Court Act. For this purpose, entry of the decree will be postponed for sixty days unless they shall stipulate otherwise. Upon the expiration of such period, a decree will be entered directing payment to the city treasurer of the net distributive shares here in question unless, in the interval, some demonstration be made that the sums to which the distributees are entitled are capable of payment to the individuals themselves without danger of confiscation or diversion, either in whole or in part.

The court expresses its appreciation of the extremely helpful report of Miles F. McDonald, Esq., the special guardian in this proceeding.

Proceed in conformity herewith.

Mr. WALSH. The quotation I referred to is this. It says—it was in an estate case and talking about section 269 of the Civil Practice Act to which I referred and similar enactments incorporated in sections 474 and 978 of the Civil Practice Act, chapter 672, were accompanied by a similar note at the time of their consideration and enactment by the legislature :

(The quotation referred to was marked "Exhibit No. 519" and reads as follows:)

EXHIBIT No. 519

SURROGATE'S COURT ACT

SECTION 269

When money or property may be retained

Where an admitted debt of the decedent is not yet due, and the creditor will not accept present payment, with a rebate of interest; or when a debt not yet due has been disputed or rejected; or where an action is pending between the executor or administrator, and a person claiming to be a creditor of the decedent; or where on the judicial settlement of the account of a testamentary trustee a controversy respecting the right of a party to share in the fund, or other personal property held by the trustee, has not been determined; the

decree must direct that a sum sufficient to satisfy the claim, or the proportion to which it is entitled, together with the probable amount of the interest and costs, or that any personal property the right to which is in controversy, be retained in the hands of the accounting party; or be deposited in a safe bank, or trust company, subject to the order of the surrogate's court; or be paid into the surrogate's court, for the purpose of being applied to the payment of the claim, or to the satisfaction of any judgment when it is due, recovered, or settled; and that so much thereof, as is not needed for that purpose, be afterwards distributed according to law. Where it shall appear that a legatee, distributee or beneficiary of a trust would not have the benefit or use or control of the money or other property due him, or where other special circumstances make it appear desirable that such payment should be withheld, the decree may direct that such money or other property be paid into the surrogate's court for the benefit of such legatee, distributee, beneficiary of a trust or such person or persons who may thereafter appear to be entitled thereto. Such money or other property so paid into court shall be paid out only by the special order of the surrogate's or pursuant to the judgment of a court of competent jurisdiction. (Am. L. 1939, ch. 343, in effect April 24)

Mr. WALSH. That might indicate, while that was a case that dealt with a share of estate and the court expressed concern for carrying out the wishes of a decedent. I think analogously the same reasoning applies to a decedent, a person whose life has been insured and who has designated certain beneficiaries.

Mr. MORRIS. The court makes a distinction, also the plaintiffs made the distinction, that there is an essential difference between the relationship of a beneficiary of a policy and the person who inherits an estate. Under our existing law nobody has the right to receive money or therefore to inherit money but on the other hand a person has a right to enter into contractual relations.

Mr. WALSH. Yes. Well, in the motion for summary judgment, Mr. Ross raised that question or pointed out that distinction in claims where you have a contract involved, and that is what a life-insurance policy is, that these statutes may not validly alter that contractual right.

However, Judge Edelstein met that contention and pointed out as we did that while these statutes do not impair the obligation of any contract, they do not provide the beneficiaries may not have the money or be entitled to it, but they are as a matter of fact intended to protect and assure the fact that these people will get the money.

Senator JOHNSTON. In reality, when you entered into the contract you intended it will be delivered to them.

Mr. WALSH. That is correct.

Senator JOHNSTON. And you only want to carry out that contractual relationship in such a way to see that they do receive it?

Mr. REIDY. Yes, sir.

Mr. WALSH. That point is touched upon by Judge Edelstein by the decision.

Mr. MORRIS. In conclusion, I would like to offer for the record an address by the witness, Mr. Reidy, before the 47th annual meeting of the American Life Convention at Chicago on October 5, 1954, entitled "Insurance Dollars—Should They Be Sent Behind the Iron Curtain?"

Senator JOHNSTON. That may be part of the record.

(The document referred to was marked "Exhibit No. 520" and reads as follows:)

## EXHIBIT No. 520

## INSURANCE DOLLARS—SHOULD THEY BE SENT BEHIND THE IRON CURTAIN

Daniel J. Reidy, General Counsel, Guardian Life Insurance Co. of America, New York, N. Y.

For the past several years, more particularly since World War II, forms of Powers of Attorney allegedly executed by beneficiaries residing in "iron curtain" countries have been submitted to courts and to life insurance companies in the United States. The powers, in broadest language, designate diplomatic or consular representatives or American attorneys as attorney in fact to collect proceeds due such beneficiaries from estates or from insurance.

By "iron curtain" countries I mean Albania, Bulgaria, Communist-controlled China, Czechoslovakia, Estonia, Hungary, North Korea, Latvia, Lithuania, Poland, Rumania, the Union of Soviet Socialist Republics, the Russian occupation zone in Germany, Russian zone of East Berlin, and any other unfortunate countries that may be gobbled up by the Communists. And the courts will take judicial notice that such countries are behind the iron curtain.<sup>1</sup>

To honor such alleged powers by payment of insurance proceeds is a default in our obligation to our insureds, renders aid and comfort to our enemies, and is against the public policy of the United States.

Judge Lehman, speaking for the New York Court of Appeals in *Russian Reinsurance Co. v. Stoddard*,<sup>2</sup> said:

"In testing a result by standards of commonsense and justice, we may look beyond all fictions to the facts behind them."

The facts behind these specific fictions of alleged powers of attorney are or should be well known to all Americans.

It is a matter of common knowledge to us Americans that residents of iron curtain countries live in police states. Their freedom of expression, freedom of action, freedom to own or to acquire property, real or personal, have either been severely restricted or entirely abolished. The right to dissent or to refuse to obey an order of such a police state would be summarily dealt with.

Assets of individuals, particularly foreign credits, are seized or thoroughly diluted or subject to compulsory exchange at a minimal fraction of their real value.

Look behind the fiction of one such alleged power to the facts we have been able to secure. The insured, a native-born German but for many years a naturalized American, died in this country. Among the beneficiaries of his insurance were relatives living at the time of designation in Germany but at the time of death behind the iron curtain. Word came through to us from behind the iron curtain regarding completion of the death claim beneficiary forms. In the language of one of our beneficiaries, "there lie a lot of difficulties in the way. The first step is to get the permission of the Committee for Foreign Bills of Exchange. At any rate: it is a long and difficult way." The beneficiary requested on behalf of herself and the others to keep the proceeds in this country. Thereafter we received a letter from a consular official in this country inquiring about the insurance, the necessary forms to be completed by the beneficiaries, and the approximate amount of money due each one: "When we will contact the beneficiaries, we have to inform them about their interests, as otherwise they may not deem it advisable to appear in Court to prove their rights."

The consul sometime later forwarded to us a large sheaf of documents including powers of attorney allegedly executed by each beneficiary appointing the consul as their attorney in fact with the broadest conceivable powers. We declined to honor these documents. Thereafter we received word from one of the beneficiaries. She said in part, "As we wanted the money to remain at the Company's (—to use it when becoming old and weak) and because of the long and difficult way of settling the matter by filling forms and striving hard for a lot of permissions—we decided to abstain from filling the forms. Someday in 1953 we received a summons to appear in court, all of us. The final result of the whole matter was that we signed, each of us, a power of attorney, entitling the \* \* \* consul in the United States to take the money being our share to \* \* \* and to let us have it."

<sup>1</sup> *In re Klein*, 203 Misc. 762, 123 N. Y. Supp. 2d 866 (Surr. Ct. 1952).

<sup>2</sup> 240 N. Y. 149, 164, 147 N. E. 703 (1925).

Should we have blindly assumed the alleged power of attorney was the free act of the principals without any hint of coercion or duress, or should we, as indeed we did, look behind the fiction to the facts?

Speaking specifically on powers of attorney, the New York Court of Appeals many years ago said:

"We should undoubtedly refuse to interfere with the order of the court below in any case \* \* \* where there was any ground for suspicion regarding the power or the manner of its procurement."<sup>3</sup>

#### HOW IMPORTANT IS THE PROBLEM?

Communism takes no holiday. It makes most effective use of its time, its people, and its resources. Certain it is that every dollar it gets its hands on is used in a manner to most effectively insure the downfall of this United States. And communism has been an avid collector of American dollars for many years.

Current figures giving some idea of the number of dollars derived from life-insurance funds, estates, and other sources that are finding their way into Communist hands are unavailable. I do have some old figures involving only the Union of Soviet Socialist Republics and involving the moneys that have channelled through one New York law office. I quote from a letter addressed to the State Department dated June 2, 1943.<sup>4</sup> Copy of the letter forms part of the pleadings in a New York estate case.

"In this connection, may I point out that the actual transmissions by this office on behalf of Soviet heirs in estate matters for the entire United States, have been approximately as follows for the past five years:

"1933-----	\$128,000
"1939-----	130,000
"1940-----	95,000
"1941-----	93,500
"1942-----	28,641"

Transmission of funds from legacies, insurance proceeds, bank deposits, and litigated matters has been going on since about 1933 through that single source. They have indeed been large though it has been stated the total transmissions through that one source at no time have exceeded a quarter of a million dollars a year.

On United States government life insurance, listen to this paraphrased extract from a translation of a Soviet document:<sup>5</sup>

"That the Central Executive Committee of the Union of Soviet Socialist Republics calls attention of the Central Executive Committee to the opportunity of receiving by citizens of the U. S. S. R. the insurance sums belonging to former soldiers of the American Army. \* \* \*

"The receipt of these sums—sums which have reached \$10,000,000 to \$15,000,000—has at the present time first importance, not only for the citizens who are receiving the said sums but also for the whole U. S. S. R. which is interested in the receipt of foreign currency within its territories."

Despite many statements and assurances by Soviet officials that such beneficiaries would receive such funds without diminution and with the free use and control thereof, the facts were overwhelmingly to the contrary and the United States government finally refused to permit any more of such insurance proceeds to be transmitted to Russia.

Communist control has spread over many more countries since the end of World War II. It is therefore reasonable to believe that millions of dollars of private life-insurance proceeds will, unless beneficiary designations are changed or payment is refused as contrary to public policy, find their way into communists' hands to be used against us.

Have we any assurance or could we be so naive as to assume that funds paid by private insurers would fare any better than did the proceeds of United States government insurance?

In my own company, we have had since the termination of World War II death claims wherein beneficiaries residing in iron-curtain countries are entitled to sums amounting to over thirty-two thousand dollars.

<sup>3</sup> *Lythgoe v. Smith*, 140 N. Y. 442, 446, 35 N. E. 646 (1893).

<sup>4</sup> *In re Alexandroff's Estate*, 47 N. Y. Supp. 2d 334 (Surr. Ct. 1944), pleadings on file in court.

<sup>5</sup> Steno minutes, January 29, 1940, *In re Bold's Estate*, 173 Misc. 545, 18 N. Y. Supp. 2d 291 (Surr. Ct. 1940).

## POWERS OF ATTORNEY

A power of attorney when valid creates an agency between the donor and the donee. It creates a relationship resulting from the manifestation of consent by one person to another that the other shall act on his behalf and subject to his control. It presupposes the willing grant of the power by the donor and where the power has been secured by coercion, duress, or threat the power is invalid.

"An authorization is interpreted as of the time it is acted on, in light of the conditions under which it was made and changes in conditions subject thereto."<sup>6</sup>

"One of the circumstances to be considered in interpreting the authority is the situation of the parties, their relations to each other, and the business in which they are engaged."<sup>7</sup>

Such powers, too, are controlled by the laws of the forum where the actions are to occur.

"An inevitable, implied term of a power of attorney is that it confers upon the donee only such authority as may be permissible under the laws of the place in which action thereunder is contemplated."<sup>8</sup>

"The principle is an inevitable sequence of any concept of the sovereignty of an independent state."<sup>9</sup>

Collateral questions arise concerning the execution, acknowledgment, and authentication of the alleged powers.

The purpose of acknowledging a written instrument and its authentication by a public officer is to entitle it to be recorded or to authorize its admission into evidence without other proof.

Section 301, New York Real Property Law, provides before whom acknowledgments and proofs may be taken in a foreign country. Section 301a says such acknowledgment must be accompanied by a certificate to the effect that the acknowledgment conforms to the laws of such foreign country. Such certificate may be made by: "a consular officer of such foreign country, resident in the State of New York, under the seal of his office \* \* \*."

Where alleged powers of attorney from Latvia<sup>10</sup> and Lithuania had annexed to them certificates from a vice consul of the U. S. S. R., resident in New York, the powers were not recognized by the courts because the United States has never recognized the Soviet regime in those countries or their incorporation into the Soviet Union.<sup>11</sup> The same would hold true in relation to Estonia.

## HOW THESE POWERS OF ATTORNEY ARE PROCURED

I have already quoted from a letter received from a beneficiary to the effect they were all summoned into court. "\* \* \* The final result of the whole matter was that we signed, each of us, a power of attorney \* \* \*."

Knowledge of death, legacies, insurance proceeds, etc., are secured by the interested countries and their representatives from foreign-language papers printed in this country, from the mails, from personal inquiry, and other usual sources.

Let us take Soviet Russia. There is testimony that two-thirds of the powers of attorney involving estates in the United States in which Soviet citizens have some interest originate in Russia. The balance would logically be initiated by the New York law office calling attention of the Soviet official body to the interest of one of its citizens. It requests that the usual power of attorney be secured and forwarded. Either way the power of attorney is secured by "Iniurcollegia." (Association of Lawyers). This outfit, an official organization of the U. S. S. R., has been described as being entrusted with the duties of protecting the rights and interests of Russian nationals. It has also been described, without contradiction of which I am aware, as the Credit Bureau, organized for the purpose of securing foreign exchange from outside Russia. It seems to function with efficiency and prompt dispatch in securing not only powers of attorney but other documents, or statements which may be asked for by the courts of this country. It has been known, when the same was required, to produce information showing that a new Soviet inheritance law was promulgated by the Presidium of the Supreme Soviet

<sup>6</sup> Restatement, Agency, §§ 33, 34 (1933).

<sup>7</sup> *Ibid.*

<sup>8</sup> *In re Weidberg's Estate*, 15 N. Y. Supp. 2d 252, 259 (Surr. Ct. 1939).

<sup>9</sup> *In re Landau's Estate*, 16 N. Y. Supp. 2d 3, 7 (Surr. Ct. 1939).

<sup>10</sup> Latvia—*In re Adler's Estate*, 93 N. Y. Supp. 2d 416 (Surr. Ct. 1949).

<sup>11</sup> Lithuania—*In re Braunstein's Estate*, 114 N. Y. Supp. 2d 280 (Surr. Ct. 1952).

of the U. S. S. R. designed to protect personal-property rights and at the same time to strengthen family ties. This law is alleged to have become effective March 15, 1945.

Speaking of alleged powers of attorney, Surrogate Hazelton, of New York, said that sending money out of this country to Hungary would be tantamount to putting funds in the grasp of communists. He then continued:

"To circumvent this, there has been seized upon the clever device of having the national of the captive country \* \* \* execute a power of attorney to a national of the United States, authorizing the attorney in fact to receive the monies inherited by the one behind the iron curtain. Under such circumstances, could this court be confident that its order would not be defeated by the funds ultimately percolating in a roundabout way into the country behind the iron curtain? I am not sufficiently naive to accept the assurances that this could not happen."<sup>12</sup>

#### THE ALLEGED TRANSMISSION OF SUCH FUNDS TO SOVIET RUSSIA

Assume a case in which a power of attorney was successfully used to collect moneys due a Soviet national. Testimony revealed that such moneys had been deposited in a New York bank to the order of the attorney in fact. The attorney in fact then drew a check on this account. Such check was delivered to another New York bank with instructions that the funds be transmitted to the Vneshtorg Bank (Bank of the Commissariat for Foreign Trade) for the credit of Injurcollegia of Moscow, to whom we have previously referred. A separate communication to Injurcollegia went forth from the office of the attorney in fact advising them of such transmission, carefully identifying the fund, the exact amount and the exact date of transmission. The attorney in fact also received a receipt from the bank acknowledging receipt of such sums.

The testimony for the New York transmitting bank revealed that the Soviet trade bank—Vneshtorg—had an account with such New York bank. No funds were actually transmitted—they were simply credited to the account of Vneshtorg. The testimony further showed that the Soviet bank periodically would send the New York bank advices to pay American dollars to people in this country.

#### SHOULD ASSIGNMENTS OR OTHER DOCUMENTS BE HONORED?

Assignments or other transfers allegedly made by foreign beneficiaries residing in iron curtain countries to residents of the United States should not be honored.

The New York Courts have pointed out that:

"The devices used to deprive beneficiaries of the funds were numerous and varied in the beginning \* \* \* and they continue to assume ever differing forms."<sup>13</sup>

They also have said that:

"(A) newly discovered theory of recovery contrived by an ingenious attorney is not newly discovered evidence."<sup>14</sup>

So where an alleged assignment was presented the court refused to honor the same saying:

"In cases such as this, by the simple expedient of changing the label the gate would be open, and as here, the powers of attorneys previously given would be replaced by 'assignments.' The Court will not be blinded by a label or a fixed formula of words."<sup>15</sup>

The Court then quoted the language used by the New York Court of Appeals in *People v. Jacoby*:<sup>16</sup>

"We have never so exalted form that in the act of so doing it has been necessary to put aside reason and substance. Where justice and reasonableness pointed the way we have not hesitated to treat a paper, which was of particular form, as that which it was in truth and substance."

Surrogate Collins, a distinguished New York jurist with over twenty-five years judicial experience, in December 1953, decided a case involving nationals of Czechoslovakia and Hungary. The national of Czechoslovakia was entitled to receive over \$90,000 after deduction of estate taxes. The national of Hungary's

<sup>12</sup> *In re Getream's Estate*, 107 N. Y. Supp. 2d 225, 226 (Surr. Ct. 1951).

<sup>13</sup> *In re Well's Estate*, 204 Misc. 975, 126 N. Y. Supp. 2d 441, 445 (Surr. Ct. 1953).

<sup>14</sup> *In re Alexandroff's Estate*, 47 N. Y. Supp. 2d 334, 337 (Surr. Ct. 1944).

<sup>15</sup> *In re Perlinsky's Estate*, 115 N. Y. Supp. 2d 549, 556 (Surr. Ct. 1952).

<sup>16</sup> 304 N. Y. 33, 39, 105 N. E. 2d 613, 616.

share was over \$33,000. The Surrogate, with much experience with such cases, refused to allow the moneys to be paid out. He directed they be paid into court. He said:

"If this court had available to it any means of supervising the payment of funds to nationals of these countries and assuring itself of the beneficiary's ability to hold and enjoy it, the issue would be capable of ready solution. In this case neither beneficiary has personally made any request for the funds. This circumstance does not present any insuperable obstacle, for the court entertains no doubt that if a personal request were insisted upon, it would normally be produced no matter how painful to the beneficiary such a request might prove. We advert to the fact only to emphasize the problem in this type of case, for ordinarily a beneficiary who, of his own free act and will, desires transmission of such large sums as these, would not lack means of assuring this court that he could use, control and enjoy the money if such were the fact."<sup>17</sup>

This case is a good source for information concerning the confiscatory rates of exchange in such countries.

#### POWERS OF FOREIGN CONSULAR OFFICIALS

The powers of foreign consular officials to act in the United States are derived from the terms of the treaties in force between the two countries. His powers in general relate to commercial transactions. Such treaties usually have therein a provision that a consular officer of either High Contracting Party may in behalf of his nonresident countrymen receipt for their distributive shares derived from *estates* in process of probate \* \* \* provided he remit any funds so received through the appropriate agencies of his government to the proper distributees. It does not give him exclusive rights nor could he in the usual case collect insurance proceeds without proper authority from the beneficiary.

Based on an effective treaty, the State Department, acting for the President, issues to the properly authorized foreign representatives an "Exequatur," a certificate under seal which recognizes his official character and authorizes him to fulfill his duties. Termination of the treaty ordinarily automatically terminates such document.

Despite information or allegations to the contrary, the United States does not have a treaty affecting usual friendly international relations with Russia.

Diplomatic relations with the Soviet were established by President Roosevelt in November 1933. This took place as a result of letters, conversations and agreements passing between him and President Kalinin of the USSR and the special representative of the USSR, Mr. Litvinov. The documents are familiarly known as the "Litvinov Agreement."<sup>18</sup> They related to certain contemplated trade agreements and the rights of American citizens in Russia to freedom of religion, freedom of conscience and the right to notify and to thereafter consult with an American consul or other representative in event of arrest.

The later claim that such agreement was in the nature of a treaty affording to the Soviet treatment under "the most favored nation clause" was effectively squelched by Secretary of State Cordell Hull. In a certificate filed with the New York Surrogate's Court,<sup>19</sup> the Secretary of State certified that:

"There is not any treaty in force between the United States and the Union of Soviet Socialist Republics."

Whatever came of all the pious statements and alleged agreements of the Soviet contained in the "Litvinov Agreement?"

Secretary of State Hull in a letter to the Senate Foreign Relations Committee, commenting on a resolution asking the State Department to inform Congress whether Russia had lived up to the Litvinov Agreement concluded as follows:

"On January 31, 1935, the Department of State issued to the press a statement pointing out that 'there seems to be scarcely any reason to doubt that the negotiations which seemed promising at the start must now be regarded as having come to an end.'"<sup>20</sup>

Assume the termination of a treaty between the United States and an iron curtain country. Consular offices are closed; their embassy takes over. Such

<sup>17</sup> *In re Well's Estate*, *supra*, note 13.

<sup>18</sup> Establishment of Diplomatic Relations with the Union of Soviet Socialist Republics, State Department, Eastern European Series No. 1, 1933.

<sup>19</sup> *In re Bold's Estate*, *supra*, note 5.

<sup>20</sup> Text of letter, New York Times, February 9, 1940.

embassy official could theoretically, in his official capacity, represent his countrymen—but only to the extent our laws permit. As a diplomat, our courts have no jurisdiction over him. This, plus comity and public policy, should deprive him of any standing in our courts.

The right of foreign governments and citizens thereof to sue in our courts depends on comity between the nations.<sup>21</sup> Without recognition there can be no comity.

"Comity may be defined as that reciprocal courtesy which one member of a family of nations owes to the others. It presupposes friendship. It assumes the prevalence of equity and justice. Experience points out the expedience of recognizing the legislative, executive, and judicial acts of other powers. We do justice that justice may be done in return."<sup>22</sup>

The rule of comity itself is subject to a superior consideration—that of public policy. Public policy of the nation or of the individual states is fixed either by the executive or legislative branches of government. What the public policy is may be interpreted by the judicial branch.

As was said by the United States Supreme Court:

"It is true, as a general rule, that the *lex loci* governs and it is also true that the intention of the parties to a contract will be sought out and enforced. But both these elementary principles are subordinate to and qualified by the doctrine that neither by comity nor by the will of the contracting parties can public policy of a country be set at naught."<sup>23</sup>

#### WHAT IS PUBLIC POLICY ?

Public policy is a phrase of many, variable meanings. It is not just good or sound policy, but in the judicial sense, it means the policy of the state or of the nation established for the public good.

"The sources determinate of public policy are, among others, our federal and state constitutions, our public statutes, our judicial decisions, the applicable principles of the common law, the acknowledged prevailing concepts of the federal and state governments relating to and affecting the safety, health, morals and general welfare of the people for whom government—with us—is factually established."<sup>24</sup>

#### WHAT IS OUR PUBLIC POLICY ON THIS QUESTION ?

In this instance, involving as it does a matter not only of state but of national concern, we should search for the public policy on the national level. We here are dealing with a question involving international relations, treaty law and comity between nations.

When we deal as a nation in the field of international relations, we deal not as individual states but as the United States of America. Thus the enunciated policy of the United States becomes the policy of the individual states and will be so interpreted by the state courts.<sup>25</sup>

Authoritative statements concerning our foreign policy become the public policy of the nation. Federal statutes and regulations based thereon will be interpreted by the courts in such manner as to give effect to the policy.

Secretary of State John Foster Dulles, on January 27, 1953, addressed Congress and the people of the United States.<sup>26</sup> In this address, he outlined the foreign policy of the administration. He borrowed from President Eisenhower the phrase "enlightened self-interest" stating that would be the guide to the making of our foreign policy. He continued:

"Now in our own interest, our enlightened self-interest, we have to pay close attention to what is going on in the rest of the world. And the reason for that is that we have enemies who are plotting our destruction. *These enemies are the Russian Communists and their allies in other countries.* \* \* \* The threat is a deadly serious one. \* \* \* Any American who isn't awake to that fact is like a soldier who's asleep at his post. We must be awake, all of us awake, to that danger."

<sup>21</sup> 6 Webster's Works 117.

<sup>22</sup> *Russian Socialist Fed. Sov. Repub. v. Cibrario*, 235 N. Y. 255, 257, 139 N. E. 259 (1923).

<sup>23</sup> *The Kensington*, 183 U. S. 263, 269, 22 S. Ct. 102, 104, 46 L. Ed. 190 (1901).

<sup>24</sup> *Allan v. Comm. Cas. Ins. Co.*, 131 N. J. L. 475, 37 A. 2d 37, 39.

<sup>25</sup> *United States v. Pink*, 315 U. S. 203, 233, 86 L. Ed. 796, 819 (1941).

<sup>26</sup> 99 Cong. Rec. 703, U. S. Code & Adm. News, 83 Cong., 1st Session, p. 829.



The laws of the United States<sup>27</sup> regulate delivery in foreign countries of checks against funds of the United States. It prohibits sending such checks in the absence of assurance that the legitimate payee will be able to receive and negotiate the check. The law gives the Secretary of the Treasury power to determine that in any specific country the postal, transportation, or banking facilities in general or the local conditions are such that: "there is not a reasonable assurance that the payee will actually receive such check or warrant and be able to negotiate the same for full value."

The Secretary of the Treasury, acting under such authority, has issued regulations relating to delivery of checks to addresses outside the United States.<sup>28</sup> Under such regulations, no checks or warrants drawn against funds of the United States or any agency or instrumentality thereof is sent from the United States to the Communist countries mentioned heretofore.

By later supplements to such regulations, we now find:

(d) Powers of attorney for the receipt or collection of checks, or warrants or of the proceeds of checks or warrants included within the determination of the Secretary of the Treasury set forth in paragraph (a) of this section will not be recognized."<sup>29</sup>

By the statement of the Secretary of State, by the statute enacted by the Congress of the United States, and by the duly authorized regulations of the Treasury Department, we have set forth in clear, understandable language the official policy of the United States.

Does it not follow, *a fortiori*, that this policy is even more applicable to private funds in the United States? And the courts of this country have so applied the policy.

"We give or deny the effect of law to decrees or acts of a foreign governmental establishment in accordance with our own public policy; we open or close our courts to foreign corporations according to our public policy, and in determining our public policy in these matters commonsense and justice must be considerations of weight."<sup>30</sup>

Applying commonsense and justice, we find a New York Surrogate writing:

"Concededly Hungary is one of the captive countries behind the Iron Curtain whose nationals are subject to those conditions to which the Western world is well aware. In view of these conditions, the United States Treasury Department has ruled that delivery of checks and drafts to payees within the Russian 'bloc' nations will be withheld since one cannot be certain that the payees will receive payment (16 Federal Register 1818, amdg. Code of Fed. Reg., title 31, section 211, subdivision (a)). Since Hungary is a member of this block of communist captive countries, this court would consider sending money out of this country and into Hungary tantamount to putting funds within the grasp of the Communists. (*Matter of Yee Yoke Ban*, 200 Misc. 499.)"

And the same result, based on the Treasury Regulations, will follow despite the existence of treaties between the United States and some of these countries *for comity yields to public policy*.

The Supreme Court of the United States in *Clark v. Allen*<sup>31</sup> said:

"\* \* \* the Chief Executive or the Congress may have formulated a national policy quite inconsistent with the enforcement of a treaty in whole or in part. This was the view stated in *Techt v. Hughes*, 229 N. Y. 222, 128 N. E. 185, 11 A. L. R. 166 *supra*, and we believe it to be the correct one."

"Where there is conflict between our public policy and comity, our own sense of justice and equity as embodied in our public policy must prevail."<sup>32</sup>

Some years ago, thirty-one in fact, the highest court of New York had this to say—language indeed most pertinent to the problem under discussion today:

"More than once during the past 70 years" (imagine now over 100 years) "our relations with one or another existing but unrecognized governments have

<sup>27</sup> Title 31 U. S. C. A. 123.

<sup>28</sup> Treasury Department Circular No. 655, as amended April 17, 1951, 16 Fed. Reg. 3479: "The Secretary of the Treasury hereby determines that postal, transportation, or banking facilities in general or local conditions in Albania, Bulgaria, Communist-controlled China, Czechoslovakia, Estonia, Hungary, Latvia, Lithuania, Poland, Rumania, the Union of Soviet Socialist Republics, the Russian Zone of Occupation of Germany, and the Russian Sector of Occupation of Berlin, Germany, are such that there is not a reasonable assurance that a payee in those areas will actually receive checks or warrants drawn against funds of the United States, or agencies or instrumentalities thereof, and be able to negotiate the same for full value."

<sup>29</sup> Supplement No. 9 to Department Circular No. 655 as amended September 24, 1951.

<sup>30</sup> *Russian Reinsurance Co. v. Stoddard*, *supra*, note 2.

<sup>31</sup> 331 U. S. 503, 509, 67 Sup. Ct. 1431, 91 L. Ed. 1633, 1641 (1947)

<sup>32</sup> *Vladikavkazsky R. Co. v. N. Y. Trust Co.*, 263 N. Y. 369, 377, 189 N. E. 456.

been of so critical a character that to permit it to recover in our courts funds which might strengthen it or which might even be used against our interests would be unwise. We should do nothing to thwart the policy which the United States has adopted."<sup>33</sup>

The argument has already been advanced, without success, that the Treasury Department regulation must be limited to funds of the United States. Speaking to that point, the New York Court of Appeals in 1953 said:

"That regulation was made, it should be noted, with the benefit of all the sources of information concerning conditions in Hungary that are available to a department of the federal government and not to the surrogate. Nor may the finding be limited to government checks or notes, for a check drawn on government funds would be no less likely to reach an Hungarian payee than would a draft on any private 'account.'"<sup>34</sup>

The Treasury regulation has also been relied upon to withhold funds due residents in Russia,<sup>35</sup> Lithuania,<sup>36</sup> China,<sup>37</sup> and Poland.<sup>38</sup>

The Court of Appeals case mentioned (footnote 34) thereafter was taken to the United States Supreme Court on constitutional questions considered by the New York court, among which was the argument that:

"The case has international implications since it involves the transmission of private funds into the territory of a government with which the United States has diplomatic relations. Furthermore, the issues in this case are governed by treaty relations between the United States and another friendly government. These include the recognition of the consular rights of the foreign government involved."

The Supreme Court dismissed the writ for want of a substantial federal question.<sup>39</sup>

#### STATE LAW APPLICABLE TO THE PROBLEM

Some states, vitally aware of the facts as opposed to the fictions of law behind the iron curtain, have adopted statutes relating to the problem. True it is such laws, in all but one state, directly relate to decedents' estates. They indicate though the public policy of the state. Since our problem is parallel to that covered by such laws, they, coupled, of course, with the public policy of the United States, can be used as a most reliable barometer of judicial action in insurance cases.

New York has been the leader. More than fifteen years ago the Executive Committee of the Surrogates Association of the State of New York recommended and secured remedial legislation. The purpose of the legislation was to:

"\* \* \* authorize the deposit of monies or property in the Surrogate's Court in cases where transmission or payment to a beneficiary, legatee or other person resident in a foreign country might be circumvented by confiscation in whole or in part. The amendment authorizes the impounding of the fund by the Surrogate to await the time when payment can be made to the beneficiary for his own use and control."<sup>40</sup>

The amendment, effective in 1939, states:

"Where it shall appear that a legatee, distributee, or beneficiary of a trust would not have the benefit or use or control of the money or other property due him, or where other special circumstances make it appear desirable that such payment be withheld, the decree may direct that such money or other property be paid into the surrogate's court for the benefit of such legatee, distributee, beneficiary or a trust or such person or persons who may thereafter appear to be entitled thereto. Such money or other property so paid into court shall be paid out only by the special order of the surrogate or pursuant to the judgment of a court of competent jurisdiction."<sup>41</sup>

At the same time the New York Surrogate's Court Act was thus amended, two sections of our Civil Practice Act were also amended and for the same reason. The one section had to do with declaratory judgments,<sup>42</sup> the other with the dis-

<sup>33</sup> *Russian Socialist Fed. Sov. Repub. v. Cibrario*, *supra*, note 22.

<sup>34</sup> *In re Braier's Estate*, 305 N. Y. 148, 157, 111 N. E. 2d 424, 428.

<sup>35</sup> *Russia*—Matter of Best, 200 Misc. 332, 107 N. Y. Supp. 2d 224.

<sup>36</sup> *Lithuania*—Matter of Geffen, 109 Misc. 856, 104 N. Y. Supp. 2d 490.

<sup>37</sup> *China*—Matter of Yee Yoke Ban, 200 Misc. 499, 500, 107 N. Y. Supp. 2d 221.

<sup>38</sup> *In re Rysiakiewicz's Will*, 114 N. Y. Supp. 2d 504 (Surr. Ct. 1952). See also *In re Mazurowski*, 116 N. E. 2d 854 (Mass. 1954).

<sup>39</sup> 346 U. S. 802, 98 L. Ed. 34 (1953).

<sup>40</sup> Note appended to bill to amend § 269, Surrogate's Court Act.

<sup>41</sup> § 269, N. Y. S. C. A., Am. L. 1939, C. 343, eff. April 24, 1939.

<sup>42</sup> § 474, N. Y. C. P. A.

position of property in litigation.<sup>43</sup> The amendment in both sections says generally that:

"Where it shall appear that a party is entitled to money or other property and he would not have the benefit or control of such money or other property or where special circumstances make it appear desirable that payment or delivery should be withheld, the court in its discretion may direct that such money or other personal property be paid into court for the benefit of such person to be later paid out only on order of the court."

The constitutionality of such statute has been upheld by New York's highest court. It is not a taking of property without due process of law; rather it is a safeguarding of such property for its rightful owner. It is not violative of existing treaties between the United States and foreign governments, nor does it encroach upon federal powers over foreign commerce. All constitutional questions were raised under Section 269, Surrogate's Court Act. They were considered and rejected. The Supreme Court of the United States thereafter refused to review such decision.<sup>44</sup>

New Jersey in 1940<sup>45</sup> adopted an amendment similar in language to Section 269 of the New York Surrogate's Court Act.

Rhode Island in 1951 adopted a similar type statute.<sup>46</sup>

California in 1941 adopted a reciprocal statute.<sup>47</sup> This probate law makes the rights of aliens residing abroad to take personal property or the proceeds thereof depend on the existence of a reciprocal right on the part of a United States citizen. The burden of proving such reciprocal right is on the nonresident alien. The effect of this statute is to properly bar transmission of monies and personal property to iron curtain countries.

In the *Clark* case, *supra*, footnote 31, the contention was advanced that the California statute was unconstitutional as an attempt by the state to invade the field of foreign relations, a field exclusively reserved by the Constitution to the federal government. Such argument was rejected by the Supreme Court.

Massachusetts in 1951 gave its surrogates, on petition of an interested party or in the court's discretion, the right to order proper safeguarding of such funds. The surrogate, too, has the right, in order to assist it in establishing foreign claimants' identity and their rights and opportunity to receive such funds, to require their personal appearance before the court.<sup>48</sup>

Because the memorandum of reasons for passing the Massachusetts statute is succinctly stated and also supports my conclusions, I quote from it:

"Probably every year American citizens domiciled in Massachusetts die leaving possible heirs either in the Soviet Union or in the satellite countries within the Iron Curtain. There is then an effort by the Soviet mission in the country to appear in the Probate proceedings, either pursuant to a purported consular authorization or pursuant to a Power of Attorney supposedly executed by their national.

\* \* \* \* \*

"First of all, there is no accredited consular officer for the Soviet Union in the United States, no exequatur has been issued by the State Department on behalf of the President. Secondly, the execution of a Power of Attorney by the national of any of these countries is certainly unsatisfactory legally, politically, or otherwise. It is doubtful if any national executing such a power under the direction of Soviet authorities can be said to be *sui juris*.

"Furthermore, the necessity for establishing beyond any question the identity of the national and his relationship to the decedent becomes very clear in the usual case.

"Thirdly, the reciprocal rights enjoyed by citizens of this country are so illusory as to require a strict attitude by our courts. The imprisonment of American Consuls General, the expropriation of American-owned property, the kidnapping

<sup>43</sup> § 978, N. Y. C. P. A.

<sup>44</sup> *In re Braier's Estate*, *supra*, note 34.

<sup>45</sup> N. J. Laws 1940, C. 148, P. 315, N. J. Stat. Ann. § 3A: 25-10, *In re Url's Estate*.

7 N. J. Super. 455, 71 A. 2d 665 (Cty Ct. 1950). *app. dism.*, 5 N. J. 507, 76 A. 2d 249.

<sup>46</sup> R. I. Pub. Laws 1951, C. 2744. See also *R. I. Hosp. Tr. v. Johnson*, 99 A. 2d 12, 19 (Sup. Ct. 1953).

<sup>47</sup> Cal. Laws 1941, C. 895, P. 2473, Cal. Probate Code §§ 259, 259.1, 259.2. *Estate of Blak*, 65 Cal. App. 2d 232, 150 P. 2d 567. Pending final decision of the Supreme Court on constitutionality of this statute, it was amended. The original statute, being sustained, the law was again amended to its original form.

<sup>48</sup> Mass. G. L. (Ter. Ed.) C. 206, § 27A, Mass. Laws 1950, C. 265. *Petition of Mazurowski*, 116 N. E. 2d 854 (Supp. Jud. Ct. 1954).

and disappearance of American citizens are but a few of the recent manifestations of how little by way of reciprocal rights we do enjoy.

"Furthermore, it is apparent that the reciprocal right of the citizens of the United States to receive money from estates of Soviet nationals residing in Soviet Russia is a highly illusory one when the accumulation of any estate from private property in that country is forbidden or reduced to the least possible amount."<sup>40</sup>

Maryland<sup>50</sup> by statute similar to that of New York authorizes the impounding of estate proceeds where it appears delivery should not be made because of the action of foreign governments affecting such money or property or the full use and enjoyment thereof.

Connecticut<sup>51</sup> by statute follows the New York law.

Oregon<sup>52</sup> has a reciprocal statute but by amendment in 1951 withholds foreign legacies absent proof that the foreign heirs would receive the money or property and its use and control without confiscation in whole or in part by the government of such foreign country.

Montana<sup>53</sup> will impound the estate proceeds due certain aliens and such aliens must claim the same within two years thereafter.

Nevada<sup>54</sup> also by statute effectively controls its situation.

Although Michigan, Missouri, Nebraska, Vermont and Pennsylvania do not appear to have statutory law, it is reported that the policy of the courts of such states is to protect the rights of the beneficiaries behind the iron curtain.<sup>55</sup>

#### THE PRACTICAL PROBLEM

Assuming in the type of case under discussion, an insurance company refuses to pay the proceeds of a policy to people claiming under alleged powers of attorney. By such action we do not violate the terms of the contract. While admitting liability, we are protecting the rights of the true beneficiaries. What then is the next step? Should we just allow the proceeds to remain with the company? I do not think so. We could, of course, wait a reasonable period of time to see whether the alleged attorneys-in-fact would start legal proceedings in an effort to collect. Based on their recent lack of success in decedents' estates, I do not feel we would have many such cases. As a matter of fact, a thorough search fails to reveal any such case involving life insurance proceeds throughout the United States.

In this unusual type situation, it is my feeling that where New York companies admit liability but know the beneficiaries reside behind the iron curtain a court, in a declaratory judgment action, would take jurisdiction. An order could be expected to issue for service upon the beneficiaries by publication and the case successfully concluded by an order to pay the proceeds due into court under Section 474 of the Civil Practice Act.

Were we to be sued by an alleged attorney in fact, we could rely on Section 978 of the Act for authority to pay the funds into court.

In states having no specific amendment such as here referred to, it would seem reasonable that a similar declaratory judgment action with proper pleading of the facts, Treasury Regulation #655 as amended, and a good memorandum of law would achieve the same result.

Abandoned property laws relating to unclaimed insurance funds were not intended, and in their present form, could not be used to cover this type case.

The only death case where resort to the abandoned property law could be had would be the one where we had knowledge the beneficiaries were residents of iron curtain countries, but no claim for the proceeds had ever been made by them or by anyone allegedly acting in their behalf. After a seven year lapse, such funds could be paid to the state as unclaimed.

A more practical, direct approach to cover this unique problem may be desirable.

<sup>40</sup> 35 Mass. L. Q., 34 (No. 2, May 1950).

<sup>50</sup> Md. Code Rnn. Art. 93, § 155 (Fleck 1951).

<sup>51</sup> Conn. Gen. Stat. (1951 supp.) § 1253b.

<sup>52</sup> Ore. Laws 1937, C. 399, P. 607, Ore. Laws 1951, C. 519, Ore. Rev. Stat. § 111.070 (1953).

<sup>53</sup> Mont. Laws 1939, C. 104, § 2, Mont. Rev. Code (1947; Supp. 1953) §§ 91-418, 91-520, 521, 1951.

<sup>54</sup> Nev. Comp. Laws (1941 supp.) § 9894.

<sup>55</sup> 25 So. Calif. Law Review 297 (No. 3, April 1952). I am indebted to the State Department for calling this article to my attention. It contains statutory and case citations. But I would disagree with the author on his assertion regarding a change in New York policy. Such change was very short and based, I believe, on special circumstances.

I would recommend that the proper bodies in this organization consider the advisability of a statute, either in the insurance or other laws of each state, to cover the situation.

It might well be possible, working with the National Association of Insurance Commissioners, to devise a way whereby, without necessity of court action, such insurance proceeds held or owing to beneficiaries by life insurance companies domiciled in each particular state, where it shall appear that any such beneficiary would not have the benefit or use or control of the money due him, or where other special circumstances make it appear desirable that such payment or delivery should be withheld, payment of such proceeds accompanied by a proper petition embodying all pertinent facts could be made to the treasurer or comptroller or other proper state officer. If at a later date, proper proof, satisfactory to the state, be presented, the release and payment of such funds could be ordered.

Mr. MORRIS. I might say that we have representatives, Senator, of three other insurance companies. The time is getting short. I might say that witnesses have been so fluent and so full of information, Senator, I have not been able to apportion their time.

Senator JOHNSTON. We will be glad to hear them.

Mr. MORRIS. Our next witness is Mr. J. Edwin Dowling, representing the Metropolitan Life Insurance Co.

Senator JOHNSTON. Mr. Dowling, will you stand and be sworn?

Do you swear that the evidence you will give this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. DOWLING. I do.

#### TESTIMONY OF J. EDWIN DOWLING, ASSOCIATE GENERAL COUNSEL, METROPOLITAN LIFE INSURANCE CO.

Mr. MORRIS. Mr. Dowling, will you give your full name and address?

Mr. DOWLING. J. Edwin Dowling, 18 Carry Road, Scarsdale, N. Y.

Mr. MORRIS. And what business or profession are you in, Mr. Dowling?

Mr. DOWLING. I am associate general counsel of the Metropolitan Life Insurance Co.

Mr. MORRIS. And how long have you been associate general counsel for Metropolitan, Mr. Dowling?

Mr. DOWLING. Five years.

Mr. MORRIS. Now, are you conversant with the problem that the subcommittee is discussing this morning?

Mr. DOWLING. Yes, I am.

Mr. MORRIS. In connection with the Metropolitan Life Insurance Co., are there any cases before you of individuals who are behind the Iron Curtain and on whose behalf claims have been made or litigation instituted?

Mr. DOWLING. We have no litigation to my knowledge. We have pending, oh, approximateley 160 cases where the beneficiaries are behind the Iron Curtain.

Mr. MORRIS. Metropolitan has 160 cases?

Mr. DOWLING. We have not been in contact with all those beneficiaries.

Mr. MORRIS. Now, how much is involved in these 160 cases?

Mr. DOWLING. Oh, roughly, about \$240,000.

Mr. MORRIS. Are many of these cases Polish nationals?

Mr. DOWLING. Yes; the majority are.

Mr. MORRIS. The majority are from Poland?

Mr. DOWLING. Well, more from Poland than any other country.

Mr. MORRIS. Now, when you say more from Poland than any other country, is it a majority of those cases that are from Poland, there could be quite a difference because obviously there are 10 or so countries involved.

Mr. DOWLING. I cannot answer that positively except with respect to our group claims. With respect to them, it is about 50 percent.

Mr. MORRIS. Respecting this change in the Federal regulation exempting Poland from the countries that are to be banned—the beneficiaries residing in those countries are not to be given United States dollars by the Treasury regulation—are there any changes as the result of the modification of that regulation?

Mr. DOWLING. I have not seen any effect from it as yet.

Mr. MORRIS. Do you find, Mr. Dowling, with respect to the claimants in Metropolitan, that these people actually want the money sent over there?

Mr. DOWLING. Oh, we have many indications that they do not. We do not receive many letters coming out of the Iron Curtain countries saying they do not want the money, but we are hearing from relatives in this country who are in communication with them, and we have occasional letters that get through where they say they do not.

Mr. MORRIS. They say they do not?

Mr. DOWLING. That is right.

Senator JOHNSTON. And people went there on a visit and came back and told you personally that they did not?

Mr. DOWLING. No, Senator; they did not.

Mr. MORRIS. I do not want you to talk about particular cases, Mr. Dowling, but are there any instances—and I do not want particular cases where individuals may be identified—can you tell us some of the cases that you mentioned here without involving or divulging their identity?

