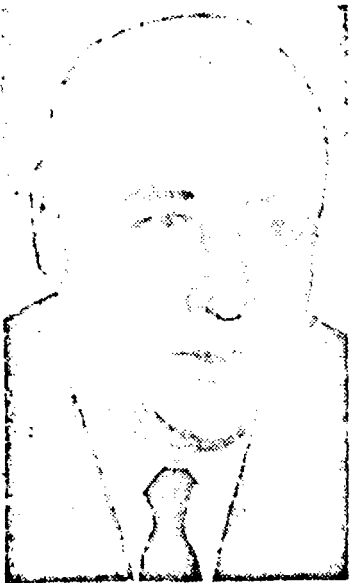


DREW PEARSON over WTOP Radio, Washington, D.C., at 6:45 PM

"FROM FRYING PAN INTO THE FIRE"

DREW PEARSON: "Washington -- When Kennedy appointed John McCone as head of Central Intelligence to replace Allen Dulles, he jumped from the frying pan into the fire. McCone has a conflict of interest record which I'll reveal in the Washington Merry-go-round next week."

SPOTLIGHT
PAGE



ED FOLEY
Worked for the "wrong" party?

WASHINGTON MERRY-GO-ROUND: By DREW PEARSON

How to Succeed With Dems-

-Back

G

WASHINGTON, Nov. 21.—It's said in Washington these days that to get a job with the Kennedy Administration you have to give money to the Republicans.

While not strictly true, Kennedy recently appointed John J. McCone, a high-up Republican, to be head of Central Intelligence; another Bill Foster, head of the Disarmament Commission,

Foster is an official of the Olin-Mathieson Company whose top executive, John Merrill Olin, is finance chairman of the Republican Party. Various Olin-Mathieson executives were among the most generous in putting dollars on the line for Nixon.

Meanwhile, the biggest money-raiser for the Democrats during the lean years was Ed Foley, former Under Secretary of the Treasury. As president of the "Seven Hundred and Fifty Club," Ed singlehandedly helped to make up the Democratic 1956 deficit.

As an original New Dealer he has worked in government for 20 years, knows every bureau and Federal office. All he has gotten from the new Democratic Administration is the cold shoulder.

Foley was vetoed as American Ambassador to Italy because he is a Catholic. McCone, also a Catholic, has just been given one of the choicest political plums in Washington—the CIA.

He has had no experience in undercover activities.

Abusive Publisher

Ted Dealey, publisher of the Dallas News, who told President Kennedy to his face that he was "running the country as if riding on Caroline's tricycle," has an interesting background. On one occasion in Dallas he was arrested for "drunk and disorderly conduct, aggravated," and for "use of abusive language." He paid fines of \$35.

Some newspaper publishers who were present at the Texas press luncheon given for them by Kennedy resent the abusive language used by Dealey to the President of the United States.

Dealey's arrest took place on Oaklawn Ave., in Dallas on March 3, 1954, when, according to police records, a Cadillac driven by Trudy Llewellyn Dealey (Mrs. Dealey) struck a '51 Nash convertible. Mrs. Dealey, according to the police complaint, was listed as having "strong alcoholic breath, thick speech, and staggering walk."

The publisher of the Dallas News, according to arresting officers, "cursed the complainant and threatened to strike him." Dealey called officer H. H. Stringer "A—and a —and said he would whip his—if he would take his uniform off." At the police station, according to the police charge sheets, Dealey "called officer a no good b—."

Mrs. Dealey, according to the charge sheet, was charged with calling one officer a "lying b—" and a —."

According to one witness, a woman in the Dealey car kept shouting: "You can't arrest him. He's Ted Dealey and owns half of Dallas."

The Dealey Cadillac was "removed" by Felix McKnight, then Managing Editor of the Dallas News, now editor of the Dallas Times-Herald.

WHEN MCKNIGHT WAS QUERIED about the matter some time ago, he indignantly declined to comment.

"What is your interest in this thing?" he asked. "What do you expect to get out of it?"

When Dealey himself was queried some time ago, he said: "Who are you to be interested in this?" He added that he would not talk about it any further, he had company, and also a dog that was whelping. Asked for an interview at his office when he was not busy with his dog, Dealey replied: "No. You had better watch your step."

Six days after his arrest, the Texas publisher paid his fines. But he didn't have to go to police headquarters. A member of the Dallas Police Department came to his office to pick up the money.

Note—On March 4, the morning after Dealey's arrest, the Dallas News carried no mention of the drunk and disorderly charge against him. But it did carry an editorial, obviously written earlier, devoted to traffic safety and the evils of drink, together with this message of civic piety: "In Dallas, traffic enforcement was hot in February. Will it be hot in March?"

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WTOP Radio
and various other stations
Washington, D.C.

January 6, 1962

Drew Pearson
6:45 P.M.

MAY BE SOME SENATE OPPOSITION TO McCONE

DREW PEARSON: "Central Intelligence--there may be some Senate opposition against John McCone, who's replacing Allen Dulles as head of C.I.A. The opposition will not be based on religion, but because McCone holds stock in a shipping company and is Chairman of the Atomic Energy Commission--gave the atomic merchant ship 'Savannah' to the States Marine Company, closely affiliated with McCone's own shipping line."

McCone-Kaiser Relations Recalled

By Drew Pearson

One of the first problems facing the Senate Armed Services Committee will be to review the record laid down by its late, much-loved senior Republican, Styles Bridges of New Hampshire, regarding President Kennedy's new chief of Central Intelligence.



The new CIA chief, John A. Pearson, was appointed by Mr. Kennedy just a few days after Congress adjourned last September and it is now up to the Senate Armed Services Committee to confirm him.

If Sen. Bridges' colleagues turn to their own subcommittee hearings of June 2, 1953, and thereafter, they will find some amazing testimony by and about the new CIA chief.

Amazing as it is, the testimony is not quite complete, because later testimony by McCone before the Joint Atomic Energy Committee, July 2, 1958, shows that he may have been guilty of a conflict of interest when as Under Secretary of the Air Force he awarded a Flying Boxcar contract to the Kaiser-Frazer Company for three times the price the Government was paying to the Fairchild Corporation.

