

NEAR EAST RELIEF (INC.)

FEBRUARY 21, 1927.—Committed to the Committee of the Whole House and ordered to be printed

Mr. UNDERHILL, from the Committee on Claims, submitted the following

REPORT

[To accompany S. 1752]

The Committee on Claims, to whom was referred the bill (S. 1752) for the relief of the Near East Relief (Inc.), having considered the same, report thereon with a recommendation that it do pass.

The full facts in this case are stated in Senate Report No. 598, which is attached hereto and made a part of this report.

As this bill does not involve the expenditure of any money, its sole purpose being to cancel a debt which everyone admits can not be paid; and as the War Department in its letter under date of February 8, 1927, has advised that "in view of the favorably known philanthropic activities of the Near East Relief (Inc.), the department will interpose no objection to the passage of S. 1752," your committee recommends favorable consideration.

WAR DEPARTMENT,
Washington, February 8, 1927.

HON. CHARLES L. UNDERHILL,
*Chairman Committee on Claims,
House of Representatives.*

DEAR MR. UNDERHILL: Referring to your communication of the 2d instant, inclosing for an expression of my opinion as to its merits S. 1752, a bill for the relief of the Near East Relief (Inc.), I am pleased to advise you that, in view of the uncertainty of being able to make collection of the sum of \$632,699 owed the United States by this corporation, and in view of its favorably known philanthropic activities, the department will interpose no objection to the passage of S. 1752.

Sincerely yours,

HANFORD MACNIDER,
Acting Secretary of War.

NEAR EAST RELIEF (INC.)

APRIL 5 (calendar day, APRIL 15), 1926.—Ordered to be printed

Mr. STEPHENS, from the Committee on Claims, submitted the following

REPORT

[To accompany S. 1752]

The Committee on Claims, to whom was referred the bill (S. 1752) for the relief of the Near East Relief (Inc.), having considered the same, report favorably thereon with the recommendation that the bill do pass without amendment.

A similar bill was passed by the Senate in the Sixty-eighth Congress, and favorably reported by the House Committee on Claims.

The facts are fully set forth in Senate Report No. 208, Sixty-eighth Congress, first session, which is appended hereto and made a part of this report.

[Senate Report No. 208, Sixty-eighth Congress, first session.]

The Committee on Claims, to whom was referred the bill (S. 87) for the relief of the Near East Relief (Inc.), having considered the same, report favorably thereon with the recommendation that the bill do pass without amendment.

The purpose of the bill is to authorize and direct the Secretary of War to cancel and abandon a claim against the Near East Relief (Inc.) in the sum of \$632,669, with interest, for United States property sold in 1919 to the Near East Relief (Inc.), for use in relieving and supplying the pressing needs of the peoples of the countries involved in the late war.

The claim arises from a contract dated April 18, 1919, entered into by the United States Liquidation Commission, War Department, in France, on behalf of the United States, and Representatives of the American Commission for Relief in the Near East, now known as the Near East Relief (Inc.), for the sale of certain supplies. The contract provided for cash payment to be made within 60 days from the date of the contract in United States dollars or New York exchange. The time of payment was deferred by agreement on April 19, 1919, until 60 days from the date of delivery. Delivery of the property was completed on June 30, 1919. The sum due under the terms of the contract was payable on August 30, 1919. Prior to completion of deliveries the organization took up with the Secretary of War the question of having the sale treated as a gift. The organization was advised to take up the matter with the chairman of the Liquidation Commission. This was done, the commission replying that it was without authority to make any donations or gifts of the Government property; that no one save Congress has the power to cancel this claim.

Your committee held a hearing on the subject (a copy of which is appended hereto and made a part of this report) and it is clearly shown that the Near East Relief (Inc.) is not financially able to meet this obligation, that it has never had funds with which to pay it, and that the only way in which it can be paid is for the War Department to attach the benevolent gifts of the boys and girls and the men and women of the country who contribute to the Near East Relief.

The bill does not involve the expenditure of any money. Its sole purpose is to cancel a debt which everyone admits can not be paid.