Mr. DOWLING. Yes; I have one case in mind where a person in the Iron Curtain country has written to us indicating that he does not want the money and asked us to write the local bank, which apparently was putting pressure on him, and tell them that we could not send the money into the country, so that, as the correspondent said, "They will leave me in peace."

Senator JOHNSTON. Do you have a special fund where you put this money in, or how do you handle it?

Mr. DOWLING. No, we do not, Senator. It is just handled as a pending claim.

Mr. MORRIS. Does that accumulate interest?

Mr. DOWLING. Well, it does under our present practice on delayed claims, where we delay a claim over 30 days our practice is, not because we have any legal obligation, but as a matter of moral obligation we add interest.

Mr. MORRIS. Are you able to tell us anything, is there anything, Mr. Dowling, that you can tell us with particularity about that situation, anything further than what has been brought out today by Mr. Reidy and Mr. Walsh?

Mr. DOWLING. Well, it is only this, that these cases are not very active except when a power of attorney is entered by somebody.

Mr. MORRIS. Has any particular lawyer or lawyers turned up as being interested in the beneficiaries?

Mr. DOWLING. Just the two that were mentioned this morning.

Mr. MORRIS. Paul Ross and Charles Recht?

Mr. DOWLING. Yes.

Mr. MORRIS. He filed powers of attorney?

Mr. DOWLING. Yes.

Mr. MORRIS. And do you feel from your understanding of the problem that the relaxation on the part of the State Department exempting Poland from this list is going to activate these cases?

Mr. DOWLING. Well, I am not sure.

Mr. MORRIS. You do not know?

Mr. DOWLING. I do not know. It could easily affect our company policy, though, because our policy rests principally upon the Treasury regulations. Our feeling has been that if the United States Government would not send those dollars into the Iron Curtain countries, and they know more about the situation than we do, that is indicative of a public policy which we should follow. Now, with Poland removed, we are in the state of considering what effect that should have on our company policy.

Mr. MORRIS. So it really is not a problem with legislation at all at this point, Mr. Dowling, it is a question of what countries should be on the Treasury list because that is the thing that sets the policy for the industry?

Mr. DOWLING. Well, I cannot speak for the industry.

Mr. MORRIS. I should say Metropolitan.

Mr. DOWLING. It has had a profound influence on Metropolitan.

Mr. MORRIS. And as far as Metropolitan is concerned, there are 160 of these cases?

Mr. DOWLING. Roughly.

Mr. MORRIS. Involving roughly \$240,000?

Mr. DOWLING. That is right.

Mr. MORRIS. Thank you.

Senator JOHNSTON. You are incorporated in New York; are you not?

Mr. DOWLING. We are, sir.

Senator JOHNSTON. You would feel some responsibility then to the laws of New York, too?

Mr. DOWLING. Yes; we would.

Senator JOHNSTON. And the main thing you are after is protecting the person that you owe money to?

Mr. DOWLING. That is right, Senator, we feel an obligation to carry out the intentions of the fellow that we sold the policy to.

Senator JOHNSTON. And you would not hesitate a minute turning this money over if you knew that person was going to get value received?

Mr. DOWLING. We would be very anxious to do so.

Senator JOHNSTON. Do you have any further questions?

Mr. MORRIS. No.

Senator JOHNSTON. We thank you, Mr. Dowling.

Mr. MORRIS. Our next witnesses, Senator, are Mr. Andolsek and Mr. Bohne of Equitable Life Assurance Society.

Senator JOHNSTON. Will you stand up and be sworn?

Do you solemnly swear that the evidence you are going to give to this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. ANDOLSEK. I do.

Mr. BOHNE. I do.

**TESTIMONY OF CHARLES F. ANDOLSEK, HOHOKUS, N. J., ACCOMPANIED BY EDWARD J. BOHNE, BELLE HARBOR, N. Y., REPRESENTING EQUITABLE LIFE ASSURANCE SOCIETY**

Mr. MORRIS. Mr. Andolsek, will you give your full name and address to the reporter?

Mr. ANDOLSEK. Charles F. Andolsek, East Saddle Road, Hohokus, N. J.

Mr. MORRIS. And you, Mr. Bohne?

Mr. BOHNE. Edward J. Bohne, 214 East 131st Street, Belle Harbor, N. Y.

Mr. MORRIS. I wonder if each of you will tell us what your position is with the Equitable Life Assurance Society?

Mr. ANDOLSEK. We have for the last several years refused to make any payments to payees—

Mr. MORRIS. Excuse me, before you begin, what position do you have in connection with Equitable?

Mr. ANDOLSEK. I am sorry. I am the second vice president in charge of the claims department of Equitable.

Mr. MORRIS. And you, Mr. Bohne?

Mr. BOHNE. I am superintendent of the claim examiners division of the claims department.

Senator JOHNSTON. You are an attorney, too?

Mr. BOHNE. Yes.

Mr. MORRIS. Will you proceed, Mr. Andolsek?

Mr. ANDOLSEK. We have not made any payments for several years—I could not determine precisely the date—to any payee residing behind the Iron Curtain.

Mr. MORRIS. You say you have not for several years?

Mr. ANDOLSEK. Yes.

Mr. MORRIS. What was the practice prior to several years ago?

Mr. ANDOLSEK. If we were satisfied that we were dealing with the right beneficiaries, we occasionally were able to make the payment; but I can say, going back to perhaps 1948, that they were very few and far between.

Mr. MORRIS. How many cases do you have pending now?

Mr. ANDOLSEK. Presently there are 96 claims involving \$194,000. Of those 96 claims—I can give you a complete breakdown and put it into the record but I think perhaps you are primarily interested in Poland—we have 35 of the 96 pending cases involving payees in Poland. The amounts involved total \$77,000 exclusive of interest.

Senator JOHNSTON. Which is over one-third, or a little better than one-third?

Mr. ANDOLSEK. About that; yes, sir.

Mr. MORRIS. I think, Mr. Andolsek, we are really interested in particularities about Poland because it is no longer on the list and if there is going to be any relaxation on the part of the State Department, why,



the subcommittee would like to know the full extent of it. Can you tell us roughly how many insurance companies there are in the United States?

Mr. ANDOLSEK. It is in excess of 400. However, I might add that most of these claims arise out of group-insurance policies, where we insure large industrial firms. On their rosters of employees there are many people who came into this country from these foreign countries. I think you will find that the companies that do a large group insurance business will tend to have a preponderance.

Mr. MORRIS. What companies, roughly, are they?

Mr. ANDOLSEK. Well, certainly the Metropolitan, the Prudential, the Equitable, the Travelers, the Hancock, the Aetna. I think those are the very big ones.

Mr. MORRIS. And so this thing ultimately will run into the millions of dollars, will it not?

Mr. ANDOLSEK. That is correct. There are over 400 life insurance companies in the United States of various sizes.

Mr. MORRIS. I think you were about to say something, were you not, Mr. Andolsek?

Mr. ANDOLSEK. Well, I thought that I could perhaps save the time of the committee—I think I know what you are after.

Mr. MORRIS. Thank you very much.

Mr. ANDOLSEK. Of the ninety-six-odd cases that we have, 11 involve this power of attorney to which reference has previously been made. Six of those cases are being handled by this law firm of Wolf, Popper, Ross, Wolf & Jones. Charles Recht—

Senator JOHNSTON. Mr. Ross appears and represents them mostly, does he not?

Mr. ANDOLSEK. That is correct.

Charles Recht was involved in three cases and (name stricken from record) appeared in one case.

Mr. MORRIS. I think, Mr. Andolsek, that I might suggest that in the absence of a pattern leading to some kind of interpretation, that you not put the names of any other lawyers in the record; let us get those in executive session. I think it may give rise to some false impressions. With the other two names, since there is a pattern existing, I feel there is something that should be taken into consideration by the subcommittee.

Senator JOHNSTON. The name will be stricken.

Mr. ANDOLSEK. In the case of Wolf, Popper, Ross, Wolf & Jones in addition to the 6 cases where powers of attorney have been filed, there are 4 others in which they have requested payment but no power of attorney is concerned.

Mr. MORRIS. Mr. Andolsek, do you find that individual claimants have expressed a desire to you that they either not be contacted nor given the money?

Mr. ANDOLSEK. We have not had, and understandably so, any real direct expression from people behind the Iron Curtain, I think that they are afraid to make the expression and such expressions as we have gotten have come from relatives in this country.

Mr. MORRIS. And what are those relatives' expressions?

Mr. ANDOLSEK. To the general effect that they do not want the money, "Don't send it to them, don't correspond with them, don't get them in trouble."

Mr. MORRIS. Have you abided by their recommendations?

Mr. ANDOLSEK. We have.

Mr. MORRIS. And what is your policy on the powers of attorney?

Mr. ANDOLSEK. Thus far we have refused to honor them.

Mr. MORRIS. And do you feel that this change in policy excluding Poland from the list will have an effect on you?

Mr. ANDOLSEK. It may be that it will pull the rug from under our feet. In that connection, as you know, the Treasury regulation dealt only with United States funds and were based on the fact that there was no assurance that the beneficiaries would receive the money.

In connection with recent developments, while it may be that the United States Government has a reasonable assurance that their funds are going to be paid to beneficiaries, we have not been able to determine whether any similar assurance exists with respect to private funds as far as going to beneficiaries.

Mr. MORRIS. And it may well be, Mr. Andolsek, that the Government can somehow exact some kind of promises from the Polish Government and that same power would not be available to you?

Mr. ANDOLSEK. That is correct.

Mr. MORRIS. And at the same time, when the controlling policy here is going to be set by the Government policy, therefore should it not be followed by the corporation?

Mr. ANDOLSEK. That is correct. I might add, which is my own pure opinion, that even if there were assurances that these funds would be transmitted to beneficiaries at a fair rate of exchange, I think it would be a relatively easy device for the Polish Government to simply hold those funds in a special account and then after they have gotten the background of funds out of this country, then simply issue a decree devaluing the funds or confiscate them and all would be lost.

Senator JOHNSTON. Right along that line, it happens that I am in a kind of a two-way capacity in the Judiciary Committee. I am chairman also of our Subcommittee on Alien Property and we are running into a great many things on this particular line at the present time.

Just to give you an illustration, at the present time a person that comes over from Hungary and that has property that has been confiscated during the war, they can get that property back into the United States right now under the rules; but a person that lives in Germany cannot get theirs.

Mr. ANDOLSEK. Yes, sir.

Mr. MORRIS. That is under the existing rules.

Senator JOHNSTON. That is under the existing rules. So it is possible that we are going to have to do something in the way of legislation to clear up this situation that we find ourselves in. Go ahead.

Mr. MORRIS. Now, Mr. Andolsek, was there anything else we covered in our staff session on Monday that should go into the record today, in view of what has already been covered?

Mr. ANDOLSEK. I do not believe so.

Mr. MORRIS. Mr. Bohne, is there anything in connection with your appearance today, can you add anything, knowing what the problem is?

Mr. BOHNE. Nothing, except insofar as litigation goes, we only have three cases. Two of them ended up in interpleader actions in which no issue was tried, and the other case, a summons and complaint have been filed and an answer has been filed, but nothing has happened.

Mr. MORRIS. And all of that included the amendment of the Treasury regulation?

Mr. BOHNE. No.

This last suit, the one where we filed answer, the other two—

Mr. MORRIS. You were going to tell us, Mr. Bohne, of a very recent litigation.

Mr. BOHNE. This case that came on last week?

Mr. MORRIS. Will you tell us about that?

Mr. BOHNE. In the second district court: In that case a claim was presented on behalf of an alleged beneficiary in Lithuania, and the case came on, and a public administrator of Kings County, in Brooklyn, the southern district, came in and claimed the funds as a public administrator, alleging that there were no alleged heirs, that he had a special guardian report to that effect supporting his position, and he was claiming on the strength of that, and actually—it is in pleadings at the present time.

The other case is one where there is merely summons and complaint, and we filed an answer—that is out in Cleveland, I believe.

Mr. MORRIS. Thank you, gentlemen, both of you, very much.

Senator JOHNSTON. Thank you.

Mr. MORRIS. Our next witnesses, Senator, are Mr. Drobynyk and Mr. Leece, of Prudential.

Senator JOHNSTON. Will you rise and be sworn?

Do you solemnly swear that the evidence you will give this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. LEECE. I do.

Mr. DROBANYK. I do.

**TESTIMONY OF WENDELL J. DROBANYK, SECOND VICE PRESIDENT AND ASSOCIATE COMPTROLLER, PRUDENTIAL LIFE INSURANCE CO., ACCOMPANIED BY WILLIAM A. LEECE, ASSISTANT GENERAL COUNSEL**

Mr. MORRIS. Will you give your name, Mr. Drobynyk, to the reporter?

Mr. DROBANYK. Wendell J. Drobynyk.

Mr. MORRIS. And your name, Mr. Leece?

Mr. LEECE. William A. Leece.

Mr. MORRIS. And will you, Mr. Drobynyk and Mr. Leece, tell what your positions are within the Prudential Life Insurance Co.?

Mr. DROBANYK. I am second vice president and associate comptroller.

Mr. MORRIS. And you, Mr. Leece?

Mr. LEECE. Assistant general counsel.

Mr. MORRIS. And are you both conversant with the problem which the subcommittee is inquiring about?

Mr. DROBANYK. Yes.

Mr. MORRIS. The Prudential Life Insurance Co.—that is in Newark, N. J.?

Mr. DROBNYK. Yes, sir.

Mr. MORRIS. And is that incorporated in the State of New Jersey?

Mr. DROBNYK. Yes, sir; Newark, N. J.

Mr. MORRIS. And to that extent, the problem would be slightly different from the problems faced by the other companies that have been represented here?

Mr. DROBNYK. It might be. We have not had an opportunity to make a complete review of our files, but we did turn up 86 cases in our check yesterday, involving a total of over \$142,000.

Now, of these, the largest amount was payable to persons in Russia, amounting to \$53,000—18 cases. In Poland, we had 22 cases in the amount of \$29,000. Other countries with rather less amounts were Czechoslovakia with \$20,000, Lithuania with \$12,000, Albania with \$13,000.

Mr. MORRIS. What has been the practice of the Prudential Life Insurance Co. with respect to such claims?

Mr. DROBNYK. We have consistently followed the policy of the Government here for at least 4 years, now; we have been withholding payments to persons where one of the Iron Curtain countries was involved. However, with the relaxing of the regulations recently, we have made two payments to Poland.

Mr. MORRIS. So, in connection with the Prudential, the relaxation of the Treasury regulation has already affected you?

Mr. DROBNYK. Yes; it has.

One payment was rather small, \$125, and the other was \$3,600.

Mr. MORRIS. Now, is there any pattern in the representations of the claimants in these cases?

Mr. DROBNYK. Well, we have the first law firm that was mentioned Wolf, Popper, Ross, Wolf & Jones represent at least three of our claimants here.

Mr. MORRIS. What nationality were they?

Mr. DROBNYK. Ukrainian and Rumanian. Two in Rumania and one in the Ukraine. And Charles Recht represented a claimant in Russia.

We have other attorneys, about a dozen or so, that represent—I don't know whether they are the same type or not, though.

Senator JOHNSTON. We would be glad to have those in the confidential files, but we do not want for you to call their names now at this time.

Mr. DROBNYK. Yes, sir.

We have had a number of powers of attorney which, in almost all cases, were made out to relatives of the insured, sons, sisters, brothers, and so on. We have also had some indication that people in these countries did not want the money, and I remember at least one case in which we got a letter directly from a claimant saying to please not send him any money, that he would not get it. In other cases, we heard indirectly through relatives of the claimants in this country.

Mr. MORRIS. So you have heard directly and indirectly from these people?

Mr. DROBNYK. That is correct.

Mr. MORRIS. In connection with the two claims that you have paid, have you paid those claims on examination of all the facts or have you just let the State Department policy set your policy?

Mr. DROBNYK. We have, I believe, let the State Department set our policy.

In these two cases, our law department was satisfied that the requests for funds were legitimate, I believe, and we have not denied payment because of that.

Mr. MORRIS. You do find, as a matter of fact, that this relaxed policy on the part of the State Department is in fact breaking down the barriers that have been effective against this money going out of the United States?

Mr. DROBNYK. That is right.

We have several more cases in the works now, where request has been made as the result of this change in policy.

Mr. MORRIS. So the Prudential as well as the Guardian Life Insurance Co.—they had also indicated that they feel that the barriers were being whittled away?

Mr. DROBNYK. That is right.

Mr. MORRIS. Is there anything else, Mr. Drobnyk, in view of what you have in your records and in view of what you heard this morning, and knowing what the problems before the Senate subcommittee are that the committee is going to tackle?

Mr. DROBNYK. No; I do not believe there is anything I can add to what has been covered already this morning.

Mr. MORRIS. And you, Mr. Leece, is there anything you can add?

Mr. LEECE. No, except to say that prior to June of this year, prior to the change of the Treasury's position where Poland is concerned, we had consistently denied payment on Polish claims. Since that time, as has been indicated, we have paid them.

Our policy has been in the past and at the moment is one of following the Government in these matters, because we feel it is in their particular province, and it is something that we are not too competent about, and so that is the position at the moment, that is our position that we will follow the Government.

Mr. MORRIS. The only companies we have had, the last 3 firms we have had, the claims amount to roughly \$600,000 with the last 3 companies. Is there any 1 particular company that you know of among the 400 insurance companies throughout the country that might have quite a few of these?

Mr. DROBNYK. I do not know—I think the other companies would relatively have—I mean, in proportion to their size. For example, I would say that these 3 or 4 companies here probably represent about half, pretty close, of the insurance business in this country.

Mr. LEECE. Particularly the group business in our case, a lot of these claims—

Mr. DROBNYK. Thirty of our cases were group cases involving about \$60,000.

Mr. MORRIS. John Hancock is a group insurance company?

Mr. DROBNYK. John Hancock and Aetna and Travelers are probably the leading group companies not represented here.

Senator JOHNSTON. How do you satisfy the claim, what kind of a receipt do you need from the beneficiary, that you have sent him the money?

Mr. DROBNYK. In these two cases in which we made payment, payment was made through the First National City Bank and we have assurances from the bank that they will make payment to the proper party. If these payments have been made, it is so recently that we have not received receipts as yet.

Senator JOHNSTON. Is there any way you have of having a careful check on the fact that these beneficiaries did receive the payment and do you get a proper receipt for it?

Mr. DROBNYK. Well, that will be part of our normal policy, sir, to see that we do get a proper receipt.

Mr. MORRIS. If there are no more questions, we thank you, gentlemen, for coming.

Senator JOHNSTON. Thank you for coming before us.

Mr. MORRIS. Senator, the scheduled business of the hearings we had planned covered 3 days. It is complete except that we did not have Mr. Max Schwebel testify or A. L. Pomeran, and there is Mr. Paul Ross. So, Senator, the unfinished business here is those three gentlemen with respect to this particular point of the hearings.

Senator JOHNSTON. We will want to have those in later.

Mr. MORRIS. That is right.

Senator JOHNSTON. If that is all, we thank you very much.

(Whereupon, at 11:35 a. m., the hearing was adjourned.)

# APPENDIXES

## APPENDIX I

### REGULATIONS RELATING TO DELIVERY OF CHECKS AND WARRANTS TO ADDRESSES OUTSIDE THE UNITED STATES, ITS TERRITORIES, AND POSSESSIONS

1941 Department Circular No. 655, Fiscal Service, Bureau of Accounts

TREASURY DEPARTMENT,  
OFFICE OF THE SECRETARY,  
Washington, D. C., March 19, 1941.

Section 211.1. *Authority for regulations.* These regulations are prescribed and issued under authority of Section 5 of Public No. 828 approved October 9, 1940, "To restrict or regulate the delivery of checks drawn against funds of the United States, or any agency or instrumentality thereof, to addresses outside the United States, its Territories, and possessions, and for other purposes."

Section 211.2. *Provisions of Act.* Section 1 of the above-mentioned Act provides:

"That hereafter no check or warrant drawn against funds of the United States, or any agency or instrumentality thereof, shall be sent from the United States (including its Territories and possessions and the Commonwealth of the Philippine Islands) for delivery in a foreign country in any case in which the Secretary of the Treasury determines that postal, transportation, or banking facilities in general, or local conditions in the country to which such check or warrant is to be delivered, are such that there is not a reasonable assurance that the payee will actually receive such check or warrant and be able to negotiate the same for full value."

In Section 2, it is provided that:

"Any check or warrant, the sending of which is prohibited under the provisions of section 1, hereof, shall be held by the drawer until the close of the calendar quarter next following its date, during which period such check or warrant may be released for delivery if the Secretary of the Treasury determines that conditions have so changed as to provide a reasonable assurance that the payee will actually receive the check or warrant and be able to negotiate it for full value. At the end of such quarter, unless the Secretary of the Treasury shall otherwise direct, the drawer shall transmit all checks and warrants withheld in accordance with the provisions of this Act to the drawee thereof, and forward a report stating fully the name and address of the payee; the date, number, and amount of the check or warrant; and the account against which it was drawn, to the Bureau of Accounts of the Treasury Department. The amounts of such undelivered checks and warrants so transmitted shall thereupon be transferred by the drawee from the account of the drawer to a special deposit account with the Treasurer of the United States entitled 'Secretary of the Treasury, Proceeds of Withheld Foreign Checks,' at which time such checks and warrants shall be marked 'Paid into Withheld Foreign Check Accounts.'"

In Section 3, it is provided that:

"Payment of the accounts which have been deposited in the special deposit account in accordance with section 2 hereof shall be made by checks drawn against such special deposit account by the Secretary of the Treasury, only after the claimant shall have established his right to the amount of the check or warrant to the satisfaction of the Secretary of the Treasury (or, in the case of claims based upon checks representing payments under laws administered by the Veterans' Administration, to the satisfaction of the Administrator of Veterans' Affairs) and the Secretary of the Treasury has determined that there is a reasonable assurance that the claimant will actually receive such check in payment of his claim and be able to negotiate the same for full value."

Section 4 provides that :

"The provisions of sections 2 and 3 hereof shall apply to all checks or warrants the delivery of which is now being, or may hereafter be, withheld pursuant to Executive Order No. 8389 of April 10, 1940, as amended, as well as to all checks or warrants the delivery of which is now being withheld pursuant to administrative action, which administrative action is hereby ratified and confirmed: Provided, That any check or warrant the delivery of which has already been withheld for more than one quarter prior to the enactment of this act shall be immediately delivered to the drawee thereof for disposition in accordance with the provisions of sections 2 and 3 hereof: Provided further, That nothing in this act shall be construed to dispense with the necessity of obtaining a license to authorize the delivery and payment of checks in payment of claims under section 3 hereof in those cases where a license is now or hereafter may be required by law to authorize such delivery and payment."

Section 211.3. *Withholding of delivery of checks or warrants.*

(a) The Secretary of the Treasury hereby determines that postal, transportation, or banking facilities in general or local conditions in Albania, Belgium, Bulgaria, Czechoslovakia, Denmark, Estonia, France, Germany, Hungary, Italy and the possessions thereof, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Rumania, the Union of Soviet Socialist Republics and Yugoslavia are such that there is not a reasonable assurance that a payee in any of those countries will actually receive checks or warrants drawn against funds of the United States, or agencies or instrumentalities thereof, and be able to negotiate the same for full value.

(b) A check or warrant intended for delivery in any of the countries named in paragraph (a) shall be withheld unless the check or warrant is specifically released in accordance with section 2 above quoted. Before a check or warrant intended for delivery in one of the countries designated in Executive Order No. 8389, as amended,<sup>1</sup> may be released, it will be necessary for a license authorizing the release to be issued pursuant to that Executive Order, as amended.

(c) Checks or warrants referred to in paragraphs (a) and (b), when withheld for the statutory period set forth in sections 2 and 4 above quoted, shall be transmitted to the drawee in accordance with section 2 above quoted, unless the Secretary of the Treasury shall otherwise direct.

(Secs. 211.4, Reports of checks or warrants withheld; 211.5, Claims for the release of withheld checks or warrants; 211.6, Advices as to nonreceipt or inability to cash checks abroad, and 211.7, Salaries and wages or goods purchased by Government abroad, which have no bearing on the problem under consideration by the subcommittee, are not reprinted here.)

#### REGULATIONS RELATING TO DELIVERY OF CHECKS AND WARRANTS TO ADDRESSES OUTSIDE THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS

1951 Department Circular No. 655, Supplement No. 8, Fiscal Service, Bureau of Accounts

TREASURY DEPARTMENT,  
OFFICE OF THE SECRETARY,  
Washington, D. C., April 17, 1951.

Section 211.3 (a) of Department Circular No. 655, dated March 19, 1941, (31 C. F. R. 211.3 (a)), as amended, is hereby further amended to read as follows:

"The Secretary of the Treasury hereby determines that postal, transportation, or banking facilities in general or local conditions in Albania, Bulgaria, Communist-controlled China, Czechoslovakia, Estonia, Hungary, Latvia, Lithuania, Poland, Rumania, the Union of Soviet Socialist Republics, the Russian Zone of Occupation of Germany, and the Russian Sector of Occupation of Berlin, Germany are such that there is not a reasonable assurance that a payee in those areas will actually receive checks or warrants drawn against funds of the United States, or agencies or instrumentalities thereof, and be able to negotiate the same for full value."

<sup>1</sup>The foreign countries designated in Executive Order No. 8389, as amended, as of the date of these regulations are: Norway, Denmark, the Netherlands, Belgium, Luxembourg, France, Latvia, Estonia, Lithuania, Rumania, Bulgaria, and Hungary. It is to be noted that under the definition contained in that Executive Order, as amended, such countries are deemed to include territories, dependencies, and possessions thereof. Care should be taken to ascertain from time to time whether such Executive Order, as amended, has been further amended.



Except to the extent they have been authorized by appropriate unrevoked licenses, or are authorized by specific license issued by the Department of Justice, Office of Alien Property, remittances by United States Government agencies from any accounts in which a German or Japanese interest existed on or before December 31, 1946, will continue to be restricted by Executive Order No. S389, as amended, and rules and regulations issued pursuant thereto, including in particular General Ruling 11A, as amended. Attention is directed to the provisions of Public Law No. 622, 79th Congress, 2d session, which prohibits among other things, payments of veterans' benefits to German or Japanese citizens or subjects residing in Germany or Japan. Attention also is directed to the Foreign Assets Control Regulations issued by the Secretary of the Treasury on December 17, 1950, pursuant to Executive Order No. 9193, which prohibit transactions involving payments to nationals of China and North Korea except to the extent that they have been authorized by appropriate license.

E. H. FOLEY,  
*Acting Secretary of the Treasury.*

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REGULATIONS RELATING TO DELIVERY OF CHECKS AND WARRANTS TO ADDRESSES  
OUTSIDE THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS

1951 Department Circular No. 655, Supplement No. 9, Fiscal Service, Bureau  
of Accounts

TREASURY DEPARTMENT,  
OFFICE OF THE SECRETARY,  
*Washington, D. C., September 24, 1951.*

Section 211.3 of Department Circular No. 655, dated March 19, 1941 (31 C. F. R. 211.3), as amended, is hereby amended by adding thereto the following paragraph:

"(d) Powers of attorney for the receipt or collection of checks or warrants or of the proceeds of checks or warrants included within the determination of the Secretary of the Treasury set forth in paragraph (a) of this section will not be recognized."

JOHN W. SNYDER,  
*Secretary of the Treasury.*

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APPENDIX II

TRANSLATION OF PERTINENT PROVISIONS OF THE LAWS AND DECREES OF THE POLISH  
PEOPLE'S REPUBLIC

I. Law on Foreign Exchange of March 28, 1952 Dziennik Ustaw—Polish Law Journal 1952 Nr. 21 Law #133.

Article 19. Any transaction with foreign exchange shall be prohibited unless based upon a permission issued by the proper authority or otherwise provided by law or decrees issued in accordance with the law.

Article 20. It shall be prohibited to hold, within the Polish territories, foreign currency as well as gold and platinum \* \* \* unless permission has been granted or provisions of the law or decrees issued in accordance with it declare otherwise.

Article 21. (1) The natives with respect to foreign exchange shall be obliged to register with, and offer for sale to, or deposit any item of foreign exchange, prohibited by article 20, in the institutions indicated by a decree of the Minister of Finances and in a way provided by this decree.

(2) For any withdrawal from deposit of foreign exchange permission shall be necessary.

Article 22. (1) It shall be prohibited to natives with respect to foreign exchange to dispose of any item of foreign exchange as well as chattels and real estates held abroad, of any right concerning such property abroad and any claim due from abroad, upon any legal basis whatsoever, unless otherwise provided by this law or by decrees issued in accordance with it.

(2) The granting of full power to collect or receive property, mentioned in the last par., shall also be considered as a disposal.

Article 23. Natives, with respect to foreign exchange, shall be obliged to liquidate claims and payments in relations abroad according to principles fixed:

(1) by the Minister for Foreign Trade in agreement with the Minister of Finances within the scope of trade with goods and commercial services connected with this trade;

(2) by the Minister of Finances within the scope of turnover of all other commodities—by proper decrees.

Article 24. (1) Natives, with respect to foreign exchange, shall be obliged—within the scope, and according to proceedings established by a decree of the Minister of Finances—to register with, and offer for sale to institutions indicated by this decree all assets of instruments held abroad, chattels and real estates, rights to property held abroad, and all claims from abroad based upon rights of any kind, as well as to report the termination of these rights and claims.

(2) The conditions for sale shall be fixed by a decree of the Minister of Finances.

II. Decree of the Minister of Finances of April 15, 1952, concerning the enforcement of the law on foreign exchange. Dziennik Ustaw—Polish Law Journal—of 1952 Nr. 21 Law #137.

Section 12. (1) Payments toward persons or institutions abroad, as well as collections of claims from abroad, upon any legal basis, contractual or any other, may be made solely through the Polish National Bank or other authorized banks unless another way has been indicated in the conditions of a permission for payment.

Section 13. (2) Claims in money from abroad shall be liquidated within the contractual or customary periods, and if no such periods have been fixed, then on the day the payment becomes due.

(3) Liquidation of claims shall mean the collection or the performing of deeds necessary for the collection. The duty of liquidation shall not include a duty of litigation, administrative proceedings, or execution in order to collect them.

Section 14. Any foreign currency received upon any legal basis as payment for claims from abroad shall be offered for sale to the Polish National Bank or another authorized bank without any delay.

III. Decree of the Minister of Finances of April 15, 1952 concerning registration of property held abroad and claims from abroad.

According to article 24, par. 1, of the law on foreign exchange of March 28, 1952 \* \* \*

Section 1. (1) Natives, with respect to foreign exchange, shall be obliged to register with the Polish National Bank any property determined in detail in Section 2, held by them abroad and acquired against payment or gratuity as well as any property abroad under their management or in their use, and any money claims from abroad. This duty shall not include properties and claims which have been already registered according to the provisions hitherto in force.

Section 2. (1) The duty of registration shall concern:

1. foreign paper money and savings accounts if the value of the money or the account exceeds zł. 100.

2. \* \* \*

3. stocks, bonds, securities, and any other instruments carrying interests and dividends issued abroad as well as coupons of these instruments;

4. due money claims based upon rights coming from:

(a) \* \* \*

(b) transactions with goods, services, insurances, compensation and recovery, rents, retirement pensions, royalties, copyrights, money credit etc.—if the claim, when due, exceeds the amount of zł. 100. from each debtor and has not been liquidated within six months from the day it had become due.

5. \* \* \*

6. \* \* \*

IV. Law on the Punishment of Violation of Provisions concerning Foreign Exchange of March 28, 1952, Dziennik Ustaw—(Polish) Law Journal—of 1952 No. 21 Law No. 134.

Article 1. Section 1. Whoever, without or against the conditions of a granted permission, makes transactions with instruments of foreign exchange—shall be punished by imprisonment for a period of two years up to ten years and a fine.

Section 2. If the perpetrator of the crime defined in Section 1 makes transactions with instruments of foreign exchange to a particularly large extent or has made transactions with instruments of foreign exchange his permanent

source of income—shall be punished by imprisonment for a period of not less than five years and a fine, or by imprisonment for life and fine.

Section 3. \* \* \*

Section 4. Whenever a person has been sentenced for a crime defined in Sec. 1 or 2, the court may order the forfeiture of the defendant's property entirely or in part.

Article 3. Section 1. Whoever, without permission, holds within the Polish territories any instrument of foreign exchange—shall be punished by imprisonment for a period of one year up to five years.

Section 2. Whenever the perpetrator of a crime defined in Sec. 1 holds instruments of foreign exchange in larger amounts—he shall be punished by imprisonment for a period of not less than five years up to ten years and a fine.

Section 3. \* \* \*

Article 4. Section 1. Whoever, violating the provisions conc. foreign exchange, fails to collect his claims from abroad—shall be punished by imprisonment for a period up to two years.

Article 5. Section 1. Whoever, violating his obligation defined in the provisions conc. foreign exchange, fails to register his property or claims enumerated in Sec. 1 shall be punished by imprisonment for a period up to two years and a fine.

Article 6. Section 1. Whoever, with permission or violating the conditions of a permission disposes of any property held abroad or of any claim from abroad—shall be punished by imprisonment for a period up to three years and a fine.

Article 10. Section 1. Whenever a person has been sentenced for a crime defined in article 1, 2, 3, the court shall order the forfeiture of all items subject to the crime, no matter whose property they may be.

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### APPENDIX III

#### UNITED STATES DISTRICT COURT, SOUTHERN DISTRICT OF NEW YORK

#### CIVIL ACTION 95-262

Jan Danisch, Antoni Danisch, Julia Danisch, Anna Schwientek, Gertrud Wojczyk, Emma Schweda, Sofia Janta, Jadwiga Salawa, Maria Stanweyzk, Luiza Lesch, and Gertrude Urganek, plaintiffs, against The Guardian Life Insurance Company of America, defendant

#### AFFIDAVIT

STATE OF NEW YORK,

*County of New York, ss:*

Joseph Dolina, being duly sworn, deposes and says:

1. I reside at 21 Claremont Avenue, New York City, New York. I am a native of Poland.

2. I graduated with a master's degree in law from the Catholic University in Lublin, Poland, in 1935. In 1936 in preparation for a judgeship in accordance with the usual procedure in Poland, I became affiliated as an applicant with the District Court of Lublin. Under Polish law then applicable, judges were appointed from a list of those who had qualified by taking an examination. This examination was taken only after graduation from the university with a law degree followed by three years' practice in the courts as an applicant. The three-year period can be shortened to two years by substitution of other experience. In my case, after serving as an applicant for the required two years I successfully passed the examination for judicial appointment and in 1939 I was appointed Court Assessor under the jurisdiction of the Appellate Court of Lublin. In the Polish judicial system then existing the office of Court Assessor constituted a temporary judgeship with, however, full judicial powers for the trial and disposition of cases. After a period of two to three years the Court Assessor normally received appointment to a full judgeship, which is for life.

3. I served as such a Court Assessor trying and deciding cases for about three months until the Nazi invasion and occupation of Poland. At that time I left my judicial post and joined the Polish underground resistance movement. In August 1944, when Poland was again invaded and occupied by Soviet Russia, I was arrested. I was imprisoned at various prisons and concentration camps in Russia until November 1947, when I was released and sent back to Poland.

In January 1948, I was reappointed by the Minister of Justice of the Communist Government of Poland to the same judicial post that I had held before the Nazi invasion in 1939, namely, that of Court Assessor, and continued to function as such in the trial and decision of cases and in all the usual judicial functions of that office until December of 1948. In January 1949, I made my escape from Poland.

4. I have been requested to and do make this affidavit in support of a motion for reargument of a motion which resulted in the granting of an order for the issuance of letters rogatory under which I understand interrogatories are to be sent to the named plaintiffs in this case in Poland with the aid of the Polish courts concerning whether they have freely authorized the bringing of this action for the collection through the Polish Consul of insurance moneys due them in this country.

5. I wish to concur in the assertion made in the papers opposing letters rogatory, both originally and on this motion, that the named plaintiffs will be subjected to annoyance, embarrassment, and oppression if they are subjected to interrogation on these matters by requisition of this Court and through the procedures of the Polish courts. The named plaintiffs will have to testify that they wish this money collected through the Polish Consul or they will subject themselves to criminal penalties and to persecution.

6. In this connection I wish to point out from my own personal experience that a judicial officer of the courts in Poland under the present Communist regime is not free to administer justice as he sees it or to protect the interests and property rights of Polish people coming before him. The courts are under Communist domination and are mere instruments for carrying out the policy of the Communist Government. In my own case during the year that I served as a judicial officer under the Communist regime in Poland, I was subjected to constant interrogation by the secret police (Security Office). This occurred sometimes two or three times a day and sometimes even during the night. On some of these occasions they attempted to influence my decisions. Moreover, they wanted me to act as an informer for them with respect to matters, among others, which came under my judicial cognizance. I know from my acquaintance with my associate judicial officers that they were subjected to the same kind of constant Government pressure. Moreover, as a matter of policy, all judges were frequently summoned to conferences at which they were lectured on the policy which should govern their judicial determinations. I can, therefore, assure this Court that the fact that the proposed interrogatories were presented to the named plaintiffs in or under the auspices of Polish courts would be no guarantee whatsoever that they would be answered freely and truthfully. Just the contrary is the case. This is the sad state to which judicial administration has fallen under the Communist regime of the Polish Peoples' Republic.

7. The same state of affairs exists with respect to Polish lawyers (advocates). They are under the same Government intimidation and where a matter of Government policy is involved, as here, are not free to represent the best interests of their clients. In my opinion, not a single lawyer could be found in Poland today who would dare to publicly advise or advocate that the named plaintiffs should temporarily leave the insurance moneys involved in this case on deposit in the United States and should reject the intervention of the Polish Consul. In fact, it has already been made clear to this Court that any such lawyer would thereby render himself accessory to violation of the decrees of the present Communist Polish Government regarding the collection of foreign moneys. Accordingly, no lawyer could be found in Poland today who could represent the Guardian Life Insurance Company in the position which it has taken in this case.

[S] JOSEPH DOLINA.

Sworn to before me this 8th day of August 1956.

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APPENDIX III (A)

TRANSLATION

PROTOCOL

File No. I Cps. 49-53

Present:  
Presiding:  
Tr. Swietek

FEBRUARY 16, 1953.

County Court in Opole, at the hearing in open Court heard the case on motion of the Consulate General of the Polish People's Republic at Chicago, dated

at Chicago, Illinois, January 15, 1953, Nr. 317/10/53, in the matter of benefits from insurance of Rev. Teodor A. Kupka.

After calling the case appeared:

1. Jan (John) Danisch, 60 years old, butcher, residing at Bierdzany, Community of Turawa, County of Opole, personally.

2. Antoni Danisch, 56 years old, farmer, residing at Bierdzany, County of Opole.

3. Anna Swietek (Schwientek) maiden name Danisch, 53 years old, housewife, residing at Bierdzany, County of Opole.

4. Gertruda Wojtezyk (Wojtzyk) maiden name Danisch; 50 years old, housewife, residing at Bierdzany, County of Opole.

5. Emma Schweda (Szweda) maiden name Danisch, 46 years old, housewife, residing at Bierdzany, County of Opole.

6. Zofia Janta, maiden name Danisch, 57 years old, housewife, residing at Blachowka, County of Tarnowskie Gory.

7. Jadwiga (Hedwig) Salawa, maiden name Lesch, 49 years old, housewife, residing at Bierdzany, County of Opole.

8. Teodor Danisch did not appear. Appeared his wife Julia Danisch, maiden name Salawa, 36 years old, housewife, residing at Bierdzany, County of Opole, and states that her husband Teodor Danisch as a soldier in the German army was lost in the last world war and was judicially adjudged as dead. His date of death was fixed as May 9, 1945.

9. August Danisch did not appear. The remaining parties state that August Danisch died February 1941 at Bierdzany.

The appeared were informed about the criminal liability according to Art. 140 of the Criminal Code for giving false testimony and they, without assurance, conformly testify:

The decedent Teodor Kupka was born at Kadlub Turawski as a son of Hieronim Kupka who died at Bierdzany in 1918, and Zofia maiden name Riemann, who died there also in 1919. His brother and sisters are:

1. Klara Danisch maiden name Kupka. She died December 21, 1941 at Bierdzany, and left surviving her, these children:

a. Jan (Johan) Danisz, as above

b. Zofia Janta, maiden name Danisz

c. Antoni Danisz

d. Anna Sweitek maiden name Danisz

e. Gertruda Wojtezyk maiden name Danisz

f. Emma Szweda maiden name Danisz

g. Teodor Danisz, who was lost during the War and is adjudged as dead.

There are no children left by him. The wife is Julia Danisz maiden name Salawa as above under 8.

h. August Danisz, died in February 1941 as a bachelor. He left no descendants.

i. Karol Danisz, died in 1914 as a bachelor and childless, during the First World War

j. Wincenty Danisz died in 1919 as a bachelor and childless, in Bierdzany.

k. Gerta Danisz died in 1924 as a spinster without issue.

l. Marta Stasch maiden name Danisz died after returning from Germany at Opole in July 1950, and left her: (1) surviving husband Maks Stasch, residing at Opole, street address unknown, and children: (2) Helmut Stasch in Germany, address unknown, and (3) Maria Stanczyk maiden name Stasch, residing at Wroclaw, Boczna Street, house number not known.

2. Agnieszka Bieniek, maiden name Kupka, she died in 1918 in the United States of North America, without issue, as a widow.

3. Anna Lesch, maiden name Kupka; she died at Bierdzany, April 4, 1946 and left surviving her:

a. Pawel Lesch. He died at war in April 1945, leaving surviving him:

(1) Wife Agnieszka Lesch maiden name Salawa, at Bierdzany

(2) Son Teodor Lesch, 24 years old residing at Bierdzany

(3) daughter Anna-Maria (two names) Lesch, 16 years old, residing with her mother, and (4) daughter Weronika Lesch, 9 years, residing with mother.

b. Jadwiga Salawa, maiden name Lesch.

c. Maks Lesch, 47 years old, in the U. S. A.

d. Gertruda Urbanek, maiden name Lesch, residing at Kuznia, Community of Lasowice, County of Olesno.

e. Luiza Lesch, 38 years old, residing at Bodzanowice, County of Olesno.

4. Franciszka Orłowska, maiden name Kupka, in the U. S. A.

The appeared participants testify that they do not know anything about the existence of any other persons besides those mentioned by them as heirs at law of the late Rev. Teodor Kupka, or of any persons who would equally with them be entitled to share in the estate of the above-named decedent.

The Court called on the appeared to present within seven days to this Court, copies of the records of births, marriages and the deaths for the purpose of proving the relationship of the heirs to the decedent, or to show the falling on them the shares due the deceased heirs or beneficiaries, all within seven days, under the condition that otherwise, such proofs will be omitted in further proceedings, also obliged the appeared to furnish within three days addresses of Maks Stasch, husband of Marta, and of their daughter Maria Stanczyk, maiden name Stasch, this for purpose of summoning them for the next hearing and also signing by them a Power of Attorney for the Consul of the Polish People's Republic at Chicago and at this, the Hearing was continued for a term which will be made known in writing. Concluded, read, and signed.

(signed) Danisch Jan II Danisch Antoni.

(signed) Swietek Anna nee Danisch.

(signed) Janta Sofia nee Danisch.

(signed) Wojtczyk Gertruda nee Danisch.

(signed) Schweda Emma nee Danisch.

(signed) Salawa Jadwiga nee Lesch.

(signed) Danisz Julia nee Salawa.

(signed) Swietek.

Produce February 20, 1953 Opole, February 16, 1953.

(signed) Swietek.

Further proceeding : February 16, 1953.

Appeared Anna Schweda, personal data as above and states addresses ;

1. Maks Stasch, Opole, Rolna Street No. 26

2. Maria Stanczyk, Wroclaw, Boczna Street No. 5-6

(signed) EMMA SCHWEDA.

(signed) SWIETEK.

To produce February 24, 1953. Opole, February 16, 1953.

(signed) SWIETEK.

#### APPENDIX IV

EDITORIAL DEPARTMENT,  
POLISH DAILY ZGODA,  
DZIENNIK ZWIĄZKOWY,  
Chicago 22, Illinois, October 2, 1956.

Mrs. AGNES S. HUNT, Esq.,

*The Guardian Life Insurance Co. of America,  
50 Union Square, New York 3, New York.*

DEAR MADAM: Recently we published a couple of interviews with the people who returned from a short visit to Poland. During the recent months, visitors to Poland were allowed to receive instead of the official exchange of 4 zlotys to one dollar, from 80 to 100 zlotys to one dollar. In the last few weeks this rate of exchange was lowered to 50 zlotys to a dollar. The arrangements were made this way; the visitor was buying in any office of "PEKAO," on order for any amount of dollars. On arrival in Warsaw he was paid the highest amount of exchange of the day, officially in the bank, not on the black market. So any person can send to Poland any amount of money through "PEKAO" and receive a much higher amount of zlotys than official exchange.

You can get in touch with the main office of "PEKAO," which is located on 25 Broad Street, New York, New York. This is an American Corporation acting as an agent for the Institution of the same name in Warsaw.

In the last couple of weeks two persons returned as visitors from Poland. Miss Adele Lagodzinski, President, Polish Women's Alliance, 1309 N. Ashland Avenue, Chicago, Illinois, and Mr. W. Lazewski, Editor of Everybody's Daily, 928 Broadway, Buffalo 12, New York.

Very truly yours,

KAROL PIATKIEWICZ,  
*Editor-in-Chief.*

HSP  
4/14/48

CERTIFICATE OF INCORPORATION OF PEKAO TRADING CORPORATION

First. The name of the corporation is PEKAO TRADING CORPORATION.

Second. Its principal office in the State of Delaware is located at No. 19-21 Dover Green, City of Dover, County of Kent. The name and address of its resident agent is United States Corporation Company, No. 19-21 Dover Green, Dover, Delaware.