One Republican, Rep. Alvin O'Konski of Wisconsin, charged his fellow Republican,

McCone, with being "merely on leave of absence from his position as president of the Bechtel-McCone Corp. . . . becomes Under Secretary of the Air Force and arranges a nice fat gift for Kaiser, and that is how Kaiser manages to continue to suck defense dollars while our boys in Korea die for lack of planes."

McCone denied the statement. However, he did not deny that the Bechtel family owned 4200 shares of Kaiser-Frazer common stock. He also had a hard time putting a good light on the highly unusual chain of facts which Sen. Bridges placed before the Senate Armed Services Subcommittee as to how Kaiser got the Flying Boxcar contract.

At that time, 1950, Henry J. Kaiser's attempt to rival other auto manufacturers with the "Henry J" small-sized car and other Kaiser-Frazer makes had been a flop. He had a heavy overhead, a factory at Willow Run, Mich., which was closing down, and a large supply of machinery on hand.

According to the testimony unearthed by Sen. Bridges, Kaiser's close associate with whom he had been engaged in West Coast shipbuilding, John A. McCone, got him off the hook. McCone produced a quickie contract to manufacture the G-119 or Flying Boxcar.

The cost per plane as built by Kaiser was to be \$688,365, as compared with \$260,000 per plane as built by Fairchild in Hagerstown, Md. The Air

Force, under McCone, however, took part of the contract away from Fairchild, despite the higher cost. McCone, trying to explain this to Sen. Bridges, said that the Defense Department wanted to develop secondary suppliers. He had to admit under cross-examination, however, that Secretary of Defense Marshall had issued the directive on "second suppliers" only after the Kaiser contract had been negotiated.

In the end Kaiser charged the Air Force not \$688,365 as estimated, but \$1,339,140 per boxcar. It even charged up to the Air Force \$78,000 for liquor, food, and the cost of a dedication party for its first C-119—though this was caught and disallowed by Air Force auditors.

Faster Than Fast

The amazing, high-speed negotiations began on Dec. 5, 1950, when Kaiser, hard-pressed from his unsuccessful auto venture, applied to the Reconstruction Finance Corporation for a \$25 million loan. He was told he could get it if he had a Government contract.

Later that same day, thanks to his old shipbuilding partnership, he had lunch with McCone, then Under Secretary of the Air Force in charge of procurement. Son Edgar Kaiser also was present, together with Lt. Gen. K. B. Wolfe, deputy chief of staff for materiel. At this luncheon, Senate hearings showed that the plan to build

C-119s in the Kaiser Willow Run plant was discussed.

On Dec. 6, one day later, the Kaisers appeared at the Fairchild plant in Hagerstown and demanded engineering data on the C-119 which Fairchild had developed and was then producing. Under an Air Force contract Fairchild was required to give the data to a competitor.

Nine days later, Dec. 15, the decision was reached to award the Flying Boxcar contract to Kaiser. No facilities or cost studies had been made, and the Air Force had no idea what Kaiser was going to charge Uncle Sam for being bailed out at Willow Run.

All this caused Sen. Bridges to ask McCone:

"If the Air Force's records should indicate that the decision to award the contract for the C-119 to Kaiser-Frazer was reached on Dec. 15 and that the proposals were delivered by Kaiser-Frazer to the Air Materiel Command on Dec. 19, four days later, what would you say?"

"I would say that the action, though apparently fast, was proper under the sense of emergency that we were operating," replied McCone.

"It is even faster than fast, is it not?" asked Bridges.

"It is pretty fast, you bet," agreed McCone.

In all the testimony, however, McCone would not admit that he had any continuing financial relationship with Kaiser.

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McCone Made Big WW II Profits

By Drew Pearson

With eight high officials fired from the Eisenhower Administration for conflicts of interest, it would seem mandatory that both Democrats and Republicans take a very close look at the conflict-of-interest issue before appointing and confirming new men.



John A. McCone, picked to replace Allen Dulles as head of the vitally important Central Intelligence Agency, has a record which is interesting on three counts:

1. He has made more money out of Uncle Sam on war contracts than perhaps any other man now working for the Government.

2. He has had a continuing close financial connection with the Henry J. Kaiser interests to which, as Under Secretary for Air, he gave a very interesting quickie contract for making Flying Boxcars (C-119) in the record time of 10 days, at a price three times greater than that of Kaiser's competitor, Fairchild.

3. He is shrewd and able, which accounts not only for his capacity for making money but for his agility in keeping high Government positions under both Republicans and Democrats.

When McCone came up for

confirmation as chairman of the Atomic Energy Commission on July 3, 1958, he let slip one interesting fact which puts him in a position of having a possible conflict of interest. Answering a question from Sen. Clinton Anderson (D.-N.M.), he said:

"Yes, I have some business relationships with Kaiser, inasmuch as a jointly owned company, 25 per cent of which is owned by Hendy (Joshua Hendy Corp. of which McCone owns all the stock) and 50 per cent is owned by Kaiser Aluminum, has a long-range contract to transport Kaiser's bauxite from Jamaica to Baton Rouge."

Yet when McCone was being investigated by the late Sen. Styles Bridges (R.-N.H.) and the Senate Armed Services subcommittee regarding his quickie C-119 contract to Kaiser, he claimed: "I have had no business relationship with Kaiser for years. . . . I have no benefit to gain from the affairs of his companies. The statement therefore that I was a link in Henry Kaiser's 'chain of influence' should be corrected."

Nonetheless, Senator Bridges showed that McCone went to amazing lengths to switch part of a C-119 Flying Boxcar contract away from Fairchild in Hagerstown, Md., to Kaiser at Willow Run, Mich., at a cost figure which turned out to be \$1,339,140 per plane as against Fairchild's \$260,000.

A third congressional hearing, Sept. 25, 1946, shows the

close financial kinship between McCone and Kaiser and why it was possible for Kaiser to barge in on McCone, have luncheon with him, and walk out with a multimillion-dollar contract as good as signed.

This third hearing probed the phenomenal war profits rolled up by both McCone and Kaiser when they were shipbuilding partners during the war, and when they parlayed an investment of \$100,000 into a profit of \$44,423,000.