After considering all the facts in the case your committee is of the opinion that the bill should be enacted into law. Taking into consideration the purpose for which the supplies purchased were used and the fact that the organization is not financially able to pay the debt, it is believed that the relief asked for should be granted.

The facts in the case are fully set forth in the following letter from the Secretary of War, dated January 14, 1924, a memorandum prepared by the representatives of the Near East Relief (Inc.), and the committee hearings, all of which are appended hereto and made a part of this report:

WAR DEPARTMENT,
Washington, January 14, 1924.

HON. ARTHUR CAPPER,
Chairman Committee on Claims, United States Senate.

SIR: I have your letter of December 19, 1923, with inclosed copy of a bill (S. 87) introduced on December 6, 1923, by Senator Wadsworth, for the relief of the Near East Relief (Inc.), in which you request that all papers relating to the claim of the War Department in the sum of \$632,669 with interest, against the Near East Relief for surplus property sold to it by the United States Liquidation Commission, War Department in 1919, be forwarded to the committee, together with an opinion as to the merits of the claim.

In accordance with your request I am forwarding herewith copies of the original sales contract, bills rendered to the Near East Relief, receipts covering delivery of the property, and the War Department file relating to the case.

This claim arises from a contract dated April 18, 1919, entered into by the United States Liquidation Commission, War Department, in France, on behalf of the United States, and representatives of the American Commission for Relief in the Near East, now known as the Near East Relief (Inc.), for the sale of the following property:

Leather, 25,311 pounds, at \$1 per pound.....	\$25, 311
Blankets, 50,000, at \$4.50 each.....	225, 000
Candles, 199,960 pounds, at 19 cents per pound.....	37, 992
Soap, 212,374 pounds, at 12 cents per pound.....	25, 485
Thread, 99,039 spools, lot.....	2, 000
Shoes, 22,132 pairs, at \$2.20 per pair.....	48, 790
Shoes, 49,191 pairs, at \$5.45 per pair.....	268, 091
Total.....	632, 669

The contract provided for cash payment to be made within 60 days from the date of the contract in United States dollars or New York exchange. The time of payment was deferred by agreement on April 19, 1919, until 60 days from the date of delivery. Delivery of the property was completed on June 30, 1919. The sum due under the terms of the contract, therefore, was payable on August 30, 1919. Prior to completion of deliveries the organization, by letter dated June 7, 1919, took up with the Secretary of War the question of having the sale treated as a gift. The organization was advised to take up the matter with the chairman of the Liquidation Commission, Judge Edwin B. Parker. Upon presenting the matter to the commission the Near East Relief was informed, in a letter from the chairman dated July 5, 1919, of the position of the commission in the matter. This letter reads, in part, as follows:

"1. * * * The prices fixed were on the basis of actual cost to the United States War Department, exclusive of cost of transportation and handling from the United States to France.

* * * * *

"4. It is the task of this commission to sell at fair and reasonable prices, as far as they can be obtained, the surplus supplies of the War Department in Europe. This commission is without authority to make any donations or gifts of the Government property. In making this sale, however, to your committee we did take into account the uses and purposes for which the supplies purchased were to be devoted, and dealt with your committee on exactly the same basis that we have dealt with other relief organizations."

A copy of this letter was forwarded to the War Department and approved by the Secretary of War, Mr. Baker, on July 24, 1919. This action was grounded upon the principle that the head of a department of the Government has no power to release an ascertained debt due to the United States, or, without proper consideration, to release a contractor from due performance of his contract.

As the account was not settled when due, the Near East Relief was requested by letter on September 10, 1919, at Paris, and by cable dated October 1, 1919, to its New York office, to settle the account, also at various times subsequently. The Liquidation Commission, upon its return to Washington, in a letter dated April 8, 1920, addressed to Mr. Hemphill, chairman of the executive committee of the Near East Relief, after a detailed statement of the facts, again requested that the account be settled. Mr. Hemphill, in his reply to that letter dated April 23, 1920, stated in part as follows:

"We do not disclaim responsibility for the acts of our agent, nor do we accuse Major Arnold of acting without authority. There was simply a misunderstanding on the part of Major Arnold and others in Paris as to the extent of our resources here in New York."