Third. The nature of the business, or objects or purposes to be transacted, promoted, or carried on are:

To carry on a trading business in all its branches for the exchange of goods and services between the United States of America and any other country, nation, or government, or any state, territory, province or other political subdivision or any governmental agency, or any private individual, partnership, corporation, association, or syndicate resident therein, and, without limiting the generality of the foregoing, to act as merchants, traders, commission agents, factors, brokers, or in any other capacity, either as principal or agent, in the United States of America and in any and all foreign countries, and to import, export, buy, sell, barter, exchange, pledge, make advances upon, or otherwise deal in or deal with services, goods, wares, and merchandise of all kinds and descriptions, and particularly commodities, products, manufactured or partly processed articles, equipment, machinery, raw materials, minerals, ores, rubber, iron, steel, and other objects and articles of commerce.

To act as representative, agent, or employee of any person, contractor, manufacturer, distributor, dealer, firm, association, partnership, corporation, or government; to promote, extend, improve, manage, finance, equip, maintain, control, and operate, for itself and for others, any business, industry, or commercial enterprise and industrial or other property or properties of any kind, and to advise, aid, or assist therein any manner, and to employ and furnish the services of experts to give advice on the organization, promotion, extension, improvement, control, or management of any business or commercial enterprises, including but not by way of limitation, expert technical advice on all matters of finance, development, manufacture, production, marketing, sale, and distribution of raw materials, commodities, goods, wares, and merchandise of every class and description.

To manufacture, purchase or otherwise acquire, invest in, own, mortgage, pledge, sell, lease, assign, and transfer or otherwise dispose of, trade, deal in, and deal with goods, wares, and merchandise and personal property of every class and description.

To acquire, and pay for in cash, stock, or bonds of this corporation or otherwise, the goodwill, rights, assets, and property, and to undertake or assume the whole or any part of the obligations or liabilities of any person, firm, association, or corporation.

To acquire, hold, use, sell, assign, lease, grant licenses in respect of, mortgage, or otherwise dispose of letters patent of the United States or any foreign country, patent rights, licenses and privileges, inventions, improvements and processes, copyrights, trademarks, and trade names, relating to or useful in connection with any business of this corporation.

To acquire by purchase, subscription, or otherwise, and to receive, hold, own, guarantee, sell, assign, exchange, transfer, mortgage, pledge, or otherwise dispose of or deal in and with any of the shares of the capital stock, or any voting trust certificates in respect of the shares of capital stock, scrip, warrants, rights, bonds, debentures, notes, trust receipts, and other securities, obligations, choses in action, and evidences of indebtedness or interest issued or created by any corporations, joint stock companies, syndicates, associations, firms, trusts, or persons, public or private, or by the government of the United States of America, or by any foreign government, or by any state, territory, province, municipality, or other political subdivision or by any governmental agency, and as owner thereof to possess and exercise all the rights, powers, and privileges of ownership, including the right to execute consents and vote thereon, and to do any and all acts and things necessary or advisable for the preservation, protection, improvement, and enhancement in value thereof.

To enter into, make, and perform contracts of every kind and description with any person, firm, association, corporation, municipality, county, state, body politic, or government or colony or dependency thereof.

To borrow or raise moneys for any of the purposes of the corporation and, from time to time, without limit as to amount to draw, make, accept, endorse, execute, and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures, and other negotiable or nonnegotiable instruments and evidences of indebtedness, and to secure the payment of any thereof and of the interest thereon by mortgage upon or pledge, conveyance, or assignment in trust of the whole or any part of the property of the corporation, whether at the time owned or thereafter acquired, and to sell, pledge, or otherwise dispose of such bonds or other obligations of the corporation for its corporate purposes.

To buy, sell, or otherwise deal in notes, open accounts, and other similar evidences of debt, or to loan money and take notes, open accounts, and other similar evidences of debt as collateral security therefor.

To purchase, hold, sell, and transfer the shares of its own capital stock; provided it shall not use its funds or property for the purchase of its own shares of capital stock when such use would cause any impairment of its capital except as otherwise permitted by law, and provided further that shares of its own capital stock belonging to it shall not be voted upon directly or indirectly.

To have one or more offices, to carry on all or any of its operations and business and without restriction or limit as to amount to purchase or otherwise acquire, hold, own, mortgage, sell, convey, or otherwise dispose of real and personal property of every class and description in any of the States, Districts, Territories, or Colonies of the United States, and in any and all foreign countries, subject to the laws of such State, District, Territory, Colony, or Country.

In general, to carry on any other business in connection with the foregoing, and to have and exercise all the powers conferred by the laws of Delaware upon corporations formed under the General Corporation Law of the State of Delaware, and to do any or all of the things hereinbefore set forth to the same extent as natural persons might or could do.

The objects and purposes specified in the foregoing clauses shall, except where otherwise expressed, be in nowise limited or restricted by reference to, or inference from, the terms of any other clause in this certificate of incorporation, but the objects and purposes specified in each of the foregoing clauses of this article shall be regarded as independent objects and purposes.

Fourth. The total number of shares of stock which the corporation shall have authority to issue is two hundred fifty (250); all of which shall be common stock without par value, with full voting rights.

Fifth. The minimum amount of capital with which the corporation will commence business is one thousand dollars (\$1,000.00).

Sixth. The names and places of residence of the incorporators are as follows: Names, residences:

Bernard S. Meyer, 298 Linwood Avenue Cedarhurst, New York

Harriet R. Merric, 161 Clarkson Avenue, Brooklyn, New York

Norma Barber, 50 Park Terrace West, New York, New York

Seventh. The corporation is to have perpetual existence.

Eighth. The property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

Ninth. The election of directors need not be by ballot.

Tenth. Directors need not be stockholders.

Eleventh. In furtherance and not in limitation of the powers conferred by statute, the board of directors is expressly authorized—

To make, alter, or repeal the Bylaws of the corporation.

To authorize and cause to be executed mortgages and liens upon the real and personal property of the corporation.

To set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created.

By resolution or resolutions passed by a majority of the whole board, to designate one or more committees, each committee to consist of two or more of the directors of the corporation, which, to the extent provided in said resolution or resolutions or in the Bylaws of the corporation, shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation, and may have power to authorize the seal of the corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in the Bylaws of the corporation or as may be determined from time to time by resolution adopted by the board of directors.



When and as authorized by the affirmative vote of the holders of a majority of the stock issued and outstanding having voting power given at a stockholders' meeting duly called for that purpose, or when authorized by the written consent of the holders of a majority of the voting stock issued and outstanding, to sell, lease or exchange all of the property and assets of the corporation, including its good will and its corporate franchises, upon such terms and conditions and for such consideration, which may be in whole or in part shares of stock in, and/or other securities of, any other corporation or corporations, as its board of directors shall deem expedient and for the best interests of the corporation.

Twelfth. Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this corporation under the provisions of Section 3883 of the Revised Code of 1915 of said State, or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of Section 43 of the General Corporation Law of the State of Delaware, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said Court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the Court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

Thirteenth. Meetings of stockholders may be held without the State of Delaware, if the Bylaws so provide. The books of the corporation may be kept (subject to any provision contained the statutes) outside of the State of Delaware at such place or places as may be from time to time designated by the board of directors or by the Bylaws of the corporation.

Fourteenth. The corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

We, the undersigned, being each of the incorporators hereinbefore named for the purpose of forming a corporation in pursuance of the General Corporation Law of the State of Delaware, do make this certificate, hereby declaring and certifying that the facts herein stated are true, and accordingly have hereunto set our hands and seals this 13th day of April A. D. 1948.

BERNARD S. MEGER (SEAL).

HARRIET R. MERRIC (SEAL).

NORMA BARBER (SEAL).

STATE OF NEW YORK,

*County of New York, City of New York, ss:*

Be it remembered, That on this 13th day of April A. D. 1948, personally came before me, David M. Ferkin, a Notary Public of the aforesaid State, County, and City, Bernard S. Meyer, Harriet R. Merric, and Norma Barber, all of the parties to the foregoing certificate of incorporation, known to me personally to be such, and severally acknowledged the said certificate to be the act and deed of the signers respectively and that the facts therein stated are truly set forth.

Given under my hand and seal of office the day and year aforesaid.

DAVID M. FERKIN,

*Notary Public, State of New York.*

Qualified in Kings County. Kings Co. Clk's No. 61, Reg. No. 105-F-O. N. Y. Co. Clk's No. 92, Reg. No. 79-F-O. Commission expires March 30, 1950.

STATE OF DELAWARE

OFFICE OF SECRETARY OF STATE

I, John N. McDowell, Secretary of State of the State of Delaware, do hereby certify that the above and foregoing is a true and correct copy of Certificate of Incorporation of the "PEKAO TRADING CORPORATION," as received and filed in this office the fourteenth day of April A. D. 1948, at 9 o'clock A. M.

In Testimony Whereof, I have hereunto set my hand and official seal at Dover this tenth day of January in the year of our Lord one thousand nine hundred and fifty-six.

[SEAL]

JOHN N. McDOWELL,  
*Secretary of State.*  
M. D. TOMLINSON,  
*Ass't Secretary of State.*

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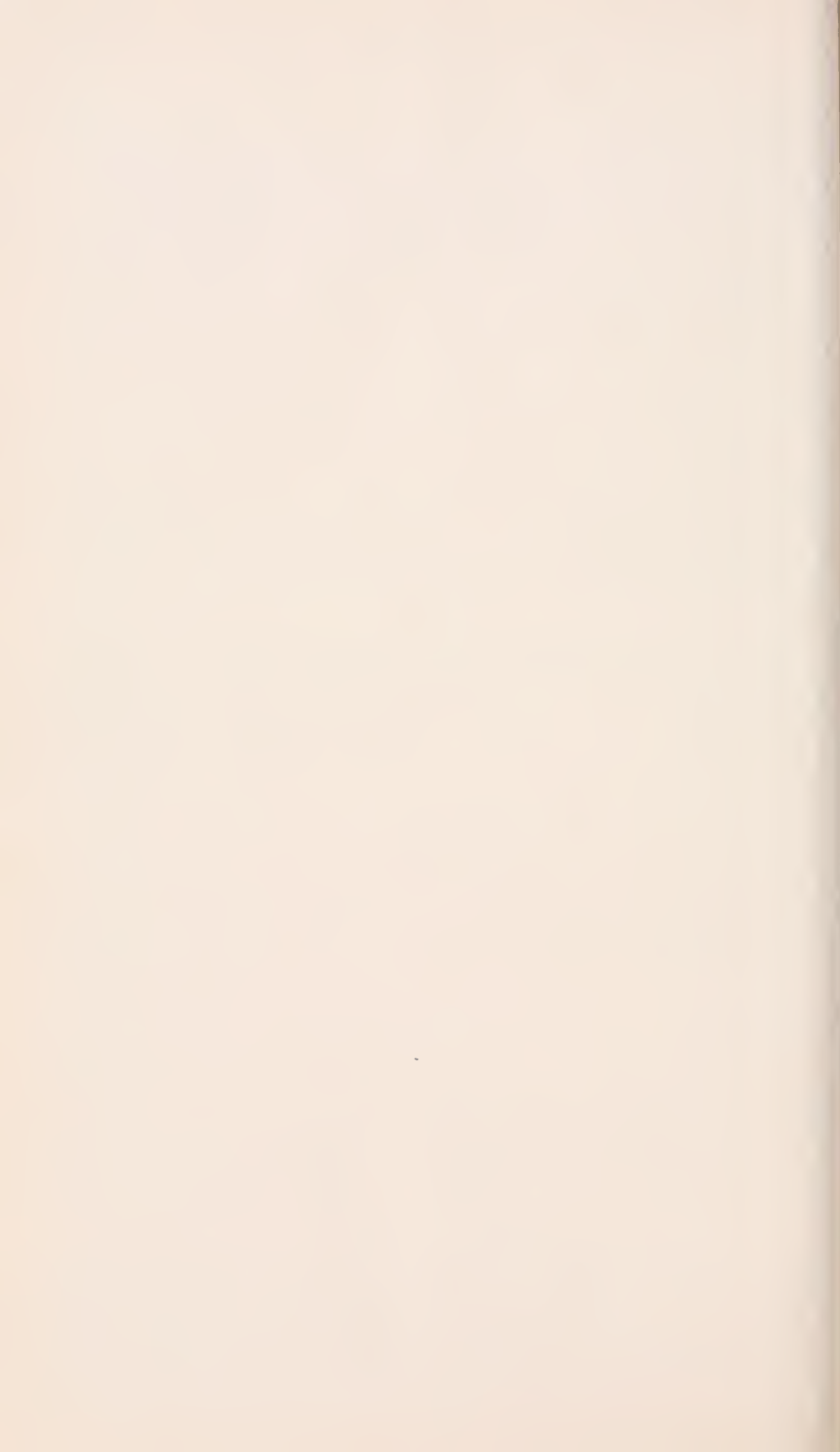
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DEPOSITORY 11291 Act

**SCOPE OF SOVIET ACTIVITY IN THE UNITED STATES**  
**(Ordeal of a Hungarian Patriot)**

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**HEARINGS**

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-FIFTH CONGRESS**

**FIRST SESSION**

**ON**

**SCOPE OF SOVIET ACTIVITY IN THE  
UNITED STATES**

---

**OCTOBER 1 AND 16, 1957**

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**PART 86**

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Printed for the use of the Committee on the Judiciary



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---

SUBCOMMITTEE TO INVESTIGATE THE ADMINISTRATION OF THE INTERNAL SECURITY  
ACT AND OTHER INTERNAL SECURITY LAWS

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BENJAMIN MANDEL, *Director of Research*

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# SCOPE OF SOVIET ACTIVITY IN THE UNITED STATES

TUESDAY, OCTOBER 1, 1957

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 10:40 a. m., in room 36, United States Court House, Foley Square, New York City, Senator Olin D. Johnston (South Carolina) presiding.

Also present: Robert Morris, chief counsel; and Benjamin Mandel, research director.

Mr. MORRIS. Dr. Fabian, Mr. Eckhardt, would you gentlemen come forward? Will you gentlemen both be sworn?

Senator JOHNSTON. Just raise your right hand. Do you swear that the evidence you give before this subcommittee of the Judiciary Committee of the Senate to be the truth, the whole truth and nothing but the truth, so help you God?

Mr. FABIAN. I swear.

Mr. ECKHARDT. Yes.

Mr. MORRIS. Senator, in connection with the testimony that took place last week from Msgr. Bela Varga and Mr. Szeredas about the abrupt defection of Mr. Szabo with all the records bearing so many important secrets back to Budapest, we have asked both the witnesses here today to be present and give some testimony by way of determining something further about this disappearance?

Senator JOHNSTON. Yes, it was amazing how they got the information, claiming to be friends, and then carried it back to what we consider an unfriendly government. You may proceed.

Mr. MORRIS. Dr. Fabian, what do you know about Mr. Szabo and his defection, redefection?

## TESTIMONY OF BELA FABIAN AND TIBOR ECKHARDT

Mr. FABIAN. I don't know anything personally, because I have never seen Mr. Szabo. From what I know, I think the whole case is in very close connection with the so-called Vidovics case.

My letter in the Herald Tribune was published September 1.

Mr. MORRIS. I offer that for the record, the letter referred to: Dr. Fabian's letter about Mr. Vidovics.

(The letter above referred to was marked "Exhibit No. 525" and reads as follows:)

## EXHIBIT No. 525

[Herald Tribune, p. 4, September 1, 1957, sec. 2]

## NO VISA

## MYSTERY SURROUNDS CASE OF VIDOVITS (SIC)

BIG INDIAN, N. Y., August 29, 1957.

*To the New York Herald Tribune:*

After the suppression of the Hungarian revolution, over 33,000 Hungarian refugees succeeded in obtaining visas to the United States. Among the less fortunate waiting for visas in Vienna and Yugoslavia is a former member of the Hungarian Parliament, Ferenc Vidovits.

This man, originally a high-school teacher, had spent his life valiantly fighting against the two totalitarian powers, Nazis and Communists. He escaped from Hungary last February. Since November the Hungarian underground had been hiding him from the Soviet and the Hungarian secret police.

Because of his opposition to them, the Nazis had attempted to kill him by deliberately hitting him with an automobile. They succeeded only in breaking his leg, and he still walks with a stick today. In 1945 he was elected to the Hungarian Parliament, where he immediately came into conflict with Rakosi, and with Laszlo Rajk, who was the Minister of Interior at that time. Both waited for the moment to do away with Vidovits.

In 1946 the Rakosi regime had construed an accusation against another anti-Communist deputy, named Vertesi. Vidovits saved Vertesi by smuggling him out of Budapest and driving him in his car to the Austrian border. Vidovits, therefore, was arrested and sentenced to 8½ years in jail for helping Vertesi to escape, and also because of the articles he had written against Stalin. He was helped by his friends to break out of jail in April 1948, and for 50 days he hid out in a village.

Then Vidovits was betrayed for the 50,000-forint reward set on his head by the Government. Because a gun was found on his person, he was arraigned before a summary court and the prosecutor demanded the death penalty. He was sentenced to 15 years and was given an additional prison term of 1½ years for the charge of having conspired to overthrow the Government during the 50 days that he had spent in hiding. Because of his escape, he was shackled by a chain weighing over 60 pounds. His own weight was reduced to 90 pounds because of malnutrition.

After his escape from Hungary, Vidovits was elected as a member of the executive committee of the Hungarian National Council, the representation of the silenced Hungarian peoples in the free world. He is also an associate chairman of the Federation of Hungarian Freedom Fighters. In spite of this, the Hungarian exile organizations have up to now been unsuccessful in obtaining a visa to this country for Ferenc Vidovits.

The reason? No one can tell. Perhaps the publication of this letter will solve the mystery.

BELA FABIAN,

*Member of the Executive Committee, Hungarian National Council.*

Senator Johnston, I would like to inform you for the record that I received a call on Friday afternoon from the Immigration Department that they will have Mr. Vidovics here ready to testify in the very near future in connection with that. You will remember you asked me that, and they have notified us that they will have him available.

Mr. FABIAN. I must tell you that the real hero against the Nazis and the Communists was Francis Vidovics, who escaped from Hungary around the end of January 1957, so it means that when he has seen that no help is coming, then he came to Vienna and naturally he wanted to join us here in the United States. He is a member of the executive committee of the Hungarian National Council. He was

associate chairman of the Freedom Fighters and he couldn't, and I wrote in this letter why he didn't get a visa to the United States; the reason:

No one can tell. Perhaps the publication of this letter will solve the mystery.

The mystery was solved, because I think the soil was burning under the feet of Mr. Szabo and so he went back, because he has seen that the mystery will be cleared.

I must tell you that Mr. Vidovics was poisoned in April and he just escaped because he felt that something such as poison was given to him. He was invited to Mr. Szabo and to Mr. Szabo's friend Dr. Saghi.

Mr. MORRIS. Spell that please, Dr. Saghi?

Mr. FABIAN. Yes; I think he spells his name S-a-g-h-i-, and his first name is Zoldan. He was a Soviet-trained medical student who was never a doctor but he functioned as a doctor and he had always poison with him. Vidovics was poisoned in a Vienna restaurant where he was called to the telephone during dinner. When he came back he started to eat again. After some minutes he felt that something is happening to him. He felt that he was poisoned.

Mr. MORRIS. How do you know this, Dr. Fabian?

Mr. FABIAN. I know this. This is not a secret to the whole Hungarian population. He wrote letters about it.

Mr. MORRIS. Senator, I think that probably—we appreciate Dr. Fabian telling this story, but probably the best evidence will be available to the committee when Mr. Vidovics comes here and he can tell us about it personally.

Mr. FABIAN. This is most important that he can come here. I wanted to tell you that it is very urgent that he comes here, because it may be that soon you will not have a witness. Yesterday I got a letter from Mr. Vidovics, and he writes in this letter that he is followed everywhere. Wherever he goes, somebody is coming after him. He is living with 20 other people in a room, so that I think that it is very important—

Senator JOHNSTON. You mean here in the United States?

Mr. FABIAN. Near Vienna. He is in Vienna, and he will be followed everywhere, so it probably means that they want to get rid of him because he knows too much.

Mr. MORRIS. Dr. Fabian, we have not publicly disclosed, the subcommittee has not publicly disclosed the fact that Vidovics is coming here.

Mr. FABIAN. Yes; I know.

Mr. MORRIS. Unless something happens to him on the way. We have been saying nothing about it. This is a session with only Senator Johnston, members of the staff, and Mr. Eckhardt here, but I don't know how else it will be known. We think it is the best practice, and the reason we are having this testimony now, it is for the public record but, at the same time, we don't want it announced that he is on his way over here.

Mr. FABIAN. Naturally.

Senator JOHNSTON. It wouldn't be good for him.

Mr. MORRIS. There will be a delayed publication of this testimony for that reason.

Mr. FABIAN. Thank you very much.

Mr. MORRIS. Is there anything else you can tell us about this whole Szabo-Vidovics case?

Mr. FABIAN. I think that there is a man whose name is the same, Zaghi, who is connected in this case, and there are two chauffeurs who wanted to take Vidovics back to Hungary and who used to take Mr. Szabo to the Hungarian frontier. It would be very important if you would have somebody question these two men in Vienna.

Mr. MORRIS. You will give us those names?

Mr. FABIAN. I think one's name is Francis and the other is named Banhidy.

Mr. MORRIS. Then, to get to Dr. Eckhardt here, what can you add to this whole story?

Mr. ECKHARDT. I can tell you that I organized, when the Hungarian revolution started, an association called First Aid for Hungary.

Mr. MORRIS. First Aid for Hungary?

Mr. ECKHARDT. Yes; it was an American organization. We had former President Hoover as our honorary chairman. It was a purely American organization to help Hungary. I was president of the organization and, as such, I went over to Austria in early spring this year. My job was really to—here we collected the money and in Austria we were doing whatever we could to help with refugees who were coming at that time by droves and sometimes by thousands every day. So, the situation was very tense and we tried to get as many people to help us as we could get in Vienna. I had a very excellent man, a two-star General Lengyel; Bela is his first name. Bela Lengyel was heading our head office in Vienna. We tried to get experienced people to help us, volunteers mostly, and when the name of Miklos Szabo came up because he was recommended—by whom I wouldn't remember any more—but when his name came up General Lengyel immediately protested: "No; this man we cannot use." I asked him, "General, why can't we use him?" He said "He is more than suspected of being a Hungarian police spy." I asked the general: "Where do you know this from?" He said "I am on good terms with the Austrian Ministry of the Interior. They are listening in on his telephone conversations and we know that he is maintaining regular telephone contacts with the Budapest secret police, the political police."

Mr. MORRIS. With that knowledge still this man was able to carry on the work he was doing?

Mr. ECKHARDT. Exactly.

Mr. MORRIS. For how long?

Mr. ECKHARDT. He was not in our organization.

Mr. MORRIS. How long after this intelligence was imparted to you was this man able to carry on?

Mr. ECKHARDT. I reported it in every place. I told the Hungarian National Council. I mentioned it to the Free Europe Committee.

Mr. MORRIS. When was that?

Mr. ECKHARDT. In March of this year.

Mr. MORRIS. So from March to early in September this man was able to carry on in the sensitive position he was in?

Mr. ECKHARDT. Exactly.

Mr. MORRIS. Learning the secrets of the Hungarian rebellion, the Hungarian uprising, the secrets of the Freedom Fighters?

Mr. ECKHARDT. Yes.

Mr. MORRIS. And he was able to stay in that position?

Mr. ECKHARDT. And I fear handing over a lot of innocent people to the secret police in Hungary.

Mr. MORRIS. We learned that the other day, Senator Johnston, that this man was able to exact secrets from trusting Freedom Fighters, and apparently he has taken those secrets back to the Soviet Secret Police.

Mr. ECKHARDT. Now I may give you a few names who know similarly about these facts. When I came back and found out these things, I started inquiring, asking the same questions which you asked me, how was it possible that this man was——

Senator JOHNSTON. This is going to be made public. Should we take those names?

Mr. MORRIS. Why don't you give us the names in executive session? This is a public record.

Senator JOHNSTON. It is liable to drift back in some way and would do them a great injury there.

Mr. ECKHARDT. I'd be glad to cooperate as you wish.

Senator JOHNSTON. We will be glad to have the names but I don't think it ought to go into the public record.

Mr. FABIAN. May I tell you that Miklos Szabo belonged to a secret society which was originally a secret Nazi society which was headed in Hungary by the Assistant Secretary of Interior who was hanged later, Laszlo Endre, and by another Assistant Secretary of State whose name was Laszlo Baký. This secret society, called Magyar Kozosseg, Hungarian Community, has a lot of members here in the United States, and he belonged to them and he was in connection with them always.

Senator JOHNSTON. That was a Nazi——

Mr. FABIAN. This was a former resistance organization and was headed by 7 people, among these 7 I know of 2 and those 2 were hanged. He belonged to this organization——

Mr. ECKHARDT. Originally.

Mr. FABIAN. Originally and now, and this organization has a lot of members here in the United States and everywhere in the whole world because they remain friends.

Senator JOHNSTON. What is the main object of the organization?

Mr. FABIAN. Then?

Senator JOHNSTON. Then and now?

Mr. FABIAN. Then it was a resistance organization, as they said, based on pure Hungarian blood. There were 3 secret societies in Hungary between the 2 World Wars and one of the secret societies was this one, but the other 2 secret societies disappeared after the war. This secret society, however, is alive everywhere in the whole world, and this secret society is trying now to grab the whole power in the Hungarian emigration in their hands.

For the present they say "I'm sorry" but they are continuing as they have done. Naturally, I can't give you the proof about it, documentary proof, but they have people connected with the Hungarian Communist Party. There was a member of the Hungarian Communist government who was a very influential friend of Mr. Rakosi, whose name is Joseph——

Senator JOHNSTON. So you think they have members here in the United States, too?

Mr. FABIAN. Very influential ones.

Senator JOHNSTON. And you think probably when the refugees come in they are trying to bring some of them in?

Mr. FABIAN. Naturally. They went to Washington as I heard, and they wanted to bring their friends from Vienna to the United States. They have these powerful friends.

Senator JOHNSTON. And some of their members there are very influential?

Mr. FABIAN. Yes.

Senator JOHNSTON. And would be in position to, you might say, put in a great many that are coming into America at the present time as refugees—

Mr. FABIAN. Liberals.

Senator JOHNSTON. Trickling in?

Mr. FABIAN. Senator, they pretend now to be liberals. You know I was the head of the Democratic Party in Hungary. I fought against these secret societies in Hungary. I talked steadily about these secret societies. You know I am qualified today a conservative, because they came disguised to this country as liberals. I have known what they are doing and I, who also have powerful connections, couldn't do anything about them.

Senator JOHNSTON. They are coming in as great liberators?

Mr. FABIAN. They say that they are liberals. For them, I am not a liberal, because I fought against them.

This organization was a Nazi organization. I fought against them in the Parliament, and now they come as liberals to this country, because they know that, in this country, if they say that they are liberals and I am a conservative, they get the bigger support. So they come in disguise and they can do almost everything. Mr. Eckhardt mentioned that he was on the Hungarian National Council. Mr. Eckhardt mentioned that he got the warning from two-star General Lengyel personally, and when he came back he warned us.

Mr. MORRIS. Warned the Hungarian National Council?

Mr. FABIAN. Yes.

Mr. MORRIS. Of which you are a member?

Mr. FABIAN. I am a member of the executive committee.

Mr. MORRIS. As are you, Mr. Eckhardt.

Mr. ECKHARDT. No; I am an American citizen.

Senator JOHNSTON. Would you have any way to estimate—there were about 30,000 came in at one time—would you have any way to estimate approximately how many probably were Communists?

Mr. FABIAN. I don't know. Communists?

Senator JOHNSTON. Yes.

Mr. FABIAN. Not so many.

Mr. MORRIS. It is a matter that we should look into though, is it not?

Mr. FABIAN. I think so. You do the best service to the United States and I can assure you that I am happy that you are investigating.

Senator JOHNSTON. When we do the best for the United States, at the same time we are doing the best for Hungary in the long run.

Mr. FABIAN. Maybe, but you do more good for the United States than for us.

Mr. ECKHARDT. May I, Senator, give a little background information which will give you let's say the true aspect of the secret society

in question. During the Nazi times at first they pretended to be anti-German. They were anti-Semitic and anti-German at the same time, that is to say they covered up with anti-Semitism their extreme nationalism and also would eliminate everything which was German. So they not only hit the Jews, they also hit the German minorities in Hungary for instance.

Mr. MORRIS. In other words when the Nazis were in power, they were Nazis and were Communists when the Communists were in power?

Mr. ECKHARDT. Exactly. Now when the Communists took over they got scared and look for a new disguise. They dropped anti-Semitism and became only anti-German and went a long way toward the Soviets. Then, later, when they arrived in Austria following the downfall of Prime Minister Nagy, which was really caused by them because during the day they pretended to go along with the Soviets and at night they were again conspiring against them. And here comes what right now is important—

Senator JOHNSTON. So it is a great conspiracy going on?

Mr. ECKHARDT. All the time, but always in line with whatever ideologies are predominant, they want to be on it and in it and at the same time conspiring against it.

Senator JOHNSTON. I have to run.

Mr. MORRIS. You have presented the substance. I'm sorry, gentlemen, the Senator has a 1 o'clock engagement.

(Whereupon at 12:55 p. m., the hearing was adjourned.)





# SCOPE OF SOVIET ACTIVITY IN THE UNITED STATES

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WEDNESDAY, OCTOBER 16, 1957

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 10:35 a. m., in room 457, Senate Office Building, Senator Olin D. Johnston (South Carolina), presiding.

Also present: Robert Morris, chief counsel; J. G. Sourwine, associate counsel; Benjamin Mandel, director of research; Robert McManus, research analyst, and F. W. Schroeder, chief investigator.

Senator JOHNSTON. The committee will come to order.

Who is the first witness?

Mr. MORRIS. Senator Johnston, this morning we have a man from Vienna, who arrived last night, Ferenz Vidovics.

You will recall, Senator, that we had Msgr. Bela Varga testify for us in connection with the defection of a man named Szabo.

This Szabo was a man who apparently had worked himself into a very secret position in Vienna where he was able to have access to the secrets of the police department as secretary of a refugee relief organization. He was able to apprise himself of many of the things that were going on.

Among other things, he learned the identity of the witnesses, all the witnesses who testified before the United Nations. That was a well-kept secret. The witnesses who testified were assured that, if they testified, their identities would not be made known and, therefore, their families back in Budapest would not be subject to reprisal.

We had as a witness after Monsignor Varga, Mr. Szeredas. Mr. Szeredas testified that after he came back from Hungary where he participated in the uprising, he was approached by Szabo, and Szabo asked him to tell him stories, and he began telling him many of the secrets.

One day Szeredas noticed Szabo at the Hungarian Legation in Vienna and he realized he was in communication with the Communists and turned away from him.

You will recall, Senator, that when we asked him, Monsignor Varga said that a man who knows a great deal about Szabo is a man named Ferenz Vidovics, who Monsignor Varga regards as the outstanding hero of the Hungarian uprising.

Monsignor Varga says that if any man can be said to have led the Hungarian uprising, it was Mr. Vidovics. He was the man who or-

ganized successfully in 1946 a campaign against the Communists and defeated the Communists in the election that year.

You will remember, Senator, when we found out that this man was the real leader of the uprising, we learned he was not able to get into the United States. At the time that we made inquiry, there was a bad record on him.

Senator, you will recall that we sent a letter to the Department of Justice asking that he be made available, and when they went to Immigration, Immigration said that they had looked into it after the inquiry and discovered that there was some derogatory information, but at the time we applied last spring the derogatory information did not hold up; but the authorities in charge forgot to notify the Immigration people about it. When the Department arranged for Mr. Vidovics' arrival here, the immigration authorities immediately made it possible for Vidovics to be here, and he is going to tell us about the role of Mr. Szabo.

So much for the background, Senator.

**TESTIMONY OF FERENZ VIDOVICS (AS INTERPRETED BY LOUIS E. KORNIS, BELA FABIAN, AND MSGR. BELA VARGA)**

Senator JOHNSTON. Please stand and raise your right hand and be sworn. Do you solemnly swear the evidence you give before the subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. KORNIS. May I translate, your Honor?

He gave his solemn oath, stating specifically that what I am deposing is the truth and nothing else but the truth.

Senator JOHNSTON. You are going to act as interpreter?

Mr. KORNIS. Yes, sir.

Senator JOHNSTON. Do you solemnly swear that you will interrogate the witness with the same interrogations that we have given him and give to us his answers to those interrogations to the best of your knowledge and understanding of what they are?

Mr. KORNIS. I so do swear.

Mr. MORRIS. Will you identify yourself for the record?

Mr. KORNIS. Yes, Your Honor, my name is Louis E. Kornis; my occupation is that of a translator. As a matter of fact—May I mention my private connection?

Mr. MORRIS. I don't think it is necessary. I wonder if you would identify yourself for the record, Mr. Vidovics.

Mr. VIDOVICS. Ferenz Vidovics.

Mr. KORNIS. F-e-r-e-n-z V-i-d-o-v-i-c-s. Ferenz, in English, means Francis.

Mr. MORRIS. Where were you born?

Mr. KORNIS. He was born in a community called Balaton-Endrez.

Mr. MORRIS. All right. Now, will you tell us briefly about your education and your early training, very briefly?

Mr. KORNIS. He passed the so-called graduation examination at the age of 19 at the Jesuit High School, sometimes called the gymnasium, located in the city of Kalocsa, which is the seat of a Catholic diocese in the southern portion of Hungary. Subsequent or thereafter he completed a course in theology; also a course in philosophy, at the University of Munich, in Germany.

Mr. MORRIS. You were active after the war in politics, were you not?

Mr. KORNIS. Ever since the age of 18 he was a member of the Small Landholders Political Party, and this also answers the question regarding the date subsequent to the war.

Mr. MORRIS. All right.

What did you do during the war?

Mr. KORNIS. He did not perform any military service because, on the ground that he was a student of theology, he was exempted from the draft.

Mr. MORRIS. Did you have any difficulty with the Germany occupying authorities?

Mr. KORNIS. The answer is "Yes."

May I translate what he just said, gentlemen?

On or about March 1944, acting as a secretary of the Hungarian Small Landholders Party, he took charge of the available records in the headquarters of the party a few hours before the Gestapo or Hungarian police officials called at the headquarters of the party. He succeeded to spirit away and actually buried those records.

The fact that he took charge and actually—well, took charge of the records and took them out of the party's headquarters was leaked by some minor officials to the German Gestapo and he was under persecution on these grounds.

There was an order of arrest issued by the Hungarian authorities and he had to change his actual whereabouts, his residence I mean—he had to move from one locality to another in order to escape actual arrest.

In December 1944, which is already prior to the siege of the city of Budapest by the Russian Army, his home, located near the city of Budapest in the suburbs, a place called Varosliget, was occupied by Gestapo officials and his library was seized and used as firewood.

It seems that the Gestapo occupied his residence and established telephone connection with some fortified place called Ferihegy, and it seems to have been an elaborate establishment, because there were six telephone wires—

Mr. MORRIS. If I may interrupt, we don't need that much detail; just generally what happened.

Mr. KORNIS. Well, he made an effort to destroy that telephone connection. As a matter of fact he cut the wires three times and he was caught on the fourth night attempting to repeat that procedure, and it seems that some German Gestapo patrol had tried to run him down with his motorcycle and fractured his leg by actually hitting him with his vehicle.

Mr. MORRIS. Did you spend any time in jail?

Mr. KORNIS. Approximately 10 years, which includes the time he spent in jail or concentration camp under the Nazis.

Mr. MORRIS. How long were you in the concentration camp under the Nazis?

Mr. KORNIS. Well, specifically, under the Nazi regime he was 2 days in—under arrest, but he managed to escape. It seems that the 10-year period covers the entire—

Mr. MORRIS. I wonder how long had you been in concentration camp under the Germans?

Mr. KORNIS. Two days under the Nazis, and after 2 days he managed to escape.

Mr. MORRIS. After the war he was active in the Small Landholders Party, was he not, after the war?

Mr. KORNIS. The answer is "Yes," and he was secretary-general of the party in charge of organization.

Mr. MORRIS. And you were the secretary-general of that party, the Small Landholders Party, which scored that great victory in 1946, when they defeated the Communists; is that right?

Mr. KORNIS. The answer is "Yes." The date is slightly changed. The election was November 4 of 1945.

Subsequently he was appointed by the Hungarian Government or the head of the Government, chief executive officer in Hungary of a unit called the county Somogy—

Mr. MORRIS. Senator, Monsignor Varga, who is the nominal head, testified that Mr. Vidovics was the principal cause of the Small Landholders Party victory over the Communists in that election.

What happened after the election?

Mr. KORNIS. At the election of November 4, 1945, he was elected member for the constituency in the west Hungarian community called Veszprem. He did visit a number of towns in Hungary, holding lectures, principally against the Communists.

And Mr. Vidovics adds that he was in the role of sort of a speck—

Mr. MORRIS. Sort of a what?

Mr. KORNIS. Well, sort of a special thorn, a speck in the eyes of Rakosi, who was Communist Party boss, specifically because Rakosi thought that he was an influence in the education of Mr. Vidovics' home county of Somogy, which elected actually 18 members of the Small Landholders Party out of a total of 20, and this contributed to the fact that Rakosi developed a special animosity to him.

Mr. MORRIS. What did the Communists do to you after the 1945 elections?

Mr. KORNIS. Well, there were several acts of intimidation and persecution performed. Shall I mention them?

Mr. MORRIS. No; Mr. Kornis, will you tell him we don't need that detail; it is not part of the hearing; we just need the background.

Mr. KORNIS. All right.

Mr. MORRIS. The Communists put him in jail, didn't they?

Mr. KORNIS. Yes, he was generally declared an enemy of the people. He says he was placed in jail in 1946, in the fall of 1946.

Mr. MORRIS. And for how long did he remain in jail?

Mr. KORNIS. Until—he was in jail or concentration camp until the actual outbreak of the October revolution.

Mr. MORRIS. And even though he was the secretary-general of the Small Landholders Party, which was the party that won in November of 1945, which won the election that year, he was shortly thereafter incarcerated by the Communists in jail and kept there until the uprising; is that right, Mr. Vidovics?

Mr. KORNIS. The answer is "Yes."

Senator JOHNSTON. Did he have any opportunity to make contacts with people on the outside?

Mr. KORNIS. The answer is "No." The period of incarceration started with 4 years of solitary.

Mr. MORRIS. Four years solitary confinement?

Mr. KORNIS. Yes, 4 years of solitary confinement. The rules were mitigated thereafter.

Senator JOHNSTON. Did he maintain or have any contacts in prison so as to keep in touch with those people in the same cause who were on the outside?

Mr. KORNIS. There were only individual, I might say, periods when he had opportunity to talk surreptitiously with members of the party who were in the same jail as he was. Specifically, he remembers two incidents in 1947 and 1956.

Mr. MORRIS. Now, I wonder if you would just describe for us briefly—I wonder if you would tell us what your role was in the Hungarian uprising.

Mr. KORNIS. Well, on the outbreak of the Hungarian revolution, he managed to visit several towns of his county, Somogy, and he made a number of speeches, trying to pacify the people and trying to induce them not to commit any rash acts of revenge against officials of the regime; of the Communist regime.

Mr. MORRIS. Senator, may I proceed to ask questions that may possibly be termed leading questions, but which I think would be helpful in the interest of time here?

Senator JOHNSTON. Yes. Will the witness please answer the questions as briefly as possible, and if we want any additional information, we will ask for it.

Mr. MORRIS. Just the background.

You were one of the original leaders of the revolution; were you not?

Mr. KORNIS. The answer is "Yes," specifically in his own region.

Mr. MORRIS. What region was that?

Mr. KORNIS. The county of Somogy in the transdanubian section (west of the Danube) of Hungary.

Mr. MORRIS. And he was the leader of that; is that right?

Mr. KORNIS. The answer is "Yes."

Mr. MORRIS. How long did you stay with this freedom fight?

Mr. KORNIS. The answer is, until November 4, 1956.

Mr. MORRIS. How long did you stay in Hungary?

Mr. KORNIS. Until January 23, 1957.

Mr. MORRIS. What did you do between November 4 and January 23, 1957?

Mr. KORNIS. On November 4 he actually occupied, with the help of some Hungarian peasants, a radio-transmitting station in the west of Hungary, and following that he made an address on the radio in which he appealed to the West for help. He had to flee from one village to another, because an arrest order was out, and the Russian military was actively trying to locate him and arrest him.

Mr. MORRIS. Did the radio station at Budapest appeal to the West for assistance?

Mr. KORNIS. It was not a radio station at Budapest, it was a station at Balaton-Szeedi. It is the name of the village which was occupied by the radio station.

Mr. MORRIS. You made an appeal to the West for assistance; is that right?

Mr. KORNIS. The answer is "Yes." The appeal was addressed to the Western Nations, to the world—well, the rest of Europe, rather.

Mr. MORRIS. Then from November 4 to January 23, when you left Hungary, you were there hiding from the Russians; is that right?

Mr. KORNIS. The answer is "Yes"; he was fleeing from one village to the other, trying to get close to the western border of Hungary.

Mr. MORRIS. And then you crossed the border at what time?

Mr. KORNIS. On January 23, 1957, he actually managed to cross the border to Austria.

Mr. MORRIS. And since that time you have been trying to get into the United States?

Mr. KORNIS. The answer is "Yes."

Mr. MORRIS. Now, when did you first meet this man Szabo?

Mr. KORNIS. In February 1957, it was.

Mr. MORRIS. Mr. Szabo's first name is Miklos?

Mr. KORNIS. Yes. The answer is "Yes." It is the equivalent of Nicholas, if I may add.

Mr. MORRIS. And it is spelled S-z-a-b-o?

Mr. KORNIS. The answer is "Yes."

Mr. MORRIS. You say you first met him in February?

Mr. KORNIS. "Yes," he says.

Mr. MORRIS. And what was he doing at that time, and what did he say to you, and what did you say to him?

Mr. KORNIS. The answer to the first question, Mr. Vidovics says that Szabo declared to him at the time in February 1957 that he, Szabo, was representing the Small Landholders Party, which was under the guidance of Mr. Ferenc Nagy.

Mr. MORRIS. Let me see if I understand:

Did Szabo tell you at the time he was representing the Small Landowners Party?

Mr. KORNIS. The answer is "Yes."

Mr. MORRIS. And did he call you?

Mr. KORNIS. Yes, he did call him.

Mr. MORRIS. What was the purpose of his call?

Mr. KORNIS. He asked his assistance to revivify and regenerate the Hungarian Landholders Party, as such, on Austrian territory, and asked for his active assistance.

And may I add, the answer was that he was not, Vidovics was not, in a state of health that would have made that possible at the time.

Mr. MORRIS. But the point is that Szabo came to you and asked if you would help him revive the Small Landholders Party and have it active on Austrian soil; is that right? Was that his purpose?

Mr. KORNIS. The answer is "Yes." To regenerate the party and to bring it into active existence, so to say.

Senator JOHNSTON. Did you agree to help him?

Mr. KORNIS. The answer was "No"; he refused to be involved in political matters. He said all he would assist him on would be for charitable purposes.

Mr. MORRIS. What else did he—what position did Szabo have at that time?

Mr. KORNIS. At that time the status of Mr. Szabo was that of the delegate of Mr. Ferenc Nagy and Mrs. Anna Kethly.

Mr. MORRIS. Their delegate?

Mr. KORNIS. Yes. Subsequently he also claimed to represent Mrs. Anna Kethly as sort of an assigned—as a representative of the lady.

Mr. MORRIS. Well, he was the secretary, was he not, of a Hungarian organization in Vienna?

Mr. KORNIS. No; he was not the secretary of the organization in Vienna.

Mr. MORRIS. Of a Hungarian organization in Vienna, not the party; this man was the secretary of a refugee organization?

Mr. KORNIS. The answer is that Szabo claimed the status of an old—of a sort of a veteran refugee. He created—he contacted various Hungarian refugees in the camps, and he had no official status of secretary, Mr. Vidovics says.

Mr. MORRIS. As secretary of any organization?

Mr. KORNIS. Specifically, though, he had an official status. He was a secretary general of the so-called Hungarian Culture Party, or Hungarian Educational League, perhaps, as translated in English.

Mr. MORRIS. Secretary general of this particular organization?

Mr. KORNIS. Yes. The Hungarian Educational League. The word in translation would be something like the Hungarian Culture League or Hungarian Educational League, so to say, and he was an active—or a member in good standing of the Committee of Strasburg.

Mr. MORRIS. What can he tell the subcommittee about the Strasburg Committee?

Mr. KORNIS. He cannot say much about the Strasburg Committee, because, at the time the committee was established, he still was in this camp.

He cannot add much to the above information, except that members of the Strasburg Committee maintained contact with Szabo, and some of them actually lived in his place or resided at his place.

Mr. MORRIS. Does he know whether Szabo took the records of the Strasburg conference back with him when he went to Budapest?

Mr. KORNIS. He cannot—he does not know.

Mr. MORRIS. Now, can you tell us what else Mr. Szabo did in Vienna while you were in Vienna?

Mr. KORNIS. Mr. Szabo actually tried to infiltrate in a good many roles, so to say. He created considerable embarrassment within the rank-and-file members, the rank and file of the Hungarian refugees, because, on the one hand, he claimed he was representing the Hungarian Small Landholders Party, Mr. Vidovics says, and, on the other hand, he also claimed he was representing the Hungarian Social Democrat Party, and he also tried to appear as representing the Strasburg Conference Committee.

This incongruity created a lot of embarrassment, because nobody knew actually—because nobody knew who Szabo was representing.

Mr. MORRIS. Did he have access to any of the secrets of the party?

Mr. KORNIS. The answer is no direct contact, only indirect. But one specific work he was performing was to collect sundry data in the refugee camps, which he did not—which he would get for himself.