McCone was then president of the California Shipbuilding Co., organized about one year before Pearl Harbor, when Todd Shipbuilding put up \$50,000, with another \$50,000 coming from the Betchel-McCone-Parsons Company, Henry Kaiser, and other companies associated with Kaiser and Betchel-McCone in building Boulder Dam.

Phenomenal War Profits

This combine made a killing. Uncle Sam needed ships, was willing to pay any price for them, and the Todd-McCone-Kaiser combine went to town, though later Todd got out and left the West Coast field to Kaiser and McCone.

According to the sworn statement of Ralph E. Casey of the General Accounting Office before the House Merchant Marine Committee in 1946:

"It would seem when profits from Government contracts paid from public funds soar to such astronomical heights in proportion to invested capi-

tal, someone should come forward with a satisfactory explanation."

He went on to testify: "The California Shipbuilding Corp. was incorporated Jan. 6, 1941, and the entire cash investment represented by 1000 shares of capital stock at a par value of \$100 consisted of \$50,000 invested by the Todd shipyards and \$50,000 invested by 10 companies affiliated with Henry J. Kaiser.

"About a year later, on Feb. 19, 1942, a meeting was called for the purpose of declaring dividends out of the surplus. The minutes of the meeting said:

"After a full discussion upon motion duly made . . . it was unanimously resolved that a dividend of \$1000 per share be, and the same hereby is, declared."

This, concluded GAO executive Casey, was a profit of \$1,000,000 on the investment of \$100,000 within one year—all at the expense of Uncle Sam's shipbuilding business.

The profitable partnership between Kaiser and McCone continued until it rolled up a war profit of \$44,423,000 and, according to McCone's own testimony, the association is continuing in the form of a joint shipping line today. In between, McCone, as Under Secretary of the Air Force, helped swing one of the juiciest airplane contracts in history to Henry Kaiser.

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U. S. Funds Gave McCone Big Start

By Drew Pearson

President Kennedy has picked some A-1 men for high office—some of the best in the past two decades. But the President must have had his mind on the Berlin crisis when he picked John A. McCone to head the giant Central Intelligence Agency, which has a vital influence over American foreign policy.



Pearson

Looking back over McCone's past, he has a record for making money out of Uncle Sam unequaled by any other man now in Government. The record is all spelled out in congressional hearings.

Cross-examined regarding his shipbuilding partnership with Henry Kaiser interests at San Francisco during the war, McCone admitted to the House Merchant Marine Committee that the Government had put up almost all the capital for their California Shipbuilding Co., of which McCone was president. It netted around a 44-million-dollar profit.

"What was the total cost to the Government of building your yard?" asked committee counsel Marvin Coles.

"Some \$25 million," replied McCone.

"How much of the moneys of your corporation were in-

vested in the physical yard?" "Very little, very little," replied the president of the company.

"Were there any profits to subcontractors?"

"Oh yes, there must have been."

A Wonderful Deal

"Did any of the executives receive management salaries that were reimbursable by the Commission?"

"The executives . . . were reimbursed in a manner agreed to by the Commission."

"And that was with Government funds?" McCone was asked.

"That is correct."

"With material supplied by the Government, with labor paid for by the Government, with interest on borrowed capital paid for by the Government, with management salaries paid for by the Government, what were the fees and profits paid for?"

"For the building of ships," replied McCone, without batting an eye.

The House Merchant Marine Committee also developed the fact that the Government had turned over to McCone, Kaiser et al., all of the Government's materials, machinery, and other facilities located at the shipyard estimated as worth about \$14 million.

"The Government put in \$25 million to the building of this yard," counsel Coles asked. "At the time of the completion of the contract was there any Government-owned

shipbuilding material in California Shipbuilding Co.'s yards?"

"There was," was McCone's laconic reply.

Coles asked if the value of \$14 million was accurate.

"That might have been the original cost of it, but a large percentage of it was nothing."

"Did you pay any money for this shipyard and the surplus property in the yard when you acquired it from the Government?" Coles asked.

"We relieved the Maritime Commission of all their obligations and responsibilities for the restoration of the site that was owned by the Los Angeles Harbor Board," was McCone's reply.

More Gravy

"Did you receive in addition to this yard that had cost \$25 million and this material which may have cost \$14 million, an additional sum of \$2.5 million in cash?" pressed Coles.

"No," replied McCone, "but we did receive a revision of our selective price contract under which the amount of recapture was reduced by \$2.5 million."

"So in effect you got an additional \$2.5 million, did you?"

"You might put it that way," finally admitted the president of the shipping company.

Rep. Alvin Weichel, Ohio Republican, also brought out the fact that McCone-Kaiser deducted from income taxes \$4 million in nonreimbursable

expenses, which McCone said was given away in salary bonuses, charities, group insurance premiums, and ship-launching expenses.

"Did you give away \$5000 diamond necklaces?" asked Congressman Weichel.

"No, we gave \$60 cigarette boxes," replied McCone, adding that the top gift was \$800 to a ship sponsor.

Summarizing the facts, McCone's fellow Republican, Congressman Weichel, said: "The total number of ships you built was 467. The plant cost the Government \$25 million. There was \$14 million worth of property there when it was finished and you got \$2.5 million credit. That is roughly \$41 million . . ."

Adding in some other figures and making a quick calculation, Weichel concluded:

"Altogether your company got \$91 million for building 467 ships. Roughly, without the deduction of taxes, it cost the Government nearly \$200,000 in fees for each ship built by your company.

"The Todd (shipbuilding) people," Congressman Weichel pointed out, "had roughly \$11 million in fees and the plant cost about \$14 million. Theirs was about half the cost to the Government. Yours was \$200,000 per ship."

That was how John A. McCone, now nominated to be head of CIA, got his big start up the business ladder to big Government jobs and more profits in business.

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TRANSCRIPT OF LEWIS PEARSON

OVER WTOP RADIO

SATURDAY, 13 January 1962.