And, further:

"Remembering as we do the keen interest and cooperation that the President has given in helping to secure funds for Armenian relief, the assistance of the United States Navy in supplying naval vessels and transportation for relief supplies, and aid that has been freely given by the State and other departments of the Government, and also recalling the precedents established in turning over Army supplies to the Red Cross, and the precedents in the acceptance of Armenian bonds in payment of other Government obligations, we can not but hope that the Secretary of War may yet see his way clear either to cancel the claim or accept in payment the Government bonds as was done with other countries. If, however, this can not be done we will send our representative to Washington to see what other steps can be taken and possibly, if it seems necessary, undertake to secure such congressional action as may be required."

The chairman of the commission, in his reply to that letter dated May 6, 1920, stated, in part, as follows:

"I have an informal opinion from the Judge Advocate General's office, to the effect that neither this commission nor the Secretary of War nor anyone save Congress has the power to cancel this claim.

"I also have an informal opinion from the same source, to the effect that this commission is not authorized to accept the obligations of the Armenian Republic in satisfaction of the claim.

"Before getting a formal opinion, however, I want to ask if the Near East Relief (Inc.) will execute its obligation payable, say, one year hence for the sum of \$632,669, secured by like obligation for same amount of the Armenian Republic, payable to the Near East Relief and by it indorsed."

In reply to the commission's letter the assistant general secretary of the Near East Relief advised the War Department, by letter dated July 9, 1920, that the executive committee, in session on June 24, 1920, had taken action as follows:

"Voted, That in the event it appears that the War Department is unable to effect this cancellation or adjustment of accounts without authority from Congress of the bill of the United States War Department Liquidation Commission for relief supplies shipped to Constantinople in the summer of 1919, the executive officers of Near East Relief be authorized to take steps to secure from the United States Congress the necessary authorization."

The War Department, in reply, in its letter of July 16, 1920, informed the Near East Relief:

"You are informed in this regard that the War Department has the power neither to effect nor to secure the cancellation or adjustment (in the way of reduction in amount) of the account heretofore stated against the Near East

Relief. Should it, therefore, be the intention of the Near East Relief to look to Congress for cancellation or other adjustment, it is urged that this matter be pushed to a conclusion as soon as possible."

No further advice in regard to the matter was received from the organization until March 4, 1922, when a letter sent in reply to the department's letters of January 16 and March 1, 1922, was received. A representative of the organization, Mr. Montgomery, also called at the department on March 8, 1922, in regard to the matter and gave assurances that the Near East Relief was making special efforts to obtain congressional authority to cancel the debt.

After the close of the last session of Congress a further exchange of correspondence and a number of conferences between representatives of the department and the Near East Relief took place. As a result, and in order to insure that a definite adjustment of the account would be made within a specified period, the department, in a letter dated July 16, 1923, forwarded a draft of a supplemental agreement, with a draft of a note for the amount due, which made provision for deferring the time of payment to one year from June 1, 1923. The Near East Relief, however, has not to date executed these papers. The reasons therefor are set forth in the following extract from the general secretary's letter of November 21, 1923:

"We have, however, kept in close touch with our counsel and with individual members of the committee, and while we feel that we are under obligations to the War Department to do everything practicable and feasible to clear the War Department's records and free the officials from any possible charge of negligence in pressing the claim, it has nevertheless seemed to our counsel and individual committee members more or less of a meaningless gesture to sign a note or contract which we know in advance we will not be able to fulfill."

My opinion as to the merits of the matter, which you request, is that there is no justification for any officer of the Government disposing of public property in any other manner than that provided by law. It was evidently the understanding of both parties concerned that payment was to be made for this property, and, therefore, notwithstanding the work being performed by the Near East Relief, as far as possible collection should be made as would be done in the case of any other debtor to the Government.

Respectfully,

JOHN W. WEEKS, *Secretary of War.*

MEMORANDUM RE BILL FOR RELIEF OF THE NEAR EAST RELIEF.