Senator JOHNSTON. Did he visit any of the freedom fighters while they were in prison?

Mr. KORNIS. May I have that repeated?

Senator JOHNSTON. Did he visit any of the freedom workers while they were in prison?

Mr. KORNIS. He doesn't know anything about it. He doesn't know. The answer is, he doesn't know.

Mr. MORRIS. Now, didn't you tell us in the session we had in my office that he had access to everything that was going on in refugee organizations?

Mr. KORNIS. He had actually contacts with the people—I mean, he had the opportunity of the camps, because as he took upon—as he arrogated the right of engaging in charitable work for the emigrants, he actually had occasion of personal contact, and among the activities which Mr. Vidovics says, is that he thinks that he was trying to collect data, information regarding Mr. Kiraly, General Kiraly.

Mr. MORRIS. I am sorry; I didn't get it.

Mr. KORNIS. Besides the contact which he had had with the inhabitants of the refugee camps, principally based on the grounds that he did charitable work, the distribution of money and things, the distribution of money and—well, textiles, I suppose—he also did collect incriminating data, data which were incriminating, in the opinion of Mr. Vidovics, against Mr. Kiraly.

Mr. MORRIS. Let me see if I get this straight—maybe there is a basic misunderstanding.

I asked him before if he had access to any of the secrets of the Freedom Party, and he said “No,” and apparently he went and visited people in the camp; did he not?

Mr. KORNIS. He did, but—

Mr. MORRIS. Isn't that a direct contact?

Mr. KORNIS. May I ask him the same question again? Yes; to see if there is any misunderstanding of my question on the part of the witness.

Mr. FABIAN. Yes; I think there is a misunderstanding.

Mr. MORRIS. Because there is a direct contradiction.

When I asked if he had direct contact, he said “No”; and then he went on and said that he visited people in the camp. Maybe I am not making myself clear.

Mr. KORNIS. I apologize. I tried to translate it verbatim. However, there is a contradiction between the two parts, because what Mr. Vidovics says actually does establish the fact of the contact.

Mr. MORRIS. Yes. Now did he have direct contact with the Freedom Party?

Mr. KORNIS. Yes. The answer is “Yes,” on the grounds as indicated.

Senator JOHNSTON. Well, do you want to change that answer to my question of a few minutes ago when I asked if he had any contacts, and he said “No”?

Mr. MORRIS. There must be a misunderstanding.

Mr. FABIAN. Yes; there are two misunderstandings. The first misunderstanding, Mr. Vidovics did not say that, and moreover, the “party” stands for the Social Democratic Party. He said he had a document representing Mr. Kadar, he is Prime Minister of Hungary, and he had other papers. The party is the Social Democratic Party. I will ask him.

Mr. VIDOVICS. Yes.

Mr. FABIAN. This was the first misunderstanding, and in the second—may I ask him? I beg your pardon.

Mr. MORRIS. Would you care to stand and be sworn by Senator Johnston?



Mr. FABIAN. Yes.

Senator JOHNSTON. Do you swear that the interpretation that you give during this hearing will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. FABIAN. I do.

Mr. MORRIS. And now will you tell us what were some of the things that Szabo did?

Mr. KORNIS. He made contact within the territory of the city of Vienna with all charitable organizations.

As the veteran emigrant, he had ample opportunity to elaborate these contacts—I am afraid that is detail again.

He enjoyed the confidence of the people he was in contact with, the refugees, and they trusted him, and besides, he made frequent reference to the letters of authority that he carried, which he held from two people. The one was Mr. Nagy and the other was Mrs. Kethly.

Mr. MORRIS. He had the credentials; and he had others?

Mr. KORNIS. The answer is "Yes, he did."

There is an additional remark, that he did manage to create a certain amount of embarrassment, because—embarrassment to people in general, and also with various official agencies or authorities in Vienna.

Mr. MORRIS. All right.

Now, I wonder if both of you gentlemen would ask Mr. Vidovics the following question, and ask him to think before he answers:

Will you give us in general a summary of the damage that his defection has caused to the Hungarian refugee movement?

Both of you gentlemen ask him.

Mr. FABIAN. The first, moral damage. After he defected, the Hungarians did not get from the Austrians in Vienna, they did not—well, it handicapped them because there was an uneasiness and trouble—

Mr. KORNIS. I am trying to interpret—

Mr. MORRIS. I understand that you are interpreting, but I wonder, just before he answers, will you talk to Mr. Vidovics and ask him if he will sum up for us some of the damages caused by this defection.

Mr. KORNIS. He says that America had sent a lot of help to the Hungarian refugees before this defection—

Mr. MORRIS. Just a minute. Talk to him, both of you, and sum it up. Let us take a break for a minute while you do that.

Mr. KORNIS. May I answer that one?

Mr. MORRIS. I wonder if you gentlemen would just give—

Mr. KORNIS. I understand—may I say one thing? I have one general answer, Your Honor. The answer is, moral damage, it created a certain animosity on the part of the official agents of Vienna versus the refugees, the confidence was undermined, due to the fact that Szabo—I mean, due to the role of Szabo.

Does that answer the question?

Senator JOHNSTON. Was Szabo playing both sides?

Mr. KORNIS. May I answer that, Senator Johnston?

Yes, he did—not with 2, but with 3. The answer is that he acted, he claimed to represent the Small Landholders Party, No. 1; also the Social Democrats, and also the Strasburg Committee.

I hope that answers your specific question.

May I add one subsequent remark of Mr. Vidovics?

He makes the third point of the damage or the general damage or embarrassment that was created in contacts with the authorities, actually Szabo's belongings, where he actually belonged, were in doubt, and inquiries were sent to Mr. Nagy and to Mrs. Anna Kethly, trying to specify the degree of contact—it seems that both Mr. Nagy and Mrs. Kethly had confirmed that Szabo was acting as a legitimate agent—

Mr. MORRIS. All of this detail is not necessary. We just want to find out what damage was done by Szabo going to Budapest.

Would you answer that?

Mr. KORNIS. Mr. Vidovics believes and he is supported in that belief by deposition made by another member of the Small Landholders Party, Tamas Pasztor, that he did actually take back records to Budapest.

Mr. MORRIS. What records did he take back with him?

Mr. KORNIS. The U. N. records and the list of individuals.

This is an important point, if I may say one thing, inasmuch as— he stressed the point that he took also the list of the members of URO, and as a consequence thereof, the members of URO—

Mr. FABIAN. By the U. N., not URO. The U. N.

Mr. KORNIS. Pardon me. My error.

Anyhow, these people were supposed to be fleeing from Vienna, being afraid to stay there longer.

Mr. MORRIS. Well, the kind of material we want and the answers we want is what actually did he take with him?

Senator JOHNSON. Did he take the names and addresses, the records of the Freedom Fighters?

Mr. KORNIS. He believes that they were.

Mr. FABIAN. Not "believes." He said they were.

Mr. MORRIS. Leave the word "believes"—

Mr. KORNIS. He says that this is a factual deposition, he did take a list of individuals and—

Mr. FABIAN. The people there, the leaders who came to visit Mr. Szabo—

Mr. KORNIS. And took them back to Budapest.

Mr. MORRIS. What did the witness just say? Will you tell us literally what he said?

Mr. KORNIS. May I ask the witness to repeat it, and I will repeat it verbatim.

Mr. MORRIS. Please.

Mr. KORNIS. He says he took with himself the people, U. N.—

Mr. FABIAN. U. N.

Mr. KORNIS. Well, there is a little—the one party says U. N. and the other says URO.

Mr. FABIAN. Nobody says URO. He says he took with himself the list of all of the witnesses who were secretly heard by the U. N. investigating Committee in Vienna. He got that.

Mr. KORNIS. All right.

Mr. FABIAN. I beg your pardon, but I must complete—let me talk with him.

He took the names of all the people who visited him in Vienna.

Mr. MORRIS. As I understand, he took two things: he took the list of all the witnesses that testified before the U. N. secretly, and he

took with him the information, the names of the people who visited him in connection with his work in Vienna.

Mr. FABIAN. Yes. And these people, he said, are fleeing Vienna.

Mr. MORRIS. These people were actually in Vienna——

Mr. FABIAN. And they were going to Germany, and they were going to France, because they were afraid they will be kidnaped by the Hungarian secret organization from Vienna.

He says he took all the letters.

Mr. MORRIS. Took all the letters?

Mr. FABIAN. Which he got.

Mr. MORRIS. Which he got.

Mr. FABIAN. During his stay in Austria.

Mr. MORRIS. Which he got during his stay in Austria.

Mr. FABIAN. Yes.

The refugees, the emigrants.

Mr. MORRIS. He took all of them.

Mr. FABIAN. He took all that back with him.

Mr. MORRIS. Did Mr. Vidovics just testify that?

Mr. KORNIS. Yes.

Mr. MORRIS. Is that right, Dr. Fabian?

Mr. FABIAN. Right.

Mr. KORNIS. Yes; but I missed something, the data as heard before were not——

Mr. MORRIS. He said what?

Mr. KORNIS. He specifically, he does so testify, but there was a slight——there was a discrepancy between the data indicated before the ones now, but this is a verbatim transcript or translation of the data as stated by Mr. Vidovics.

Mr. FABIAN. No; you are wrong. There is a very important program that was not, I think, explained perfectly, about what was his position in Austria, Szabo's position.

Mr. Szabo's position, as Mr. Vidovics said, and I think my colleague did not understand, Mr. Szabo was the secretary of a Help organization.

May I ask him——

Mr. MORRIS. What is that—H-e-l-p?

Mr. FABIAN. Help, yes—of the Austrian Social Democrat Party, and he went to all their camps in Austria, the refugee camps, and he said, "I am the secretary for the Help organization, and if you want to get help, you get help through me."

Mr. MORRIS. Did he say that, now?

Mr. FABIAN. Yes. I ask him again.

He said that he cannot say verbatim all—but he said in the camps that he is connected with the Social Democrat helping organization, and if somebody wanted to get help from this distribution and helping organization, he was in this situation, to help them.

Mr. MORRIS. In other words, "If you want help, come to me and I will assist you?"

Mr. FABIAN. Yes.

Mr. MORRIS. Did he say that?

Mr. KORNIS. He said that he has never seen how much money Szabo had on him, but if somebody does not have money he cannot have luxury cars, a refugee, he must—he had some means, he had 2 chauffeurs, not 1.

Mr. MORRIS. And did he know his telephone bills ran \$500 or \$600 a month?

Mr. KORNIS. He knows that Szabo's telephone bill was 6,000 schillings; and once he did not pay his 6,000 schillings and the telephone was disconnected.

Mr. FABIAN. He asked who—he asked him with whom Szabo—

Mr. MORRIS. Wait a minute.

What is the dollar equivalent of 6,000 schillings?

Mr. FABIAN. It is something more than \$200.

Mr. MORRIS. You cannot tell us more precisely the dollar equivalent of 6,000 schillings?

Mr. KORNIS. To give you specifically, it is about \$235, according to the present rate of exchange, 38 cents

Mr. MORRIS. Whom did Szabo talk with on the phone?

Mr. KORNIS. He says that he spoke with Hungarian—in Hungary, with the Hungarian—at first—and then he spoke with some other countries, he doesn't know what, and he was always in connection with the helping organizations in Austria.

He says that he knows from his—Mr. Szabo's—talks with him, that Mr. Szabo called every week Budapest city, 4 or 5 times.

Mr. MORRIS. He called Budapest 4 or 5 times a week?

Mr. KORNIS. A week. The chauffeur, one chauffeur of Mr. Szabo, told it to Mr. Vidovics.

Mr. MORRIS. Szabo's chauffeur told you he called Budapest 4 or 5 times a week?

Mr. FABIAN. Yes.

Mr. MORRIS. Senator Johnston, I notice that Monsignor Varga has just come into the room.

I wonder, Monsignor Varga, since you have testified before, if you will help us out. We are having difficulty understanding the witness, and the two interpreters are trying to work it out.

I think if you will sit down there, Monsignor Varga, it will help a great deal.

Monsignor VARGA. Thank you very much.

Mr. MORRIS. Senator, Monsignor Varga has already been sworn.

Senator JOHNSTON. Yes.

Mr. MORRIS. Are there any other aspects of the Szabo case which have caused damage to the security of the United States and the democratic movement?

Monsignor VARGA. There is, and he knows very well, because by his own experience, that Szabo visited the Hungarian refugees, as I testified, that he was—that his first purpose and job was to visit the camps in Austria, and he knows personally that Szabo always talked and told to the refugees that he lost everything: "America will not help, America cheated us and we have only this, just to return to our country."

And, naturally, he did terrible damage against America, causing them to hate America, and there is a terrible damage against our common cause, with Szabo doing that, killing the hopes of the people in Hungary, and sapping their resistance in Hungary; this is the traitor who killed the resistance and caused many of those in those Russian camps to hate America.

Mr. MORRIS. What has Szabo done since he was back in Budapest?

Monsignor VARGA. Well, he knows that he had a press conference in Budapest, it was televised and reviewed in the press, a press conference in Budapest, and he accused many people, and those articles appeared in the Hungarian daily newspapers in Budapest.

Mr. MORRIS. Do you know whether any of the people that were involved, that Szabo gave information about, have been executed or been subjected to reprisals in Budapest?

Monsignor VARGA. He knows that he had a big list of these people who testified before the U. N., and he knows that Szabo took back to Hungary this list of these witnesses, and the families of these witnesses are persecuted now in Hungary.

Mr. MORRIS. Does he know that?

Monsignor VARGA. He knows; he had heard.

Mr. MORRIS. That relatives of the people who testified are now being persecuted in Hungary; is that right?

Monsignor VARGA. He knows; certainly.

Mr. MORRIS. And they are subject to reprisals?

Monsignor VARGA. And he knows that the papers of the Communist Party mentioned four witnesses in the paper, and then in these papers it was told that: "We will bring more names from the witnesses who testified."

Mr. MORRIS. In other words, the Communist papers are now publishing the names of the people who testified before the U. N.?

Monsignor VARGA. Yes.

Mr. MORRIS. And the Communist papers say they will publish more?

Monsignor VARGA. Yes; and that the witnesses are now escaping from Austria and they are leaving the neighboring part of Hungary.

Mr. MORRIS. But, unfortunately, the relatives back in Hungary cannot escape; is that right?

Monsignor VARGA. They cannot leave.

Mr. MORRIS. Now, do you know now, in retrospect, whether this man was a secret agent all along, or somebody who just defected?

Monsignor VARGA. He cannot prove documentarily, but he is convinced that he, when Szabo came in 1955, as a man who knows the underground and knows this angle of work, he is certain he came as an agent of the Hungarian Communist Party.

Mr. MORRIS. He came to Vienna in 1955?

Monsignor VARGA. Yes; he arrived in 1955. He says he was very suspicious because he left Vienna with his chauffeur, and went very near to the border of Hungary, and he left his chauffeur a little farther from the border and he went alone always to the border of Hungary, and he was, naturally, very suspicious, and the chauffeur, after, told this story to this gentleman who knows.

Senator JOHNSTON. When did you first become suspicious of his activities?

Monsignor VARGA. In the month of April he became very suspicious.

Senator JOHNSTON. Month of April, of what year?

Monsignor VARGA. In this year.

Mr. MORRIS. Now, tell us something about the moneys that this man spent. What money did he have available?

Monsignor VARGA. He knows that he got money from America, he knows that he got money from this charitable agency, the voluntary agencies in Austria, and he mentioned the name of one, the Interna-

tional Rescue Committee; he mentioned it; he got money from the International Rescue Committee—from America—and other agencies, because he was connected with these voluntary agencies to help refugees.

Mr. MORRIS. You say he received money from America; Szabo?

Monsignor VARGA. He certainly got money from America.

Mr. MORRIS. Now, do you know of any allies of Szabo, any people who may be secretly Communists who may have been working with Szabo?

Monsignor VARGA. He mentions two names, his chauffeurs, because he has a car and he has a chauffeur—

Mr. FABIAN. Two.

Monsignor VARGA. And he mentioned them by name, one is Geza Bankupy, and the other is Jollan Chagy, who were members of the Communist Party.

Mr. MORRIS. Does he know of anyone else, people who worked with Szabo, who may be Communists?

Monsignor VARGA. He does not know with whom he worked secretly together, but he knows that he worked together with Mr. Alex Hertzolg—Karl Hertzolg, the secretary of the Austrian Social Democrat Party, or Karl Herzak.

Mr. KORNIS. It is a German name, probably Herzog.

Mr. MORRIS. You don't mean he is a Communist?

Monsignor VARGA. He cannot say he was a Communist, but officially, he is secretary of the Austrian Social Democratic Party, and he worked together with Szabo.

Mr. MORRIS. The Social Democrat Party is very much against the Communists, so what do you mean when you say that about Herzog? I don't understand.

Monsignor VARGA. He cannot say that he is a Communist; he cannot say he is a Communist, but he worked together very intimately with Szabo.

Mr. MORRIS. Does he think that there are any Communists among the Hungarians who have come to the United States?

Monsignor VARGA. He heard and he knows and he has knowledge that some of them who were Communists came to America.

He knows that in the camps in Austria were Communists who came to America, and even that—he doesn't—he traveled yesterday, he flew, and he traveled this night and he is tired, and he cannot state the names now, naturally, but he will be glad later to send the names of those that came to America.

Just arrived is a Hungarian journalist from Hungary who thought that now the Communist Government of Hungary has sent 500 well-educated members of the Communist secret police to the West—

Mr. MORRIS. I did not get that. What was that about a journalist?

Monsignor VARGA. A journalist came now, he escaped from Hungary, and he knows exactly or certainly that the Communist Government of Hungary sent 500 members of the AVO, well educated members, to the West, and some of them are now working in the camps. They are working now in the Austrian camps, he heard from the journalist.

Mr. MORRIS. Where is this journalist now?

Monsignor VARGA. He is in Vienna.

Mr. MORRIS. And he says that there are 500 working in Vienna?

Monsignor VARGA. No; sent to Austria, and sent to the West.

Mr. MORRIS. Are all of them in Austria, or have some come to the United States and other countries?

Monsignor VARGA. Two hundred remained in Austria, and the others are now in Germany or in France—

Dr. FABIAN. Western Germany.

Monsignor VARGA. Western Germany, or in France. The special purpose of these people is to interfere in the camps and to convince them that they lost everything, and they cannot come to America and, "We have only this, to return to Hungary."

And they have money, these 500, these AVO members of the Hungarian Secret Police and, having money, they are in a sense—well, they are buying, they bought alcohol, and these poor refugees in the camps became drunk and, naturally, it is the purpose that they fight against each other and that they fight against America, and the other purpose is—

Mr. FABIAN. And against Germany and France.

Monsignor VARGA. Naturally, Germany, and France.

And it is very important that this AVO—and they are employed to find the more important emigrants, those who are known in Hungary, in the camps, and the purpose and the duty of the AVO is to kill or poison or smear with slanders and to make their work absolutely impotent and impossible.

Senator JOHNSTON. These people that they send out to do this work for the Communists, how do they get the money to them for them to carry on?

Monsignor VARGA. He does not know, Honorable Senator, but there are very well known ways, you know, that they will get it—the Hungarian Legation in Vienna and—the Russian Legation in Vienna, too.

Mr. MORRIS. Now, when was the first time you made an effort to come to the United States?

Dr. FABIAN. In May.

Mr. MORRIS. What happened then when he tried to come that time?

Monsignor VARGA. He tried, and he got out on the 23d of January and, naturally, he wanted to come to America, and he was refused in May, that he has not any relatives here in America, and he was refused.

Mr. MORRIS. Is that the basis for turning them down, that they don't have any relatives in America?

Monsignor VARGA. I don't know—many people came that have no relatives in America.

Mr. MORRIS. Would you ask him who told him that?

Monsignor VARGA. Who was the man who told him—Mr. Harben, he is an American in the consulate, and he told him, "You have not any relatives, you cannot go to America."

Mr. MORRIS. Mr. Hardin?

Monsignor VARGA. Harding.

Mr. KORNIS. Harden.

Mr. MORRIS. And did you renew your effort to come to the United States?

Monsignor VARGA. Naturally; he repeated his applying, and he tried to do everything to come to America.

Mr. MORRIS. What happened subsequently?

Monsignor VARGA. He was refused in May, that he has not any relatives in America.

And the second time, Mr. Kline refused him, and he said that he was denounced: "And therefore you cannot come."

Mr. MORRIS. He had been denounced?

Monsignor VARGA. Yes.

Mr. MORRIS. And Mr. Kline is the American official?

Monsignor VARGA. Yes.

Mr. MORRIS. And he told you you had been denounced; in other words, derogatory information had been given about you?

Monsignor VARGA. He told him, "You are denounced," and he asked, naturally: "I would like to defend myself," and he was told he will not see the accuser against him, and—

Mr. MORRIS. Did Szabo know Kline?

Monsignor VARGA. He does not know that he had any personal connection with Mr. Kline, but he knows that Szabo's best friend, very good friend, Mr. Hertzal, the Austrian, is in good friendship with Mr. Kline.

Mr. MORRIS. Does he know if Szabo was the source of this derogatory information about him?

Monsignor VARGA. He knows that Mr. Benjamin, a Hungarian refugee, Mr. Szabo and Mr. Hertzal, the Austrian, came together, they had a meeting, and it was decided, "We have to do everything to hinder Mr. Vidovics to go to America."

Mr. KORNIS. "Otherwise it would create damage to us."

Monsignor VARGA. No. It was not "damage." If he will come to America, "he will finish us here in America."

Senator JOHNSTON. In other words, it was felt by them that if he came to America with the information that he had and gave it to America, it would be detrimental to what they were trying to do over there?

Mr. KORNIS. Senator Johnston, I did not—I understood that what he said—

Mr. MORRIS. What did you understand him to say?

Mr. KORNIS. May I have the question repeated?

Mr. MORRIS. The reporter will read it.

(The question was read.)

Monsignor VARGA. Certainly, that they were frightened that if he will come, it would be detrimental to those people in Vienna. Benjamin, Mr. Benjamin—

Mr. MORRIS. What was his first name?

Mr. TABIAN. Oliver.

Monsignor VARGA. Oliver.

Mr. MORRIS. Oliver Benjamin?

Monsignor VARGA. Oliver Benjamin, B-e-n-j-a-m-i-n, he is Secretary of the Hungarian Social Democrat Party in exile.

Senator JOHNSTON. And he is in a position where he can get people to come over here to America and—

Monsignor VARGA. Certainly. Certainly. He had a position to help people come to America—

Mr. MORRIS. But, by the same token, he is in position to keep other people from coming?

Monsignor VARGA. Naturally.



Mr. MORRIS. And you know, from the fact of being once in the Hungarian Parliament and having been active in local Hungarian politics, that Mr. Vidovics is one of the outstanding personalities of Hungary?

Monsignor VARGA. I am very happy to tell you that Mr. Vidovics is one of the greatest heroes in the resistance against nazism and against communism, and I am sure no one Hungarian suffered so terrible persecution from the Russians and from the Hungarian Communists as Mr. Vidovics, and nobody suffered in prison as much as Mr. Vidovics.

Senator JOHNSTON. And when Mr. Szabo worked and made it impossible for him to come over here, he was working against the interest of America; isn't that true?

Mr. KORNIS. The answer is positively yes, and it was not only against his personal interest but also against the interest of this country.

Mr. MORRIS. And, Senator, I may point out in connection with this, that our inquiries have shown that very often refugees are barred from coming to this country because of information that was furnished by Soviet agents, and his case is an example of that.

Mr. MORRIS. You arrived last night at 6 o'clock?

Monsignor VARGA. He arrived, yes, about 5 o'clock.

Mr. MORRIS. And hoping to stay in the United States; is that right?

Monsignor VARGA. He would like to remain, naturally.

Mr. MORRIS. You are here on temporary parole in the United States?

Monsignor VARGA. Yes, temporarily in the United States, as other refugees under parole.

He would like to say something; may I ask him?

He is convinced that Mr. Hertzl and Mr. Szabo were connected with the Kadar government, and he has certain knowledge that the Kadar government or agents of the Kadar government wanted to hinder Mr. Vidovics to come to America, because he knows many things, and he is a man who suffered so much under the Communist regime and he was persecuted by the Communists.

In his 10 years' imprisonment, the Russians took him over twice and he is certain that no one refugee knows better the connection of the Hungarian Secret Police and the Russian Secret Agents, or AVO, or by whatever names, than he, because he was tortured by the Soviet Military Police, by the Soviet Secret Police, and by the Hungarian Communist Police, and naturally it is in the interest of the Kadar government to hinder him to come to America, the leading state of freedom.

Senator JOHNSTON. Do you have any immediate family, wife and children?

Monsignor VARGA. Yes; he has a wife and he has a child, and his wife is imprisoned because she wanted to come after him, and he is very sad now, because of that.

His wife wanted to escape, to come after him, and this plan was known by three men in Vienna, outside of him, and Mr. Szabo was one of them, and the stories after his defection show certainly that he was one of the traitors against his wife.

And when his wife was imprisoned, Mr. Szabo told to somebody in Vienna that "now Vidovics can commit suicide."

He has a continuous connection with a former Hungarian, or a Hungarian engineer, Mr. Gertza, and he knows that Mr. Gertza had contacts and played together with the Hungarian secret police to follow him at the border.

Mr. MORRIS. You have had a long trip, but after you have become rested would you make yourself available to the staff of the committee?

Monsignor VARGA. Yes.

And he tells now his story, that he was sick, and he suffered so much because he was humiliated very much, and once he was sitting in a plane—he was standing before the plane, and he was recalled and told, “You are no good for America”—and he is a martyr for Hungary and a martyr for the whole of mankind, and he was humiliated and suffered so much, and now he is very happy to be here, and, naturally, he will not be just available, but he is asking in the interest of our common cause to continue his hearings, and he will be glad to tell everything to develop our common cause.

And he feels now that these months of humiliation in the camps of Austria exhausted him even quicker and better than the prison in Hungary; the humiliation, and injustice he suffered because of this humiliation, he fought against both dictatorships, against the Nazis and the Communists, and his blood pressure was 250 in the camp because of the humiliation.

Mr. MORRIS. We will call him again.

We have another witness now, and we will have to stop this hearing at this time and listen to the next witness.

Senator JOHNSTON. The staff will get in touch with you and talk with you.

Monsignor VARGA. He says he is very grateful for this hearing and he will be very happy to tell everything—what he knows of the facts that he knows.

Thank you very much.

Senator JOHNSTON. And we certainly wish to thank you.

(The following document was later ordered printed in the subcommittee record in connection with the foregoing testimony:)

[January-February 1957 Research Report, International Research on Communist Techniques, Inc., New York, N. Y.]

#### SIGNIFICANCE OF THE HUNGARIAN REVOLUTION

(By V. N. Rudin, President, International Research on Communist Techniques, Inc.)

Here is a firsthand evaluation of the climatic Hungarian Revolution by an experienced analyst who returned to the United States in late December 1956, after five eventful months in Europe.

The Hungarian Revolution caught everyone unprepared—the Communist rulers, the West—even the Hungarians themselves. It was premature for Western understanding, but was actually a logical step in the all-out process which started throughout the Soviet Empire with the death of Stalin. Its lessons, both tragic and encouraging, must be assimilated thoroughly and quickly if the free world is to be prepared to meet the next crisis. For the Hungarian Revolution is the first clear recognized explosion in an inevitable chain reaction.

#### A SPONTANEOUS UNORGANIZED REVOLT

The Hungarian Revolution was a *genuine spontaneous uprising of the people*. It was not instigated by any organization, Hungarian or foreign. Nor was it a nationalist uprising. The Hungarian Communists even more than the

Russians were the object of the revolt. Students, workers, farmers, and intellectuals rose against a tyranny that had finally become unendurable—the slavery of international communism. The Hungarian Revolution was the explosive protest of human beings against an inhuman system.

It was completely unorganized. When the demonstrations in Budapest turned into open fighting Revolutionary Councils sprang up hastily in many different cities throughout Hungary. Although these shared the common objective of overthrowing the Communist regime, their positive political platforms differed and were often not too well defined. Attempts were being made by the Councils to unify their forces, when outside military power crushed the revolt.

But although the revolt was militarily crushed, *the revolution itself was not defeated*. The revolutionary forces gained valuable experience, both politically and technically. They are now in the process of being strongly organized, and the fight continues by guerilla warfare, underground means, and popular resistance. Hungarians and Russians are allied on both sides of the struggle, although the Communists cannot properly be called nationals of any country.

### THREE STAGES OF THE REVOLUTION

*The first stage* of the Hungarian Revolution dates from the actual uprising on Oct. 23, through its victorious progress to the end of the eighth day, when the Nagy government surrendered to the revolutionaries. By acceding to the revolutionary demands Nagy in effect renounced communism and once more became a Hungarian. This was the moment of victory which could have been stabilized if the free world had acted with moral courage.

This initial success was made possible by the attitude of the Soviet occupation troops. Sufficiently strong in men and arms, they could have crushed the revolt within 48 hours. But these Russians had been stationed in Hungary long enough to know the country and its people, and they immediately understood the nature of the uprising. The vast majority of the Soviet troops proclaimed sympathetic neutrality toward the revolutionaries. Many turned over their weapons to the Hungarian freedom fighters. Thousands—soldiers, young officers, even some tank crews—actively joined the revolution.

It was this overwhelming sympathy toward the revolution on the part of the original Soviet occupation army that most alarmed the Kremlin, and was the decisive factor for *the second stage* of the revolution—aggressive military intervention to crush the revolt.

This was a dangerous decision for the Communist hierarchy. In an earlier crucial attempt to save themselves, the collective Soviet rulers had risked political suicide by denouncing Stalin. They had gambled on an elaborate coexistence foreign policy and internal liberalization policy. Would these in turn have to be renounced in another effort to save the Communist system?

Shortly after the Hungarian uprising began, the Soviet Govt. sent its trouble-shooters Mikoyan and Suslov to Budapest to evaluate the situation. They recognized at once that the Hungarian Revolution was no mere local threat born of nationalism—it was a revolt against the Communist system that could spread not only into other satellite countries but into the Soviet Union as well. Not even the Soviet Army could be counted on. Returning to Moscow, Mikoyan and Suslov gave their report to an extraordinary secret session of the Central Committee of the CPSU.

Encouraged by the Suez crisis, the decision was made in favor of ruthless force. Original Soviet occupation troops were immediately withdrawn from the scene of action. Twenty fresh new tank divisions were ordered into Hungary from the interior of the USSR, where truth about the revolt had not yet penetrated even via the underground. These new tank units were carefully indoctrinated. Some were told that American imperialists and Horthyists (Hungarian fascists) were trying to subjugate the Hungarian people. Others were informed that they were being sent to East Berlin to fight against American invaders who had crossed the Elbe River.

The result was Bloody Sunday—Nov. 4, 1956—a day that will live in ignominy, as the day an entire civilized world abandoned a people who fought for their freedom.

It is significant that the Soviet aggressors did not send protective infantry with their new tank units into the fight on Nov. 4. Although such a tactic is militarily "impossible," the Soviet rulers were afraid to risk contact between the soldiers and the populace. To prevent such contact with the tank crews, these units were kept outside the cities in open country until actual time for attack.

Then with the crews safely enclosed against revolutionary influence, the tanks were dispatched for city fighting—in which these iron monsters are particularly vulnerable without infantry cover. This is why the Hungarians, even with homemade "Molotov cocktails," were successful in destroying so many tanks. It is one of the main reasons why 20 tank divisions were necessary to put down a revolt in a country of only 9 million people.

Not only thousands of Hungarians were killed, but also numbers of young Russians were sacrificed by the Soviet rulers who were afraid for them to learn the truth.

#### THE REVOLUTION CONTINUES

The heart-breaking appeals of the Hungarian revolutionaries for help—that did not come—from the free world will echo through history, to haunt the conscience of free men for a long time. But also their lone, undefeated struggle will inspire hope and courage, as it is already doing in other enslaved countries.

The *third stage* of the revolution is now underway. The forces are becoming unified and new forms of resistance organized. All kinds of legal and semilegal opposition are being used effectively by the populace—strikes, boycotts, "hours of silence," demands to the puppet govt., etc. A strong underground resistance movement is being developed. Thousands of disciplined guerrilla troops harass the Communists. Among these are numbers of Russians who went over to the revolutionaries.

Special MVD units under the personal direction of Gen. Ivan Serov, chief of Soviet State Security, are hunting down these "defectors." Some have been caught, but some are still hiding out among the Hungarians—as guerrilla fighters, underground workers, even as farmers and laborers.

The question is frequently asked, especially by diehard "experts": If there were so many Soviet defectors, why don't they show up in Austria? The answer is quite simple. These Russians did not risk their lives to become refugees—they joined the revolution to fight communism, with the hope of overthrowing it not only in Hungary but in Russia as well. They intend to continue fighting until this is accomplished, or until they themselves are killed or captured.

To them, as to all the enslaved people—including the people of Russia—the *Hungarian Revolution marks the beginning of the end of the Soviet Empire*. It is already an historical event, proving that:

Both Soviet and some Western "experts" were completely wrong in assuming that intensive Communist indoctrination would breed a generation devoid of the basic human desire for freedom. The Hungarian Revolution, the anti-Communist fight and opposition in other enslaved countries are sparked and led by young people born and bred under the Communist system.

Even without aid from the free world, it is possible to make a successful revolution against a totalitarian terror regime. The Hungarian Revolution was almost immediately victorious, and was halted only by outside military intervention.

The key factor in such anti-Communist revolution is the Soviet Army. The Hungarian Revolution demonstrated that the Communist rulers cannot count on their own troops to put down popular uprisings. This factor would be completely decisive within the USSR itself. There would be no outside military force to intervene on behalf of the hated regime.

#### WHAT PRACTICAL HELP CAN THE WEST GIVE—WITHOUT PROVOKING WORLD WAR III?

The spontaneous reaction of free public opinion throughout the world in support of the Hungarian Revolution showed that the people of the Western democracies were, as usual, ahead of their governments. Students were in the lead here also—in demonstrations, protests, even open assaults on Soviet Embassies.

Organized labor—so long claimed by the Communists as their particular province—showed the knowledge gained in its long anti-Communist struggle, by being the first to recognize the significance of the Hungarian Revolution and to act on it—in boycotting Soviet goods, refusing to unload Communist cargo, etc.

But military and political leaders of the West were so paralyzed with the fear of World War III, that they could not view the situation realistically. Propaganda about Soviet armed might and push-button retaliation had built up such firm acceptance that salient facts were ignored. Matters were further complicated by the American presidential election and the Suez crisis.

The myth of push-button control by Khrushchev or any of the collective dictatorship is an impossibility. It took the Kremlin 13 days to decide what to do about the uprising of unarmed people in a small satellite country.

The defection of Soviet occupation troops, played down in the West, was of paramount significance. The most formidable weapons are of no use without troops to man them. Turned against a dictatorship, armed might becomes fatal. One Soviet tank defecting to the side of the revolutionaries is worth two tanks from any other source—for it simultaneously subtracts one from the oppressor and adds one to the side of the people.

If the Soviet rulers could not count on their own troops to defend the Communist system, could they have counted on the Hungarian Army—then fighting on the side of the revolution—to turn against the West? And what regime is going to start an international war with the guns of revolution at its back?

Actually, the Hungarian Revolution was the strongest active deterrent to World War III in the decade since World War II. During the first stage of the revolution, the Soviet Union presented the least threat of danger to the West.

What then could the West have done?

*There was no need to send military assistance.* This would have involved the greatest risk both politically and morally, since it would have provided physical evidence for Soviet propaganda accusations that the revolution was provoked by "Western imperialism." With aid from the Hungarian Army and the original Soviet occupation troops, the revolutionaries did not need weapons from the West.

What they did need was affirmation of principle and strong moral support, to be backed by armed might if necessary.

In my considered opinion, *the tide of history could have been turned on the 8th day of the Hungarian Revolution*, if the Western democracies had acted in accordance with their oft-proclaimed principles. The crucial moment was the surrender of the Nagy government to the revolutionaries, its proclamation of neutrality and renunciation of the Warsaw pact (actually a renunciation of communism).

The Hungarians had every right to expect support of their neutrality by the free world. If the West had immediately declared its acceptance and support of the Nagy government, it would probably have halted the march of the new Soviet tank divisions which were even then crossing the Hungarian border. It would have been quite in order for the Western democracies and the United Nations to proclaim that such military intervention would constitute a violation of neutrality and would not be allowed.

I firmly believe that such a declaration, especially by the United States—as forceful as that used against the threat of Soviet "volunteers" to Egypt—would have stopped the Soviet invasion of Hungary, as effectively as it stopped the "volunteers to Egypt" movement. Even if the Soviets should have disregarded such a proclamation, it would have proved to the Hungarian and other enslaved peoples that the free world was backing their fight for freedom to the full moral and political extent possible short of war.

Instead, the answer was Bloody Sunday—the final repudiation of human rights by the United Nations and the free world by their acceptance of the puppet Kadar, brought into Budapest on a Soviet tank. There exists *no moral or legal right for recognizing the Kadar regime* as the legal government of Hungary. By doing so, the West has surrendered a people and a country to international communism.

#### IT IS FIVE MINUTES TO MIDNIGHT

Granted that the West was psychologically and morally unprepared for the crisis in Hungary. In this sense, the Hungarian Revolution was premature.

But it was *not premature for the enslaved peoples.* The Hungarian Revolution was the most spectacular explosive outburst to date in the logical process of disintegration of the Soviet Empire. The roots of this disintegration lie in the Communist system itself, but the actual process on an overall scale may be said to have begun with the death of Stalin. It has accelerated rapidly ever since.

The opportunity of the free world to redeem its pledges and regain leadership in the Hungarian crisis has been lost. History does not repeat itself—but it does move forward in a definite direction.

Another opportunity will arise. Two great international social forces—democracy and communism—are locked in battle.

If the free world learns the lessons of Hungary, the blood of brave men will not have been shed in vain. The West must be ready to act, swiftly and boldly, in full accordance with moral principle. There is no time for hesitancy, for

compromise, for looking the other way. There is no time for fear. The clock of history points five minutes to midnight.

#### HUNGARIANS APPEAL FOR EAST EUROPEAN FRONT AGAINST COMMUNISM

From their own tragic experience, Hungarian freedom fighters now in Western Europe are appealing for a united front of the enslaved peoples of Eastern Europe against communism. Signing themselves "*The East European Front, Hungarian Section*," they have issued a brief but eloquent Manifesto, and a concise 15-point political program.

The title of October Revolution—so long exploited by the Communists to describe their 1917 coup—is now taken over by the Hungarians for their genuine revolution that began in Oct. 1956. Defining this October Revolution as the "burst of flame" of the "will to liberty," the Manifesto continues:

"The ideals for which this immense sacrifice was made, must live. \* \* \* We appeal to all East Europeans who share our fate, our thought and our feelings. We offer them our alliance for a cause common to all mankind.

"Let us suspend controversies. We shall have time, after victory, for settlement of differences. No national or party differences are important enough to justify a breach of that unity which we all need at this hour."

Calling upon all Hungarian refugees not to disperse, the Hungarian Manifesto defines main political issues.

This political program stresses the need for a *United Europe*, in which each state remains completely sovereign but all cooperate in the achievement of common goals.

In regard to *Hungary* itself, the program insists upon civil liberties for everyone, rejects "every political extremism," and demands a truly representative government.

In *foreign policy*, the program advocates strict neutrality, equal participation in the European community, and welcomes "all help from abroad, provided it does not imperil our sovereignty." *Economically*, it opposes both state and individual monopoly; favors worker-management cooperation and development of private initiative; rejects the "Communist caste system"; advocates free and independent trade unions.

Mr. MORRIS. Senator, our next witness will give us a report of interviews he has had on the subject of espionage in the ballistics field with Igor Gouzenko, who was a former Soviet code clerk and who defected in 1945 with a mass of documents which broke the Soviet spy ring in Canada.

Our witness is Mr. Siegrist, and the reason Mr. Siegrist is being asked to testify is because he spent a weekend with Igor Gouzenko, and the nature of these conversations with Mr. Gouzenko bore on this inquiry of Soviet espionage in the missile field.

I know that he will have firsthand evidence. We would like to bring Mr. Gouzenko into the United States to testify, but that is difficult to achieve, and we have had a great deal of difficulty in negotiating that, and Mr. Siegrist has come here and he has Mr. Gouzenko's own taped statement on this subject.

Senator JOHNSTON. You may proceed.

Will you stand and raise your right hand and be sworn?

Do you solemnly swear the evidence that you give before this subcommittee will be the truth, the whole truth, and nothing but the truth?

Mr. SIEGRIST. I do.

#### TESTIMONY OF ROBERT R. SIEGRIST, SHOREWOOD, WIS.

Mr. MORRIS. Will you give your full name and address?

Mr. SIEGRIST. Robert R. Siegrist. My home address, 4073 North Prospect, Shorewood 11, Wis.

Mr. MORRIS. What is your business or profession?

Mr. SIEGRIST. Journalism.

Mr. MORRIS. Do you have a radio program?

Mr. SIEGRIST. I am the chief editorial writer for the Milwaukee Sentinel, the Hearst newspaper in Milwaukee, and I do, in addition to that, a nightly news column on stations WLS, Chicago, and WISN, Milwaukee. And I should like to make it completely clear, and I think it is very important, particularly with the press represented here, I would like to make it completely clear that all of my activity on the air is completely separate from any activity with the Hearst organization or the Milwaukee Sentinel. That is purely my own arrangement, purely my own activity, and any connection with Gouzenko, being in connection with a radio broadcast, was in no way connected with the Hearst organization, per se, and the expenses, the idea, my contact, my personal and professional contact, with Mr. Gouzenko, is purely my own. That is very important for me to say.

Mr. MORRIS. Why did you look up Gouzenko?

Mr. SIEGRIST. I looked up Gouzenko because I had had some contact with Gouzenko, and in making that contact with Gouzenko I had known of his growing concern and the growing feeling—I got the feeling, there was a growing feeling that he should speak out somewhere along the way about the course of espionage against this Nation and against, as he put it, the free world.

When I saw on the news wires, I saw a couple of paragraphs from INS a week ago Monday where Igor Gouzenko had written a rather strong appeal to the President of the United States the gist of which was, as I saw it on INS and used it on my newscast that night, that he had charged that the reason the United States had been unable to launch the first earth satellite had indicated to him there must have been Communist espionage in our missile system.

I recognized, from my previous knowledge of Mr. Gouzenko, that represented a severe sacrifice on the part of Igor Gouzenko—and I don't think I have to go into that before this committee, which is very familiar with how difficult it is to contact Gouzenko, and with all the ramifications and the awful shadow world in which he and his family live—I spent one of the most peculiar weekends of my life with Gouzenko, and I got some idea of what that man lives under.

And so, when a man like Gouzenko speaks up and says he is terribly concerned—and I have some of that concern on the tape, and I have also in the back of my mind some of the conversations not on the tape, which reflect this awful concern—

Mr. MORRIS. Do you have the tapes?

Mr. SIEGRIST. I do; I have five tapes—don't be scared; I will not play them all; I will play one of what I have here. And he would not let me take an engineer. The only person he would let me take—and, as a matter of fact, he requested specifically, I took one other person, because Igor Gouzenko had never seen me. I had talked to him on the telephone, and he knew my work and what I am trying to do, so he asked that I take one person along.

Mr. MORRIS. Will you play some of the more significant passages and make the other tapes available to the subcommittee?

Mr. SIEGRIST. Yes. Those are belts from the raw tape; I have 5, and 1 is a complete program, but, by taking out my introductory re-

marks—I have about 8 minutes on this one, which establishes him, and is not particularly pertinent, and regarding the manner in which the missiles program in Canada would have been subverted by the Canadian scientists with whom he spoke—

Mr. MORRIS. As you know, the Internal Security Subcommittee of the Senate is charged with the responsibility of reporting to the Senate of the United States evidence of espionage in the United States.

Mr. SIEGRIST. This is tape No. 3, in which I simply ask him—and I want to remind you that he was a part of the Soviet; he was a part of the apparatus, and he knows the objective of world conquest, and if you wish me to—we do not have to play all these tapes, and I have several points to make and I can make it rather brief—

Mr. MORRIS. Senator Johnston, may we accept all of those in the record?

Senator JOHNSTON. I think it would be well for you to present those to the committee, these records, so that it can play them for the committee's information.

Mr. SIEGRIST. I will be glad to do that. That is why I had these belts made.

(Transcripts of the records were marked "Exhibit No. 521" and are printed at the conclusion of Mr. Siegrist's testimony.)

Mr. MORRIS. Would you play that; and the reporter will not have to take this down because we will have the tape.

(Thereupon, a recording was played.)

Mr. MORRIS. Mr. Siegrist, can you sum it up for the committee?

Mr. SIEGRIST. Yes; I can, for the record.

Mr. MORRIS. Of course, the whole thing will be in the record.

Mr. SIEGRIST. There are five points, and one is general, and in the introductory broadcast last Monday, in this broadcast I asked Mr. Gouzenko why he chose this time to break his self-imposed silence, and he said because he thought it was his duty to warn the free world through the President of the United States, and he reflected considerable concern, and I know he has considerable concern, as to why so much time has gone by since this warning he has given to the President of the United States, and, as he feels, to the entire free world, through the President of the United States, why it is he has not received a single indication that the President of the United States has received that.

And I asked him, does he have any idea why, and he said:

I believe it is entirely possible—

and I am quoting verbatim—

that his assistants, whoever they are, may not even have given that letter to the President; he doesn't even know I had written it.

He doesn't say, "He doesn't even know I have written it"; that is not verbatim, but that is the idea.

And then I said:

Does this surprise you?