The Maritime Commission: There is something very mysterious about the manner in which the Maritime Commission placed the operation of the new atomic merchants vessel the Savannah in the hands of the States Marine Company. This was done under Eisenhower after a committee of experts recommended that a new atomic vessel be operated by the American President's Line instead the Savannah was put under the States Marine Lines which was the lowest on the list. Congressman Bonner of North Carolina has pointed out that the States Marine Line has used foreign agents abroad and foreign flag ships despite which it got this prize package. Congressman Bonner also points to the fact that John McCone then strong with the Eisenhower administration was then being made Chairman of the Atomic Energy Commission and that McCone was in partnership with the States Marine Line. McCone has now been nominated by Kennedy to be head of Central Intelligence and comes up for Senate confirmation next week.

The Maritime Commission: Some of the worse crack ups of liberty ships during and after the war were the ships built by the Henry Kaiser shipyard. The same Henry Kaiser to whom McCone awarded that quickie flying boxcar contract at three times the cost of Kaiser's competitor, the Fairchild Company at Hagerstown, Maryland.

Now a final prediction: Some people have wondered why I have written about the past operations of McCone nominated to be head of Central Intelligence. The reason is that Central Intelligence has been guilty of some terrible mistakes, the fiasco in Cuba, the sending of the U-2 over Russia just as Eisenhower was about to go to Paris and Russia. This seriously set back the peace of the world. John McCone has charm and determination, but was head of the West Coast Shipbuilding Company which made more money out of Uncle Sam during the war than any other executive now in Government. He also awarded his wartime partner, Henry Kaiser, with a quickie airplane contract at an exorbitant price, when he, McCone became undersecretary of the Air Force.

This is a record which the public has a right to know about, and which the Senate cannot ignore. Unfortunately Senators have developed a habit in recent years of confirming almost any name the President sends them, so here is my prediction: In the Armed Services Committee, Chairman Russell of Georgia will vot to confirm McCone as will Senator Jackson of Washington, and probably also Senator Symington of Missouri who is very kind-hearted. But I predict Senator Case of South Dakota who has saved more money on war contracts than any other single Senator will ask McCone some very important questions. I also predict that Senator Margaret Chase Smith of Maine who has great courage and Senator Glenn Beall of Maryland who also has courage will demand a careful investigation of McCone before he is confirmed.

Experts Reversed on Nuclear Ship

By Drew Pearson

The biggest prize in the shipping world in the last four years has been the operation of the first atomic merchant vessel ever built, the Savannah. Every qualified shipping line in the United States has wanted to get it.

It ended up, through a mysterious set of circumstances, in the hands of States Marine, which operates a large number of foreign-flag ships manned by foreign crews, but which happens to be in partnership with John A. McCone, who at the time the Savannah contract was let was chairman of the Atomic Energy Commission.

McCone is now up for confirmation to be head of the all-important Central Intelligence Agency, and a long set of circumstances put him in the position of having favored close business associates, such as the Henry Kaiser interests, when he has been in Government.

The inside facts in the award of the SS Savannah to the States Marine Line, which has a working partnership with McCone's personally owned Joshua Hendy Line, are hitherto unpublished.

In the spring of 1958, as seven steamship lines applied



to operate the Savannah, Clarence Morse, then Maritime Administrator, appointed a special selection board of maritime experts to recommend the most qualified.

They recommended the American President Lines, with more than 30 years of American-flagship experience behind it, as the best qualified. The others, in order of their qualification, were: Isbrandtsen, Farrell, Moore-McCormack, Pacific Far East, States Marine, and U. S. Lines.

In other words, States Marine, the line with which John McCone has a working partnership, was next to last. Yet it ended up with the contract.

What happened was that Maritime Commissioner Morse, answerable directly to Secretary of Commerce Sinclair Weeks, overrode his own board of experts. Morse explained lamely that the board had put too much emphasis on passenger service.

So the board went back into session, eliminated passenger experience as a criterion, and, adding up all the remaining factors, still came up with American President Lines as the best qualified ship operator.

However, States Marine, no longer handicapped by its lack of passenger experience, rated second. Higher ups in the Commerce Department then gave the contract to States Marine as if the board had never met.

When I asked Under Secre-

tary Louis Rothschild, now retired, why he reversed the board of experts, he replied: "There had been too much lobbying"

He did not elucidate.

"But States Marine chiefly operates foreign-flag ships," I pointed out. "The Savannah is to be the pride of the U. S. Merchant Marine. Did John McCone talk to you about this?"

"No," protested Rothschild emphatically. He added that one of States Marine's subsidiaries operated under the American flag.

"Besides," he said, "the House Merchant Marine Committee completely approved our decision."

Weeks Stepped In

Congressman Herbert Bonner, North Carolina Democrat, chairman of the House Merchant Marine Committee, told a different story. He had introduced the bill authorizing an atomic merchant vessel.

"We never approved their decision," said Rep. Bonner. "They came down here and told us what they were going to do and that was that."

"Morse had talked about putting the Savannah in the hands of different companies—the United States Lines in the Atlantic, the American Export Lines in the Mediterranean, Moore-McCormack in Latin America, and the American President Lines in the Pacific.

"But Sinclair Weeks, the Secretary of Commerce, was

calling the shots. He came before our Committee and told us that States Marine was going to get the Savannah. There must have been a terrific lot of influence used to give this to States Marine."

Whatever influence may have been used probably took place before John McCone took office as Atomic Energy chairman. He was confirmed on July 9, 1958, and the Savannah contract was awarded on July 25.

A busy Senate paid little attention to all this. Only one Congressman, Bonner of North Carolina, "father" of the SS Savannah, challenged McCone's apparent conflict of interest. In a speech on the House floor, Aug. 21, Bonner said:

"I have no concern with the arrangements made by Mr. McCone to meet the technical requirements of the law in regard to the difficult problem of avoiding conflicts of interest faced by so many able and successful businessmen when called to public service.

"However, the facts concerning the intimate business relationships which have existed between Mr. McCone and Mr. Mercer (head of the States Marnie Lines) raise certain obvious questions when we seek to find the answer to the apparently illogical assignment of the nuclear ship Savannah to States Marine Lines by the Department of Commerce and the Atomic Energy Commission."

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MR. MORSE

Mr. President, I ask unanimous consent to have the entire column written by Drew Pearson, and published by the Bell Syndicate on January 17, 1962, printed at this point in the RECORD.