Near East Relief was chartered by Congress in 1919 to care primarily for orphans made such by the World War. However, its activities have, from time to time in emergencies arising in the Near East, particularly the Smyrna disaster, been directed to relief of destitute refugees. Probably 1,000,000 persons are alive to-day because of this American benevolent agency. Near East Relief has gathered, sheltered, fed, clothed, and trained more than 100,000 boys and girls, fatherless, motherless, and for the most part without country or government. About half that number are still under 12 years of age. These wards of America are the potential leaders of to-morrow, industrially, educationally, and politically. They are in a large sense the solution of the Near East problem. The activities and methods pursued have merited and received the gratitude and approval of the Governments of Greece and Turkey; also, of the Soviet Republics. Work has been thoroughly investigated by Senators, Congressmen, and governors; by editors, bishops, professional and business men and women, representing our great institutions of learning and large financial concerns; by representatives of fraternities, brotherhoods, and churches, Protestant and Catholic, and has called forth the most enthusiastic approval.

In the report of the American Military Mission, Gen. James G. Harbord says of the work of the American Commission for Relief in the Near East:

"It has rescued the refugees from starvation and brought the name of America to a point of sympathy and esteem it has never before enjoyed in this region."

A group of Senators and Congressmen cabled:

"We have visited Armenia and examined the work of Near East Relief at Alexandropol. Without reservation we indorse the splendid results accomplished and urge the American people to continue their support so that the activities may be continued."

Oliver J. Sands, president American Bankers' Association, Richmond, Va., writes:

"In 1923 I visited the Near East to consult with representative people regarding the character of the work and method of administration of Near East Relief as well as the necessity for its continuance. We came back determined to assist in every possible way until the last one of these little ones has been permanently provided for. The American people must not for a moment relinquish this job until it is finished. It is worth many times its cost."

George M. Reynolds, president of the Continental and Commercial Bank, Chicago:

"The Near East is a desolate country now. Americans are nowhere doing any work that can begin to compare with the orphanage work there. These orphans are the future leaders among the men and women of their country. Give them three or four years of experience in the American schools, and they will count for a great deal in the future."

John H. Finley, of the New York Times:

"If American contributors will keep the Near East in funds until the orphans are graduated into useful citizenship, they will have helped immeasurably the 'beginning again' at Ararat."

Frank P. Graves, commissioner, State of New York, and president of the University of New York:

"I was never more proud of America in my life than as I went about inspecting this Near East Relief."

Mrs. Alice Hegan Rice, author of "Mrs. Wiggs of the Cabbage Patch" and "Lovey Mary":

"Two months spent in the Levant worked a radical change in my mental attitude. Wherever I went I saw the effects of war, famine, and disease that had devastated the land, and hundreds of thousands of helpless and tortured children were whirling in the maelstrom. To rescue these children from their living death, Near East Relief devoted its energies, and it is these children, trained and educated, who constitute the sole hope of these countries whose future affect the welfare of the world."

Fred B. Smith, Federal Council of Churches:

"I have just returned from a journey around the world. For the scientific administration of funds I have never seen the equal of Near East Relief in all the welfare, eleemosynary, and philanthropic agencies I have observed. I went out expecting to find inevitable waste and inefficiency, but was amazed at what I found. Near East Relief is as nearly 100 per cent efficient as is possible in human organization."

The attitude of the administration of our country toward our destitute Allies in the Near East and to their relief through the Near East Relief is well known and has been clearly expressed in several presidential appeals to the American people who in response have, in addition to the great assistance given by Congress, through the American Relief Administration, the Navy, and Shipping Board in the way of transportation, contributed over \$80,000,000 chiefly that the remnant left by Turkish atrocities of the first nation to accept Christianity, as did the Armenians in 301 A. D., might survive.

This great sum administered through the Near East Relief since 1917 when our ambassador at Constantinople, Mr. Henry Morgenthau, first made his appeal to the American people, has been contributed by both Gentile and Jew and without distinction of race or creed, and tens of thousands of churches, synagogues, and temples stand behind this principle to-day.