And he said:

No, it does not. Keep in mind, I gave my five-point program—

to which I referred, and which is extremely pertinent and which became even more pertinent when I heard the testimony about the



defection situation here today—he knows the value of defection to the free world:

Keep in mind I gave my entire five-point program in which I allude very specifically and graphically in this letter to the Government of the United States, to the gentleman who was the United States Ambassador to Canada, in 1954, I gave this program to the Government of the United States officially, and I never received any indication anybody did anything about it, and obviously nobody did.

Now, his five-point program is the most important thing with Igor Gouzenko, and he is living with this constantly in his mind, and his five-point program very basically is the idea, as he said:

You don't stop espionage without getting the spies.

And he said that there are many people, he knows that there are many people, Communist officials, as he puts it, Soviet officials and Soviet agents like himself, who are looking for the opportunity, who care nothing for communism or the Communist regime, who are looking for the opportunity to make the break that Igor Gouzenko made—but they have no encouragement from the Government of the United States to defect against communism, and they feel themselves trapped in a ghost world, they feel they cannot go freely to the Government of the United States and say, "Look, I want to break away, I want asylum, I will tell you everything in the missiles program," for example, because there is no encouragement from the Government of the United States to do these things.

And furthermore, he points out that in 1944 he, Igor Gouzenko, had this information and he wanted to break. He was sick of communism.

Igor Gouzenko is my age; he was born in 1919, he is 38, and he is a Soviet-trained man, as he points out, and he points out that when he was in trouble he had been told by the Communist propaganda and the Communist schools that there was no God, and when in 1944 he wanted to come West and give this information, he recognized that if he went to the Government of the United States or Canada, they would immediately turn him back as a traitor and he would be killed, and so he had this vital information until after the war ended, when Russia was no longer our great, noble ally, and then he took the chance—and since then he has lived in the shadows, fearing assassination of his family if it is found out—and when a man like Igor Gouzenko breaks this silence like he has before me and Charles Kersten, who he admires because Charles Kersten was the author of the escapee program by which Mr. Vidovics and other Hungarian refugees came into this country—and that is why he wanted Mr. Kersten to come with me.

I mentioned the fact, the word "God." As a Soviet-trained man, he was supposed to accept that there was no God, but he could not accept communism, although he accepted it to the extent that he thought that the West was worse—and, as you perhaps know, the Russian attitude is "Nichevo." That is the Russian Attitude, "We are living today, we are alive, don't wait until we are dead, because we have no God and there is no hereafter, and therefore it is better to live under this totalitarian rule than to die, because when you die, then you die like a dog, there is no soul in the human body."

And so, although Gouzenko said he had never known God, when they began getting suspicious of him in 1944 and he could not turn West, where he wanted to go, and he could not turn back to Moscow, in this tape Igor Gouzenko said:

I threw myself down on my bed and I said, "God, if you exist, help me."

Two days later he got an extension, and, as the result of that extension—a year's extension in Canada—the spy ring was broken. And Igor Gouzenko says that he most emphatically believes in God, but at that time he did not know it when he was seeking help.

And he says that if people like him are to defect, as he did, himself, then they should get this encouragement:

He wants them to get a guarantee of citizenship.

He wants them to get lifelong protection for themselves and their families.

He wants them to get help for employment that would be commensurate with their education and training.

Igor Gouzenko is a brilliant man. That is how he got his position, because he was brilliant, he did not get it because he was elected to it.

He points out that one Soviet official not so long ago did defect, and a few weeks later he was washing dishes a few blocks from the Soviet Embassy and he was the laughingstock of the Soviet Embassy—and even a man who worked under communism does not want humiliation at the hands of the Communists when he comes to the West. He is very intense about this.

He wants material security.

And he wants documentary recognition of the service of a man who defects. That, basically, is the program.

And Gouzenko said:

What does it mean? What does it matter if it costs a little bit of money to take care of one of these people that render service to the free world by bringing documents over and evidence?

And everybody cries "evidence," and, as you know well, Senator, in espionage there is no corpus delicti, you know the espionage is there, because, as Gouzenko says, it is a part of the plot against the free world by this godless, materialistic system. It is a part of it. There is no such thing as God.

And, as Gouzenko points up, this is no novelty, spinning overhead at 18,000 miles an hour. This is not a fluke. This is not pure scientific research. This is a vital weapon in Soviet warfare for the conquest of the world.

And it is this that Gouzenko reflects in our conversations, and he expressed his concern to me, and that is further why he wanted former Congressman Kersten to be present—and some of it is on the tape—he is concerned, and that is his main tune: Why doesn't someone here—why doesn't somebody do something—and he says on one of the tapes here: "Let us have some action now." And he wants action and he wonders how long the West will remain weak and irresolute and continue not strong and positive. He points out about stopping fingerprinting, which is precisely what the Communists want—that the State Department is backing down instead of being resolute in the face of the Communists. Force, he says, is the only thing that the Communists ever understand and appreciate, and yet we are now beginning to show signs that we are doing precisely what Khrushchev

wants us to do. And this concerns Gouzenko personally and, as an American, it concerns me, too, if I may add that personal note.

Mr. MORRIS. Senator, we have had many former Soviet people testify before the subcommittee in much the same way as Mr. Gouzenko, through Mr. Siegrist, has talked, saying our laws are inadequate with respect to providing inducements. We have continually made recommendations, and there have been bills, but they did not go very far. I think it is important to point that out.

Is there anything else, Mr. Siegrist, you can tell us here in connection with this particular inquiry?

Mr. SIEGRIST. Well, I started to say about the matter of evidence, that you don't need evidence. Naturally, the Communists are not going to give you this evidence, but if you protect the agents who want to defect, they will bring it, and this he points out.

Now, perhaps the committee knows this, perhaps the Senator knows this, but I did not, but it is again significant and very pertinent to what you were saying about laws, that today we are accepting as a kindly old professor here a Russian who happens to be the Soviet general of artillery, and Gouzenko was concerned about that, where this man, this Blagonaroff, I think that is the name—it has been in the press many times, and it has been in broadcasts—is accepted as a kindly old professor, participating with other Soviet Russians in the International Geophysical Year, while, in fact, he is a general of artillery in the Red Army and one of the top Soviet scientists regarding this program. Gouzenko points out that this typical kindly old professor was not that, but a lieutenant general in the Red artillery, and it is very important. He is a top man in the scientific field for Soviet Russia, and yet he is going through our United States Naval Laboratory—he went through it a week ago—and American newsmen could not get in.

He points out—and, by the way, I would say, Mr. Morris, that he would be glad—he could not come into this country. You know all the difficulties about getting to him, but he said that he would be glad to talk to you, but you would have to come to him for all the reasons obvious to you, but he did ask me this:

He wanted me to ask if I would please give it—the broadest—all possible publicity as to what he had to say, and naturally, when you had this inquiry, I was delighted to come down and bring down the tapes for your inquiry, as well as for the American people.

Mr. MORRIS. Now, in connection with the three spies in Canada—

Mr. SIEGRIST. Yes.

Mr. MORRIS (continuing). And the 750 pages<sup>1</sup> of scientific information—can they be identified?

Mr. SIEGRIST. He did not at that time, and I talked to Igor Gouzenko on the telephone yesterday and asked about that—and keeping in mind his English got better as he got along, but over the telephone it is difficult—but he told me that the spies had cover names of—first, Badeau—

Mr. MORRIS. That was the name?

Mr. SIEGRIST. That was the cover name; and he gave me this name, the real name. The real name of this man is Dunford Smith, and he said he was convicted in the [spy] trials; that Dunford Smith, alias

<sup>1</sup> See transcripts, p. 4806.

Badeau, had been a scientist in the Canadian National Research Council.

Now, this, gentlemen, I am giving you as Gouzenko gave me over the telephone yesterday.

Another name he gave me was the name of Bagley, and I asked him to spell it, and that is it, B-a-g-l-e-y, as best as I can understand on the telephone, and the records would show the name anyway. He, too, was convicted, and he was a member of the National Council.

Then, Edward Mazerall—and then he mentioned one he said was not convicted, and he did not understand why, but he was not convicted—if you want me to give that name in public, I hesitate, I don't know. I would be glad to give it to you privately.

Senator JOHNSTON. You may give it for our file.

Mr. SIEGRIST. Yes. It will be a name very familiar to the committee, however.

Now, there was one point I was going to mention—I got off the subject. I did not know about the Gouzenko story, but he was actually a lieutenant in Red Army intelligence. He had been assigned to that intelligence school because he had a brilliant academy record. In Russia you have the gymnasium, and it is junior college and high school combined. He was assigned because he graduated with a gold diploma, and he went to architectural school. When the Germans were 16 miles from Moscow, Soviet officials came in one day and, he tells me, they said, "You, you, and you are in the army, in intelligence, we are sending you to the intelligence school."

And he came out a lieutenant. He said that they asked him, "Do you want to be a cipher clerk or a decipher clerk?" He said that he didn't know which, and he was lucky that he became a cipher clerk, because they went to foreign countries, but the decipher clerks never get out, they never defect. The important thing is that he got his pay from the Soviet Red Army, although he was diplomatic personnel.

And he said:

I don't know what I was, if I was an administrative assistant or what, but I was a cipher clerk in the Soviet Embassy at Ottawa, but officially I was accepted by the Government of Canada as a diplomat, and—

he said—

it is the same way in every embassy.

He said that it is the pattern; that you cannot separate espionage or sabotage from Soviet diplomacy or pure science. Those are the things he wanted to point out.

Senator JOHNSTON. Are there any other questions?

Mr. MORRIS. I think not.

Senator JOHNSTON. All right.

Mr. MORRIS. How long are you staying in town?

Mr. SIEGRIST. I will do whatever you want me to do.

Mr. MORRIS. Is there anything more that you want to tell us now, Mr. Siegrist?

Mr. SIEGRIST. There probably will be after I leave, in retrospect.

Senator JOHNSTON. You will be available to the committee?

Mr. SIEGRIST. Yes.

I do believe, though, that the main body or the gist of our conversations is reflected in those tapes, I certainly hope so. If I missed that, I am not a very good reporter.

Mr. MORRIS. We thank you, Mr. Siegrist, and we are certainly very grateful to you to come all this way to appear before the committee.

Senator JOHNSTON. We certainly appreciate your coming here and giving that information to the committee.

Mr. SIEGRIST. Thank you, Senator.

Senator JOHNSTON. Off the record.

(Discussion off the record.)

Senator JOHNSTON. Mr. Morris suggests that we meet at 3 o'clock—in this room?

Mr. MORRIS. Yes.

Senator JOHNSTON. Very well.

We will meet again at 3 o'clock.

(Whereupon, at 12:50 p. m., the subcommittee recessed, to reconvene at 3 p. m. of the same day.)

(Following are transcripts of the taped interviews with Mr. Gouzenko, preceded by a news story by Mr. Siegrist, based on the recordings:)

#### THE PATTERN OF SOVIET ESPIONAGE

By Igor Gouzenko, as told to Bob Siegrist

SOMEWHERE IN CANADA . . . October 15 (INS)—As a Soviet-trained man, I recognized that Russia's successful launching of history's first earth satellite represented a Soviet victory far beyond the complex field of so-called "pure" science.

I recognized that it represented a vital and far-reaching victory in what, to the Kremlin-based world conspirators, must forever remain the companion sciences of propaganda, coercion, duplicity, red-style "diplomacy" and military force.

All of these are vital weapons of international communism's amoral crusade for world conquest.

As a former Red Army intelligence officer and cipher clerk in "diplomatic" guise, I recognized, too, that this ominous Soviet victory had been realized through the Kremlin's utilization of another of its mostly highly developed and most diabolical of sciences—the "science" of subversion, espionage, and sabotage.

In this concerned recognition of these frightening facts, I accepted it as my duty to break my self-imposed silence to make the most direct effort possible to warn the obviously confused and threatened portion of the world that still remained free.

I believed it only proper and logical that my warning should be directed to President Eisenhower as the elected leader of the nation which represents the only major barrier to the Kremlin's effort to enslave all nations as the red leaders long ago enslaved my Mother Russia.

Within 48 hours of the Moscow announcement of the launching of the red sputnik, I had mailed to the President a letter in which I warned:

"The fact that the United States with its advanced scientific and material resources was not able to launch the first earth satellite should be a subject of serious thoughts and investigation.

"In my opinion it indicates the work of well-organized Soviet spy rings in the U. S. missile production system. These espionage rings on one hand are pumping out of United States the valuable scientific and other information, and, on the other hand, are sabotaging and delaying the U. S. missiles efforts under all kinds of seemingly logical excuses."

To that warning, I added:

"May I recommend, Mr. President, that the U. S. government immediately adopt and put into effect my five-point program, the aim of which is, by bringing on our side the people with documents exposing the Soviet spy rings, to effect a crushing blow to the Soviet espionage system on American territory."

I reminded the President:

"This program, vital to the security of the U. S. and of the whole free world was officially handed over to the U. S. government in Jan. 1954 \* \* \*."

There can be no question but what there are other communist-sickened Russian officials and agents who yearn for an opportunity to break for freedom and to carry with them vital documentary evidence of Kremlin-directed espionage against the West, as did I in 1945.

Yet these persons find little encouragement that they will not simply be drained of their information, played for propaganda purposes, and then dropped to fend for themselves in an awful, uncertain shadow world in which they will be spurned by the non-communists and hunted by the communists.

My program would offer that desperately needed encouragement by assuring that defectors will be granted American citizenship, financial help, lifelong protection, employment assistance, and documentary recognition of their services for freedom.

To illustrate the importance of defection, permit me to remind the reader that in my defection I was able to expose, among others, three spies in Canada's National Research Council.

Prior to that exposure, Canadians had accepted them as good, respectable, sincere, and loyal Canadian scientists. Yet, in just one day, these men had delivered to the Soviet Embassy in Ottawa 750 pages of secret scientific information.

When I exposed them, they were preparing to surrender, on film, all of the secret scientific library.

In other words, the result of long years of work and achievement of the best Canadian brains were about to be placed at the disposal of Soviet Russian Science.

Had not they been exposed, these three scientist-spies would have grown in number. Loyal scientists would have been milked of information and then squeezed from the picture wherever possible. The Canadian National Research Council would have become, in effect, a department of the Soviet Academy of Science.

Had the Canadian government decided to launch an earth satellite program these spies would have pursued the following Kremlin-assigned course:

They would have hastened to give Moscow every speck of information available while slowing down Canada's program and while hurling into official and public eyes the soft dust of scientific alibis for lack of Canadian progress as that they were being hampered by such problems as "heat resistance," "erosion," "alloys," and so forth.

Meanwhile, Russia would have capitalized on this by launching its own earth satellite to the accompaniment of the loud acclaim of these "respectable" Canadian scientists who, while publicly congratulating the Kremlin's scientists on their great achievement in the "innocent" and "peaceful" field of "pure" science, would simultaneously bemoan the "fact" that under the American free-enterprise system scientists had not been properly recognized, considered, supported, and honored.

This would have been the pattern, for this is the Soviet pattern. Americans and their elected officials should note it well.

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(Following are the transcriptions:)

Mr. SIEGRIST. On Friday, October 4, Soviet Russia rocked the world by launching the first space satellite in history. To those who best knew the Kremlin mind, this Russian-first in outer space carried especially frightening significance. This so greatly disturbed one of the greatest experts on that Kremlin mind this side of the Iron Curtain that it moved him to break the self-imposed silence of many years in an effort to warn the non-Communist world the danger inherent in this Russian victory in outer space.

This man was Igor Gouzenko, the Russian code clerk, who in 1945 laid his life on the line by breaking with the Russian Embassy in Ottawa, Canada, to turn over to the Canadian Government volumes of vital information on Soviet espionage which was being carried out at that Soviet Embassy in Ottawa. In making that historic break, which shook the Soviet world as a true international headline, Igor Gouzenko carried with him 109 secret documents to help prove his case against Russian espionage via the Russian Embassy in Ottawa, Canada. To this day, these papers which broke an important Soviet spy ring, which from the Ottawa Embassy spread out into the United States and Britain, remained the only important massive and organized documentary evidence of Red espionage ever secured.

As a result of the historically sensational Gouzenko revelations, 10 Canadian citizens and 1 British citizen were convicted. Among the 10 Canadian citizens convicted were 1 member of Parliament; 1 top scientist, who was a millionaire, by the way; a top official of munitions supply for the Canadian Government; an External Affairs employee; and 2 scientists of Canada's National Research Council. The British citizen was Dr. Allan Nunn May, the renowned nuclear physicist.

The report of the Canadian Government Royal Commission, whose investigation of the Gouzenko charges set the scene for the trials and the convictions, had this to say of Igor Gouzenko, we quote:

"We have been impressed with the sincerity of the man and with the manner in which he gave his evidence, which we have no hesitation in accepting."

And the Royal Commission added: "In our opinion, Gouzenko, by what he has done, has rendered great public service to the people of this country and thereby has placed Canada in his debt."

The ROYAL COMMISSION.

It was against this outstanding and trial-proved background that Igor Gouzenko became so alarmed by the launching of the Russian space satellite that he broke his silence by sending from his Canadian haven, the following letter to President Eisenhower. We quote that letter:

"DEAR MR. PRESIDENT: The fact that the United States, with its advanced scientific and material resources, was not able to launch the first earth satellite, should be a subject of serious thoughts and investigation. In my opinion, it indicates the work of well-organized Soviet spy rings in the United States missile-production system.

"These espionage rings, on one hand, are pumping out of the United States the valuable scientific and other information; and, on the other hand, are sabotaging and delaying the United States missiles efforts under all kinds of seemingly logical excuses.

"May I recommend, Mr. President, that the United States Government immediately adopt and put into effect my 5-point program, the aim of which is, by bringing on our side the people with documents exposing the Soviet spy rings, to effect a crushing blow to the Soviet espionage system on American territory. This program, vital to the security of the United States and of the whole free world, was officially handed over to the United States Government in January 1954. It is also widely published in the United States and Canadian press. This program should have been adopted long ago. It should be adopted now before it is too late."

And now, we have at our microphone tonight the man himself, Igor Gouzenko, for, upon learning of Gouzenko's dramatic breaking of his silence via the letter to President Eisenhower, parts of which were published in the press in great amounts in Canada and relatively small amounts in the United States, upon learning of the silence breaking by Gouzenko, we made contact with him in Canada and arranged, not without obvious difficulties, for exclusive interviews for our broadcast. Therefore, we are speaking with him as our guest tonight from an undisclosed place in Canada.

Igor Gouzenko, it is truly an honor to have you on our microphone.

Mr. GOUZENKO. I thank you.

Mr. SIEGRIST. Igor, I know from the many hours that we have talked and discussed things prior to this broadcast that, in the years that you have been in Canada, you have picked up some very fine English ability.

Mr. GOUZENKO. I hope so.

Mr. SIEGRIST. Now, Igor, if you speak up and speak slowly, I am sure that our audience is going to understand you very, very, well. And what you may lack in English ability, grammatically speaking; dramatically speaking you have it, because we know you speak from the heart.

Now, Igor, why did you pick this particular time to break your silence via this letter to President Eisenhower?

Mr. GOUZENKO. I took this time, chose this time because I think right now the free world is going through one of the most critical periods of its existence, and also a very dangerous period; and, therefore, I thought it's my duty to warn the free world through President Eisenhower.

Mr. SIEGRIST. Well, now, back in 1945 when you made your break with your Government, that is, the regime, the Communist regime that controls your Russian country, Igor Gouzenko, when you made that break, why did you make the break when you did?

Mr. GOUZENKO. In that time it was also—free world was also about to be in a dangerous situation. It was time when Soviet Government, through their agents, were already receiving information and data on atomic bomb and knowing that Soviet leaders if they have atomic bomb and if they knew, they can use it and as a result be destroyed themselves, they will do it. Knowing this all, I wanted to warn free world about imminent danger.

Mr. SIEGRIST. And when you did that, Igor Gouzenko, when you did that, the Canadian Government first appointed the Royal Commission and as a result of the findings of the Royal Commission from talking to you, from your testimony, from your evidence, there were trials and the convictions which followed, which we have now enumerated.

Now, the Canadian Government took action. Has any action been forthcoming from President Eisenhower or as a result of your letter to President Eisenhower in connection with your warning regarding the Russian outer-space missiles?

Mr. GOUZENKO. Not yet. No; I didn't receive any answer from him yet.

Mr. SIEGRIST. Does this surprise you?

Mr. GOUZENKO. Well, in a way, no, because I am not sure that he read this, because I am not so sure that his assistants, whoever they are, passed to him that letter.

Mr. SIEGRIST. Do you have any idea why that might not be passed on to President Eisenhower? Certainly, you are known in Washington.

Mr. GOUZENKO. Well, I wouldn't know the precise idea, but by my experience with—don't forget this is actually the second time I give advice, the same advice to the United States and Canadian Government. It was the first time in 1954, in January, and they didn't take action in that time. Well, and the—there is so much—there is not much movements on it right now, too. And—

Mr. SIEGRIST. All right. Now—pardon me—go ahead, Igor.

Mr. GOUZENKO. And yet, to tell you frankly, I think the situation like this is like a second Pearl Harbor, even much more so. Because while in the Pearl Harbor, it was only destroyed part of our United States might with whole country intact; right now over our heads, whirling that satellite which reminding about that danger which might destroy whole country, at least cities and millions of population.

Mr. SIEGRIST. All right. Now, when you broke with your country, with your Government of Russia in 1945 and took the action you did in Canada with the convictions which followed, you say that you were concerned because Soviet Russia was beginning to get our secrets of our atomic bomb. Now, we know they have the atomic bomb, in greatest part through espionage, and the hydrogen bomb now and these jet planes and the ballistics missiles, and now they have been able to propel into outer space this space satellite. So, if you were concerned in 1945 about what the Russians would be able to do with the atomic bomb, unquestionably you were even more greatly concerned, knowing that they can do in scientific fields what they are now doing?

Mr. GOUZENKO. Yes; certainly so. And because right now they have means to deliver these hydrogenic bombs; and we can, pretty sure, have evidence in the form of that Sputnik that they claim for having intercontinental ballistic missiles, it is not antiwar, it is British—it is facts.

Mr. SIEGRIST. Well, now, if President Eisenhower or some representative of the Government of the United States, of either the legislative or the administrative branches of the Government, should ask you: All right, you have made this claim, Igor Gouzenko, what is your evidence? What would you say?

Mr. GOUZENKO. Well, I would say this: I haven't got right now documentary evidence as I had in 1945, but I have that experience, intimate knowledge of Soviet espionage activities and, even more important, I have that intimate knowledge of workings of the Soviet mind, of how they would think and they will act in certain cases. And it all points to that fact, they certainly will try, do their best, through their fifth column to undermine United States efforts in a—on critical projects, like guided missiles or intercontinental ballistic missiles. Therefore, I also know that their aim is to control all free world.

And in this case, I will say, it's not for nothing they publish every day, on a heading over their Communist newspaper Pravda, their main publication, words "Proletarii Vsekh Stran Spediniaitis," proletariats of all countries, unite. Well, this has nothing to do, of course, to proletarian but it has to do with countries, free countries, everything to do with the free countries. And I can assure you they will take off that sign only when all free world will be under Communist regime.



Mr. SIEGRIST. In other words, what you are saying about this cynicism of the Communist slogan "Workers of the World Unite" or "Proletarian of the World Unite," as you have read from the banner of Pravda which we have before us here—

Mr. GOUZENKO. Yes; that's right. You have it right here.

Mr. SIEGRIST. What you are saying, Igor Gouzenko, is that it is not the workers that make these advances, not the workers that advance under communism; the advances that are made, in great part, are due to espionage and fifth columns and boring from within a new fear. And you are quite confident that we will find, upon investigation, that their advance into outer space has been made in great part through duplicity and through espionage against our American Government; am I correct?

Mr. GOUZENKO. I am fully—I absolutely believe in it and I am sure if a thorough investigation would be done, the results precise will happen.

Mr. SIEGRIST. Thank you very much, Igor Gouzenko. We will be going into that matter further and, also, we will be discussing your five-point program, which you gave to the Government of the United States back in 1954, in subsequent broadcasts.

Ladies and gentlemen, keep in mind that the voice you just heard was the voice of Igor Gouzenko. The warning that you have just heard came from Igor Gouzenko, a man who knows, a Soviet Russian trained man, a former Red army intelligence agent who broke with Moscow in 1945. Keep it in mind.

Mr. SIEGRIST. Igor Gouzenko, one of the few things that we can reveal regarding you is, of course, something that has already been revealed, that is your age. You just happen to be the age of this reporter, 38 years old; right?

Mr. GOUZENKO. Right.

Mr. SIEGRIST. You were born in 1919, shortly after the end of World War I and, of course, you were born shortly after the Communist revolution against Mother Russia.

Mr. GOUZENKO. That's right.

Mr. SIEGRIST. Now, where were you born?

Mr. GOUZENKO. I was born in a village, Ragachova, which is about 30 miles from Moscow.

Mr. SIEGRIST. And did you live in that village very long or did you move elsewhere?

Mr. GOUZENKO. No; I was moved almost immediately after that to another village to live with my grandmother. Well, and then moved with my mother, with my parents, to other places and, eventually, I was in Moscow, studying at school until when I finished 10th grade when I went to an architectural institute in Moscow and—until war break out, and then was mobilized to the Military Engineering Academy during the war. And about 3 months later was again—commission come there and select several people, and I was one of them, to be sent to Military Intelligence Academy and I was studying ciphers in that academy.

Mr. SIEGRIST. That was ciphers. You were studying code in the Military Intelligence Academy.

Mr. GOUZENKO. That's right.

Mr. SIEGRIST. Now, at no time did you really have anything to say about your destiny, really. When you completed through the 10th grade at the school that you mentioned, that was actually what they call in Russia gynasium. Right?

Mr. GOUZENKO. That's right.

Mr. SIEGRIST. Which is sort of a high school and a junior college combined; am I correct?

Mr. GOUZENKO. That's right.

The only time they asked me, it's when—in the Military Intelligence Academy, they asked me, "Who do you want to be, cipher or decipher?" And I really don't know the difference and I just say, "Cipher," And, actually, it was a big difference? If I would be decipher, I wouldn't be sent abroad.

Mr. SIEGRIST. Now, they asked you, "Do you want to be a cipher clerk or a decipher clerk?" And you just happened to say cipher clerk; and that worked out for the good of Gouzenko and, actually, for the Government of Canada, because it was the selection of you as a cipher clerk that led you to the Ottawa

Embassy assignment, from which you broke with Soviet Russia and exposed the spy ring.

Mr. GOUZENKO. That's right. If I said decipher, I would be staying because they don't send decipherers—they have nothing to do abroad.

Mr. SIEGRIST. Now, what year was this when they sent you to the Military Intelligence Academy and assigned you as a—to study to prepare yourself to become the cipher clerk as you did; what year was that?

Mr. GOUZENKO. It was October 1941. And at that time, the Germans were already near Moscow and this academy moved in the rear to study and to continue work, so it was October 1941.

Mr. SIEGRIST. Now, let me get this straight: You were suddenly drafted into the army, you were in the academy and suddenly they drafted you into the army from your architectural studies and assigned you to this Military Intelligence School; are we correct on that?

Mr. GOUZENKO. Well, yes. They drafted me in the army from the institute, to the Military Engineering Academy, and then from Military Engineering Academy to Military Intelligence Academy.

Mr. SIEGRIST. Then after you had completed that study of being a cipher clerk in the Military Intelligence Academy—and that, as I understand was east of Moscow because it was during the war, the Russians were threatening; is that right?

Mr. GOUZENKO. Yes; that's right. And then, in April 1942, with the rank of lieutenant when I finished that course, I was placed in the Military Intelligence Headquarters in Moscow where all the cipher telegrams are received from all over the world, and including, of course, the United States; and there I was working until July—June 1943, when I was sent to Canada.

Mr. SIEGRIST. Now, when you were sent to Canada, of course, World War II was still on and Soviet Russia was supposed to be our ally, that is, the American ally?

Mr. GOUZENKO. Yes. And I was working there in the Embassy until September 5, 1954.

Mr. SIEGRIST. When you broke?

Mr. GOUZENKO. When I broke.

Mr. SIEGRIST. Now, let me get one thing straight: The war was on, you were a lieutenant in the Red army intelligence division, and your specialty was code, as a cipher clerk; yet, you were sent as diplomatic personnel, you were not sent as an officer of the Red army. You were sent as diplomatic personnel to that Ottawa Embassy; am I right?

Mr. GOUZENKO. Right, in civil classes and with official—I was supposed to be assistant, technical assistant to military attaché.

Mr. SIEGRIST. In other words, the Government of Canada and the people of the United States, and so forth, our friends, were supposed to accept you as just another member of the diplomatic corps, but actually you were a military intelligence agent with a rank of lieutenant and you were working on code.

Mr. GOUZENKO. That's right.

Mr. SIEGRIST. Now, did you join of your own volition or did you have to join somewhere along the way in your youth the Comsomol, that is, the young Communist organization in Russia?

Mr. GOUZENKO. Yes; I joined, and it was in ninth grade at school, and, of course, I joined—that was always drive to bring as many possible young boys and girls to young Communist organization, and I joined. And, also, because I thought it's the best thing to do at that time.

Mr. SIEGRIST. Why did you think it was the best thing to do at that time? To get ahead?

Mr. GOUZENKO. To get ahead in studies; to get ahead in my work, eventual work, et cetera, because, first of all, it's clear for everybody there—what I mean when clear for everybody, it means clear—it was clear there at that time, like to many other students, that, in some cases, if you are not member of young Communist organization you suffer in the way of not being accepted to some schools, and so on.

Mr. SIEGRIST. In other words, you just had to do that. And did you consider yourself as a Communist up until the time you quit the Embassy in Canada?

Mr. GOUZENKO. Well, I didn't question this, and, of course, I can say to myself, and I was—sincerely believed in the Communist propaganda, all things, like millions of others.

Mr. SIEGRIST. All right. What changed you? What turned you away from communism? What made you want to break and live in the West?

Mr. GOUZENKO. Well, it's the first time the test of freedom; even so, I didn't actually taste it in full at that time, because I was in the confines of the Embassy. But, still, even at that time, I see with my eyes; you have to be blind not to see the difference.

And like, for example, election—well, it amazed us how election was conducted in Canada; that there are several candidates and there was something to choose from, and now they criticized openly policies of the Government; things which are absolutely unheard of in Soviet Government, when on election leaves there is only one candidate, and that is a Communist.

Mr. SIEGRIST. When you were a young man studying in Moscow and when, then, later you became a lieutenant in intelligence in the Red army and then when you were sent to the Russian Embassy at Ottawa, Canada, did you believe in God?

Mr. GOUZENKO. Well, no. And I, like any other Soviet citizen, I didn't believe, I didn't—in fact, we just thought it's kind of something for old people, you know.

Mr. SIEGRIST. And there was really no hereafter, as you believed, no God, no hereafter; you just lived and then you died?

Mr. GOUZENKO. That's right. Just die and then disintegrate; that's all.

Mr. SIEGRIST. Now, do you believe in God now? And, if you do, what made you change?

Mr. GOUZENKO. Yes; I do believe. And it made change, many things; but there was—really, I was seriously thinking about God—things which I never told nobody but it's first time I mention it now. At a critical time in 1944 when, first time, I was recalled to Moscow, and it was time when I know that if I—and I already actually decided to make my break, but I know if I do my break at that time, I would definitely be turned over back to the Soviets and I—so here I was in a situation, I wanted to help West World and yet I know I would be turned down because it was during the wartime and there was no, absolutely—even question of them being offended at their allies, and yet knowing what Soviet Government doing here behind the backs of them and—that was the time, when I was recalled to Moscow, I really—I remember definitely that night, I first time think about actually, actually just plain ask for help of God.

Mr. SIEGRIST. How did you pray? You didn't know how to pray, you hadn't been instructed in God—

Mr. GOUZENKO. I didn't pray; no, no.

Mr. SIEGRIST. What did you do? What did you say?

Mr. GOUZENKO. Well, I just said to myself, "If You exist, help me." That's all.

Mr. SIEGRIST. "If You exist, help me"; and you were talking to God, probably, for the first time in your life.

Mr. GOUZENKO. For myself—yes; first time. I didn't even mention this to my wife.

Mr. SIEGRIST. You didn't mention this to your wife. This is the first time you reveal this, Igor Gouzenko. And tell me, do you think God heard your prayer that night? Do you think there is a God now?

Mr. GOUZENKO. Well, I think so.

Mr. SIEGRIST. Thank you very much, Igor Gouzenko.

Mr. SIEGRIST. Igor Gouzenko, you have told us on a previous broadcast that obviously you don't have the evidence and the documents to substantiate your claim to President Eisenhower that Russian Communist espionage had helped pave the way for the Russian victory in outer space via the Sputnik, but you have pointed out that you do have the evidence by way of your hard, cold knowledge as a Soviet-trained man and, as the former code clerk in the Russian Embassy in Ottawa, Canada, you know exactly how the Russians work.

So, let us go back to 1945 at the time of your break with the Russian Embassy in Canada and your exposure of the Soviet spy ring that was working out of there. Let us go back to that time and let us assume that scientists were actually going into a missiles program on the basis of the information, the documents, and the evidence that you had then; how would they go about operating their situation?

Mr. GOUZENKO. Well, I'll tell you this way: that I, myself, when I was in Moscow before the war as an ordinary Soviet citizen, I have no knowledge whatsoever about Soviet spy activities; they never mentioned this. When they have some victory, some country—say, they control some country, it's always the proletariat, always the workers do it. It is spontaneous rebellion or spontaneous demonstration, or done through parliament or something like that, by progressive elements; never by spy, of course.

When I was working in the Soviet intelligence headquarters, then I saw and I was amazed by the magnitude of that espionage work. But, really, I get shock of my life when in the Soviet Embassy in Ottawa. Then, when I saw it in the concentrated form, how they brought whole suitcases with information, with the blueprints, with actual telegrams from important persons—like, for example, the Prime Minister of Canada would send telegram to his Canadian Ambassador in Moscow and the Soviet intelligence spies worked so efficient that Moscow received that telegram before even the Canadian Ambassador. Well, that kind of thing really amazed me.

Now, to illustrate to you, to show you the magnitude of that work, let me remind you of one actual fact which was recorded in the Royal Commission and is actual document which I brought—one of the documents I brought with me to the Canadian authorities, that concerned the work of espionage ring in the Canadian National Research Council.

Well, at that time, at the time of my break with the Soviet regime in September 1945, there were—among many other spies, there were three Soviet spies in National Research Council with cover names Bagley, Bacon, and Biedor. Well, cover names means not real names but names used in espionage system. Now, to all Canadians they were good scientists, good, respectable scientists.

These three spies were able to give at one occasion—mind you not during certain periods, because they were actually organized only about half a year before my break—but on one day, they brought 750 pages of secret scientific information and were about to give all the scientific library, secret scientific library, on a film—on a film, of course—to the Soviets. In other words, the result of long year work and achievement of the best Canadian brains were about to be at disposal of Soviet scientists. My step prevented it.

Well, yet suppose I was stopped in my action—well, stopped—suppose, when I was getting out these documents of the Soviet Embassy, I would be arrested or somehow prevented, what would happen now 12 years later? Well, these three spies would grow into more respectable scientists with whom anyone would be proud to shake hands. They would surround themselves during these years with many other spies, also scientists, who—and they will gradually squeeze, as many as possible, all the scientists out of this scientific body and will milk the rest of them to utmost. Then the National Research Council, to put it mildly, would be like a little private busy department of Soviet academy of scientists.

Now, suppose Canadian Parliament decided to launch our satellite or to start a guided-missile program or intercontinental ballistic missile for its defenses, naturally the Government would entrust such a job to the National Research Council; at least part of a job they will entrust with this task; and naturally and dutifully, this multitude of spies would give every speck of information to the Soviet Government. At the same time, the Soviet Government would demand from these spies that they slow down the actual launching of the satellite or sabotage the guided-missile production under all kinds of excuses; and you know spy-scientists could find plenty of excuses.

Suppose some Canadian Government official would ask these scientists, like we—like, let us say, like now people in America asking the scientists, some of them, "Why the delay?" They would throw in face of that official the dust of scientific works, heat resistance, erosion, alloys—to find the alloys, metals, and so on—and nothing poor fellow can do about it but shake, probably, his head. Meanwhile Soviets would launch the first satellite and these spies, these Bagleys, Bacons, Biedors—to use their cover names—would be the first to shout in the press words of admiration and sincere congratulations to their Soviet fellow scientists in their magnificent achievements.

And that's what precisely, I think, is happening right now in the United States. That's why I think when—once one prominent Canadian political figure said, in the end of 1953, "What can one spy do?" Well, I tell you Soviet spies can do plenty. They can decide who will win, cold or even hot war.

Mr. SIEGRIST. And you gravely fear that there are many people in the United States missiles program or about the missiles program in the scientific field or the quasi-scientific field in our Government or about our Government who are actually sabotaging our missiles program, have been doing so and you are leery of many scientists who raise up in praise of the Soviet project because you believe that in great part, as you charged the President of the United States, they have succeeded in launching this space missile by way of sabotage and slowdown of our own program. Are we correct in summation?

Mr. GOUZENKO. Yes, I believe so. That's right.

Mr. SIEGRIST. Thank you very much, Igor Gouzenko.

BOB SIEGRIST. Igor Gouzenko, what specifically is and what was the five-point program of your recommendations on how to deal with Soviet espionage which you gave to the Government of the United States back in 1954, and which you now have recommended that President Eisenhower employ? What are those five points, Igor Gouzenko?

Mr. GOUZENKO. Well, first, a special type of citizenship law should be enacted. Its effect would be that every escapee who brings documentary evidence, which can stand scrupulous investigation leading to the disclosure of Communist spy activity, should become a Canadian or an American citizen without complicated procedure and with utmost speed. That is the first.

Now, second, this law should provide lifelong protection for such a citizen, if he desires it, and the protection thus provided should be friendly, understanding, and detached from personalities. In other words, the man must be insured safety whether he is an ugly, unpleasant, irritable person or not.

Now, the third point is that man should be given material security in the shape of congressional grant, or parliamentary grant in the case of Canada, such as is given to war leaders who have served their country well. Such security could be in the form of government annuity or any other form agreed on by the representatives of the people. Inevitably, this person would have many enemies, and the greater his financial security the greater his safety. We must not forget that against such men would work the whole Soviet system with its unlimited financial resources for counterespionage work. There can be no question about it.

Now, fourth, such a man should be given all assistance in finding employment which suits his ability and talent and which would not humiliate him. Now, like, for example, say he was officer and then this—he have no other job to do, but maybe working in a cleaner's or in a laundry. Well, this is humiliating; this make him laughingstock in the eyes of others, and that's no good.

Now, fifth, and this is very important, such a man should be given, as a matter of right, a document in which the Government acknowledges his service to the country and entitles him to all help. Now this is important, because it's quite often it happen that Soviet agents, maybe through some stupid, ignorant people, will try to work their hands and push them around—anyway, make his life miserable. Well, such a document will more or less help him to put himself in more respectable place, more respectable position. Now, this is five: The effect of this would be really tremendous, in my opinion. In fact, it would till the very ground from under the Communist spy masters. Never again would they be sure of their men; never would their inclinations and threats be effective. The very cement by which they keep their spy organizations together would be dissolved. The more completely this is recognized, the more clearly the value of such law as I suggest will be seen.

In meeting the challenge of Communist conspiracy, the more energetic the American Government are in promoting, passing, and upholding such a law the safer we will be. There is no use of going halfway about it, because Soviet spies, in their secret work, do not go halfway.

BOB SIEGRIST. Now, Igor Gouzenko, this is based on your educated opinion and, of course, your deep personal experience that actual Russian spies, Russian espionage agents, working in the United States and Canada and elsewhere throughout the non-Communist world actually would like to defect, they would like to leave the Russian Communist system for which they are ordered to spy, if they were sure that their life would be spared and that they would be able to eat and that they would be able to be securely protected against reprisals by the Communists. Am I correct in that?

Mr. GOUZENKO. Yes; absolutely correct. And, of course, it's not all of them, but some part of them. But even that part which would give us tremendous help, tremendous help. And our life would be more safer after that.

BOB SIEGRIST. Let me ask you this: Of course, you were never a spy, you were never a Soviet agent; you were a code clerk assigned to the Russian Embassy in Ottawa, Canada, but you couldn't even stand that because you saw what the Communists were trying to do against the world. Am I right on that point?

Mr. GOUZENKO. That's right. That's right. Well, I was a member of a spy ring in a sense that I was a cipher clerk there, and I—next to me people were, they were contact people, and they are going to meet agents—and my job was to code and decode messages. And, therefore, I knew perhaps more even than those who contacted that agent, because they knew only certain people and certain places, but they didn't know maybe overall picture.

But the point is that modern spy rings could be broken only from inside; that's proved once, again and again, by experience, by facts of recent spy disclosures.

BOB SIEGRIST. Now, if broken by the inside—

Mr. GOUZENKO. From the inside.

BOB SIEGRIST. Broken from the inside by virtue of having a firm program of the type which you have suggested to the President of the United States now, and which you suggested to the Senate Internal Security Subcommittee back in 1954, by which you set up a hard, firm program to encourage defection of the Russian agents themselves to come over to our side and stop this spying and tell us what they know—

Mr. GOUZENKO. That's right.

BOB SIEGRIST. Now, tell me this: Back in 1945, when you broke, you defected from your job as a code clerk in the Soviet Embassy in Ottawa, Canada, what percentage—could you give me this, do you believe—what percentage of people working like yourself for the Soviet Government would actually have been willing to defect if they thought that their lives would be spared and they could eat, and live after, and be protected?

Mr. GOUZENKO. Well, I tell you this; that in that time would be quite a lot of people, I believe. I certainly suspected certain people in the Canadian Embassy would do it if they would be certain of the outcome of their step. I can't tell exactly percent; I mean this will be just plain speculation, but it would be—even 1 or 2, say, cases, say, in a couple years would be tremendous help for security of the Western World. And I am pretty sure we will have more if we have strong, effective law and, therefore, our security would be much better if that law which I recommended in 1954 would be adopted right away. It should be adopted now, anyway.

It's so obvious for me and so obvious I don't understand how, unless somebody is—a spy himself is against such a law, but it seems to me people didn't understand the working of the mind, of Soviet mind, didn't understand the magnitude of their work, and they didn't understand that in Soviet spy rings there is not only our enemies but there is human beings and some are friendly secretly to us and some would like to help us, but they want to make sure what will happen to them after that.

BOB SIEGRIST. And, since we have no program like that in the United States or even in Canada to encourage defections of enemy agents against us, they really feel that they have no place to go; they don't like what they are doing, but they are afraid that they can't come over to what, so far, to them is the enemy?

Mr. GOUZENKO. That's right. They are put in a very—like between devils and blue—how you call it—blue—

BOB SIEGRIST. The devil and the deep blue sea, in English.

Mr. GOUZENKO. Deep blue sea; that's right. In other words, on the other hand, there might be innocent boy from Soviet regime, on the other hand, absolutely cool indifference from democratic governments, which sometimes even cool indifference is actually a very dangerous thing, and it could be for them mean this—mean in the best case humiliation, but humiliation, also, not many people can stand.

So, therefore, they are in between two forces, and yet the very existence of a democratic government right now might be threatened, as we can see by recent developments, and by Soviet guided missiles, and so on.

Right now is the time we should do something, stop talking, stop this pretending there is no danger, and do something. Let's have some action.

BOB SIEGRIST. Because very briefly you would say in one word, there is an emphatic danger that we are going to be enslaved or destroyed; is that right?

Mr. GOUZENKO. That's right, absolutely right.

BOB SIEGRIST. Thank you very much Igor Gouzenko.

Mr. KERSTEN. Igor Gouzenko, I would like to ask you this question: In watching this earth satellite, the Soviet leaders apparently are trying to throw a fear into the Western powers, the Government of the United States, to the effect that if we take any effective measures against the Soviet Government that this might precipitate war. Now, everybody wants to avoid war, but do you think that if we stand up for our rights, take a strong position that this would endanger war? Do you think that if we adopt a political offensive against the Soviet Union that this would mean war?

Mr. GOUZENKO. Not at all. War would rather come from the position of weakness. If the United States will be taking kicking, beating, and spitting from Soviet leaders like, unfortunately, seems to be they taking recently, this will lead rather to war than if the United States will stand up on their feet and proudly will affirm this action, certain moral principles for which it stands, then I would say we have much less chance of war.

Mr. KERSTEN. In other words, as I understand you, Igor, you believe that there is no real cause for war between us as a people, the people of America, and the people of Russia. But do you agree with me that it is the Soviet Union, the Communist regime, that is trying to make war between these two nations?

Mr. GOUZENKO. Yes, it's absolutely clear they are preparing for war; they are dedicated to that idea that they have to control whole world. In other words, they have to (fight) the United States sometime. When they do it, they think they will do it only when they are ready in military, but also when they think United States absolutely paralyzed, not only in the military sense but in an ideological, moral sense, then they will intend to strike the final blow.

Mr. KERSTEN. Do you think we can avoid war by speaking in a friendly, soft way trying to make friendship agreements with the Communist leaders?

Mr. GOUZENKO. No. Every time we deal with the Soviet leaders, we must remember we are dealing with actual hangmen which proved—even they admitted themselves they are hangmen, after all.

Mr. KERSTEN. They are really the hangmen of the Russian people; are they not?

Mr. GOUZENKO. That's right. So we have to make friendship and ally ourselves not with the hangmen but their victims, enslaved people—

Mr. KERSTEN. By that you mean the nations, the enslaved nations?

Mr. GOUZENKO. That's right.

Mr. KERSTEN. Do you believe that a strong political offensive can do something to defeat the Soviet regime so that these people can regain their freedom eventually?

Mr. GOUZENKO. Yes, there is absolutely great possibility in it, but we have to, first of all, strengthen ourselves. We have to think about strengthening our ideological front in a sense of using our free press, our free communications like movies, television, radio; and we have to mobilize all these powerful weapons to strengthen our morale and defend our principles.