There being no objection, the column was ordered to be printed in the RECORD, as follows:

JOHN MCCONE DID NOT SELL HIS STOCK WHEN HE BECAME AEC CHAIRMAN—HIS SHIPPING LINES DID PROFITABLE BUSINESS WITH AEC CONTRACTORS—THE LAW DOES NOT PERMIT ANY CHOICE ON CONFLICT OF INTEREST

(By Drew Pearson)

WASHINGTON.—In June 1958, John A. McCone, the new would-be Central Intelligence Chief, wrote a letter to Sherman Adams, later kicked out of Government for a conflict of interest, to see whether he, McCone, might have a conflict of interest as new Chairman of the Atomic Energy Commission.

Ignoring the fact that the Goldfine charges against Adams had not made him the best man to act as judge, McCone listed the Utah Construction Co., Kaiser Engineers, Dow Chemical, Union Carbide as doing large business with the Atomic Energy Commission, and simultaneously doing business with his own privately owned shipping companies.

Significantly, two of these companies, Kaiser and Utah Construction, showed the pattern of business links McCone has kept with his old associates and war profiteers. McCone was president and a partner with Henry Kaiser and associates in running the California Shipbuilding Co. during the war when they rolled an investment of \$100,000 into an overall profit of \$44 million.

Later, when he was Under Secretary of the Air Force, McCone gave his old partner a quickie Flying Boxcar contract at three times the cost the Air Force was paying Fairchild. Incidentally, Senate hearings conducted by the late Senator Styles Bridges, of New Hampshire, showed that Kaiser and his subsidiaries got a total of \$219,011,919 in Government RFC loans; received \$6,568 million in Government contracts, and got approximately half a billion dollars in quickie tax writeoffs.

BIG AEC CONTRACTORS

Kaiser has also been one of the biggest contractors with the Atomic Energy Commission including the period when Kaiser's old partner, John McCone, was AEC Chairman.

The company which operates under the all-inclusive name of Utah Construction Co. is also part-owned by Kaiser and actually is a big seller of uranium to the AEC through its subsidiary, Lucky Mc Uranium Corp.

Union Carbide is one of the biggest contractors with the Atomic Energy Commission. It not only sells uranium to the AEC, but operates AEC Plants at Oak Ridge, Tenn., and Paducah, Ky. Both Union Carbide and the Kaiser interests benefited from the AEC's decision not to buy uranium from "underdeveloped countries." This obviously played into the hands of established American companies such as Union Carbide and Kaiser.

Yet McCone, before he became Chairman of the AEC in 1958, admitted that his personally owned shipping line, Joshua Hendy, handled "intercoastal and coastwise transportation of chemicals, transports products for Union Carbide, Dow Chemical, Standard Oil of New Jersey, Standard Oil of California, and others."

"I have some business relationships with Kaiser," he also testified, "inasmuch as a jointly owned company, 25 percent of which is owned by Hendy and 50 percent by Kaiser Aluminum, has a long-range contract to transport Kaiser's bauxite."

"Would your firm continue to deal with these firms in the atomic energy field, such as Union Carbide?" asked Senator CLINT ANDERSON of New Mexico.

"Yes, I would expect they would continue," replied the future AEC Chairman.

"Union Carbide is a large customer of Hendy's" ANDERSON reminded him.

"Yes, they are," McCone agreed.

ADAMS GIVES HIS OK

However, he insisted that placing the stock of his shipping companies in trust with the Bank of California, in which he is also a stockholder, cleared him of any conflict of interest. This left him, however, with the profits which would accrue from the contracts his shipping companies made from Union carbide, Kaiser, and the other firms which did business with the AEC of which he was Chairman. In other words, while he was AEC Chairman, his shipping companies would benefit from business with AEC contractors.

On the basis of this, Sherman Adams, that great judge of conflict of interest, OK'd the arrangement; and the Senate, diverted by the Sherman Adams-Goldfine headlines, also OK'd it and confirmed McCone as AEC Chairman.

However, now that McCone is coming up for another, even more important, post, head of Central Intelligence, the Senate might take time to review the record and study the law.

The conflict-of-interest law gives no choice either to McCone or to the Senate.

McCone said he had done "A great deal of soul-searching" and had concluded he could handle the AEC Chairmanship without any favoritism. However, the AEC law does not permit a man to search his soul and make the decision. The law makes the decision for him. It gives no alternatives other than get out of any conflict with private business interests.

"No member of the commission," it reads, "shall engage in any business, vocation, or employment other than that of serving as a member of the commission."

The law was passed not to be rationalized after soul-searching, but to make sure that men like McCone did not serve on this powerful commission with the power to make tremendous profits for certain companies, unless they gave up their stock in the companies which benefited. This McCone did not do, and in an early column, one significant result affecting McCone's private shipping line will be reported.

The Washington Merry-Go-Round

THE WASHINGTON POST Saturday, January 20, 1962 C 15

Kennedy Has Become Tougher

By Drew Pearson

(The brass ring good for one free ride on the Washington Merry-Go-Round today goes to President John F. Kennedy.)

Some remarkable changes have taken place in John F. Kennedy during his first year as President. No President during my experience in Washington has grown up so much.

The surface changes are easy to diagnose; the less perceptible, behind-the-scenes changes are more important.

On the surface, Mr. Kennedy has settled down.

When he first became President he was restless, hated to be confined, couldn't get used to Secret Service guards and the protocol that necessarily ties up a President. He was accustomed to driving his own car to work, he couldn't get used to going to his office merely by going downstairs in the White House.

When he was first elected, Mr. Kennedy would sometimes grab the wheel of his car, tell the Secret Service man to move over, and race down the highway. He doesn't do that any more.



Pearson

His restlessness at first took the form of examining every room in the White House. He turned up in places no President had even seen before. One secretary in a top, back room, was so flabbergasted she almost fainted when the President appeared in the doorway. She had served under two previous Presidents, but never saw them.

Still Restless

Mr. Kennedy, after a year as President, is still active, still restless. He will drift into his secretary's room to dictate, drop in on aides, shuffle through their papers ask them about problems they have forgotten but he hasn't. Perhaps no other President—certainly not in recent years—has shown such an amazing faculty for keeping all sorts of diverse problems in his head.