The purchase of surplus war supplies from the United States Liquidation Commission in April, 1919, to the value of \$632,699 was made upon an emergency call from Constantinople through the office of Mr. Arthur Curtis James, Paris director of the American Commission for Relief in the Near East. The Near East Relief agents in Paris were under the impression that this bill would be covered by Armenian bonds, as in the case of over \$8,000,000 of supplies issued to the Armenian Republic under act of February 25, 1919, appropriating \$100,000,000 for relief of our destitute allies. It was altogether natural for the Paris office to assume that this sum, comparatively small at the time, would thus be covered as the Armenians and Greeks were especially mentioned as beneficiaries under this act. Certainly there was a misunderstanding of the resources of the Near East Relief if it was thought that this bill could be paid in cash, because at that time the Near East Relief was financially unable to meet this obligation, although contracted in good faith by its agents, and to quote the general secretary:

"At no time since the summer of 1919 would it have been possible to have paid any considerable portion of the War Department's claim without actually taking food from the mouths of dependent, homeless peoples, most of whom

were innocent children and whom it was apparently the will of the American people to feed with their contributions."

Of this hundred millions administered by the American Relief Administration, nearly \$11,000,000 were donated outright for child-feeding and other charitable services in Europe, over \$84,000,000 worth of supplies exchanged for bonds, and \$5,057,355.09 was covered into the Treasury of the United States.

Unsuccessful attempts were made by the Near East Relief authorities in the summer of 1919 to have the liquidation commission settle this claim by accepting Armenian bonds or by application of the act of July 9, 1919, which authorized the issue of surplus war supplies to the Red Cross for relief of destitute people involved in the war. Ten million dollars' worth of such supplies was allocated by the War Department under this act as a reasonable amount and about \$9,964,000 were actually turned over, of which Near East Relief, as agents of the Red Cross, handled supplies to the value of about \$2,000,000. It is thought that if the conditions under which this obligation was contracted had been known in Washington at the time it would have been easy to have extended credit in the name of the Red Cross to the amount of this sum of supplies which Near East Relief handled in the same way and at the same period as the other supplies received from the Red Cross.

On November 6, 1919, the executive council of Near East Relief made a similar request to the Secretary of War for the settlement of this claim. A copy of this letter is attached, signed by Henry Morgenthau, Abram I. Elkus, Cleveland H. Dodge, Herbert Hoover, and Alexander J. Hemphill.

It was held that this request could not legally be granted by the Secretary of War, as the Liquidation Commission construed the transaction as a bona fide purchase and considered relief only possible through Congress. In his reply Judge Edwin B. Parker, chairman of the Liquidation Commission, said:

"It is, I trust, unnecessary for me to assure you that I individually, and the Secretary of War and everyone acting for the Government in connection with this transaction, are in full sympathy with the great work which your committee has done and is doing, and from time to time have made personal contributions to the cause to the extent of our ability. We are, however, without authority to make contributions for the Government of the United States. Such authority is vested solely in Congress."

The executive council then decided to appeal to Congress, but owing to one emergency after another arising, at times taking abroad those delegated to handle this matter, the bill for relief is now presented for the first time.

It may be noted that in 1920 Armenia received about \$4,000,000 worth of supplies from the Grain Corporation by act of March 30, 1920, for which bonds were accepted, and it would appear that by application of some of the above measures which clearly showed the sense of Congress this debt might have thus been adjusted without pressing for payment from a purely charitable institution, representing the American people, who having undertaken the charge of tens of thousands of orphans, has in this great work always been in need of more funds.

Added to this condition, the Smyrna disaster occurred where humanity demanded that the Near East Relief, the only philanthropic organization with considerable supplies on the spot, do its utmost. This was done, and it would be easy to show by records that hundreds of thousands of refugees are alive to-day because of its activities. But it should not be forgotten that this emergency cost Near East Relief, over and above emergency contributions, \$2,000,000, and left a deficit of over \$600,000 in the treasury, so that operations are temporarily being conducted on borrowed money.

Under these conditions, if the care of these thousands of children is to continue, the Near East Relief can not pay this debt and appeals to Congress for relief.