Mr. KERSTEN. Don't you believe that we should stand up for the principles as enunciated in our American Declaration of Independence that supports the idea of human freedom as against a tyrannical government?

Mr. GOUZENKO. Yes, certainly. Let us put it this way, after all, it's—everybody, unless man is blind—it's clear that we are standing on the right side. We have freedom here, they don't have it. We have no concentration camps here, they have it. You can continue that list for an hour, that we are standing on the right side. All right, now, say so loud, proudly; don't let get kicked and spit upon like we have recently take beating from Soviet leaders. And go in offensive—and this offense, by the way, like my five-point program, is actually one of the means to approach over the heads of the Soviet Government to the actual people in the—behind the Iron Curtain.

Mr. SIEGRIST. Igor Gouzenko and Mr. Kersten, I would like to break in here just for a moment as a reporter on this broadcast.

You speak about the freedom of the press in America and utilizing it. I would like to point out, Igor, that that's what we try to do on this broadcast for one, and I think, I believe, my understanding is that that's what attracted you to let us come to Canada and talk to you as we are right now.

Mr. GOUZENKO. Yes, I am very grateful to you and only because I know you are an active fighter for freedom against Communist enslavement. That's why I talk to you. I don't think I would talk with a person who has no such reputation.

Mr. SIEGRIST. All right. Now, Igor, I would like to ask you this: You mention about the matter of offensives and the matter of overt war possibilities, the possibilities of avoiding them. I certainly agree with what you said. But is it not true, Igor, as you have seen, as the Soviet trained man who broke with them—you were shocked in Ottawa, Canada, in 1943, 1944, and 1945 when you discovered that they were spying against us, not, as their propaganda had it to you young fellows, that we were spying against them, and so forth—will you not agree with this reporter's contention thereby that we are actually in an all-out war right now for survival by every means just this side of shooting?

Mr. GOUZENKO. That's right, and not much time left I am afraid. We have to mobilize ourselves right now or it will be too late.

Mr. SIEGRIST. This Russian satellite out in outer space right now has proved that to you to the point that you have even broken your silence to come on our program?

Mr. GOUZENKO. That's right.

Mr. SIEGRIST. Well, now, the Russians will be demanding many things. They have already begun to demand them. For example, they are demanding the break-up of NATO, get away from bases, get out of the Middle East, et cetera, et cetera. Now—

Mr. GOUZENKO. Well, this recent case, the moment they put out that satellite and prove themselves that they have ballistic, intercontinental ballistic missiles, you notice how Khrushchev already talk about frightening Turkey and they not—when they feel strength, they aren't afraid to talk from strength.

Mr. KERSTEN. If we could make some real alliances with the Russian people, with the Ukrainian people and the peoples of the captive nations, do you not think that this is a greater force than any material force like earth satellites or hydrogen bombs, a force that could defeat the Communist Party politically and avoid an all-out war?

Mr. GOUZENKO. Yes, it certainly—in the long run, this will come out the greatest force naturally; and, at the same time, we have to clear ourselves from the fifth column. Otherwise, from inside they will take us over, maybe without even a single shot.

Mr. KERSTEN. You have indicated, Igor, that the Soviets move ahead primarily by the subversive fifth column in other countries. So, if this is attacked and if we make alliances with the people behind the Iron Curtain, there is a good chance of defeating the Communists politically; don't you believe?

Mr. GOUZENKO. Absolutely, we have great field for that action and efforts, and we should not miss that opportunity, not in any case. Our survivals depend on this.

Mr. KERSTEN. Well, now, Igor Gouzenko, you do not like the idea of anybody in the free world, so-called, and certainly you don't like the idea of anybody in the United States actually praising Russia for the scientific achievement, you don't like the idea of suggesting peaceful coexistence, you don't believe in that I am sure, and you don't like the idea of anybody saying that the Russians have done this purely for scientific reasons. Am I correct in that?

Mr. GOUZENKO. Well, they certainly—even fact itself that this satellite was put in that high, so high, by the means of intercontinental missile, guided missile, as is admitted by some scientists, it speaks of itself that actually it's a byproduct of military might. Let's not forget about that.

But, of course, they have good scientists, they always have good scientists, but the fact they have this fifth column it's one of the most important factors which brought us to this situation when they are ahead of us.

Mr. KERSTEN. Igor, you can speak now as one who was trained in Soviet intelligence schools and one who worked in the Soviet apparatus here in Canada and who broke with that apparatus at the risk of your life and that of your family. You have seen both sides; you have seen the mind of the Western World and you know the mind of the Soviet Union, Communists.

Knowing both of those minds, which do you believe has the best chance of survival?

Mr. GOUZENKO. Well, best chance of survival—I think best—I wouldn't say best chance, I would say best deserve to survive, naturally, the free country. But, we might jeopardize ourselves; if we wouldn't do nothing, we will ruin our-



selves. But, if we take—there still may be time—if we take this drastic action, something has to be done—I think people in the United States and Canada, they feel already it's time to do something, action, and if it is done, it might—we might improve our position and eventually we will overcome, we will be victorious in this titanic struggle between these two ideological systems.

Mr. SIEGRIST. Igor, you talk about the people of the United States and the people of Canada feeling that something must be done. I gather that you have the feeling, as frankly does this reporter, that the people of Canada and the people of the United States, the citizens are actually ahead of their respective governments in fearing what the Russians will do unless we stop being weak and start being strong in every department; is that correct?

Mr. GOUZENKO. Yes, in this respect I have observed, myself, quite often in talking with ordinary people and the workers on the streets sometimes, and the workers, and ordinary—just ordinary people, I am amazed, actually, they sometimes have better understanding than our politicians. I don't know how it's come about, but that it is. And, therefore, our politicians sometimes put too much of that idealistic approach to that Soviet problem. They think it's enough for them to see, say, Khrushchev or Zhukov, to shake hands with him and all the difficulties will be solved like by magic. No, it isn't so. These people are actually dedicated to destruction of the very—our system, of our best intellectual minds and our best institutions. They believe so, they said so openly in newspapers and I don't know, by the way, why these military attachés, all ambassadors in Russia in Moscow didn't inform the local, here, government. Why don't they tell them that's what they are actually printing every day in their newspapers, and this—yet in the press you read here lots of wishful thinking based on nothing but desire, of course, natural desire for peace, but at the same time based not on a realistic appraisal, not a realistic account of what's happening actually in the Soviet Union.

Mr. KERSTEN. I take it that you believe, Igor, that this world cannot long continue to exist half slave and half free. It's either going to become all enslaved or all free—

Mr. GOUZENKO. That's right.

Mr. KERSTEN. And the best chance is for all freedom; is that correct?

Mr. GOUZENKO. The best chances, but still I would say best chances if we do something.

Mr. KERSTEN. And if we have faith in freedom?

Mr. GOUZENKO. Faith, and act—not faith—

Mr. KERSTEN. And act upon principles of freedom?

Mr. GOUZENKO. Yes. Faith, it's all right. We talk about faith; that's all fine, but we have to do something about it.

Mr. SIEGRIST. In other words, Igor, you are saying: Be realistic, recognize communism for the infamy it is and get tough with it.

Mr. GOUZENKO. Well, get into action and do something about these subversive activities; be tough with their agents and be tough in a sense, but not just—not so flexible like, but use approach which is best in this respect. And for this I give practical suggestion, my program, which—put it this way, I firmly believe if West didn't adopt this program, I think they will be deeper and deeper in the mess through the work of agents.

Mr. SIEGRIST. Thank you very much Igor Gouzenko. Thank you very much, former Congressman, Charles J. Kersten.

#### AFTERNOON SESSION

Mr. MORRIS. Will you stand and be sworn, Mr. Khokhlov.

Senator JOHNSTON. Raise your right hand. Do you swear the evidence you give in this case will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. KHOKHLOV. I do.

Mr. MORRIS. Be seated, Mr. Khokhlov.

Mr. KHOKHLOV. Thank you.

Mr. MORRIS. Mr. Khokhlov has asked permission to leave that hat on. He has lost all his hair with a recent illness.

Senator JOHNSTON. You can leave your hat on if you wish.

Mr. KHOKHLOV. Thank you very much.

Mr. MORRIS. Senator, the witness here this afternoon, Mr. Khokhlov, has previously testified before the Senate Internal Security Subcommittee and he has recently returned from a trip abroad and there are several episodes that may be of interest to the Internal Security Subcommittee. And since you were sitting today, we asked him to appear here today in the event that some of his experiences may be of interest to the United States Senate.

**TESTIMONY OF NIKOLAI KHOKHLOV, CARE OF INTERNATIONAL RESEARCH, INC., NEW YORK, N. Y.**

Mr. MORRIS. Will you give your full name and address to the reporter?

Mr. KHOKHLOV. Nikolai Khokhlov.

Mr. MORRIS. Spell it.

Mr. KHOKHLOV. N-i-k-o-l-a-i.

Mr. MORRIS. Last name.

Mr. KHOKHLOV. K-h-o-k-h-l-o-v. And my address is care of International Research, Inc., 55 West 42d Street, New York, N. Y.

Mr. MORRIS. Where were you born, Mr. Khokhlov?

Mr. KHOKHLOV. City Gorki in Russia.

Mr. MORRIS. And you worked for the security police of the Soviet Union; did you not?

Mr. KHOKHLOV. There was a slight difference. I worked for the intelligence service that was included in the Ministry of Security, but it was purely intelligence work. I worked only abroad, and my desk was German-Austrian desk for 13 years.

Mr. MORRIS. And when did you defect from this Soviet foreign ministry?

Mr. KHOKHLOV. I went over to the West in February 1954 and exactly it was February 18 that I contacted the Russian anti-Communist underground and on the 20th I contacted the American authorities in West Germany in Frankfurt.

Mr. MORRIS. You are now active in the organization known as NTS?

Mr. KHOKHLOV. I am now what?

Mr. MORRIS. Active with the organization known as NTS.

Mr. KHOKHLOV. Yes, I am in contact with them. I am working with them. However, while being in the United States I am acting only on my own behalf.

Mr. MORRIS. Senator Johnston, Mr. Khokhlov testified before the subcommittee several years ago about his general background and experience, some of the things that he did for the intelligence organization.

You recently had a bad experience abroad, did you not, Mr. Khokhlov?

Mr. KHOKHLOV. I suppose it was a bad experience. I was just about to die. I was on the brink of the grave, and I would like to express immediately from the very beginning my deep recognition of the help I received from American authorities in Germany. Fortunately, this time American science of life was supreme to the Soviet science of death so I was saved.

Mr. MORRIS. Tell us what happened.

Mr. KHOKHLOV. It happened so that actually my friends and I myself did not believe that after such a big and noisy story that my coming over to the West caused in 1954, that after this publicity, the Soviets would dare to kill me, to make an attempt to liquidate me, so I was more or less careless. I behaved myself freely. I took part in various anti-Communist meetings and I just did freely my work as a fighting anti-Communist.

So in September, in the middle of September, I took part in an anti-Communist meeting, an international anti-Communist meeting actually, from all the countries of the western part of the world, including the United States, that took place in Frankfurt in West Germany. And then September 15, the last day of the conference, toward the late evening about 10:30, I felt suddenly a dizziness, I could describe it as a feeling that I was disintegrating myself. Some heavy cramps of stomach. I was forced to vomit about every 10, 15 minutes with some loss for a few seconds of my rationalization, my mind.

So I was taken to a German hospital and advised by a German doctor. She had the suspicion that I was poisoned but I myself did not. So I was delivered by some local German medical services in the clinic of the University of Frankfurt and then and there I was taken on a diagnosis of acute gastroenteritis. I do not know exactly what it means, but I was informed that I have some derangement of stomach based on some wrong food I have eaten.

Well, I didn't discuss it, I accepted it. However, my friends have brought with them some samples that could be analyzed in the event of a suspicion of a poisoning. The unfortunate fact is that the German doctors did not believe that I could have been poisoned, so they actually threw away all the samples and for a week didn't do any analysis or any attempt to check for a chemical or other agents. But after the seventh day, suddenly overnight I developed some heavy symptoms of a severe poisoning that are described actually in the statements of American doctors based on the records of German doctors.

I won't go into detail unless the committee requests so, but on the 24th, 25th, and 26th, the German doctors actually gave me up. They officially informed my friends that I am dying and they do not have any hope of saving me. That was their opinion. Their opinion was based on the fact that my bone marrow was heavily depressed. It means, as much as I know it now, that I did not have any leucocytes or granulocytes at all in my bone marrow and my blood picture dropped down to 750 leucocytes. Besides, I had so many hemorrhagic spots on my face and upper part of my body that I suppose Boris Karloff, very well known for his monster mask, could have envied me at that time.

I couldn't eat. I lost temporary ability of speaking, and what was the worse, I had sometime a severe mental confusion. I wouldn't know who I was, where I was, and I felt I was losing my ability of rationalizing.

So at this stage, the German doctors even told my friends officially: "Why are you so excited about what could have caused his sickness? He will die probably in this night or tomorrow morning and the autopsy will show exactly what caused it." Going back a few days before—

Mr. MORRIS. He told you if you died and they took an autopsy, they would be able to find out what was wrong?

Mr. KHOKHLOV. Yes; they didn't tell it to me. They concealed this fact from me; to my friends who, on the 25th, came to the hospital and asked, "What is going on with Khokhlov?" They said they cannot do anything. My friends asked, "But what caused that?" They said, "What are you excited about? Wait a little bit. Be patient. He will die maybe tomorrow; we will make an autopsy and then you will know exactly what caused that."

My friends didn't declare themselves satisfied with this strange advice so they rushed to the American consulate in Frankfurt and told them the situation. I can tell there probably couldn't be any thing better and more quick and decisive what American authorities in Frankfurt did.

Now, in going just a little bit back to the 24th and 25th, I would like to describe just how the first time I, myself, learned I was poisoned. In the night, I couldn't remember exactly the date, but I suppose from 24th to 25th, after a few hours of mental confusion when I didn't know who I am or where I am, I took a bunch of hair on my head and I pulled it out without any pain, just like taking off my hat. It was a strange feeling, something extremely wrong is going on with me. I took from the other side and it was the same story. I just pulled out hair from any part of my body without feeling that I do that.

So the next morning when Professor Schrade, the head of the clinic, came to me——

Senator JOHNSTON. What was that name?

Mr. KHOKHLOV. Schrade. In German spelling it would be S-c-h-r-a-d-e. He was the deputy of the clinic of the University of Frankfurt.

Senator JOHNSTON. What day of the month was that?

Mr. KHOKHLOV. What day?

Senator JOHNSTON. Yes.

Mr. KHOKHLOV. I don't remember exactly, but I think it was Friday or Saturday. It would be probably the 24th or 23d. I couldn't know exactly.

Senator JOHNSTON. How long was that before you were hospitalized?

Mr. KHOKHLOV. It was about 7 days.

Senator JOHNSTON. About 7 days before?

Mr. KHOKHLOV. It was Saturday. So I was delivered Monday in the night on the 16th.

Senator JOHNSTON. Where were you at that time?

Mr. KHOKHLOV. I was already in the clinic of the University of Frankfurt, and I was treated for 7 days for a disease of stomach and all the samples that could contain any poison were just thrown away by German doctors. They were not taken in account. But on the seventh day on Saturday when Professor Schrade came to me, he examined me and saw this heavy hemorrhaging over the face, he saw that I developed high fever and he saw I couldn't speak, I couldn't eat, and then I showed him the situation with my hair and that struck him. He was speechless for a few seconds. He couldn't believe it and then he told me: "Wait; I would be damned!" That was his expression. "There was only one thing in the world that could

have caused that." Then he came near to me and asked me with such a conviction; a note of discretion:

"Look, tell me honestly, did you take something?" I asked him: What are you trying to tell? Are you trying to tell that I wanted to suicide me? He said: I don't know, but did you take something or didn't you? I told him "No." Is it too detailed?

Mr. MORRIS. No.

Senator JOHNSTON. Go ahead.

Mr. KHOKHLOV. Then I told him that there is something I should have told you before. I am a former Soviet officer and there is a possibility that the Communists would try to poison me. Then he said: "Why didn't you tell me that before?" I looked at the German chief doctor, the same doctor who threw away everything, and saw in his eyes that he was just desperate. I didn't want to ruin his career so I said we didn't want just to scare you.

From this moment the German doctors immediately tried to treat me from the poison they thought should be thallium. After a few words, German doctors came to me and examined me and confirmed that I probably have been poisoned. Then I asked of them: "Listen, what is this metal that you are talking about?" They told me this looks like thallium. What is this thallium? They told me it is a very strong poison that is used mainly in poisons against the animals, rats, and other animals in agriculture, but it is very difficult to get and we don't know how it could get into your stomach. But I knew how it could.

So this is how I was informed by the German doctors that I probably was poisoned. I informed immediately my friends from NTS and the German doctors informed the Attorney General of West Germany, so the police was immediately at work and they questioned me for many hours, but this investigation was abrupt because I was very sick and sometimes I just lost my memory.

Well, I am going then over to the 27th of September when the American consulate was informed that I am probably poisoned. They asked the American hospital in Frankfurt to take care of me. In the morning, the 27th, I got a blood transfusion because that was the only one possibility that I may survive in my way from the German to the American hospital.

The American doctors took me in their care and they did all what they could, even more. I got private nurses 24 hours, I got extremely good security precautions. I got a separate room and they used their most modern drugs like steroids, cortisone, ACTH, antibiotics, blood transfusions, intravenous nourishing, and everything.

American doctors told my friends from NTS who represented my interests—I didn't have anybody in Germany, only my friends from NTS—that they are taking a big chance with these drugs, but they didn't have any other choice. So after about a week they actually pulled me out of grave.

At October 8, I myself requested American authorities if it is possible to release me from hospital because at this time in western press unfortunately appeared many misquotings, so many rumors and casting of doubts about my story that I felt myself forced, even weak, to get out and to give press conference in trying to fight back. And so I got out on October 8 and October 10 I gave a press conference in Germany.

Then in passing to London I gave a press conference in London and in arriving in New York I gave a press conference in New York.

Mr. MORRIS. Mr. Khokhlov, I have here on the 9th of October 1957 a report from Colonel Leaver from the Headquarters, United States Army Hospital, Frankfurt. Would you like to offer that for the record?

Mr. KHOKHLOV. I would like very much, because this report was one of the misquoted documents in all the press reports.

(The report was marked "Exhibit No. 522" and reads as follows:)

EXHIBIT No. 522

HEADQUARTERS, UNITED STATES ARMY HOSPITAL, FRANKFURT,  
APO 757, United States Army, October 9, 1957.

MEMORANDUM

Subject: Hospitalization of Mr. Khokhlov.

Mr. Khokhlov was admitted to the United States Army Hospital, Frankfurt, on September 27, 1957, as a transfer from a local German hospital.

He had been hospitalized there on the 16th of September with what appeared to be an acute gastroenteritis, however, several days after admission he developed a severe hemorrhagic skin eruption, ulceration of the mouth, some mental confusion, loss of body hair, and severe depression of the bone marrow with a total white blood count of 750 and virtual disappearance of granulocytes. It was the impression of the staff of the German hospital that this probably was caused by poisoning, very likely thallium.

On admission to this hospital on September 27 (11 days following the onset of his illness) he was acutely and critically ill with marked bone-marrow depression, high fever, and he was unable to eat because of the hemorrhagic skin eruption which involved not only the body surface but included the mouth, throat, and mucous membranes. There was marked epilation and loss of hair on all body surfaces including the scalp. He was emotionally disturbed and sometimes confused.

As his condition was critical, he was immediately placed on the seriously ill list. He received special nursing care in a private room. His treatment consisted of antibiotics, ACTH, steroids, as well as local treatment for his skin and mouth lesions. His condition gradually improved. He has been able to be up and about his room during the past few days. Temperature was normal, and skin lesions cleared. The blood picture returned to approximately normal. He lost most of his body hair. At the time of discharge from the hospital on Tuesday afternoon, October 8, 1957, he was weak, but was able to eat without difficulty and was gradually regaining his strength. He was considered essentially recovered.

Symptoms and clinical findings are believed to have been due to poisoning, probably by thallium and/or other chemical agents. Toxicologic studies were performed on his hair, skin, and urine which were negative, however, no specimens from the early period of his illness were available for study.

F. Y. LEAVER,  
Colonel, MC, Commanding.

Mr. MORRIS. Will you tell us what that document is?

Mr. KHOKHLOV. Yes. This is an official statement issued by the headquarters of American hospital in Frankfurt after his conference and consultation with all the American doctors that have treated me and after his reading and analyzing of the records of German hospital.

Mr. MORRIS. May that go in the record with the description the witness has just given?

Senator JOHNSTON. You offer this in evidence as part of your testimony here? It is from the Headquarters, United States Army Hospital, Frankfurt, APO 757, United States Army, October 9, 1957. It is a memorandum of your hospitalization.

Mr. KHOKHLOV. Yes.

Mr. MORRIS. And this shows, does it not, that Colonel Leaver, commanding officer of that hospital, diagnosed that your difficulty here was very likely caused by poisoning, possibly thallium?

Mr. KHOKHLOV. Yes; he described the condition I was received in the American hospital. He described the picture of my blood, of acute sickness that, in the opinion of German doctors, looked like poisoning and, what is most important for me, he concludes his statement with two sentences. One of the sentences says, as I remember it—and I suppose I will remember it more or less exactly—that symptoms and clinical findings are believed to be due to poisoning by thallium and/or other chemical agents.

Now, to the last sentence of this statment. As I told you before, the German doctors threw away all the samples in the first week. After the 24th, they began to make analyses, but very slowly and they didn't know how. So the real work to find the poison has begun only on the 12th day of my sickness. That is probably what Colonel Leaver is trying to point out in the last sentence, and the last sentence reads as follows:

Toxicologic studies were performed on his hair, skin, and urine which were negative; however, no specimens from the early period of his illness were available for study.

For me and my friends this last sentence means that, most probably, the toxicologic studies were negative because of the lack of the early samples.

Well, here I would like very much to attract your attention that, in many press agencies, this last sentence was cut in half and the word "however" that belongs to the second part was attributed to the first part and the last sentence looked this way:

Toxicologic studies were negative, however.

This is one of the tricks, deliberate or undeliberate, I wouldn't know, that cast a shadow of doubt about my story.

Senator JOHNSTON. Now, then, we have the medical statement from the hospital here that showed that, probably, some one had poisoned you. Can you tell us anything about how you got poisoned or by whom?

Mr. KHOKHLOV. Of course, we have only suspicions, but our suspicions are not only speculations, they are just not speculations, they are some attempt to analyze my behavior on September 15, the time schedule—what I did, where I was, what I have drank, what I have eaten.

So, without going to many details, there were only three times I have eaten on this date. In the morning with a member of English Parliament and with some English journalists, where I ate and drank everything. Besides the fact that the persons involved in this lunch more or less are out of suspicion, the fact, of course, that couldn't be established 100 percent, but the fact that I have eaten and drunk everything to the end proves to us that it couldn't be then. From my early experience, from my meetings with the head of a special laboratory in Moscow that is working for years and years on working out special poisons and methods of poisoning, I know much about it. If the committee would like, I can later go into description of this laboratory, on the facts of poisoning that are officially recorded in the Soviet history.

Well, in knowing the technique of this laboratory, I am sure that the overdoses that they usually give to the individual would have killed me without any hope. So for us, the lunch is actually failing out. But toward the evening at 7 o'clock I was invited by a person whose name, at the request of German authorities, I until now abstained to reveal. All I can tell to the committee is that this person is a journalist from a foreign country who came to the conference with a special intention to see me; who has written many letters in requesting a meeting with me and whose behavior on the first 3 days of conference looked suspicious to me. In my subconscious I tried to avoid him and I rejected all his offers to lunch with him or to have a meeting with him.

This person, a foreign journalist, invited me at 7 o'clock of the evening to a cup of coffee. And in this society there were other persons present who involved me in a conversation about some anti-Communist magazines. I was so much absorbed in the studying of these anti-Communist magazines that I actually do not know when and under what circumstances a cup of coffee appeared before me and I was offered to drink this cup of coffee.

Mr. MORRIS. You don't know who offered it to you?

Mr. KHOKHILOV. This man whom I name as a foreign journalist. I told them that I usually do not drink coffee, but then all the society and at first hand this journalist told me, "All right; make an exception this time; you are too tired; drink it."

So I was so much absorbed again with these magazines that I couldn't know exactly at what time, under what circumstances, I finally took this cup of coffee and took just a little bit and then something strange stopped me. It was not the taste of the coffee. I actually didn't feel anything suspicious. But some strange feeling that I have to go away from that table stopped me. And I stand up and I walked away to the middle of the restaurant in telling myself I have to go to listen to the conclusions of the conference and the people back, I wouldn't know who exactly, told me: "What is the matter with you? Drink at least your cup of coffee to the end. You cannot go away like that."

And then I told them, "Well, gentlemen, I suppose I have to go away to listen to the conclusions." "Do not hurry," they told me. It is pity that the coffee will stay here. Then I asked myself: Why shouldn't I drink this coffee? Suddenly, I heard the voice of my friend beginning the conclusion and then I ran away because I had to hear him. I never returned and I never drank the cup of coffee to the end.

That is, in my opinion, one of the most important clues why I didn't die. We know exactly that if the Soviets give a poison, they give a poison strong enough to kill tens of people. When I testified before your committee in May 1954, one of the appendix to the testimony was some samples of secret weapons—silent and monitored by electrical batteries—and were containing poisoned bullets. And the experts in Washington, of special service, in examining these bullets, confirmed that the portion and the power of the mixture of the poison in one single bullet was sufficient to kill many, many people. I wouldn't remember exactly what number of the people they gave, but for me it looked like a big number of people and yet this bullet was assigned to kill just one man.



So, after this cup of coffee, I left the conference room for a few hours to eat. We left for a completely unknown restaurant. I had with me two close friends whom I knew for many years and whom I trust absolutely. Besides, I was all the time at the table and I looked at my food, incidentally. We took only a bottle of wine that I myself opened, or, better said, the waiter opened it and gave to me. And in my opinion, as in the opinion of the police, there is no possibility that I would have been poisoned on this dinner.

Immediately after dinner when I went back to the conference that went already into the conclusion part, a concert, and some speeches. Then the symptoms started.

Mr. MORRIS. Now, you have had some special training in poisons; have you not?

Mr. KHOKHLOV. I didn't myself have any special training in poisons, but in 1953 when I was at German-Austrian desk in Soviet intelligence, headed then by the former Ambassador to the United States, Panyushkin, received an order from Soviet Government, from Central Committee of Communist Party, an order to organize an assassination of the leader of Russian anti-Communist underground in West Germany, Mr. G. Okolovitch.

Mr. MORRIS. Spell that for the reporter.

Mr. KHOKHLOV. O-k-o-l-o-v-i-t-c-h. As much as I know, and Panyushkin himself told me, this order of assassination was signed by Central Committee. This was a high assignment, very high assignment.

Therefore, the best forces of Soviet intelligence were involved in this operation. Panyushkin himself headed the preparation. I was many times in his office in MVD building in Moscow, and then and there, when the question arose about poisoned bullets, some difficulties intervened. I don't know if I have to go into details, but in short: The construction of the bullets, some pieces of steel did not permit to use the special makes of poisons that were at that time available in the special 12th laboratory in Moscow headed by Dr. Naumov.

Actually he is not a doctor like here. He has a title of candidate of chemical science. This is a specific Soviet title that designates a man with heavy and long scientific training. However, the job of Mr. Naumov was and is, I am sure still today, nothing else but mixing and inventing poisons that not only will kill man for sure, but will accomplish two other purposes.

The first purpose is not to give to the doctors for the first few days the impression that the man in question was poisoned, so that the doctors will not act against the poison. Second, that after the man will be dead, no traces of suspicious poison will be found in his body.

Well, in going back to 1953 when this Naumov and his laboratory were assigned to work out a special mixture for the poisoned bullet—by the way, the mixture that is now here in Washington in the hands of experts and is not an invented thing—Panyushkin himself summoned Mr. Naumov to his office, made him acquainted with me, and gave him the order to get in touch with other laboratory, with 13th laboratory near Moscow that was in charge of working some special silent secret weapons, and to work out quickly and surely a necessary mixture. Afterward, I met Naumov many times. We conferred on poisons and on that occasion I learned the principles of Soviet tech-

niques of poisoning. Well, I suppose it is my own speculation, but in knowing how Soviet intelligence works, there is much chance that the mixture that I received was a kind of "friendly" service by Mr. Naumov personally to me.

Mr. MORRIS. Senator, Mr. Sourwine, who was counsel who took the testimony of Mr. Khokhlov when he appeared before the subcommittee in 1954, has a few questions he wants to ask of this witness.

Senator JOHNSTON. Mr. Sourwine, proceed with your questions.

Mr. SOURWINE. Thank you.

Mr. Khokhlov, you stated a little while ago that you did not think the Soviets would dare to attempt reprisals on you?

Mr. KHOKHLOV. That is correct.

Mr. SOURWINE. What did you think they would fear?

Mr. KHOKHLOV. Excuse me?

Mr. SOURWINE. What did you think they would fear?

Mr. KHOKHLOV. The publicity that would attract the attention of public opinion again toward my name. You see, when the first time I came to the West and contacted my own Russian anti-Communist underground, for many months the press agencies spread the word that I was actually a publicity stunt of American intelligence, that I do not exist, that I am just an old White immigrant who was used for cold war. Then afterward, in many years, despite the fact that the Communists did not dare to tell anything open against me—however, through their secret channels, through their agents in the West, through some liberal newspapers and Communist newspapers, they always tried to hint that I do not exist, that I am just an invention of American intelligence or of the people from Russian anti-Communist underground.

There were probably, in my own opinion—and I see I was wrong—there was hope that my name began to fade, that I began to disappear from the public's mind. So, because my book was ready and I was scheduled to start a lecture tour in the United States, I told myself it would be just not wise for the Soviet intelligence to give me this kind of publicity, to give me a kind of anti-Communist medal that I am dangerous for them and that the job I am doing is right. Those were my speculations.

Mr. SOURWINE. You say that the Soviets feared opinion. Do you mean world opinion or opinion of the people in Russia?

Mr. KHOKHLOV. I think both. You see, the world opinion is important for them primarily as a force that could join the Russian people in the efforts of overthrowing communism and that, of course, includes both sides, the people here and the people in Russia.

Mr. SOURWINE. Mr. Khokhlov, the Russian Revolution cost Russia over 70 million lives; directly and indirectly there are at any given time 20 million men, women, and children in concentration camps and political prisons in Russia; people are executed all the time without trial. Does that seem to indicate that they are worried about public opinion?

Mr. KHOKHLOV. Well, but you see that the history is going ahead. What was possible in 1930 was no longer possible in 1940 and is not possible in 1957.

Mr. SOURWINE. You were—

Mr. KHOKHLOV. Excuse me, I would like to answer your question, if it is possible. You see, communism, in my own opinion, is dying

since World War II, and because it is dying, because it is becoming weaker and weaker, it is now at its end; therefore, the public opinion to the West is more dangerous for them and that is one of the reasons they cannot longer execute the people they did before. You know it from the latest reports from the Soviet Union.

Mr. SOURWINE. You are saying the Soviet people have stopped executing people and closed up their concentration camps?

Mr. KHOKHLOV. They have stopped doing it in the open and the way they did it, not because they have become more human but because they know if they start mass execution they will start a revolution, an explosion that they did not fear years before.

Mr. SOURWINE. You were a member of the secret police?

Mr. KHOKHLOV. Yes.

Mr. SOURWINE. You were a captain?

Mr. KHOKHLOV. Yes; I was captain, but not actually secret police. I had access to the files of secret police. My service was higher than secret police.

Mr. SOURWINE. You knew, did you not, that the one thing that the Russian Soviets do fear is that somebody will defect and get away with it?

Mr. KHOKHLOV. That is correct.

Mr. SOURWINE. You knew they had a policy, consistently pursued, to keep after defectors until they get them?

Mr. KHOKHLOV. Absolutely.

Mr. SOURWINE. Yet, you felt in your case they would not dare to attempt any reprisals upon you?

Mr. KHOKHLOV. For two reasons. First of all, because the situation changed since the death of Krivitsky in New York, or Reiss in Switzerland. In 1954, a certain Dr. Trushnovich was kidnaped in Berlin. I know from my own experience that that was not only one plan of kidnaping, and yet all over the world was conducted a big and noisy campaign of protest. No more kidnaping was done in that way after Dr. Trushnovich was kidnaped.

Mr. SOURWINE. Do you, of your own knowledge, know that Dr. Alexander Trushnovich was kidnaped?

Mr. KHOKHLOV. Yes; I do.

Mr. SOURWINE. How do you know?

Mr. KHOKHLOV. Because in 1953, when I was still in intelligence, I learned about two plans of action against Russian anti-Communist underground. These plans were elaborated when Beria was still in power.

One of the plans concerned a man in Berlin, a leader of an anti-Communist organization, that could be kidnaped by some German agents near him. Then, I did not know his name. I knew only some details of the plan.

The second plan was the assassination plan against Okolovitch.

When, in 1954, Mr. Trushnovich was kidnaped and I got the records of German police, everything fitted in, and I recognized this operation about which I was told so much in the summer and fall of 1953.

Mr. SOURWINE. Do the records of the German police, to your knowledge, show that Trushnovich was kidnaped?

Mr. KHOKHLOV. Yes. There were many details that could suggest such an idea. Secondly, in the last days, a week or 2 weeks ago, in Germany, one of the men who took part in the kidnaping of Dr.

Trushnovich was arrested by West German police when he wanted to surrender himself, without knowing that the records about him were already available. I suppose in a few days we will have a new proof that Dr. Trushnovich was kidnaped.

Mr. SOURWINE. You say we will have that proof in a few days?

Mr. KHOKHLOV. We will have it in a few days, officially. As much as we know, from unofficial sources, that man has talked.

Mr. SOURWINE. You know that many thought that Mr. Trushnovich fled to the Soviets a few hours before he was supposed to be arrested by Western authorities?

Mr. KHOKHLOV. I know there are many versions of that. I more or less know the initial source of these rumors, because that is what the Communists want so much to spread, and that was one of their purposes of kidnaping him. They did not want so much to liquidate him as they wanted to present him as a defector to the East.

Mr. SOURWINE. Did you ever visit Dr. Trushnovich's office?

Mr. KHOKHLOV. No; I never met him. I have read about him on both sides of the Iron Curtain in the literature of anti-Communist underground and in the secret files of the secret police while still being in Moscow.

Mr. SOURWINE. I would like to traverse a little of your earlier testimony before the committee, if I may.

Mr. KHOKHLOV. Good.

Mr. SOURWINE. You were, at the time of your defection, attached to the GGGD, were you not? Do you remember telling us about the group for distant action you were attached to?

Mr. KHOKHLOV. I would not abbreviate it. This is a working term. We have abbreviations only for agencies or institutions.

Mr. SOURWINE. That is the agency you were attached to?

Mr. KHOKHLOV. Yes.

Mr. SOURWINE. That agency had what missions and duties at that time?

Mr. KHOKHLOV. At what time?

Mr. SOURWINE. At the time you defected.

Mr. KHOKHLOV. You see, I was no longer agent in 1954. In my testimony, I told you that all these past years I worked in various sections, and since 1950 or 1951—1951, I think—finally, I began to work in this particular group.

But, in 1954, I was already an officer, an officer of Ninth Division of Second Department of Intelligence, and our job was to send long-range agents with various missions. However, Operation "Rhine" was regarded as a short-time mission, and the agents, not me, that were involved were considered short-time, one-mission agents.

Mr. SOURWINE. We go a little beyond what I wanted to ask you.

Mr. KHOKHLOV. I see.

Mr. SOURWINE. I wanted to ask you whether you know whether this agency, which at that time had the job of infiltrating organizations outside the boundaries of the Soviet Union, still has such a mission?

Mr. KHOKHLOV. I suppose the necessity of this mission still persists in Soviet intelligence. Of course, after my going over to the West, many sections were changed. Many people were replaced and removed, so I would not know exactly what section and what department handles that now. But, as I state, the necessity of this mission still is there, and I am absolutely sure that there are services that are work-

ing on this mission and are accomplishing it, and one of the proofs is the incident with me.

Mr. SOURWINE. So, the Soviet, to your certainty, still have organizations whose missions and duties include the infiltration of western and emigre organizations?

Mr. KHOKHLOV. Absolutely. Excuse me. More, even, than before, because right now these organizations represent for the Soviets even greater danger than before.

Mr. SOURWINE. Mr. Khokhlov, do you remember testifying at the beginning of your earlier testimony before us about the scholastic gold medal that you had received?

Mr. KHOKHLOV. Yes; I received—it is not gold medal. It is Golden Star of Motherland War.

Mr. SOURWINE. When did you receive that?

Mr. KHOKHLOV. I was decorated by a special bill from Presidium; that is presidium of highest—what is it, the translation? It is like Parliament here. I would not know the exact translation now, I could not find it—by the Government.

The bill was issued at the beginning of 1944. But I did not come back from partisan area until fall of 1944, so in September I was invited to the Kremlin and Mr. Schwernik—he is well known, because he was actually the kind of a President of the Republic then, he gave me this medal in Kremlin.

Mr. SOURWINE. That was for scholastic attainments?

Mr. KHOKHLOV. Please?

Mr. SOURWINE. For learning, for being a good student?

Mr. KHOKHLOV. No; that was for my achievement and special assignment of Soviet intelligence while being behind the enemy lines. I was more than a year behind the enemy lines, fulfilling various assignments.

Mr. SOURWINE. Did you not tell us about a medal you had received for being a fine student, an outstanding scholar?

Mr. KHOKHLOV. No.

Mr. SOURWINE. You did not?

Mr. KHOKHLOV. I received many medals, so I received a medal for defending Moscow. I received a medal for being a partisan, and so on. But we do not have the medals for being a good student. I received something from school when I graduated from school. It was not from intelligence. It was not a medal. It was a golden diploma that I graduated as a good student and could enter any university without examinations.

Mr. SOURWINE. When did you get that?

Mr. KHOKHLOV. In 1940.

Mr. SOURWINE. Mr. Khokhlov, when you came to the West, you brought with you, among other things, documents establishing your identity and family photographs; is that right?

Mr. KHOKHLOV. Not quite, because I brought with me documents and some notice and some pieces that could prove my identity. But I did not bring something that would prove my real identity while still being back in the Soviet Union.

I will clarify on that. I brought documents on the name of Hofbauer. I brought many notices on many agents who were in Europe, who worked against the American military installations in Europe.

I brought many samples of special things used in Soviet intelli-

gence, but I did not bring any documents about Nikolai E. Khokhlov because I could not take them out of the Soviet Union. It would be too dangerous for me.

You see, every time while leaving Soviet Union, in passing the border, I ceased to be Nikolai Khokhlov. Every time I become somebody else. Therefore, for me to take even the smallest piece of paper of my identity would be dangerous, because the Soviet intelligence by chance discovering that would immediately understand I intend to use it for my own purposes.

Mr. SOURWINE. Did you ever become Nikolai Evgeniyevitch?

Mr. KHOKHLOV. Nikolai Evgeniyevitch Khokhlov in my real name. I abbreviate Evgeniyevitch for "E."

Mr. SOURWINE. When you came to the West, you left on a mission that was the assassination of Okolovitch?

Mr. KHOKHLOV. I was not assigned myself to assassinate. For a staff officer, it is forbidden to go to assassinate. I was assigned to direct, to supervise an assassination that had to be carried out by two East German agents.

Actually, I was in charge of directing this operation.

Mr. SOURWINE. Did you not go to Okolovitch and tell him you had been assigned to assassinate him?

Mr. KHOKHLOV. Yes. But the real wording of that in Russian is that I am sent here to organize your assassination.

Mr. SOURWINE. Then you were sent out on a mission to organize the assassination?

Mr. KHOKHLOV. Yes; but, maybe you can abbreviate it by saying I was actually sent to assassinate him, technically.

Mr. SOURWINE. On that mission, did you go under your true identity or did you go under a different identity?

Mr. KHOKHLOV. I had a different identity.

Mr. SOURWINE. How does it come that you were not deprived of all the identification of your true origin or your family photographs or anything that had to do with your true identity?

Mr. KHOKHLOV. If I really understand your last question, I told you I really did not have anything with me that could prove my real identity. Every time I left the Soviet Union, I was somebody else.

In coming to Okolovitch, all I had was an Austrian passport under the name of Josef Hofbauer, that an especial assignment was given to me in 1951. He did not know my real name. He knew only my name of Nikolai Evgeniyevitch that I told him very confidentially.

Even the American services did not know my name for a long time, and then they asked me to tell them my real name. I told them. But after 2 months, they had an opportunity to check that I really am Khokhlov.

For instance, I can reveal to you that among the agents that were captured later on my revealing of networks, was an agent, a very important agent, that defected to the West, who knew me personally while still being in Moscow, who knew my family, my mother, my sister, who knew exactly that I am Nikolai Khokhlov, and he knew my war record.

So, in short, American intelligence got finally all the proofs that I am Nikolai Khokhlov, but in replying to your request, again I did not have anything with me at that time that would prove my real identity.

Mr. SOURWINE. Not even your wife's photographs?

Mr. KHOKHLOV. Yes; I had my wife's photo. But my wife was included since 1952 in the operation that had to be carried out in Switzerland, so I had since then an official permission to have the picture of my wife. But it was made in a special photograph laboratory in Moscow on a foreign paper in order that I could carry it out with me.

Mr. SOURWINE. You may not remember precisely, but I want to quote back to you some of the words that you said to us when you testified before.

Mr. Chairman, this is from page 42 of the printed record of our hearings. I am going to quote only portions of what you said on that page, because I want to ask you a question about it.

You said:

The Russian people do not want war, but the Russian people are not masters of their fate. It seems to me that the final answer to the question of whether there will be a war or not might depend upon even such a slight question as my own case, whether my wife will be arrested or not. If the Soviet Government is inhuman and stands on the side of the assassins, then sooner or later there may be war.

Do you remember that?

Mr. KHOKHLOV. Yes.

Mr. SOURWINE. Now, from your knowledge of the Soviet Government during your mature lifetime, has there ever been a time when they were not on the side of the assassins?

Mr. KHOKHLOV. Yes. Now, I already know. They were on the side of the assassins; but today in 1957 it is no longer meaning that there will be a war, because I testified in 1954. Since 1954, May, many things occurred in Soviet Union: de-Stalinization, revolution in Hungary, and other things that forced me in my interviews with many American magazines to tell that now revolution is going on inside of Soviet Union, and the Soviet Government is so much weakened and so much afraid that there is a very slight probability they would risk a war. And even the story with the Sputnik proves that to me.

Mr. SOURWINE. Let us see if we can go back to 1954 and try to recapture your state of mind as of that time, if we can.

Mr. KHOKHLOV. All right.

Mr. SOURWINE. The Soviet Union had then for nearly 40 years, for over 30 years certainly, had been committing dreadful sins against man and God and humanity; the Western nations had not done anything about it effectively up to that time.

Why was it that you felt that if they were inhuman in your particular case, there might be a war?

Mr. KHOKHLOV. Well, because in 1954 when I came over to the West, I had a little bit of a distorted picture of the West, it seems.

You see, May 1954, it is actually, let me see, it was actually the third month of my being in the West, and if we will skip 2 months away in being in the hands of Western authorities, it was actually just a few weeks that I began to learn about the West.

I would like to point out that as every Soviet citizen today in the Soviet Union, I myself already had an idealized picture of the United States, for instance. I told myself there is no country in the world more united, more decided to fight communism as it is United States.

Mr. SOURWINE. You did not have an idealized picture of the Soviet Union in your mind; did you?

Mr. KHOKHLOV. Please?

Mr. SOURWINE. You did not have an idealized picture of the Soviet Union in your mind?

Mr. KHOKHLOV. No. The picture I had of the Soviet Union did not change since then, because it was my country. I knew it. In trying to answer your question, my ability about the West, the ability of the West to act was different than I have today.

Mr. SOURWINE. You thought at that time that the Soviet Union would react to western public opinion in your case?

Mr. KHOKHLOV. I thought that; yes. But, as I realize, you are asking about the question of war.

For me, the question was decisive about the position of the West, and I imagined that, if the Soviet Government will show itself completely inhuman, therefore, the West, sooner or later, will realize that they have to fight it for life and death.

By the way, I would like only to make a remark here. This statement before the committee was not only addressed to the American people, to the Senate; it was also addressed to the Soviet Government.

I knew that there and then among the press people was a representative from TASS, the Soviet agency. You see, for me then, the main thing was the fate of my family. I wanted to present it in such a way, in the light of public opinion, and at the same time to the Soviet Government that they would have a dilemma, that the Soviet Government in a dilemma would have to decide something, and that was my hope of saving my family. Therefore, maybe I pointed out the things I would not point today.

Mr. SOURWINE. After you left the committee room in 1954, did you get any word about your wife?

Mr. KHOKHLOV. No; I could not.

Mr. SOURWINE. You have not received any word up to the present time?

Mr. KHOKHLOV. I could not, because the circumstances under which my family was arrested and disappeared are very well-known to you personally, I suppose.

Mr. SOURWINE. You have received no word about your wife since then?

Mr. KHOKHLOV. No; I could not, because they are held as hostages, and they are very, very well guarded, and nobody, including western intelligence agencies, would dare to approach them.

Mr. SOURWINE. Do you know whether they are alive?

Mr. KHOKHLOV. I would not know it for sure, but I hope. I hope for many reasons.

Mr. SOURWINE. You said they are held as hostages. Do you have reason to believe that is true?

Mr. KHOKHLOV. What is true?

Mr. SOURWINE. That your wife and children are held as hostages?

Mr. KHOKHLOV. This is the guaranty for me that they could be alive, because they would be held as hostages, and that is again from my knowledge of Soviet intelligence customs.

You remember the story of Kravchenko? He was also in the West after he defected for many years. He has written his book, and then



the process in Paris was, and at this process in Paris many years later Soviet intelligence brought his wife as a witness against him.