But the most notable change in John F. Kennedy is that he is no longer overconfident. When first elected, he was cocky, sure of himself, certain that no problem was too complex for him to solve. He had won every battle he ever tackled. The Irish four-leaf clover seemed securely in his pocket.

But there is also a cautious streak in the President. It is not to be confused with cowardice, which is not in him. He has great courage, but it's mixed with caution. And this

caution hit him a jolt never to be forgotten, with the Cuban fiasco.

All his advisers, including the Joint Chiefs of Staff, told him the Cuban invasion would succeed. Eisenhower advisers, from whom he inherited the plan, told him the same thing. Only Sen. William Fulbright of Arkansas disagreed. It proved a tragic failure.

With this, the luck of the Irish vanished. Mr. Kennedy retreated to a policy of extreme caution, retreated also from his new advisers, fell back on his old. His brother was given the job of reorganizing CIA, his close friend Ted Sorenson was told to review European policy, a youngster, Dick Goodwin, became chief adviser on Latin America.

Deadlock at Vienna

On top of this came another tragedy—the deadlock with Khrushchev at Vienna. Flying home from Vienna, Mr. Kennedy was more depressed than at any time in his life. He talked about the probability that his children might live under war. The first thing he did on arriving home was to get a military appraisal on the number of lives that would be lost in an atomic war.

Immediately after Vienna came the return of his back injury. Thus three failures hit him almost simultaneously.

Gradually came the long,

slow climb back from the depths of the Cuban crisis and the Vienna tragedy. During this Mr. Kennedy has regained confidence in himself, and Europe has regained confidence in him.

The old cocky Kennedy is gone now. The "luck of the Irish" has been relegated to the background. The President still relies on his remarkable memory, still reads the papers with amazing rapidity, still uses the telephones. But he has gone back to his old advisers, realized that his Secretary of State, Dean Rusk, knows more than Dick Goodwin, and that he has some able, loyal men in his cabinet.

He still has not learned what President Truman and Roosevelt learned, that it's next to impossible to get along with Congress, and that soft-soaping will get him nowhere.

The President has become tougher in the past year, steeled in the most difficult school of the cold war and congressional forensics. And he has become a vastly better President. But if there's one thing he still must learn, it's that high Gallup polls don't solve problems nor can you solve them by being too nice.

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Drew Pearson will predict what will happen to General Walker at the Senate hearings next week—over WTOP radio at 6:45 tonight.

FREE DELIVERY

Jan. 21, 1962
7:30 P.M.

PROGRAM Opinion in the Capital

STATION WTTG-TV and various
other stations

DATE January 21, 1961 7:30 P.M.

CITY Washington, D. C.

REMARKS OF MR. PEARSON

MR. DREW PEARSON WAS SEEN ON THE TV SCREEN AS
HE WAS INTERVIEWED BY MARK EVANS AND MARTIN WELDON.

EVANS: "Drew, I've had the feeling things have been entirely too quiet as far as you are concerned for too long with the Kennedy administration, and now it seems as though you've unleashed some pretty powerful guns. I know Martin is ready to fire one at you, so go right ahead."

PEARSON: "Things are pepping up."

WELDON: "Well, I thought, Drew... [discussion of Senator Byrd and Dupont-General Motors stock disposal]"

* * *

EVANS: "Drew, on that same subject--or on another subject, I should say, you have taken some pretty hefty swings at a very important Kennedy appointee, probably as important a job as there is in the land, the head of the CIA, Mr. McCone. It looks as though he may pass in spite of it."

PEARSON: "Oh, he's going to pass, he's going to be nominated--he's going to be confirmed; I knew that at the start. But just the same I think it's very important when any man is up for a very important office that the public has a chance to look at him. I think it's the obligation of the press to report the facts on him, and of the Senators to examine them further. Well, the Senate did yesterday--the Senate Armed Services Committee did scrutinize him rather carefully, not as carefully as perhaps they should, but some members, mainly Mrs. Smith of Maine, Senator Case of South Dakota, are asking a lot of questions which I think are very healthy."

EVANS: "Do you feel?--I think you've been rather kind to the Kennedy administration thus far although I think you do that pretty much with all administrations until you start finding what you think are weaknesses. Do you feel this is a real mistake on the part of Mr. Kennedy?"

PEARSON: "Yes, I do. I think this is a serious mistake. McCone has no background (there?)--he doesn't know anything about espionage problems, intelligence--"

EVANS: "Who does?"

PEARSON: "Well, a lot of people do. Allen Dulles certainly had a long background in it, and a lot of people from the State Department do, and this man has been a very successful businessman and all the records show that he's made a lot of money at government expense. It's all spelled out in past hearings before various committees, and why should he be head of an agency which has the power of life and death in making recommendations in certain parts of the world, especially in the Near East, where (?) is affected and where he owns--is the second biggest stockholder in Standard Oil of California and a big stockholder in Standard of New Jersey, which control the Arabian-American Oil Company."

WELDON: "Drew, the other day there's, I think, a Newsweek story which told about the columnists here in Washington most popular and influential with President Kennedy. Apparently the President reads regularly Lippman and Alsop and Reston and you, I think. Do you know how well you stand with the administration? To what extent do you think you influence the congressional and presidential actions?"

PEARSON: "Well, that's a very leading question that I shouldn't answer."

WELDON: "Well, you have some idea."

EVANS: "Have you any indication in regard to the McCone story? The President must have read that--have you heard anything from it?"

PEARSON: "McCone offered to resign the other day--"

EVANS: "As a result of the column?"

PEARSON: "Yeah, the President said not to resign, so I have no influence with the President."

WELDON: "But you do have entre, don't you?"

PEARSON: "Oh, yes. I had a very nice visit with the President last Saturday."

* * *

PEARSON: "I pinpoint my shots very carefully. Anybody who reads the column--take, for instance, on McCone, will see that I spent weeks digging into the records, naming dates, amounts, everything that he's done. That took an awful lot of work."

McCone Holdings Suggest Conflict

By Drew Pearson

Some of the Democrats who shouted loudly and continuously about conflicts of interest in the Eisenhower

Administration are now loath to talk about possible conflicts in the Kennedy Administration—especially the dubious position of John A. McCone, new chief of Central Intelligence.