It must be admitted that extreme consideration and sincere sympathy in the cause of the Near East Relief have been shown both by the liquidation commission and the War Department generally, though every proper effort, except resort to law, has been made by the War Department to collect this money. For some time the War Department has insisted that an interest-bearing note be issued pending act of Congress, but the Near East Relief administration, while acknowledging the justice of the claim, recognizes its inability to meet such an obligation and feels that this note would be an empty gesture.

NOVEMBER 6, 1919.

Hon. NEWTON D. BAKER,
Secretary of War, Washington, D. C.

DEAR MR. SECRETARY: I. In behalf of and under instructions from the executive committee of the Near East Relief, the undersigned request you to authorize the cancellation of bill for supplies selected by Maj. Davis G. Arnold from the Liquidation Commission's stores in Paris, inventoried at \$632,669 and shipped to Constantinople and Armenia for the relief of destitute Armenians.

We beg to submit that there is precedent for this procedure in the contribution of supplies which was made from Army stores to the American Red Cross, whose work and ministry in other areas is practically identical with that of the Near East Relief committee in the Near East. Both organizations are incorporated by special act of Congress. A copy of the Near East Relief incorporation act is submitted herewith, by which you will note that the committee is responsible to Congress for proper accounting.

II. Should it seem to you impracticable to make an outright gift, as was done in the case of the Red Cross, we request that you accept payment for these supplies in the form of bonds of the Armenian Government. There is precedent for the acceptance of Armenian bonds in payment, in that the United States Government has already accepted approximately \$9,000,000 worth of bonds of the Armenian Republic in payment for flour and grain supplied to the Armenians through the American Relief Administration.

III. There is further precedent for cooperation on the part of the administration with the distinctively humanitarian work of the Near East Relief in that—

(a) The United States Navy Department, by giving without charge the use of four ships for the transportation of relief supplies and by other assistance has made a contribution that in cash valuation would amount to considerably more than \$2,000,000.

(b) The President, by issuing three proclamations to the American public in behalf of Armenian relief, has clearly expressed the sympathy of the administration as well as of the American public with this work.

(c) The State Department by continuous and exceptionally energetic cooperation has effectively indicated the desire of the State Department to do everything practicable to save and protect the oppressed subject races of the Near East.

(d) The public have unmistakably expressed their sympathy and desire to aid these people by giving, through the Near East Relief Committee voluntarily, contributions amounting to more than \$30,000,000, which contributions have been a major factor in saving from starvation and death a considerable portion of the present Armenian Nation.

The committee's available funds are at present completely exhausted and resources overdrawn, making further cash appropriations at this time impossible.

The administration of our relief in Armenia, as you are doubtless aware, is under the direction of Col. William N. Haskell, United States Army, acting as high commissioner for Armenia under appointment of the President.

Respectfully yours,

HENRY MORGENTHAU.
 ABRAM I. ELKUS.
 CLEVELAND H. DODGE.
 HERBERT HOOVER.
 ALEXANDER J. HEMPHILL.

NEAR EAST RELIEF.

THURSDAY, JANUARY 24, 1924.

UNITED STATES SENATE,
COMMITTEE ON CLAIMS,
Washington, D. C.

The committee met, pursuant to call, at 2:30 o'clock p. m., in the committee room at the Capitol, Senator Arthur Capper presiding.

Present: Senators Capper (chairman), Brookhart, Stephens, and Johnson of Minnesota.

Present also: Maj. Davis G. Arnold, formerly managing director Near East Relief, headquarters Constantinople, Turkey; Assistant Director Veterans' Bureau; Col. Willard D. Newbill, special representative of the Near East Relief, Irvington, Va.; and Dr. A. M. Brodie, national representative of the Near East Relief, Washington, D. C.

(The committee then proceeded to the consideration of S. 87, which is here printed in full, as follows:)

A BILL For the relief of the Near East Relief, Incorporated.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of War be, and he is hereby, authorized and directed to cancel and abandon the claim in the sum of \$632,669, with interest, for United States property sold in 1919 to the Near East Relief, Incorporated, for use in relieving and supplying the pressing needs of the peoples of the countries involved in the late war.