Mr. SOURWINE. I am trying to find out whether you had any knowledge or authenticated reports about your wife?

Mr. KHOKHLOV. I do not have any knowledge. I only have my ideas about that.

Mr. SOURWINE. While you have been associated with NTS, they have tried to do everything they could to get you word about your wife and children?

Mr. KHOKHLOV. The NTS is a private organization, and they have their own means of fighting. If the committee would not insist, I would not want to go into their methods and manners.

Mr. SOURWINE. I am not talking about methods and manners. I wanted to know if they had not tried to find out about your wife and children.

Mr. KHOKHLOV. I would endanger them if I said they did.

Mr. SOURWINE. They either did not find out anything for you or they were not able to do so; is that right?

Mr. KHOKHLOV. I suppose they were able. I asked them not to do that, because I knew that there would be news for me against the possible death of a man who will be sent inside the Soviet Union, and, therefore, I always told them, "Do not do that."

If they really did or not, I do not know, but, because I have respect for this committee, I will ask to stop it from the press and I will tell you details.

Mr. SOURWINE. I will pass the question.

Mr. KHOKHLOV. All right.

Mr. SOURWINE. Do you remember telling us, sir:

I did not come to the West to ask for shelter and protection, but I asked Mr. Okolovich to save my wife and children.

Mr. KHOKHLOV. Yes.

Mr. SOURWINE. Since you testified it has come to our attention that on April 25, 1954, writing in Possev, you said:

I requested Mr. Okolovich to be an intermediary and so help me to receive the protection of the West as a political refugee.

Do you remember writing that?

Mr. KHOKHLOV. I suppose I could write something like that, but not exactly in this wording, because what I asked him was really to be an intermediary, but not in getting me political asylum. Instead, to be an intermediary to help to save my family.

There is probably a mistake in your record or in my wording there that means that they probably misquoted me. I would not speculate on that right now, and I would not doubt your lines there, but, you see, the story that was exactly recorded, even in the testimony before your committee, was that I asked Mr. Okolovich to be an intermediary in asking Western authorities to save my family.

Mr. SOURWINE. You told us, specifically, that you did not ask him for protection for yourself.

Mr. KHOKHLOV. I did not need protection.

Mr. SOURWINE. For yourself.

Mr. KHOKHLOV. I did not need any protection.

Mr. SOURWINE. Yes. Is it true that you asked him to help you get the protection of the West as a political refugee?

Mr. KHOKHLOV. It is not true.

Mr. SOURWINE. May I ask that this article in Posev, written by Mr. Khokhlov—April 25, 1954, issue—may go into the record?

Senator JOHNSTON. It will go into the record.

Mr. SOURWINE. We will produce it for the record.

(The article referred to was marked "Exhibit No. 523" and reads as follows:)

EXHIBIT No. 523

[Source: Posev (Sowing), a Russian language weekly, Frankfurt/Main, Germany, April 25, 1954, No. 17, pp. 5-6]

HEROISM OF A RUSSIAN WOMAN

Our nation is indebted to the Russian mother, the Russian woman for all the greatness of its historical past. The moral standard and strength of the Russian woman did not fade during these hard times of the dark Communist era.

A wife and mother who sacrificed herself and her family's happiness to save her husband from the heavy mark of an assassin presents a new token of the moral strength of the Russian woman. This woman is Elena Khokhlova. Yesterday she was quite unknown. Today all the world salutes the greatness of her deed. All humanity should unite in doing all possible to save Elena Khokhlova from the hands of the Communist hangman.

In the article presented below N. E. Khokhlov tells about his life, about his personal tragedy, about the motives which made him break with communism and the MVD organs and escape to the world of liberty, to people who fight for liberation of their home country. Mr. N. E. Khokhlov took his final decision to escape to the West under the influence of his wife who sacrificed her happiness and the happiness of her little son in the name of the great law: "Do not kill!" (Editor's Note)

I arrived at the decision to escape to the West as a result of my whole life. I am a Muscovite. Even now I am registered for residence at the house number five, Krivonikolskii Pereulok near Arbat, apartment thirteen. There my wife and my two-year-old boy remained. My cooperation with the Intelligence started in 1941.

In September 1941 the NKVD started organizing underground groups for future partisan fight against the Germans in Moscow. I was quite happy to accept the NKVD's offer to stay in Moscow and to fight the Germans in the underground.

Moscow wasn't given up. They suggested that I stay in the Intelligence. I accepted the offer as a way to fulfill my duty towards my country. I was taught shooting, explosive techniques, parachute jumping. The greatest attention was paid to the German language and to familiarization with the German army. In the Summer of 1943 I was parachuted from a plane in the region of Minsk to join a guerrilla detachment. With documents made in Moscow, identifying me as a First Lieutenant of the Nazi field police I worked behind German lines for more than one year. There in the guerillas I got my first order to kill a person. At that time I felt that this kind of job was necessary, essential and even honorable. It was to kill the hangman of Belorussia, the Fascist Gauleiter Wilhelm Kube. To me Kube was an enemy and an inhuman criminal, and his killing was an act of revenge and my personal contribution to the war.

I sneaked into the city of Minsk, lived there for some time as a German and found ways to get at Kube. I met one Galina Mazanik, a maid in Kube's household. I convinced her of the necessity of killing Kube and, on September 19, 1943, Kube was killed by a bomb placed under his bed.

In the Fall of 1944 I returned to Moscow. At the beginning of 1945 I was sent to Romania. There I was to acquire European ways and manners. In the event of potential war in Europe, I was destined to lead a guerilla detachment.

I was one of many who were sent by the NKVD to the countries of the so-called Peoples Democracies in order to build up agencies of terrorism and diversion in Western Europe under the protection of the new regimes.

I remained in Romania for four and a half years. There I gradually started seeing clearly. All of a sudden I felt and conceived what Communism was. Maybe it was there that I asked myself for the first time what gods I was serving. In the Fall of 1949 I decided to break with the Intelligence.

On my request I was transferred back home to Moscow. After my return to Moscow my wish to break with the NKVD became firm.

From the beginning of 1950 it became quite clear to me that I was a citizen of an unhappy nation tormented by starvation, poverty and moral terror. But the thought of escaping to the West was rather far from me at that time. I conceived just one truth—that by serving in the NKVD I was serving those who mistreat my country. The occupation of an NKVD collaborator was a disgraceful occupation.

I started fighting to leave the job. In this fight I found a faithful companion—my wife. We used to go to school together, then I did not see her for eight years. In the Fall of 1949 we met again and got married. The extremely great inner strength of this woman, her exclusive sense of humanity and righteousness, her sound and true judgment of the surrounding reality, helped me in the following years, to avoid all the crimes which the NKVD pressed upon me.

In the Fall of 1950 I suffered my first defeat in my fight. By an order of the Minister I was assigned to the staff of the Ministry of National Security as a cadre officer with the rank of a first lieutenant. From then on I was subject to CheKa (Secret Police) discipline.

In 1951 I was ordered to make a short trip to the countries of Western Europe. Furnished with Austrian documents I visited Switzerland, France, Holland, Belgium, and Denmark.

In the Spring of 1952 the first crisis came about. My chief, Lieutenant General Sudoplatov, sent for me and entrusted me with—as he put it—“a very responsible government assignment”—to go to France with Swiss documents and to kill a Russian emigree. It was then that I realized that the CheKa organs practiced acts of terror not only in times of war but also in times of peace, and that they do not hesitate to use every means to achieve their criminal aims.

I knew that I was risking my own life and that of my family if I refused. Still, I could not accept the assignment. I declared that the present condition of my nervous system did not allow me to take over this kind of responsibility as I would risk failure and wreck the undertaking.

Until now I have not been able to understand two things. How did it happen that the MGB (Ministry of National Security) spared me, and how did it happen that they did not find out that I was a stranger to them, that I could not be entrusted with this kind of task, that I was more their enemy than their collaborator. Maybe all this could be explained by the stupid self-assurance of the CheKa that every Soviet citizen is under a hypnotic fear of the MVD and that the CheKa organs are omnipotent and can decide upon the fate of Soviet people at their discretion.

For several weeks my wife and I would listen to the sound of every passing car, would jump up at night at the sound of every knock at the neighboring doors; we had ready a little package with underwear and small items to take with us in case of an arrest. But there was no arrest.

I was sent to Berlin to do some technical job with the apparatus of the MVD Representative in Germany.

I saw that they intended to break me in again and to put me to work underground in Europe. But the most important and most terrible thing to me was the fact that I still remained a CheKa officer and that there was no escape from this damned establishment.

There in Berlin I got to read a German paper with a report on NTS [Russian Emigree Organization]. Up to that time my notion of the emigrees was that they were a group of human trash waiting passively in the West for the return of old times and serving, from time to time, various foreign Intelligences.

Here I met something new, of firm and independent convictions: a group of people who called their exodus—a revolution. For the first time I saw that in the West there are people who not only reject the Soviet system, but who had declared war on it. It was then that the idea of escaping to the West first occurred to me.

At the end of 1952 I was offered leadership of those residing (?) in the countries of Western Europe, with headquarters in Switzerland. I made a condition that I would go there only with my wife and son. I was given this permission. We were happy: a new pleasant and hopeful perspective seemed to open before us. I was already in East Berlin and expected my family any time.

Stalin's death destroyed all our plans. I was ordered back to Moscow at once. During the spring and summer of 1953, MVD was in a state of complete dispersion. Beria's arrest added to the chaos. Not before September did my agency, renamed "Ninth Division", start receiving Government assignments. And the very first task fell upon myself.

In a festive surrounding the new Chief of the Intelligence Division of MVD, Panyushkin—the same who used to be Ambassador to America—informed me that the Ministry entrusted me with organization of a very important political assassination. The task was to kill one of the leaders of the NTS, Georgii Sergeevich Okolovich. This was disastrous. To refuse for a second time to perform this kind of a job would equal suicide. To tell the truth, in those days I was quite perplexed and broken under the tragedy of the situation in which I found myself. The problem was very acute and complicated. To go to the West would mean to kill my family. I admit that several ideas came to my mind and not all of them were honest.

The assassination was to be carried out by two Germans: I was to go to West Germany and to make on the spot the necessary arrangements for the operation. Could I just close my eyes and let the Germans alone? They would do it without me too.

Were I in Moscow alone at that time, it would be very hard for me to find the right and faultless solution, and to face the truth.

But I wasn't alone. Later, on my way to West Germany, the words said by my wife when I told her my plans, were ringing in my ears. She said to me: "If that man is killed—you will be the killer. Those who direct the killer's hand are guilty in the first place. If he is killed—you will have no wife, no child any more. I won't be able to continue to live with a killer-husband, no matter how much I love him. I cannot allow him to remain my son's father."

This obstacle was unconquerable indeed. I couldn't raise any objections. I merely asked her: "Do you realize what awaits you when I escape to the West?" She knew but it changed nothing in her resolution.

I made the decision. I realized that if I didn't prevent the murder from being committed, I'd lose my wife, my child and my own conscience, killing myself morally.

In January I said goodbye to my wife and son and went to the West.

The assassination of Mr. Okolovich was prepared very carefully: The best agents were engaged, a special noiseless weapon with poisonous bullets was constructed, much money was spent. People of such caliber as Panyushkin, Serov, and Minister Kruglov himself were engaged in organization of the operation.

Naturally, I arrived at Frankfort without special difficulties. Next evening I went to Okolovich's apartment and found myself alone with him in an empty quarter. I told him that I was sent to kill him but could not do it. I asked him for his assistance in getting a political asylum. He answered that he would do it as a matter of course because he owed his life to me. That's what he thought.

But I think that both he and I now owe our lives to the honest heroic Russian woman left in Moscow.

She knew that the great law of humanity says: "Do not kill!"

(Translated by George Starosolsky, Library of Congress, Dec. 28, 1957.)

Mr. SOURWINE. Mr. Khokhlov, do you remember your testimony to us that your wife was a member of the church?

Mr. KHOKHLOV. Yes.

Mr. SOURWINE. Was that the Uniate Church?

Mr. KHOKHLOV. Well, it was explained here by some commentators that it was a Uniate Church. As much as I know—I am not too much versed about churches and religions—I know she was born from a Catholic father, and she was baptized as has to be done in the Catholic Church. Later, when her father died, she was taken by her mother to the Orthodox Church.

Then, the people asked me: What particular Catholic Church. There is only one Catholic Church in Russia, Uniate Catholic Church. I thought that was what it was. She herself referred only to the Catholic Church.

Mr. SOURWINE. Uniate Church is the Eastern Rites under the Vatican?

Mr. KHOKHLOV. Probably.

Mr. SOURWINE. Do you know where a Uniate Church is in Moscow?

Mr. KHOKHLOV. No; I would not.

Mr. SOURWINE. Can you tell us where the church is in Moscow where you attended?

Mr. KHOKHLOV. Yes; we attended many times, and we baptized our son there. This is a small church in a small street about, let's see, 300 feet from Arbatsky Square in Moscow, and the name of this church is Serbskaia. It means Serbian Church. By the way, in the guide of Moscow I helped to prepare, I pointed out this church as described and mentioned.

Mr. SOURWINE. Your wife was a practicing Christian at the time you married her?

Mr. KHOKHLOV. Was what?

Mr. SOURWINE. Your wife was a Christian at the time you married her?

Mr. KHOKHLOV. Yes; and she still is.

Mr. SOURWINE. You were at that time a captain?

Mr. KHOKHLOV. Yes.

Mr. SOURWINE. In the MVD?

Mr. KHOKHLOV. At that time, yes. I was captain since the fall of 1953.

Mr. SOURWINE. How was it that an MVD captain was permitted to marry a practicing Christian?

Mr. KHOKHLOV. Actually, I did not ask any permission and nobody questioned me, and I would like very much to attract your attention that thousands of party members are married to the people who are Christian, and more than that.

Mr. SOURWINE. You were not a party member, you were captain in the MVD.

Mr. KHOKHLOV. That is right.

Mr. SOURWINE. Are many MVD captains permitted to marry practicing Christians?

Mr. KHOKHLOV. We do not have a status who is Christian and who is not.

She has her passport, and in her passport there are written many things, and among them there is religion. She is Catholic in the papers. If she is practicing the religion or not, it has to be asked in a private conversation, or somebody would see her, that she is going to the church. However, I did more than that. I went myself to the church. That was really something dangerous. I understand your viewpoint. How I could be permitted? Of course, if any superiors would know that my wife was an active Christian, a Christian that is going to the church, and believes in God, of course I would have a great conflict, but they did not know.

Mr. SOURWINE. Is an MVD officer permitted to marry without the approval of his superiors?

Mr. KHOKHLOV. Not quite, and I did not quite so. But I was in friendly relations with her, and I married her without telling my superior. In trying to postpone that, she would be taken in the files of the secret service. I used then the good relations between me and my superior, General Sudoplatov, that trusted me very much.

However, in February 1952, a few months after we married, I had a very strong note from him when he got out of conversation that I already had a wife. He told me, "You are crazy. How it is possible you are married, I do not know about that. Immediately, sit down and write a report." And I did that in February 1952.

Mr. SOURWINE. You told us your wife was a very moral woman and was opposed to some of the things you were expected to do as an MVD captain.

Mr. KHOKHLOV. Yes.

Mr. SOURWINE. She was an engineer?

Mr. KHOKHLOV. Yes.

Mr. SOURWINE. At the time you married, she had her own apartment?

Mr. KHOKHLOV. Yes.

Mr. SOURWINE. You moved into that apartment after you married?

Mr. KHOKHLOV. That is right. I did not move just like that. I got a room and I took her brother and I transferred him to a room, and then I used the room of the brother. That is how it is done in the Soviet Union.

Mr. SOURWINE. How big was her apartment?

Mr. KHOKHLOV. I can tell you that it had four rooms, but the rooms were so small that in American standards it was really a very small apartment.

Mr. SOURWINE. By Soviet standards, it was very grand and elegant?

Mr. KHOKHLOV. Yes; by the Soviet standards, it was a big one.

Mr. SOURWINE. The ordinary people there got four square yards each by law, at that time?

Mr. KHOKHLOV. That is correct. The principal thing was we had a separate apartment, and that is extremely difficult to get.

Mr. SOURWINE. Your wife was undoubtedly, being an engineer, an educated woman. Certainly, she knew what the duties of an MVD officer were.

Mr. KHOKHLOV. Absolutely.

Mr. SOURWINE. So, despite the fact that she was opposed to what you were expected to do, she knew what your duties were when she married you.

Mr. KHOKHLOV. Exactly. First, we studied together in the school. Second, I approached her again then as a woman I would like to marry, in 1949. And it was only in 1951, when she really saw that I am struggling to get out and I am ready to risk everything, including my life, to get out of Soviet Intelligence, she understood the real meaning of my life and she agreed to marry me. Because as many women, including American women, she understood that I need her help for that.

Mr. SOURWINE. She said nothing to protest your assignments until the Okolovitch case came up?

Mr. KHOKHLOV. Well, she did not protest actually. She did not have to. You see, it was in 1952 that I got an assignment of murder also. Then, I rejected it under the protest that I am sick. And then my wife and me were absolutely ready to go in concentration camp.

In 1953, it was a different thing. If it would be just rejected, Okolovitch would die. We had the responsibility to save Okolovitch, and that was the time when she backed me and told me, "We have to do everything to save this man."

Mr. SOURWINE. You told us, sir, that you had refused to carry out that assignment to kill.

Mr. KHOKHLOV. In 1952?

Mr. SOURWINE. That is right.

Mr. KHOKHLOV. That is right.

Mr. SOURWINE. You told us you refused because you considered that murder, or assassination, as a crime against religion and conscience; do you remember that?

Mr. KHOKHLOV. That is correct.

Mr. SOURWINE. What I would like to know, if you felt that murder and assassination was a crime against religion or conscience, why did you ever become and remain an officer of the terroristic and murderous MVD?

Mr. KHOKHLOV. Because to remain an officer, is not because you forget to file a paper that they would release you. I filed many papers. I filed in the fall of 1949. That was why I was removed from Rumania to Soviet Russia. To get out of Soviet Intelligence and remain alive is a heavy job. I tried to remain alive. I tried that for many years. That was climaxed in 1954.

Mr. SOURWINE. It is hard to get in and hard to get out?

Mr. KHOKHLOV. That is right.

Mr. SOURWINE. To get in, you have to prove you are superior mentally and physically and in ruthlessness.

Mr. KHOKHLOV. I would not regard it exactly so, because the ruthlessness is not absolutely necessary. What you have to prove is you are—what is the English name—your loyalty to the party.

The party and the dogma of Communist philosophy is the most important thing for them, and that is what happened to my superiors. They confused my loyalty to my country in the time of war with my loyalty to the party.

So they, the same thing as they did with millions of Russians, so they said I was a perfectly loyal Communist. By the way, I did not become Communist until 1953.

Mr. SOURWINE. Now, I want to refer for just a moment to what you talked about earlier here; that is, your belief that at the time, that is in 1954, your belief that an appeal to the American people, to the people of the West, could save your wife and son, who were then in the center of Russia.

Mr. KHOKHLOV. No. Actually the time that I believed it, could be measured by 10 days.

Mr. SOURWINE. Yes, if you believed it for 10 days.

Mr. KHOKHLOV. Yes.

Mr. SOURWINE. During those 10 days and before those 10 days, you had gone through the experience of being an MVD captain. You were an official of the intelligence agency of the Soviet Union.

Mr. KHOKHLOV. Yes.

Mr. SOURWINE. Yet, at that time, you believed that the American people or the American Government could somehow save your wife and son in the center of Russia.

Mr. KHOKHLOV. Yes. And I certainly believe that I did have all the opportunity to believe that of Americans.

Mr. SOURWINE. You now know that America could not even save United States citizens in foreign countries?

Mr. KHOKHLOV. If the committee will permit 5 minutes, I could describe you the psychological side of this.

Mr. SOURWINE. I am afraid we are running short of time.

Mr. KHOKHLOV. I could not answer your question in a short way, but I could tell you what happened with me when I came to America, in having an opinion that Americans are religious, that they believe in God, believe in man, and believe in the sanctity of human life.

Mr. SOURWINE. I am trying to find out how you, an MVD captain, could believe that American public opinion could help when a dozen countries had been lost to Communists, how you thought American public opinion could help in the case of 1 woman and 1 child, when a dozen countries had been lost without any resistance by the West.

Mr. KHOKHLOV. First of all, I do not agree with you that Americans betrayed their citizens abroad so easily.

Mr. SOURWINE. Those are your words, not mine.

Mr. KHOKHLOV. I am sorry. That means I misunderstood you. For me, it was that America tried always to do what they could. That may be because of some pictures that I saw where the American correspondents in the assignment of American intelligence did miracles in saving. And I believe maybe a part of truth is there.

Secondly, I knew about an incident in Rumania, where the man was taken to the American Embassy and was saved.

Thirdly, what was much more important, I was in the hands of American authorities. I gave to the United States everything I had, including the life of my family. Imagine you would be there. Try to be in my position. I gave everything I had to the United States. All the secrets, what could help the United States.

I did not ask anything from the United States but to save my family.

Now, the representative of such a great country, in my opinion, of a country true to the interests of mankind, true to the interests of high morality, come to me and tell me, "Mr. Khokhlov, there is only one way to save your family. We will take your wife to the American Embassy, Moscow."

I could not believe it. "You will not get permission for that."

"Well, we know this is an unusual story. We spoke with Washington, and Washington guaranteed us that your wife will be taken to the American Embassy."

I told myself, the Americans are not cannibals. What sense, what purpose they would have to lie to me? Everything I had to help America I did. If my wife and my child would be killed, there is no interest for the United States, for heaven's sake. I could not suppose that.

They came to me and presented to me a very carefully elaborated plan, including Voice of America, all the stations over the world, including Embassy in Moscow, the American authorities in Washington and American Bonn authorities.

They sent a special man from the State Department in Washington to Frankfurt. He came to me and told me, "Mr. Khokhlov, you broadcast a special speech to your wife, and this broadcast will be transmitted by station Voice of America exactly at the time you will start your conference, and this time we will guarantee you that the people in Moscow from Embassy will rush to your apartment and



invite your wife to go to the American Embassy, and give an interview and will fight for her."

Tell me, gentlemen, is there any reason I could tell that the Americans are lying to me? I am sorry, but for me there was not a reason of this sort, so I believed, and I told if the American Government guarantees me that my family will be saved, I have to believe them. So I did.

As you know, I did my part.

The Voice of America did their part. The State Department did their part. But the people in Moscow did not want to go to my family in the last moment. They did not care even to send back a telegram that they would not do that.

Who jeopardized my family? I do not know still today, but I do not think it was bad will there. I am sure I did not commit a mistake in trusting the Americans. And I was not naive or stupid in trusting the United States.

Mr. SOURWINE. I have no more questions, Mr. Chairman.

Senator JOHNSTON. Any further questions?

Mr. MORRIS. No, Senator.

I want to thank Mr. Khokhlov for coming down here to testify.

Senator JOHNSTON. Thank you.

Mr. KHOKHLOV. Thank you, very much.

This whole story is too important for me. I just could not tell it in another way.

Mr. MORRIS. Senator, the other thing—I have not had a chance during the recess to digest Mr. Mandel's summary of the Greenglass session yesterday, and the memorandum is now in such form that I would not like to offer it in the record with the names of the people mentioned.

May I offer it for the record now, but prepare it overnight?

Senator JOHNSTON. That will be all right.

Mr. MORRIS. And we will present it with this record tomorrow morning.

Senator JOHNSTON. All right.

Mr. MORRIS. Thank you, very much.

(The summary above referred to was marked "Exhibit No. 524," and reads as follows:)

EXHIBIT No. 524

MEMORANDUM

OCTOBER 16, 1957.

To: Mr. Morris.

From: Ben Mandel.

Re interview with David Greenglass and Harry Gold at Lewisburg Penitentiary on October 15, 1957.

DAVID GREENGLASS

In 1947 or 1948 when Julius Rosenberg was moving some of his furniture from Knickerbocker Village on Monroe Street, New York City, to Chappaqua, N. Y., for the summer he was standing on the street corner near the moving van with David Greenglass and his brother. At that time Rosenberg said, "We now have a space platform." He said he had heard this from a friend. At that time Rosenberg explained the details and the technique of the space platform.

When Greenglass was alone with Rosenberg later he asked again about the space platform. Rosenberg said it was being surveyed. He said one of the boys gave me information and "I gave it to the Russians."

Rosenberg also mentioned to Greenglass the atomic airplane. He said that the mathematics for the atomic airplane had already been worked out. Rosenberg said that he got it from its people and had passed it on to the Russians.

The information on this matter may have come to Rosenberg either from a physicist and aerodynamic expert who worked with the National Advisory Commission for Aviation at the time, or an engineer who worked on the project at Sperry Gyroscope. Rosenberg told Greenglass that the latter was one of "his people."

Rosenberg seemed to be well acquainted with the inside mechanism of the atomic airplane. He explained that the operator of the plane would have to be in a separate compartment from the reactor. He claimed that a report on the atomic airplane had been given to him.

Rosenberg, it should be noted, was chief inspector for the Signal Corps of the United States Army. In this capacity he went to all plants manufacturing equipment for the Signal Corps. It might be possible to secure from the Signal Corps a detailed analysis of the work done by Rosenberg. Through his employment, Rosenberg came to know individuals, experts, in the various plants throughout the country. Thus, for example, he was friendly with some people in the Philadelphia Branch of the Procurement Division of the Air Corps and he cultivated this friendship. It should be noted that the Signal Corps worked on components of the guided missile, according to Greenglass.

I questioned Greenglass as to whether or not the espionage ring included any technical experts who could evaluate information on the spot. Greenglass said that the man whom he met at night in an automobile on the East Side of New York City in the Forties (streets) seemed to him to be an expert engineer from the pointed questions he asked. He might have been a prominent person because he kept his identity hidden, his hat down, and his face in the shadow. He repeatedly warned Greenglass to keep his eye on the road and at one time he turned Greenglass' face with his hand away from looking at him.

#### HARRY GOLD

Gold remembered the following details about Rosenberg which he had not previously mentioned:

About October 23, 1949, when Gold was on his way to meet Russian Agent Sarytchev outside of the Bronx Park Zoo, he was walking past a restaurant which he had been instructed to pass. A man was watching him through the window of a restaurant whom he recognizes as having been Julius Rosenberg.

On the first Sunday of February 1950, after the arrest of Klaus Fuchs, Gold had a meeting in Queens near the 90th Street station of the Queens-Flushing line of the BMT. The meeting was what Gold called optional. This meant that if Gold was anxious to see the agent he was to walk on a certain side of the street and if the agent was anxious to see Gold, the agent was to walk on another side of the street. At that time Gold was filled with anxiety because of the Fuchs case and was anxious to get the lowdown from the Russian. When Gold was on the little island under the elevated structure, a man came toward him. From the photographs which Gold saw in the newspapers later he believes that man was Rosenberg. In both cases it would seem that Rosenberg had been assigned to keep Gold under surveillance.

Gold also described other items of espionage which he had not detailed previously. He said he gave to a Russian agent whom he knew as Paul Smith the information regarding the manufacture of synthetic normal butanol alcohol, a solvent for lacquer, in which the Navy was deeply interested. Gold says that Paul Smith was the man who established the espionage ring in which he operated. He was either a Dane or Czech, about 5 feet 7, chunky, with a rather old face, light hair and eyes, and about 35 to 40 years of age. He had a wide mouth, was a neat dresser, had traveled widely, and spoke Danish and English. Gold knew him from October or November 1935 to July 1936 and met him about 12 or 15 times.

Gold also gave Smith information about absolute ethyl alcohol used to blend with motor fuel in order to extend such fuel. Gold's source of information was the Pennsylvania Sugar Co. Gold also passed on information of the process for manufacturing ethyl chloride, an anesthetic, which he obtained from the Pennsylvania Sugar Co. Gold also passed on information about other lacquer and varnish solvents, such as diethyl oxylate, amyl acetate, amyl butyrate, butyl acetate.

Gold believes that this information saved the Russians time and money which would have been required for their own experiments in producing these products. The information consisted of progress reports showing techniques.

Gold said that Semenov was a mechanical engineer and mathematician of a high order who worked for Amtorg. Semenov would be another example of a highly skilled scientific agent, a Russian, working in this country.

Gold listed the agents with whom he worked and the field in which they operated:

1. Al Slack. Worked on sensitizers and developers for films used for Kodachrome, manufactured by Eastman Kodak, for whom Slack worked. These were used for aerial photography. From Slack, Gold also obtained the process for making the explosive known as RDX. Slack worked for the Holston Ordnance Works in Kingsport, Tenn., a division of Eastman Kodak which also manufactured explosives. Slack also gave Gold information regarding the manufacture of nylon which is used for many purposes including parachutes.

2. Abraham Brothman, a chemical engineer, gave Gold the process for the manufacture of Buna S, a type of synthetic rubber of great importance. Brothman was rather vague in his information as to his sources, claiming at one time that he got this information from the United States Rubber Reserve Commission. Brothman worked for the Hendrick Manufacturing Co., which may have had contact with the United States Rubber Reserve Commission.

At one time Brothman said he had designed the machinery for chemical engineering mixing equipment, a very important factor in the chemical industry. This information he passed on to Gold. He also gave Gold a design for an aerosol container for spraying DDT.

Brothman gave Gold the design for making magnesium powder which is used for manufacturing flares and tracer bullets, both of considerable military importance.

Brothman was a partner in the Chemurgy Design Corp.

The visit to Greenglass and Gold was made possible through the courtesy of James V. Bennett, Director of the Bureau of Prisons, and John C. Taylor, warden of the Lewisburg, Pa., prison, and H. A. Cox, associate warden.

Mr. MORRIS. Is Mr. White here?

Senator JOHNSTON. Off the record.

(Discussion off the record.)

Senator JOHNSTON. Thank you, very much.

(Whereupon, at 4:30 p. m., the hearing was adjourned.)

(The following statement was later ordered printed in connection with the testimony of Mr. Vidovics:)

PERMANENT MISSION OF THE HUNGARIAN PEOPLE'S REPUBLIC TO THE UNITED NATIONS

Press release, October 9, 1957

STATEMENT MADE BY MR. MIKLOS SZABO<sup>1</sup>

At a press conference held in Budapest on October 3, 1957, by the Information Bureau of the Council of Ministers of the Hungarian People's Republic

THE EMIGRES WERE UTILISED FOR PURPOSES CONTRARY TO THE INTERESTS OF THE HUNGARIAN NATION

I should like to begin by giving the reasons which prompted me to leave the country in December 1955.

I was set at liberty in the autumn of 1953 when internment camps were dissolved. After some difficulties I managed to find employment, but a year later I was dismissed from my job on account of my political past. The situation then did not enable me to find a job—at least not one which would have given me a decent living. My troubles and difficulties became worse and worse. At the same time I had political views and aspirations I did not see any possibility of realising in Hungary then. All these circumstances led me to the conviction that only together with my political friends who have been in the West for a long time now, and only from the West, could I wage a fight to bring into power

<sup>1</sup> Mr. Miklós Szabo is a bourgeois politician, a former Member of Parliament of the Small-holders' Party. He was sentenced to a term in prison. He was set free in 1953 and two years later defected to the West, where he became a leading emigre personality. Mr. Szabo returned to Hungary a few weeks ago.

in Hungary a social system corresponding to my political views. Therefore I then decided to flee.

In Austria I concerned myself with refugee problems, which I continued until my return home. Of course, I became connected with the political life of the emigres and, as a result of my work in this field, I was regarded one of the emigre leaders. For a long time, virtually from the outset, I advocated the affairs of the refugees upon their request and on their behalf, in Vienna and in Burgenland. In this activity I had the backing of Ferenc Nagy and Béla Varga, and I was acting for the Hungarian National Committee.

After the events of autumn 1956 I became a foundation member of the Hungarian Revolutionary Council, in the setting up of which I played a decisive role. From that time on, by virtue of the Strasbourg resolution, I was the Hungarian Revolutionary Council's delegate in Austria. Ever since spring this year I spent several months organizing the Cultural Institute of Hungarian Refugees, of which I was elected secretary general.

I think I can say I performed this work with honesty, conscientiousness, and in keeping with my convictions and, in the course of which, I had the opportunity to become acquainted with a cross section of the émigrés. Ever more often I met with disquieting occurrences both as far as the present and the future are concerned. I had to see also that the émigrés, due to their being under constraint, were being utilised for purposes contrary to the interests of the Hungarian nation. These problems preyed much on my mind and I had many talks about them with my émigré friends who were also aware of them and worried.

During my emigration I also pursued a policy in keeping with my own principles and convictions, which I have never recanted or concealed, and thus I came up against those who can enthuse only over the restoration of some past regime, and against those who, for their own financial interest, are serving such sinister aims as can only be harmful to the Hungarian people.

However, I was not alone with my worries. My political friends also conflicted with the same forces, both those who had been abroad for a long time then and those who had gone abroad after the tragic events of last autumn. Thus I became aware also of the facts which made me size up the situation as I see it now and which I am going to relate to you.

I should like to state most emphatically and explicitly that I always have and am still acting out of conviction. I am a man of bourgeois mentality, I believe in human progress and I think it necessary. When I returned home, I took into account that I would have to assume responsibility for my deeds, but even this consideration could not prompt me to refute my principles.

I am fully aware and concede that, especially this year, substantial changes have occurred in the life of the people in Hungary. But there are certain aspects—above all in matters of ideology—in which I differ from the Communists. Right at the outset and in the course of the October events—all my friends of that time know it well and can testify to it—I foresaw and foretold in horror the ensuing tragedy. In October and November I had to wake up to the fact that the high-sounding phrases proclaimed by the Western organs for a decade or so, the declaration of statesmen, were nothing but irresponsible incitement.

I realised also that—as was best shown by the Suez events—my people had to suffer only in order that the West might seize some more important economic assets in another area of the globe. In deciding to come home I was prompted by the realization that the Western Powers had plunged my people into a tragedy full of bloody sacrifices and that events of the same kind had been and were being prepared by those who are not concerned at all with casualties and with the suffering of people cut off from their families.

It is by no chance that I have come back at the time when the U. N. General Assembly Eleventh Session was reconvened. I have reached the conviction that certain governments and groups of interests would profit by it, but my people, the Hungarian people, would be all the worse for it.

I think my people need tranquillity and order, not the stirring up against the already pacified atmosphere.

Allow me now to expound the motives of my decision. First I wish to relate the facts I had the opportunity to see, hear, and watch continuously since my arrival in Austria. I was not aware of their significance then; in order to understand it, I had to see the destruction of Budapest in November and from that time on the misery of hundreds of thousands of refugees.

There certainly were mistakes at home. The Hungarian people objected to them, I think with reason, but, as you will see, this was not the decisive factor that turned the events into a catastrophe.

The situation of the refugees was terrible in 1956 as well. Until the outbreak of the events of last autumn there was hardly any possibility of emigrating. In the conditions existing in Austria the refugees could get a labour permit only under exceptional circumstances, therefore they gladly accepted any offer to earn some money. Making use of this situation the Western secret services recruited their agents from among the refugees.

The contact of the refugees with the secret agents began, as a rule, at the point where they transmitted data and news on Hungary. After the questions concerning the social and economic situation in general they had to answer questions related to underground organisations in Hungary as well as to military information. Especially keen interest was manifested in information on the strength, equipment, and supply of the Soviet armed forces in Hungary, on armament and ammunition factories, as well as the site of works in Hungary which can be converted to such production.

The refugees usually began by handing over these materials to the Vienna office of Radio Free Europe (address: Lindengasse 26, Vienna VII), and then gradually they came into touch with British, West-German, French, and U. S. agents, many of whom posed as journalists. Such was, for instance, that agent who was living as a journalist at Westbahngasse 4, Vienna VII, who was well-known to Radio Free Europe, to whom Konrád Holczner, the interpreter of the refugee camp at Haidengasse 2, Vienna XI, escorted the refugees and who, according to the refugees, has the most detailed and precise maps of all military objectives in Hungary. In connection with this the refugee Béla Tóth, now in Canada, and György Nagy said to me once that those data were directed not against the regime, but against the country, and that they were not inclined to commit high treason. The agents of the various intelligence organisations then selected from among the refugees those who appeared suitable for more precise interrogation and handed them on to Munich and Berchtesgaden. In both places, as is known, large CIC centres are operating, which in certain respects compete one with the other. The refugees who have been at those places related that this rivalry was growing to such proportions that a person who had been enlisted by one of the organisations and was on his way to headquarters to be questioned, was dissuaded by the agents of the other organisation and taken to the other headquarters for interrogation. First Tasziló Daróczy, then János Rákóczi and several others gave me detailed accounts of this. The main task of these organisations is subversive activity against the people's democracies and, above all, against Hungary.

The practice was the following:

The agents of the two CIC headquarters functioning in West Germany obtained passports for refugees in possession of more extensive information and picked for a hearing and took them to Munich or Berchtesgaden. The representative of the Berchtesgaden centre is Sándor Keszthelyi, former general staff air-force major, a resident of Salzburg. Through his agents he used to summon the chosen persons to Salzburg, where he would provide them with full board at the Schiller Richtenwirt Inn in Glaserbach, and gave them some pocket money. These persons stayed there until they received their passports and visas. From there they went to Berchtesgaden where they were accommodated and questioned in a building maintained especially for this purpose.

The questioning was conducted by Americans, if necessary through interpreters, who in fact were of assistance during the questioning. Here full and detailed accounts had to be given of the situation in Hungary, especially of the activity of the groups opposing the existing social system, and sketches and maps had to be drawn of any objective of military character known to those questioned. The refugees who had been there recounted that these data were checked on the spot against available facts and maps.

The organisations of Munich and Berchtesgaden also differed in that the latter was concerned, above all, with questions on air forces, air defence, and the Munich organisation was interested in motorised formations, armoured cars, and heavy artillery. From among those refugees who had been taken to these places they picked those who seemed to be fit for activities in Hungary. These persons then received a thorough training. Several people related how they were enlisted. The person who had been questioned was taken by an American friend to a first-class night club where they made the acquaintance of most beautiful and attractive society women and were shown large bundles of dollars and marks, and told: Behold, all depends on money here, the wonderful life or the possession of this woman, everything. You, too, can get all this, all you have to do is to be wise.

By the way, I have to point out that this is characteristic of these elements. They resorted to such vile means to drag down those people and to use them against their country. They usually made concrete financial offers ranging from 40,000 to 80,000 schillings for a successful task to be fulfilled in Hungary.

Among those who travelled this road from Salzburg to Berchtesgaden were Gyula Csiki, Ferenc Grabenár, István Kovács, Béla Szolnoki, and many other refugees. István Kovács was arrested in Hungary in November last.

Another characteristic example of this activity is the fate of fireguard officers Ervin Rimóczy and József Katona. Both fled from Hungary in summer 1956 and reported to me in Vienna, asking me to help them get to West Germany. I warned them that in West Germany they would be taken to a refugee camp where life was miserable, almost unbearable, and where they would have to live together with the scum of Europe at that, so there would be a great temptation to become entangled with an espionage organisation. As became known later, this did occur in spite of my warning. Both became agents of the CIC in Munich after having undergone several weeks of training.

During the October events Jozsef Katona returned with a group to Hungary. He had already been here several times in previous months. As far as I know he was arrested. Rimóczy called at my home in January 1957 asking for advice on how to escape the clutches of his masters.

He told me that he had been enlisted in the same way as I had heard from several refugees. He had been in Hungary on three occasions on behalf of that organisation. He was to go back again, he said. He was afraid, yet did not dare to shun the task.

On my advice he reported in Vienna as a new refugee. It was possible for him to do so and to be legalised as such owing to the huge masses of refugees and to the resulting slack control.

As far as I know, during subsequent months his bosses from Munich reestablished contact with him and presumably under some pressure he maintained this contact up to recent months. At the beginning of 1957 Rimóczy related, on behalf of his Munich bosses, that they were extremely interested in different Soviet military equipment, as well as Soviet and Hungarian military documents photographs, and that they were ready to pay many thousands of dollars for each one. He wrote down these items and their price in his own hand.

Here is another line. In spring 1956 the refugee Gyula Mandaczkó related first, that he had made the acquaintance of some László Mátrai, a British intelligence officer of Hungarian descent. Mátrai entrusted him with the task of bringing Hungarian refugees to him to an appointed place. Thus Mátrai maintained systematic contact with the refugees. He entered into relation with me first by 'phone early in 1957 and later personally, and asked me to help him obtain news from Hungary. We conducted our talks partly at my home, partly in coffee houses, in a rather informal atmosphere. He told me that they had been informed well in advance about the probable outbreak of the Hungarian events for he and his collaborators had been in Hungary and in other people's democratic countries for that purpose on several occasions. To prove the truth of this story he related that once, in an attempt to flee, he had been arrested in Czechoslovakia and held in the prison of Kosice. Aware that he had to face a death sentence, he managed to get up on the roof and to jump from the five-story building to the snow-covered roof of the adjacent three-story cinema. He succeeded in making his escape in this difficult, risky way. I have to point out that I do not believe this part of the escape story, but I have told it only because also in this respect I want to keep strictly to what he had related. Mátrai told me that the activity in Hungary is considered to be more important in 1957 than before. As a matter of fact, with the tacit consent of his bosses, some more important persons were smuggled out of Hungary.

These talks took place between us toward the end of February and in March, and it was at the same time that he mentioned to me that he had succeeded in bringing four persons to Vienna.

At the same time I also mentioned to him that János Batyka, who had been secretary of the Central Workers' Council, was in a very dangerous position in Hungary; he was an important personality, and his arrest was imminent. As two weeks after that talk Batykai fled from the country with the help of the British—that is, he is living in London now—I have every reason to suppose that Mátrai did it in the manner he deemed safe. On this occasion he asked me to introduce him to persons living in Hungary, especially to politicians, who can effectively support their activity in Hungary. In this connection he mentioned that in the near future, mainly in Poland but also in Czechoslovakia and then in

Hungary, new strikes and uprisings were expected to break out, the preparation of which was being directed by them.

When I said this would lead to unnecessary bloodshed and bring no result without Western support, and asked him if he would do it even then, he told me that in London he had conferred about this thoroughly with his bosses and, it would appear, the West had definitely decided on intervention.

As far as Mátrai's identification is concerned, he had offices in Austria; namely in Vienna. I know the telephone numbers of some of them: R-24-084 and R-24-118, which answers as an Austrian-Canadian company and connected me with Mátrai regularly; another such number is R-28-713.

One of his collaborators was Miklós Schwarcz, a tradesman, who has an office in Schwarzenberggasse and who said he had been in Hungary several times performing intelligence work for Mátrai. It should be mentioned that Miklós Schwarcz often complained to me, especially around May, against Mátrai cheating him. In spring 1956 in one of the camps in Vienna was a former Budapest clerk, Matild Csekő, who then was suspected of having been an employee of the Hungarian Ministry of the Interior.

A former officer, Ferenc Szimcsák, and university students András Olevitzky and Sándor Szabó, one afternoon on their own initiative searched in Csekős room. It turned out later that during the search Szimcsák had taken away the girl's money, Canadian dollars and Hungarian forints.

When the matter was taken before the camp commander, Szimcsák claimed he had acted on behalf of the authorities who deemed it necessary to examine Csekős documents and he needed the money in order to take fingerprints from the notes. Typical of the circumstances is that when the authorities were mentioned the commander of the camp did not dare to take any steps against Szimcsák. As the girl complained I took up the matter and threatened Szimcsák, as a common or garden thief, with the legal consequences of his deed. Something interesting occurred then. In the Café Stadtpark Szimcsák introduced me to a woman of about 35, well dressed and wearing conspicuously much gold jewelry, who seemed to be intelligent. She told me that they knew well who I was and, therefore, she would have confidence in me. She said she was the collaborator of one of the West-German secret agencies and that it was they who had entrusted Szimcsák with making a check on Matild Csekő. When I demanded some evidence she told me that their activity would be verified by some high-ranking official of Radio Free Europe. But this did not take place owing, first of all, to the ensuing and rapidly moving events. That woman is known to the waiters of the café as Frau Krause.

Soon afterwards András Olevitzky related to me that this same agency wanted to send him to Hungary and he had been promised, if he fulfilled his task, a considerable sum of money and West-German citizenship. He asked for my advice. I dissuaded Olevitzky like very many other refugees.

To the same organization belonged the refugee Sándor Kopcsa, who acted as a selector of agents. Early in October 1956 in connection with social matters I was contacted by a former army officer and old refugee called Michael, who said he was the chief of the aforementioned agency in Austria and the boss of Mrs. Krause. I learned that the agency was the Gehlen organization. Michael explained to me that the struggle against the Communist countries was more important now than ever before. The trend of the Hungarian events made it imperative more intensively concern with that question. He said that any military document available to that intelligence agency could be most helpful in a possible armed intervention later or in case of war. Therefore, he said, the thorough and methodical organization of the work was highly significant.

As I maintained the closest contact with the refugees, he asked me to provide him with such contacts and gave me a list containing in 15 points all they were primarily interested in from a military point of view in Hungary. He handed over some of his own news reports on the maps of the Hungarian army, on anti-aircraft barracks, etc., to show me how such material has to be compiled. Michael is living in Vienna, at Grosschiffgasse 6/13, with Frau Thea Mozdsanovszky. In the first few days of the October events he called on me and told me how important it was for the insurgents to get weapons. As I was informed later, he had come to Hungary at that time. I know this from his landlady, who said she was his wife, who once asked me if we knew what had happened to him. She said he had gone to Hungary and disappeared. I further want to add that Michael had previously worked with the British Intelligence Service and received complete training as a paratrooper and radio operator.