Pearson

This column was one which helped expose some of the conflicts among Eisenhower officials, therefore feels obligated to do the same with Democrats.

One of McCone's most important investments is in Standard Oil of California and Standard Oil of New Jersey. He has been a director of the former, and its report to stockholders as of Aug. 1, 1961, lists him as owning 18,318 shares, on top of which he received a stock dividend of 915 shares, which, at the current value of \$53.50, gives the new CIA chief an investment of \$1,028,965.50 in Standard of California.

This makes him the second biggest stockholder in a company whose profits and future are materially influenced by Central Intelligence.

McCone, when up for confirmation to past Government posts, has declined to sell his stock in these oil companies but put them in a trust. Secretaries of Defense Charley Wilson and Robert McNamara would have been

delighted to put their stock in General Motors and Ford in trust, but were not permitted to do so.

Effects on Israel

It happens that Standard of California and Standard of New Jersey control the Arabian American Oil Co., which operates perhaps the most fabulous oil concession in the world, with reserves estimated to last around 100 years.

It also happens that the Near East is a field where Central Intelligence has played an all-powerful role and usually swung its weight against Israel, the only democratic country in that area. The CIA has probably influenced policy more than the State Department, and it has nearly always sided with the oil companies.

Here are some illustrations of how events have been influenced in the Near East:

Illustration No. 1—In 1952, CIA maneuvered an Egyptian revolt that kicked out King Farouk and substituted the Naguib-Nasser rule. This may or may not have been a good thing, but there is no question but that the coup was organized by CIA, that it led to the strengthening of Egypt in the Arab world.

Illustration No. 2—When John Foster Dulles sent George Allen, then Assistant Secretary of State, with a special message to President Nasser, it was the Central Intelligence director for the Near East, Kim Robsevelt, who told Nasser to ignore the Dulles message.

Illustration No. 3—During the Suez war of 1956, it was Central Intelligence which sent in the reports that guided President Eisenhower

in making his decisions. These reports may have been completely conscientious and accurate. But they ought not to be made by a director who has heavy investments in the major American oil companies affected by the Suez war.

Illustration No. 4—Just prior to the Suez war, Nasser put the bite on the Arabian American Oil Co., through his friend King Saud of Saudi Arabia, to collect \$200 million of advance oil royalties. This was used, directly, to purchase the huge arsenal of Czech arms which Egypt amassed on Israel's border prior to the Suez war. It was this build-up of arms that touched off the war.

Profits vs. Strategy

Illustration No. 5—During the Suez war, Syria served an ultimatum that it would cut the pipelines crossing her territory if any American oil were sold to the French and British. The United States promptly curtailed all oil shipments to the French and British. The CIA Director, who must necessarily participate in such a decision, should not be a heavy stockholder in oil companies that are affected.

Illustration No. 6—During the first three months of 1957, immediately following the Suez crisis, Standard of New Jersey raked in the huge income of \$237,000,000—16 per cent more than in the same period of the previous year. In the same period, California jumped its profits 13 per cent. This resulted directly from the Suez crisis and a resultant boost in the price of oil. The man who heads CIA, even

though he leans over backward to be impartial in his judgments, should not be a big stockholder in companies likely to profit from his decisions.

Illustration No. 7—It was CIA which secretly organized the political maneuver which kicked Premier Mossadegh out of Iran. He had seized the Anglo-Iranian oil refinery. Anglo-Iranian is a competitor of Aramco. The head of CIA, with oil stock, should not be in a position where he has to undertake operations for or against competitors of the companies in which he has an interest.

Illustration No. 8—The oil-rich sheikdom of Kuwait right now is in throes of trouble with oil-rich Iraq. Britain gets most of its oil from Kuwait. Some of Kuwait's oil also goes to Sun Oil, Union Oil, and Gulf—all competitors of Standard of New Jersey and Standard of California in which McCone holds heavy interest.

Again, a CIA director, no matter how conscientious, should not be a man who directly or indirectly must handle operations which could affect his own companies or his competitors.

NOTE—McCone's wholly owned Joshua Hendy shipping line with his partner, State's Marine (which got the prize atomic merchant ship Savannah contract when McCone was atomic chairman), got \$2 million in charter hire contracts from Standard of California in 1960 and they have continued to do a profitable business with it since.

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McCone Won't Sell Oil Stock

By Drew Pearson

Senators who questioned John McCone, new Central Intelligence Chief, last week seemed most concerned about

his position as one of the biggest stock holders in Standard Oil of California. In the back of their minds was the influence this might have on McCone's CIA

recommendations regarding Arabian oil, Israel, and one of the world's key trouble spots—the Near East.

Senators who listened to McCone's cool, quiet denials that his \$1,000,000 personal investment in Standard of California would influence his decisions, did not know that only one night before he had had dinner with Ted Peterson, long-time head of Standard of California.

Peterson had come to Washington for the express purpose of using his personal influence and charm on any Senators who might be opposed to McCone's confirmation, and conferred with McCone on the eve of the Senate hearing.

This in itself would indicate how important the oil company considers McCone's appointment to the key post of Central Intelligence. Chairman Dick Russell of Georgia also confirmed its importance



Pearson

by declaring solemnly that McCone's job was "second only to the Presidency in its importance."

But Russell showed his annoyance when Senators wanted to question McCone by pointedly reading his personal mail during the critical questioning. Then he studied a coat-of-arms design and tried to interest Sen. Margaret Chase Smith in it.

The lady from Maine, however, was not to be deterred. She brought out that McCone owned \$1,000,000 worth of stock in Standard Oil of California, one of the four founders of the Arabian-American Oil Co.

"It is clear," she pressed, "that the Central Intelligence Agency must make some evaluations, recommendations and reports to the President regarding the Middle East. Do you see any possibility of conflict of interest on these matters as CIA director when you have such large holdings in these oil companies?"

"The amount of my holding in Standard Oil of California that you mentioned is approximately correct," McCone admitted. "It might be a little larger than the figure you mentioned. But quite aside, my opinion is that the holding of stock in an oil company or in several oil companies would have no effect whatsoever on my activities as director of Central Intelligence."