The CHAIRMAN. Gentlemen, we have before us to-day for consideration Senate bill 87, introduced by Senator Wadsworth, for the relief of the Near East Relief (Inc.). It involves a very large sum and it is something that the committee would want to study very carefully.

Senator BROOKHART. It does not involve the expenditure of any money, does it? They have this fund now and it is a question of whether we can make them pay for it and they have not anything with which to pay, so we can not collect it.

The CHAIRMAN. As I understand, this association is charged on the books of the War Department with \$632,669, but they have not any money with which to pay and they would like to clean up the record. At any rate, the officers of this association are here to make a statement to the committee.

Doctor Brodie, by the way, comes from my State, Kansas. He was for many years a very prominent citizen out there and was pastor of one of the largest churches in the State, at Wichita, Kans., but for the last three years he has been with the Near East Relief organization

with headquarters here in Washington. Doctor Brodie is the national representative of the Near East Relief (Inc.), and, of course, he has authority to speak for them.

Senator BROOKHART. I met representatives of the organization in Constantinople and Bucharest and am somewhat familiar with what they were doing over there.

**STATEMENT OF DR. A. M. BRODIE, NATIONAL REPRESENTATIVE
OF THE NEAR EAST RELIEF (INC.).**

Doctor BRODIE. With your permission, I shall be glad to make a brief statement. We have here Major Arnold, the man who purchased the goods, and also Colonel Newbill. After I make just a brief statement I will ask that you hear them.

On the 25th of February, 1919, the Senate and House of Representatives passed an act appropriating \$100,000,000 for providing relief for our destitute allies, including Armenians, Syrians, Greeks, and other Christian and Jewish populations of Asia Minor.

In April of the same year an emergency call was sent to Mr. Arthur Curtis James in Paris, the American Commissioner of Relief for the Near East, asking for supplies. Mr. James authorized Major Arnold to secure provisions and medical supplies from the United States Liquidation Commission. He authorized Major Arnold to secure provisions from the Liquidation Commission in Paris, and he purchased \$632,669 worth of goods, evidently with the thought that this amount would be covered by the \$100,000,000 that Congress had recently appropriated.

Some weeks later, General Krautoff, of the Liquidation Commission, asked Major Arnold, the agent of Mr. Arthur Curtis James, commissioner for Relief for the Near East, to pay for the goods he had secured, and obtained from him a contract of sale covering same. Major Arnold then recommended to the New York office that they send the note in view of the pressure of the general for payment.

You will notice that the Near East Relief was not incorporated when it purchased these goods, but had another committee that was afterwards made over into the Near East Committee and chartered by Congress. This charter was granted on the 6th of August, 1919, and, according to the act, has for its purpose—

To provide relief and to assist in the repatriation, rehabilitation, and reestablishment of suffering and dependent people of the Near East and adjacent areas; to provide for the care of orphans and widows and to promote the social, economic, and industrial welfare of those who have been rendered destitute or dependent, directly or indirectly, by the vicissitudes of war, the cruelties of men, or other causes beyond their control.

And I might just add that the income of this organization is derived entirely from contributions made by the American public, and the entire funds so raised are used for relief purposes, none being credited to surplus or inuring to the benefit of any private stockholder or individual.

On November 6, 1919, after the Near East had been asked for a note for this, the executive commission of the Near East appointed a committee consisting of Henry Morgenthau, Abraham I. Elkus,

Cleveland H. Dodge, Herbert Hoover, and Alexander J. Hemphill, and through this special committee the following letter was sent to the Secretary of War relative to this debt:

In behalf of, and under the instructions from the executive committee of Near East Relief the undersigned request you to authorize the cancellation of bill for supplies selected by Maj. Davis G. Arnold from the Liquidation Commission stores in Paris, inventoried at \$632,669 and shipped to Constantinople and Armenia for the relief of destitute Armenians.