The CIC headquarters functioning in Berchtesgaden before October 1956 bought from refugees coming from Hungary all clothing that was typically Hungarian made. They said they did so because they were maintaining a refugee museum. In point of fact they did so in order to supply agents going to Hungary with suitable clothing. All these organizations were buying all kinds of Hungarian certificates: identity cards, soldier's books, driving licences, etc. They paid refugees 50 schillings for each such certificate. It is rather characteristic that the real price was much higher. In Berchtesgaden identity cards were selling at 300 schillings and soldier's books at 500 schillings each. Indicative of the large-scale buying of certificates is that the Austrian authorities were compelled to intercede and immediately confiscated the certificates of the newly arrived refugees. At the same time the organs of the Austrian Ministry of the Interior made large-scale investigations to find the buyers.

One of the chief agents of both the Munich and the Berchtesgaden CIC headquarters was Count Pálffy, one-time politician of the Christian Party. In Austria he maintained a pig breeding farm on the money he obtained there to conceal his real activity. One of his agents was Miklós Németh, known to the Americans by the name of Micki. For a long time he toured all the camps in Austria to gather material and recruit would-be agents suitable for being trained and, of course, to be sent to Germany. During his activity Miklós Németh came up against the Austrian authorities and, what is characteristic of the Americans, the man who had got into trouble was let down by them. Following my advice, Németh also reported to the Austrian authorities as a new refugee in the winter of 1956, and equipped with a new certificate, he emigrated to New Zealand. His address is available.

It may be of some interest to relate that General Béla Lengyel also maintained an American espionage and diversionary group in Graz and later in Vienna. These activities of Béla Lengyel are fully known to the émigré leaders. During 1956 only to my knowledge, he sent 30 Hungarian youths to the country to perform espionage and sabotage work. He received per capita rewards and, it is generally believed, he was working not only for American, but also for several other secret agencies.

Lengyel's activities were far from secret in émigré circles. Moreover, he was accused several times of having unscrupulously sent people to death, for instance the question was raised in the course of a conversation at his home in Graz in the summer of 1956. General Lengyel replied quite cynically that he might not send British to their death. This fact was confirmed by Ferenc Vidovics, a former lord lieutenant of Somogy County, because much later, at the beginning of 1957, he was told the same in Graz, accusing Lengyel once more of sending young people to death or to prison.

As a matter of fact, in November 1956, Béla Lengyel became head of the organization called First Aid for Hungary in Austria, and as such continued his activity. In his organisation he employed only former staff, field, and other army officers.

Early in 1957 Ferenc Vidovics himself said to me indignantly that Lengyel had again sent to Hungary a young refugee, and gave him—alluding to the patriotism of the man—1,000 forints for his activity, although he had received many times that sum. Vidovics came to know this because the young man—by some good fortune—had been stopped by the agents of another intelligence organisation and taken to West Germany. This activity of Lengyel roused deep indignation in émigré circles there.

The president of the First Aid for Hungary is Tibor Eckhardt. The financial foundation of the organisation was laid by the millions of the Vanderbilt family. But the organisation has received considerable support also from official U. S. organs. In spring 1957 Eckhardt objected to this activity of Lengyel verging on murder, and Lengyel was criticised for utilising his post as leader of a relief organ for espionage purposes. Nevertheless Eckhardt did not take any steps. Conferring about this matter, several leaders of the emigration, including Ferenc Vidovics himself, who is a great admirer and friend of Eckhardt, stated: It is obvious that Eckhardt cannot relieve General Lengyel, for he, too, is a member of the American secret service and is supposed to have obtained U. S. citizenship as a reward for his activity.

The Free Europe Citizen Service also maintains a so-called refugee service, which first functioned in Salzburg and later in Vienna. Its Vienna address is Ditscheinergasse 3. In reality it is another espionage centre. This is proven also by the fact that when its head, Mihály Nagy, an ex-colonel, was killed in a car accident last year, Ferenc Nagy, a former prime minister, wanted me to



occupy that post. Ferenc Nagy's plan failed and later in Switzerland he made the following statement in front of his friends: "Miklós Szabó could not be appointed to the post of the late Colonel Nagy, because he does not speak English. This post, however, belongs to the CIC which insists that the representatives are able to negotiate without interpreters." This statement was related to me later by an engineer, János Hajdu, who had been one of those present.

Large-scale espionage activity was conducted against Hungary by the so-called Fraternal Community of Hungarian Fighters—known as MHBK—standing in the service of the French Intelligence Agency. The members of this organisation were recruited only from among former Horthyite army officers belonging to the extreme Right. Their head is András Zákó, a former general.

The MHBK stepped up its activity also in Austria immediately before the October events. On the basis of a license by the Austrian Ministry of the Interior they created a cover organisation under the name of St. Ladislaus Fraternal Society. A few hours after the outbreak of the October events they set up a veritable headquarters at the Hotel Kaiserhof in Vienna. On one occasion engineer Tibor Bolyai, who was then living at Zelinkagasse 12, 1st floor, No. 3, Vienna I, called me with a mysterious message. There was quite a close relationship between Bolyai and me.

The message was: "Uncle Bandi would very much like to speak with you." Of course, I did not want to follow up this mysterious invitation, but he did not tell me who this Uncle Bandi was, for, he said, he had given his word not to. Finally, appealing to our friendship, he persuaded me to go to the appointment. The thing was so strange that my closest collaborators, György Vető, János Rákézi, and several others, followed us in another car. I was driven to the Hotel Kaiserhof and there I was shown to a room on the main floor. It struck me already in the passage that men in topboots were bustling about. The room into which I was ushered reminded me in a ghastly manner of the offices of the 1944 Pronay detachment. Several people came to meet me and introduced themselves with a soldierly bearing. I remember one of the names: Ferenc Adonyi-Narody, ex-officer of the general staff, now aide-de-camp of General Zákó.

That man told me that General Zákó had invited me for a talk. After a few minutes arrived András Zákó. During our pretty short talk he related that they had organised fighting units to support the revolution and he thought, although their political aims did not agree with my views, the joining of our forces would be helpful in the interest of the fight against Communism. Namely, he intended to join forces not with me, but rather with Ferenc Nagy, and asked me to help him contact Ferenc Nagy. All this gave me the impression of a terroristic organisation and, quite apart from that, my aforementioned collaborators; who had not the slightest idea that it was the headquarters of Zákó and company, were under the same impression. Characteristic of the situation was that when—during my talk in there—three top-booted figures in the hotel went off flanking a fourth man, my collaborators, being incapable of recognising his face in the darkness, thought it was I. Therefore they followed the car and wanted to hold them up. Typical of their terroristic nature is that these people usually and rather overtly proclaimed before the émigrés that they deemed it necessary to do away with the Communists. Moreover, some of their manifestations pointed to the fact that they intended the same fate for the families and children of Communists and their supporters.

I always protested against these manifestations and—as many witnesses can confirm—before the refugees who were rather nervous at the time, I always stressed the wrongness of this view, explaining that we, honest people of bourgeois mentality, cannot approve of such means.

In those days I heard from several people, among others also from engineer Tibor Bolyai, that Zákó and his company were to send armed units to Hungary. Early in 1957 the MHBK was in financial straits. To surmount the difficulties, Zákó, like the émigré military organs in general, offered his services to the various Western secret agencies.

Meanwhile, during his trip to Europe, Eckhardt negotiated with the leaders of the MHBK personally and gave them financial support. At this year's congress of the MHBK in Salzburg, Austria, Eckhardt was represented by Ferenc Vidovics, who also took the floor. The MHBK has since stepped up its activities and it is obvious that they have succeeded in surmounting their financial difficulties with the help of the American secret service.

I think all this has shown clearly that the émigré organisations are usually connected in some way with the western intelligence agencies. Very few are

those who have enough moral strength to keep away from this. The financial position of these persons, as a whole, rarely becomes satisfactory. The émigrés, and especially the leaders, know well that money and an easy life are obtainable only by those who accept such relations and have no inhibitions. The modern American luxury cars owned by Béla Lengyel, Sándor Keszthelyi, and others have not been earned by honest work, but are the reward for their treacherous and vile acts performed for different Western secret services. What I have said is but complementary circumstances. The most important, and at the same time the most saddening conclusion is, that these organisations contributed much to the incitement of the Hungarian people.

They even wished to justify their espionage activity by saying that the constant observation and watching of the military forces were in the interest of the Hungarians, for only in this way can they prepare for attack against the Soviet troops stationed in Hungary.

Well, the events of last autumn have unmasked them in this respect too, and have made it clear that they were not concerned about the fate of the Hungarian people. All they had in mind was to utilise the events to profit by them, leaving out of consideration how great material and physical sacrifice this meant for the Hungarian people.

Towards the end of October and in the first days of November several hundred young Hungarians returned from Austria, West Germany, Belgium, and other countries to Hungary to take part in the fighting. Part of these people had already been enlisted in the US army, for instance, Antal Szabó and his companions. István Kovács and his companions were sent home by Sándor Keszthelyi, former air force major of the general staff, on behalf of the Salzburg CIC headquarters, whose agents also organised several groups and helped them cross the Hungarian frontier.

Thus, the group of aristocrats living abroad did everything possible to influence the events. By raising funds and granting transport facilities they lent a helping hand to those who were on the way home to support the uprising. Thus, for instance, Duke László Eszterázy and Count Festetich maintained a real office at the Eszterházy palace in Vienna. At the same time, many of these aristocrats stayed on the Hungarian frontier, maintaining systematic relations with the frontier guards, national guards, and the then heads of the frontier towns, giving them advice in their own interest. In fact they expected that, in case of a successful outcome of the events, it would be useful to find favour with the people. Therefore they handed out various gifts of clothing, food, medicines, as for instance, the gifts of His Majesty King Otto and Prince Liechtenstein.

After the outbreak of the October events the employees of Radio Free Europe were also on permanent duty at the frontier. It was so especially at Hegyeshalom where they regularly met leading personalities from Mosonmagyaróvár and Győr. Kálmán Konkoly, a Munich collaborator of Radio Free Europe, towards the end of October went to Győr to negotiate with Attila Szigethy, chairman of the revolutionary committee there. Following the advice of his chiefs he proposed to Szigethy to organise a countergovernment opposed to the Imre Nagy government, to ask the United Nations to intervene immediately by sending observers and, if possible, emergency forces covering the whole territory of West Hungary. Underlying this plan was the idea of creating in Hungary an area to which, upon request of the countergovernment, weapons could be sent for further fighting. This is what prompted the convocation of the Transdanubian Parliament to Győr, to which the delegates of every revolutionary and national committee of West Hungary were invited. Immediately prior to his trip to Győr, Kálmán Konkoly—possibly upon instructions from his American bosses—conducted negotiations with the Italian ambassador in Vienna, who agreed that if Attila Szigethy as president of the counter-government at Győr wrote a letter to that effect and sent it to him, he would immediately forward it through his government to the General Assembly or the Secretariat of the United Nations.

Konkoly took the letter with him and handed it over to an American known as Niki, who is one of the Munich chiefs of Radio Free Europe, and, according to RFE correspondents, a CIC officer. A plan was advanced to cut off the town of Sopron, which projects far into Austria, and to forward arms supplies there. I wish to stress here that, as I judged the situation at the time and as was proven at a later date, the United States, and the West in general, would not have been prepared to send troops, but only weapons and ammunition. In case this plan had been realised, therefore, Hungary would have become another Korea, bringing untold suffering and devastation to the Hungarian people.

Again during the events of last autumn a 10-kw radio transmitting apparatus was transported from Munich to Győr. It was dispatched to Ferenc Kása, a car dealer in Vienna, Neustiftgasse 54, who carried it by car to Győr. For the transaction he received, as far as I know, 10,000 schillings.

This was several times related to those present by Dr. István Incze, a Christian Party politician, who was later arrested in Vienna for having committed several crimes, but who at that time was still in close connection with Ferenc Kása.

Simultaneously with the radio apparatus there arrived in Győr a car of Radio Free Europe, bringing, besides some American chiefs, Gábor Tordai, a former large-estate owner.

The personnel of this car had the task, among others, of training an operator of the new modern apparatus. Ferenc Kása regularly drove in his car to the Hungarian frontier those young people who had been directed to Hungary by various organisations to take part in the fighting or to carry out other tasks. This fact was also confirmed by Dr. István Incze, who now and then was associated with Kása in these actions, as well as by János Rákóczi, who was employed by Kása.

The activity of Radio Free Europe was for many years characterised by its role of creating an atmosphere suitable for unleashing the revolt. Sober-minded émigrés, including myself, sometimes warned them that their broadcasts, irresponsible incitement, balloon campaigns, and leaflets could create a dangerous situation.

On such occasions these gentlemen replied that it was not wrong, the funds necessary to their activity—about 70 million dollars annually—came from American millionaires and they must earn that sum by being active so that they would be able to cover their budget for the next year. Evidence of what the activity of Radio Free Europe brought about and how it was assessed abroad shall be given by the resolution adopted in this matter by the Hungarian Revolutionary Council congress on January 6, 1957. The resolution reads: "The Hungarian Revolutionary Council expresses its thanks to the broadcasting stations of the free world for their Hungarian-language programme, which considerably contributed to the opportunity for information and maintaining the spirit of resistance." The participants of the Strasbourg congress, in the debate on Radio Free Europe, consistently and very sharply criticised that radio station for its irresponsible inciting activity pursued before and during the October events. These attacks were extremely sharp and decided. In this connection a declaration of similar sense slipped into the material of the press conference held on the second day of the congress.

Mr. Griffiths, the American chief of Radio Free Europe in Munich, who had gone to Strasbourg for the occasion, then demanded that the leaders of the Revolutionary Council should express their regrets for it publicly and make it clear at a press conference that it had been included in the material by mistake.

The leaders of the Strasbourg congress, however, did not meet this demand and decided that they would not publish any rectification. Another controversy arose on Radio Free Europe having committed a mistake by attacking Imre Nagy for, they said, Imre Nagy was necessary during the transition period. These views make it clear that they accepted the Imre Nagy government in Hungary as a temporary solution and thereafter—as is best proven by quarrels among the émigrés—the conflict in home politics would have begun. The signs abroad indicate that this conflict would have ended in the complete hegemony of reaction. As proof I can point to the fact that after the events of last autumn even the West German government deemed it necessary to check the tape recorded broadcasts of the Munich radio station. It did so because in the unanimous opinion of the refugees the broadcasts of Radio Free Europe were seriously responsible for the events. I may state that the refugees in general despise and hate Radio Free Europe to such an extent that they completely boycott this organ. Both the masses of refugees and the émigré leaders openly put the historical responsibility at the door of Radio Free Europe. But they themselves provided the most conclusive proof when, early in 1957, all commentaries by both Radio Free Europe and the Voice of America were banned and they restricted themselves to broadcasting only news from official news agencies. It is evident that if the managers of these stations had been convinced of the correctness of their previous broadcasts, they would not have deemed it necessary to take such measures.

About Radio Free Europe I wish to add that its personnel has come under serious and repeated objection by the émigrés as well. Among the collaborators of the Munich radio we find the former secretary of Szálasi, then Colonel Bell

whose real name is Julián Borsányi and who during the October events gave military advice involving criminal consequences, as well as the former big landowner Gábor Tordai; Kálman Konkoly, known by the name of Kuci, whose moral depravity is a much talked-about topic abroad. It was obvious in consequence of these facts that what amounts to a "changing of the guards" has taken place recently, when István Bede, former Hungarian minister in London, was appointed head of the Hungarian section, and István Szabó, an ex-staff member of "Népszava," and György Szabó, a former Social-Democratic leader in Győr, were added to the staff.

On February 14, 1957, a former air force lieutenant of Horthy's army prepared a report disclosing appalling events. He reported that on October 29, 1956, several air force officers of Horthy's army, who had served in World War II, led by Pál Németh, former lieutenant-colonel and chief of general staff, and former air force lieutenant-colonel Kazay, called at the headquarters of the national anti-aircraft forces, where they interfered with the direction of the air forces and demanded that the Hungarian air force should bomb the Soviet military units stationed in Hungary. This did not happen because even Béla Király did not dare to wage a fight against the Soviet air forces. Just imagine the consequences of the realisation of the ideas and plans of these gentlemen for our country and especially for the population of the capital.

In October 1956, Ferenc Nagy called me on the telephone and then came to Vienna. As the news of his arrival spread in a wide circle, and was published also in the press, he returned to Switzerland, following the advice of the Austrian Ministry of the Interior, which otherwise used not to be oversensitive on such matters. From there he again asked me by 'phone to go home and contact leading politicians of the Imre Nagy government to prepare his homecoming and to arrange for his appointment by Imre Nagy to represent Hungary in the United Nations. The necessary funds were brought to Vienna by one of his American friends, whom I knew only by his first name, Jimmy. I executed the commission of Ferenc Nagy. On November 3, I arrived by car in Budapest, where I conducted negotiations with József Kővágó, the then secretary general of the Smallholders' Party, Sándor Kiss, national director of the Peasants' Union, József Adorján and other members of the Executive Committee of the Smallholders' Party. When I returned to Vienna I found out that the aforementioned American called Jimmy was a leading functionary of the Free Europe Committee. This made it clear to me that Ferenc Nagy had prepared his homecoming and his plans in cooperation with the Free Europe Committee and the U. S. Department of State.

#### THE WESTERN POWERS ARE ORGANISING A NEW UPRISING IN HUNGARY

After the October events, at the end of November 1956, the organisation of the Hungarian Revolutionary Council was begun. This proceeded until the Strasbourg congress in my flat at Stalzhammgasse 4/10, Vienna III. One of the official aims was the liquidation of the Hungarian National Committee, which had proved to be completely reactionary, because it had become more and more obvious that the old émigrés were not even willing to accept bourgeois democratic forms.

The financial resources of the Strasbourg congress were provided by the MRP (French Catholic party), the Christian Democratic Union, and the French trade unions under government influence. The Council for Europe also contributed considerable sums. The Council for Europe supplied 500,000 francs for the congress. The French trade union mentioned, the Force Ouvrière, contributed about the same amount. The French government donated one million francs for this purpose.

An extremely sharp discussion took place at the congress whether the financial support of the Free Europe Committee should be accepted at all. Those in favour of accepting support argued that the Free Europe Committee was actually an organisation of the State Department and without the Americans it was anyhow impossible to get anywhere. The resolutions passed at Strasbourg, however, categorically stressed the responsibility of U. S. politicians and political organs for the events in Hungary. They also stressed as an irrevocable wish of the Hungarian people that, even in case of a possible change of regime in Hungary, the land reform, the nationalisation of large plants and factories, and social achievements in general, would have to be retained. Because of this the reactionary émigrés classified the new émigrés as left-wing, even Communist, and the U. S. authorities declared them anti-American. The supporter of some

of the leaders of the revolutionary council, for instance Dr. Pál Jonás and István B. Rácz, and their go-between as far as financial matters are concerned, is Frigyes Piski-Schmidt—Ferenc Nagy's son-in-law—who, according to his most intimate friends, was on the staff of the FBI.

Later the Revolutionary Council became actually divided into two factions. The European faction enjoyed the support of various European governments and trade unions, and particularly that of the Council for Europe. It should be noted that by trade unions I mean the so-called yellow French trade unions.

The faction in New York came completely under the influence of the State Department. The members living in the USA, such as János Horváth, explained to me personally in Vienna at the beginning of July 1957, that it was a prime task to convince the Americans that the aim of the Revolutionary Council was not anti-American, that it cooperated with American leadership, because it could obtain money only from the Americans, as even the funds we received from the Europeans and other countries were reaching us ultimately from the U. S. State Department.

One of the most blatant examples of this is the money donated by Chiang Kai-shek, which also came from the Americans. On the first occasion the Revolutionary Council received a few thousand dollars from Chiang Kai-shek and later, according to Dr. Olivér Benjamin, it received 25,000 dollars for immediate expenses and 25,000 for use in Hungary.

It became always more obvious that after the so-called revolution the restoration of the old, feudal reactionary social order would have taken place and even unquestionably the restoration of the Hapsburgs would have been attempted.

The revival of the extreme right-wing Arrow Cross Regime would also have been attempted. There were various concrete indications of this. What were they? The Hungarian National Committee in the USA was not willing to accept even the most lukewarm bourgeois strivings or the demands championed by the Social-Democrats. The stationery and publications of this Hungarian National Committee featured the national emblem with the angels and the crown as a sign that they were in favour of so-called legal continuity, and in its composition this organisation was also strongly feudal.

This is proved by Miklós Kállay, former Horthy premier, Count Bakács-Bessenyei, Count Hadik and the rest. Secondly, there are extreme Right, fascist elements among the members of the "Freedom Movement" led by Ferenc Kisbarnaki-Farkas and the Fraternal Community of Hungarian Fighters led by András Zákó, who openly declared that the restoration of conditions under Horthy was the only way.

Thirdly, the legitimists were and still are extremely active under the leadership of Otto of Hapsburg. In Vienna it was an open secret among émigré leaders that the Hungarian aristocrats had put aside about 200,000 dollars from the funds of the First Aid for Hungary organisation for their legitimist aims.

Fourthly, the activity of the Arrow-Cross Party is growing, especially in Austria. The *Ut és Cél* (Way and Aim) paper appearing in Salzburg is published in more than 10,000 copies.

The refugee camps, their vicinity, but particularly the hostels for secondary-school students, are flooded with Arrow-Cross posters, slogans, leaflets and other publications. The money for these was supplied by big capitalists in West Germany, partly through the Kampfgruppe gegen Unmenschlichkeit, one of their organisations with headquarters in Hanover, a high-sounding anti-Communist organisation, and partly through the fascist émigrés in South America, who supplied tremendous sums of money for this purpose through Countess Pálffy, a member of a family known as an Arrow-Cross supporter, who was in Austria during the spring and summer of 1945. It should also be mentioned in this connection, fifthly, that the clerical wing of the émigrés, who call themselves democratic, frequently stressed that the maintenance of democratic and social conditions was championed merely for technical purposes.

According to the clerical émigrés, after a change of regime in Hungary the restoration of private ownership was desirable and inevitable. If the worst comes to the worst, that is the nationalisation of landed estates and large plants were to be maintained, their owners have definitely to be compensated. According to them if the October events had been successful, the regime in Hungary would have been a clerical one, somewhat similar to the Horthy regime. The composition and acts of the so-called old émigrés made it obvious that they were dreaming of restoring their own regime and were not willing to acquiesce in the democratic development achieved so far.

After the tragic October events one would have expected that these earlier émigrés would at least have drawn the conclusion that the Hungarian people were equivocally attached to democratic principles. But that is not what happened. The most rational, decent elements among the émigrés are to this day struggling in vain against the always more frequently manifest fascism of the reactionaries.

It is almost impossible not to realise that those who perhaps struggled only to correct the mistakes, and also those who would have liked to bring about the bourgeois mode of life in Hungary, are being pushed more and more into the background. It is a sad fact that the tragedy of Hungary, especially of Budapest, for the old masters of Hungary was not enough of a lesson, and even so some of them are concerned with the organisation of a new rising. In reply to worried questions they always reply that a nation has to accept all sacrifices for its own future. True, it is easy for them to say this, as it is not they who have to make the sacrifice, but the children, women, and those whom they are irresponsibly involving in such actions, because such people can always be found. But the fate of these people usually leads to prison, and their success would mean for tens of thousands only death, or—at the very best—untold misery, which is the share of the refugees in the West now.

The organisers of such action can obtain large sums of money under such pretences and, it appears, they are not much concerned how dear their nation would have to pay for their prosperity.

On this basis and in the interest of this organisation the preparation of a new uprising in Hungary began early in 1957. Such preparations were made in various quarters; as I have already mentioned, the British Intelligence Service and Béla Király also played a role.

Béla Király's plans were supported by the U. S. military authorities. Ties between Király and the U. S. leaders are so close that—and this happens only very rarely—the most secret and closely guarded weapons of the Pentagon were shown to him.

Istvan Jankovics, a university lecturer, one of the members of the Executive Committee of the Revolutionary Council, in a confidential conversation at the end of the Strasbourg congress asked me, as the one responsible for Austria and one well acquainted with the situation in Austria, to help him obtain men. I was to select men from among the freedom fighters who would appear most suitable and send them to addresses in Italy and West Germany, which I was to be given. In reply to my enquiries, he told me that special, smaller camps were being maintained chiefly in Italy and West Germany where freedom fighters were being trained as leaders of a new rising. I asked him whether the leaders of the Revolutionary Council knew about this plan, because otherwise I was not willing to concern myself with this question. He then named Béla Király, on behalf of whom he was doing this, and he called on me to address myself on this question to Béla Király.

Dr. Olivér Benjamin and Sándor Kiss, whom I told about this, were shocked, but were willing to accept that Király was capable of doing such a thing. Later it came to my knowledge and I obtained certain proof that Béla Király and his supporters were organising a new rising in Hungary. With the help of the Swiss secret service and the cooperation of the Schweizer Studentenhilfe they sent to Hungary their collaborator called Menzil, a Swiss high-school student, who made direct contact in Hungary with other still existing insurgent groups. The Swiss leader of this action was the Hungarian-born Kálmán Széll (address: Basel, Reding Strasse 23). The Italian secret service also participated in this. Further, at the beginning of 1957, pocket tape recorders, silent revolvers to kill people unnoticed, large quantities of money were sent to Hungary. The Italian organs promised one million forints a month for an insurrection. The first instalment of one million forints was sent to the Italian legation in Budapest; perhaps the amount is to this day deposited there. It was also promised to send considerable quantities of arms and ammunition to certain addresses in Hungary. To avoid any misunderstanding, I should like to add that the quantities mentioned could be given only in lorry loads.

The representatives of the Swiss students organisation repeated the authenticity of these statements in the presence of a number of people, including Dr. József Szentkúti, who is István Jankovics's brother-in-law, and who lives in Vienna, Pension Neuer Markt, and Lajos Sipos, an engineer, later Béla Király's representative in Austria (address: Vienna VI, Webgasse 40).

At the beginning of June 1957 Béla Király held a meeting of freedom fighters in the private room of the Kiss Restaurant in Richter Gasse, Vienna, in which about fifty people took part. A great many of the participants were former army

officers. Béla Király announced that he would place Ferenc Vidovics in command of the freedom fighters' organisation in Austria. He also announced that the Freedom Fighters' Association organised by him had been guaranteed its funds by the Americans. In his speech he referred to the grandiose plans of the organisation for which the necessary money had been obtained.

Later I learned from his associates that negotiations were in progress with the NATO high command concerning the setting up of a division consisting of Hungarian emigres within the frame of NATO. It is moreover said about Béla Király in émigré circles that he intends to buy an estate in the United States.

I know the poverty in which refugees are living in Austria and in other countries. Involuntarily the question arises, how Béla Király has obtained the money for such a purchase.

Béla Varga supplied new proof about the preparation in Hungary for a new rising in a speech he made at the beginning of this March to a meeting of a women's organisation in the USA, when he announced to a large audience that he had certain knowledge about a large-scale rising in Hungary beginning on March 7th. As his source of information he gave his close contacts as president of the Hungarian National Committee with the organisers and leaders of the underground movement in Hungary.

The intelligence and diversionist activity not long ago of Ferenc Dömötör, a former colonel, was also intended to incite a new rising. In the form of proof, the address of Ferenc Dömötör is Mödling, Goldene Stiege 10, and his cover address is Elek Takács, Wien II, Ens Gasse 3.

Sándor Keszkenys, born in Kálmánca, at present a refugee, said in August of this year that thanks to the intermediary of Ferenc Vidovics, he had come into contact with former colonel Ferenc Dömötör who, by appealing to patriotism, had asked him to participate in activity organised by him in Hungary. He told Keszkenys that should he undertake this task he would be given many weeks of training in Austria and Morocco. This means that Ferenc Dömötör probably receives the funds for this from Spanish quarters, as this is indicated by the facilities available in Morocco. Ferenc Dömötör's financial position is so favourable that, among others, he already has a 3,000 dollar worth Lancia sports car at his disposal.

At Wirten in Austria there is to this day a youth camp housing altogether 100 Hungarian boys. The oldest of these children is eighteen. The discipline and morals of these boys is absolutely terrible. A whole book could be written about this. According to a statement by one of the boys' wardens it is the plan of the Americans to ship them shortly to the U. S. A., where they are to be trained in a military school as officers for a national army at a later stage. According to these plans four of the present wardens would be shipped together with the boys.

How did the special committee of the United Nations work in Vienna?

#### THE POSITION OF HUNGARIAN REFUGEES IN THE WEST

As I have already stated in my introduction, these events led finally to my opposition to them and my return home, facing my responsibility for everything I deserve.

In my decision I was given the final impetus by the events in connection with the work of the so-called Special Committee and the inscription of the Hungarian question on the agenda of the special session of the U. N. General Assembly. I know I am repeating myself, but I cannot stress enough that I consider all this an irresponsible renewed excitation of the atmosphere, which I am convinced may have helped many, but can only harm the Hungarian people.

It is known that the Special Committee examining the so-called Hungarian question as appointed by the General Assembly of the United Nations arrived in Austria in the spring of 1957. Before its arrival Ferenc Vidovics, Gábor Havash, Lajos Sipos and I were asked in letters signed by Anna Kéthly and Béla Király to collect data for the committee and to recruit witnesses. In their letter they pointed out that witnesses should be presented to the committee who would prove Soviet intervention, the cruelty of Soviet soldiers and the AVH, and prove that the rising had been spontaneous and democratic. Only Gábor Havash among those asked was willing to do this. The rest of us had considered the work of the committee irresponsible from the start. In fact Gábor Havash was of the same opinion. Apart from Gábor Havash, Dr. Tamás Pásztor, and Tibor Pásztori collaborated with the committee. In any event, Dr. Tamás Pásztor could not

have had complete knowledge of the events, because on November 1st, or the 2nd at the latest, he had left Budapest for Vienna. At least, when I returned on the 3rd to Budapest he was already in Vienna posing as the special revolutionary delegate of the Smallholders' Party. Moreover, many of the émigrés accused him of having tried to obtain advantages during his years in prison by being an informer, which he himself admitted in written statements. Tibor Pásztori is quite a young man, who first introduced himself as secretary to Zoltán Tildy. In August 1957, however, during the conference in Alpbach of the Oesterreichisches College, where such well-known personalities as, for instance, Nobel Prize winner Professor Schröder, and Halstein, West-German Secretary of State for Foreign Affairs participated, he already said he had been Secretary of State for Finance in the Imre Nagy government.

Those who appeared as witnesses for the committee had to go through various screenings. First of all, they were questioned by Dr. Tamás Pásztori and he only allowed those to pass whose testimony would be desirable only to western quarters. The second testimony was taken by Hungarian-born employees of the committee and witnesses could appear before the committee only then, after satisfactory preparation. The refugees themselves stressed that those who went to give testimony were, with few exceptions, attracted mainly by the prospect of a fee. In general, the witnesses received about 200 schillings a day, which amount equals the wages for 20 hours of a good skilled worker. Indicative perhaps of the composition of the Hungarian staff, in addition to the above, is the fact that Count György Széchenyi worked as a sort of secretary. On the whole a strong political bias, financial situation and social standing was presupposed in the case of those who appeared as witnesses. The committee was not objective either as far as taking testimony is concerned. According to those present during the investigation, for instance László Bereczky, Tamas Pásztor and others, the delegate of Ceylon on a number of times doubted the testimony and asked various questions. According to Bereczky the Ceylonese delegate qualified certain of his statements during the hearing as incredible and he objected to them. The chairman of the committee, Mr. Andersen, who obviously was sympathetic toward the witnesses and their far from objective statements, on such occasions always interrupted on behalf of the witnesses to smooth over the situation.

In general, the attitude of the West over the past ten years and during the autumn events made a decisive influence on the trend in Hungary's position.

Almost all witnesses in their written statements and recordings expressed their decided opinion that the West, and primarily the USA, was heavily responsible for the Hungarian catastrophe. Moreover, Tamás Pásztor complained to me when discussing this activity that he had done everything to find members who could prove the deportations, however, he had not found anyone who had in his possession acceptable facts. On this count the committee members also had their doubts and from time to time put questions indicating these doubts. On such occasions, as I have been informed by Tamás Pásztori and others, chairman Andersen saved the face of the witnesses. As far as I am concerned I should like to say that the special committee of the U. N. acted incorrectly and is open to attack by its unfortunate disregard for strict adherence to objectivity, so important for an international organisation. Instead of selecting the witnesses to be heard themselves, let us say by choosing 40 persons at random from a camp, the committee members entrusted the selection of witnesses to émigrés when it was obvious that it was in the interest of the latter to collect only witnesses who would give incriminating testimony. Taking into consideration the circumstances under which the report was compiled, the Special Committee of the U. N. can hardly refute the allegation of the Hungarian Government, namely, that this report is nothing else but a fake. I therefore consider it necessary to state, as I have already said, that in my view the report arrived at in this way is suitable exclusively to sustain and stir up tension, that is the upholding of a situation which means only suffering to the Hungarian people.

I also consider it necessary to state the following: I was concerned with the affairs of the refugees. Those who know me are well aware that my flat was open from early morning until late at night to those in trouble and worried, and they know how many called on me every day, every hour, people who brought me their life full of pain, need, and fear of the morrow. Those who knew me are well aware of how much I suffered on account of the unsolved problems of distressing human fate. Believe me, there is no more terrible feeling than to know about the justified complaints harassing others, to see their tears or dumb lips compressed in bitter silence, and to be impotent. There was a time when many



of our unfortunate Hungarian compatriots tried to find a way out by attempting suicide. Such facts could not be kept secret. But, unfortunately, no one considered it important, and the U. N. itself does not consider it important even today, to investigate these facts and to appoint a committee to remedy them.

I am telling you this because I know that a few people spoke about their sorry fate in front of the Special Committee, but this committee ignored this with the excuse that it was not in their terms of reference to concern itself about such things. Perhaps in their minutes some reference to this is made. Nor should the fate of refugees in the Dominican Republic be left unmentioned. I feel I have to speak about this, because I was the one who wrote in good time, in spring this year, articles about this question in the émigré newspaper *Nemzetőr* (National Guard). I described the horrors published in the U. S. magazine *Harpers* at the end of 1956 about the Dominican Republic and its social conditions. I succeeded with this article so that only 600 instead of the 20,000 Hungarians as planned went to the hell in the Dominican Republic. In letters smuggled out under risk of their lives they are pleading for help. These letters, which can be found in the editorial offices in Vienna of the émigré papers *Magyar Híradó* (Hungarian News) and *Nemzetőr*, are highly revealing and to anyone who is a humanitarian they are deeply shocking.

Do you know what has become of the 600 cheated and sold Hungarians? They were taken to the jungle adjoining Haiti like veritable slaves. They live in palm-leaf huts, their nourishment is below the subsistence level, and they are taken ill by the humid heat and malaria. Only those on their death bed see a doctor. Altogether 300 have protested and demanded their return to Austria. All this can be read in their letters. They were sent to penitentiaries and their Austrian passports were confiscated. Those who complained are abducted and never seen again. 600 Hungarians, women and small children, have become slaves in the middle of the Twentieth Century. I heard that a few weeks ago about 200 of these unfortunates were after all returned to Austria. I ask those who have a chance to question them about the difference between the promises made and reality. Ask them about their life in the Dominican Republic, the same country which spouted about humanity and against oppression in the United Nations. I ask you again to convince yourself of the truth of my statement and to fight in your papers to save the 400 Hungarians still there, Hungarian or foreign, and also so that the U. N. and its General Assembly send there a special committee. There would be plenty of reason for this, but it would have to be done before it is too late, while these unfortunate people are still alive.

As far as the special session of the U. N. General Assembly that started on September 10th is concerned, I should like to say that in the name of the Hungarian National Committee Zoltán Pfeiffer circularised a letter in which he stressed that the Special Committee report should be supplemented with facts of Soviet interference in Hungary in 1957. He enclosed a questionnaire with his letter, most of the questions of which were of such a nature that after reading through, Anna Kéthly herself, in front of me, said that this was straightforward espionage. During the same conversation she said that although she was in favour of a change of regime in Hungary, she in no way wanted to pay the price of a white terror following such a change. She said that she had lived through a white terror in Hungary, and under no circumstances wished for another one. The almost open propagation of future aims of Hungarian reaction in the West and the intensive organisation of fascism were causing her grave concern. I stress, these are not my words, but Anna Kéthly's.

Further Gábor Havash, the Vienna representative of the IBFG, Anna Kéthly's confidant, in our talks stated that the policy of the émigrés was sharpening the situation. As a result of it people at home are being imprisoned and, in his opinion, as well, a realistic policy of the émigrés would be a preparation to return home in some acceptable way.

The facts and events presented by me, which can be proved, and which are actually only a small fraction of what I have seen, are ample to make every thinking, decent person, sincerely concerned about the fate of his people, reconsider his stand. On my part, I do not wish to say much more, because I feel this is ample.

If you have any questions, and there is opportunity, I shall be glad to answer them. I should like, however, to use this chance to address from here those who shoulder responsibility for the fate of individuals and peoples, and of the whole world. From here I ask the United Nations not to allow the General Assembly to be used to sanctify actions which would only lead to further suffering and sacrifice by the Hungarian people.

I also have a request to the governments of the West. Today, in the age of the hydrogen bomb, missiles, and other terrible weapons of mass destruction, the whole of mankind, including my people, are living with a terrible danger hanging over their heads. The social structure of certain regimes can certainly be questioned. But this is not the primary question of today; more important is the protection of peace and of human life itself from extinction. I consider it necessary in my present position to appeal to the social organisations, Hungarian politicians irrespective of their party affiliations, and even the Hungarian government, concerning the fact that tens of thousands of Hungarians cut off from their families are living in various parts of the world. To the best of their ability, they ought to contribute to helping that these can return to their parents, wives, and children, and again find their place in the country's busy life.

And, finally, I should like to say a few words to the Hungarian people, irrespective of whether I acted correctly or incorrectly, but at all times I was out to represent the interests of my people in accordance with my conscience and conviction and for this I always made sacrifices. I love my country and people from whom I stem and this love prompts me to convey this message. It is the only important approach, almost the historic task of the Hungarian people, not to pay credit to any enticing promise or the phrases hackneyed to satiety, and not to allow themselves to be driven into any adventure. The peoples who have constant faith in the present and future, who are diligent, active, and consistent in desiring peace, remain and grow stronger, others are swept off the face of the earth by war.

By returning home and telling of my experiences and opinion, I wished to contribute to saving the peace and tranquillity of my people and country. I feel I have attained my aim by making this statement and I thank the Hungarian authorities for having enabled me to do this. I hope the Hungarian people will develop and grow in prosperity.

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The journalists present at the press conference then put several questions to Mr. Szabó. Here are some of these questions and Mr. Szabó's answers.

Question. What kind of relationship exists between the Hungarian National Committee and the Strasbourg Council? What is Béla Varga's connection with the Strasbourg Council? Could you say anything more about the relations between the Strasbourg Council and Radio Free Europe?

Answer. Perhaps this is neither the place nor the time to dwell in detail on questions about which actually volumes could be written. Suffice it to mention that the Hungarian National Committee is to be considered as more or less nonexistent, since the U. S. authorities stopped their financial support at the end of July this year. This fact, however, has been the result of a long-standing and serious struggle of the émigrés, which in practice is going on also as present. The relationship between the Hungarian National Committee and the so-called Hungarian Revolutionary Council can best be expressed by the fact that the Hungarian National Committee, which receives from some U. S. quarters ample reward for its activity, in defence of this support launched violent attacks against the new émigré organisation.

These attacks were diverted along personal and organisational lines. Béla Varga, who was the president of the Hungarian National Committee, took part, of course, in the direction of these actions, which were often—and I might say, always—contrived by rather base means of human behaviour. Ferenc Nagy, however, belonged to the Strasbourg group. Recently the question has been raised of creating an émigré top organisation of leaders of the old and the new émigrés. This had brought no results up to my return, because personal quarrels have been going on for the different leading positions. This is what I can say in answer to the question.

Question. I would like to ask whether there are such persons abroad—of course, without giving their names, who, like you, have grown disgusted with the situation there and perhaps would like to come home. What do they expect the Hungarian Government to do?

Answer. I feel the most precise and positive answer to this question would be that homecoming is a constant problem, an everyday topic of the émigrés. Well, there is a broad scale of ideas about returning home. Among the leaders of the new émigrés there are many who have woken up to reality and are disillusioned, while under the impact of the past twelve years at home—wherever they might

have spent those years, even if they were in prison—and who have felt and feel now that abroad they have not found that world for which they wished to fight. These people, but particularly those masses who are still now dragging an unbearable life in the camps of Canada, Italy, or Austria, would gladly come home if they were not afraid of what would happen to them. I think some reassuring statement or facts would be conducive to prompting these people to carry out their concealed, often secret intentions.

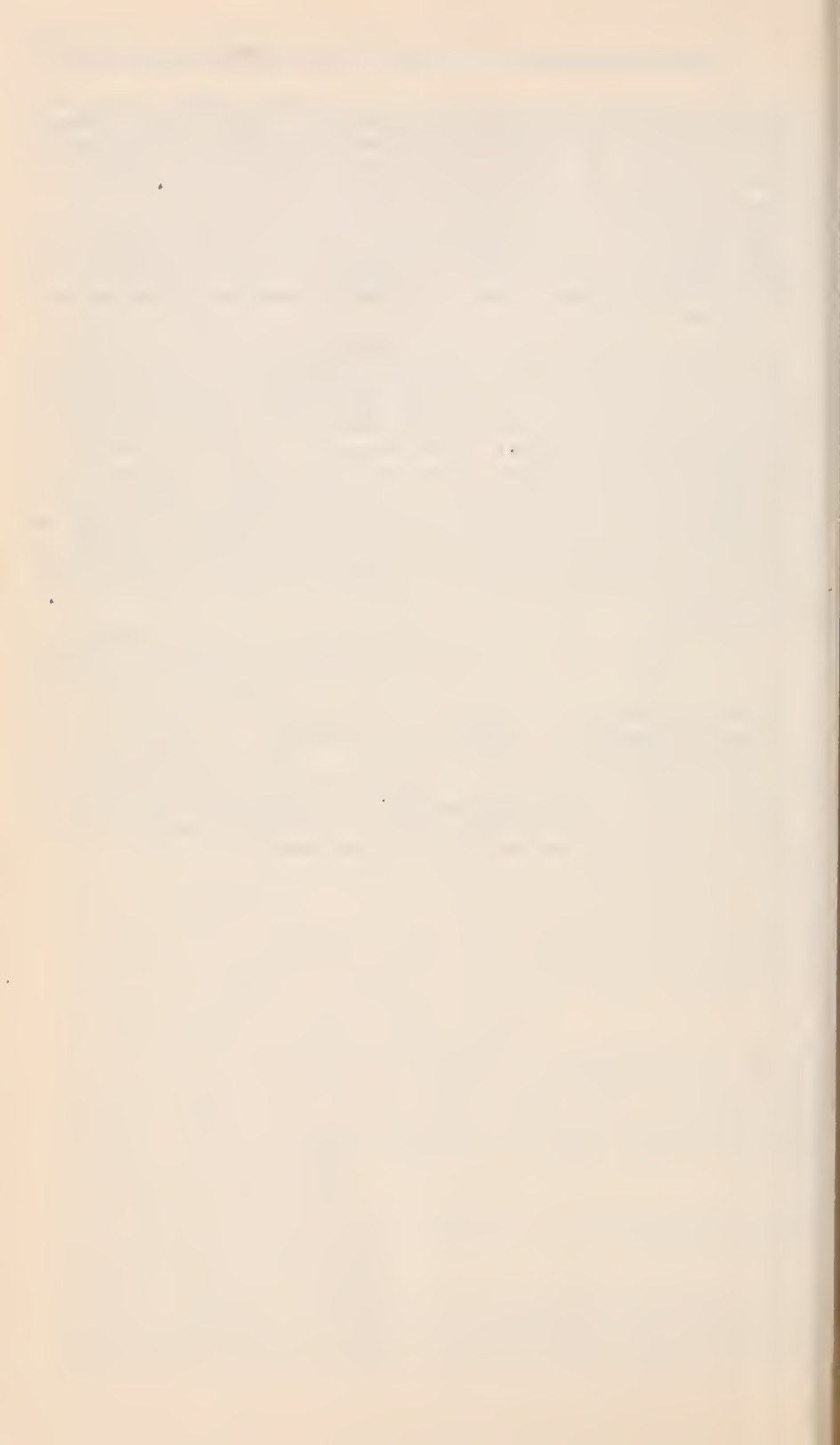
Question. Could you supply us with any information on the children under age who absconded from the country? It is known that very many unfledged and rash children have left the country. A great part of them would like to come home, and their parents also desire so. We have very serious problems in arranging for their repatriation.

Answer. I am going to answer this question all the more gladly, as it raises a problem which was sore spot for me also abroad. The fate of youth in emigration is rather bitter, often catastrophic. It is so not as far as their financial situation is concerned, but from the moral point of view. As regards the moral situation of the boys, and especially of the minor girls, I could not even say that they are going downhill, for they are far beneath the hill. These young people will become either criminals or prostitutes, at least the present circumstances are indicative of this trend.

All I can say in connection with the return of the minors is that the rumour has been spread abroad—presumably in a tendentious way—according to which the Hungarian Government exerted some pressure on the parents to request the repatriation of the minors, and these children are told that their parents do not want them to return, but they cannot do otherwise. I hold the opinion that, irrespective of what anyone may think, these children ought to be repatriated, for—come what way—they would be much better off at home with their parents than abroad.

It may be a convincing example of the situation of our youth abroad if I say that the refugees arriving to the camps in Austria were compelled to sleep not only in common rooms, but in a common bed under the pretext of the lack of places, and this was done, irrespective of sex. This situation still exists. One must go to a camp in Austria and see who are living there side by side and under what circumstances. This cannot be considered at all satisfactory for the youth from the moral point of view.

In the Hirtenberg camp, for instance, about which I said a few words in my statement, there are 180 children under age. It occurred more than once that during the night a knifing duel took place in consequence of which one of the children got eight wounds and lost one and a half litres of blood. I think no more comment on the situation of the youth is necessary.



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