Sen. Russell had said that it would not be necessary for

McCone to sell his oil stock or his shipping company stock.

When Sen. Bartlett bought up the subject, Massachusetts blueblood Sen. Leverett Saltonstall fidgeted with irritation.

"Mrs. Smith has already asked that one," Saltonstall whispered fussily. "She has already asked those questions."

Aramco's Record

But Bartlett considerably poured McCone another glass of water and went on with his questioning.

"Do you know," he inquired softly, "if Standard of California is a member of the Arabian-American Oil Co.?"

"Yes, it is," acknowledged the CIA nominee.

"And, of course, all of us have heard that this company, operating in the Middle East, has at various times intervened or participated or interfered in the operations of governments in those areas," observed Bartlett. "Would you have any comment to make upon that?"

"In my trips to the Middle East," McCone replied coolly, "I have observed that the Aramco people handled their relationship with the governments of Arabia and Bahrein Island in a very satisfactory way, and so reported to me. I don't know of any interference."

The Senators, perhaps in deference to Russell's scowls and Saltonstall's fidgeting, did not press McCone further. But in the files of the Senate investigating committee and the

State Department is an amazing record of oil-company intervention on the side of the Arab states. It includes:

1. An advance of \$200,000,000 in oil royalties to King Saud to finance the 1956 arms buildup against Israel.

2. A Senate report that the \$4,000,000 United States base in Saudi Arabia was built without congressional authorization in order to help out the Arabian-American Oil Co. in its relations with King Saud.

3. A Senate investigating committee report that Aramco overcharged the United States Navy \$67,000,000 on wartime oil in order to help Saudi Arabia.

This report, signed by the late Senator Brewster of Maine, states: "To induce the grant of aid to the Saudi Arabian government, the Arabian-American Oil Co. offered to sell to the United States at prices based on fuel oil at 40 cents a barrel.

"When the United States needed oil because of its war demands, notwithstanding these prior proposals, the companies offered the Navy fuel oil at \$1.05 a barrel on a take-it-or-leave-it basis. The Navy was forced to buy the oil on these terms.

"The oil companies," concludes the Senate report, "exploited the Government by exacting high prices, despite the assistance granted Saudi Arabia at the companies' request to protect and preserve the companies' concessions."

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McCone Withheld Some Facts

While Drew Pearson is in the Midwest, his column is written by his associate, Jack Anderson.

By Jack Anderson

The Maritime Administration's confidential records reveal that John McCone, the new Central Intelligence chief, did not correctly inform Senators last week about an alleged conflict of interest while he was Atomic Energy chairman.



Anderson

We hope that McCone's period as CIA director will be productive and efficient. But one of the purposes of Senate confirmation debate is to alert the public regarding the past record of the office-holder, and put him on notice regarding the future. This was one objective in cross-examination given McCone by some of the more alert and conscientious members of the Senate Armed Services Committee.

They questioned McCone about the arbitrary award of the atomic-ship contract to States Marine, which was associated with McCone in several joint shipping ventures.

A selection board, using a careful point system to determine the best qualified company, rated States Marine sixth out of seven applicants. Yet the Eisenhower Adminis-

tration overruled the board and gave McCone's shipping partner the contract anyhow.

Claiming no part in the contract negotiations, McCone testified last week: "This contract was negotiated during the spring of 1958. It was awarded on the 6th of June of 1958. I took office the 9th or 10th of July, some six weeks later."

Maritime records disclose, however, that the contract wasn't awarded until July 25, 1958. Even more significant, it was held up by the Atomic Energy Commission, which wanted the language revised.

All this happened while McCone was chairman. His legal officer, who drafted the changes that the AEC wanted in the States Marine contract, was James Wolf.

Reached in Pittsburgh, where he is now practicing law, Wolf confirmed to this column that the AEC had delayed and revised the contract. Maritime officials, who helped with the revisions, also recall that the question of McCone's conflict came up informally.

This makes clear (1) that the AEC participated in preparing the States Marine contract, and (2) that the final drafting occurred after McCone became chairman.

Yet at his Senate hearing last week, he claimed that the contract negotiations not only were handled strictly by the Maritime Administration but

were completed before he was sworn into the AEC.

Short Memory

Maine's demure Sen. Margaret Chase Smith brought out that McCone, though aware of the States Marine conflict, neglected to mention it during his 1958 confirmation hearings.

"Why didn't you mention the States Marine lines in your answer?" she asked sweetly.

"I cannot recall," shrugged McCone, "except that there was no contract between States Marine and the Atomic Energy Commission."

Again, he was less than frank about the AEC's part in preparing the final contract.

South Dakota's GOP Sen. Francis Case, author of the Renegotiation act which has saved the Government more than \$12 billion in excess war profits, also tried to pin McCone down on his World War II profits.

Fat War Profits

"Apparently," declared Case, "it became possible for a group with which you are associated, with a basic investment of \$100,000, to make profits of over \$44 million in the space of a couple of years or less. Is that a fair statement?"

"No," objected McCone. "I do not think it is, Senator."

He launched into an in-

volved financial discussion which Case disputed by reading the past record.

Sen. Glenn Beall, Maryland Republican, brought out that McCone, as Under Secretary of the Air Force, had participated in awarding a juicy airplane contract to Henry Kaiser, a former business associate. Kaiser-Frazer, promptly ran up the cost of producing the C-119 flying boxcar nearly five times the previous price.

"Wasn't it a fact that Fairchild was building the C-119 for \$260,000?" demanded Beall.

"Just about," McCone admitted.

"And Kaiser-Frazer charged \$1,200,000?" Beal pressed.

"Information of that nature came out in the June, 1953, hearing," McCone acknowledged.

"Why," asked Sen. Howard Cannon, Nevada Democrat, "was the contract taken from Fairchild and awarded to Kaiser?"

"What happened was that we were going through a vast expansion of our aircraft production program," explained McCone. "The problem we faced was whether to open up a second plant under Fairchild management or to take a second source such as Kaiser-Frazer. The recommendation of the Air Materiel Command, which I approved, was to select Kaiser-Frazer."

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