We beg to submit that there is precedent for this procedure in the contribution of supplies which was made from Army stores to the American Red Cross, whose work and ministry in other areas is practically identical with that of the Near East Relief committee in the Near East. Both organizations are incorporated by special act of Congress. A copy of the Near East Relief incorporation act is submitted herewith, by which you will note that the committee is responsible to Congress for proper accounting.

Should it seem to you impracticable to make an outright gift as was done in the case of the Red Cross, we request that you accept payment for these supplies in the form of bonds of the Armenian Government.

The financial report of the Treasurer of the United States shows that before that \$100,000,000 was exhausted, about \$11,000,000 was given away outright to feed the children of Europe, \$84,000,000 was given, for which bonds of various governments were taken, and about \$5,000,000 was covered back into the Treasury. They did not spend all of that \$100,000,000. Please bear that in mind, gentlemen.

The letter to the Secretary of War continues as follows:

There is precedence for the acceptance of Armenian bonds in payment, in that the United States Government has already accepted approximately \$9,000,000 worth of bonds of the Armenian public in payment for flour and grains supplied to the Armenians through the American relief administration.

There is further precedent for cooperation on the part of the administration with the distinctively humanitarian work of the Near East Relief in that—

(a) The United States Navy Department, by giving without charge the use of four ships for the transportation of relief supplies and by other assistance has made a contribution that in cash valuation would amount to considerably more than \$2,000,000.

(b) The President, by issuing three proclamations to the American public in behalf of Armenian relief, has clearly expressed the sympathy of the administration as well as of the American public in this work.

(c) The State Department, by continuous and exceptionally energetic cooperation, has effectively indicated the desire of the State Department to do everything practicable to save and protect the oppressed subject races of the Near East.

(d) The public have unmistakably expressed their sympathy and desire to aid these people by giving through the Near East Relief committee voluntarily contributions, amounting to more than \$30,000,000, which contributions have been a major factor in saving from starvation and death a considerable portion of the present Armenian nation.

The committee's available funds are at present completely exhausted and resources overdrawn, making further cash appropriations at this time impossible.

The administration of our relief in Armenia, as you are doubtless aware, is under the direction of Col. William N. Haskell, United States Army, acting as high commissioner for Armenia, under appointment of the President.

The Secretary of War replied, through Judge Edwin B. Parker, to this letter as follows:

It is, I trust, unnecessary for me to assure you that I, individually, and the Secretary of War, and everyone acting for the Government in connection with this transaction, are in full sympathy with the great work which your committee has done and is doing, and from time to time have made personal contributions to the cause to the extent of our ability. We are, however, without authority to make contributions for the Government of the United States. Such authority is vested in Congress.

You see, the War Department had no authority to cancel the debt. It must be done by Congress.

The Near East Relief has never had the funds with which to pay this bill, and there is only one way in which I can see that it can be paid now, and that is for the War Department to attach the benevolent gifts of the boys and girls and the men and women of the country for the next two or three months. Meanwhile the people will go hungry.

Senator BROOKHART. What was that proposition about Armenian bonds?

Doctor BRODIE. The Armenian Government did give some bonds and the United States Government holds them for about \$13,000,000.

Senator BROOKHART. That is practically worthless?

Doctor BRODIE. Absolutely worthless. I think most of the \$84,000,000 are practically worthless.

Senator BROOKHART. And the Government holds those bonds now?

Doctor BRODIE. The Government holds them now.

Senator BROOKHART. Then, there is nothing we could do that would affect those bonds at all?

Doctor BRODIE. No, sir. Gentlemen, let me present Major Arnold. This is the gentleman who purchased the goods and who started the work and knows a great deal about it.

STATEMENT OF MAJ. DAVIS G. ARNOLD, FORMERLY MANAGING DIRECTOR NEAR EAST RELIEF.

Major ARNOLD. Mr. Chairman and gentlemen of the committee, I had the honor of serving with the Rainbow Division during the war, and at the close of the war, at the request of Mr. Arthur Curtis James, who was the European commissioner of the Near East Relief, I was asked to go to Constantinople to act as the managing director of that organization. At that time the personnel and some supplies were already in the field. While in Paris we received a communication from the five commissioners who were in Constantinople, together with a communication which came from Mr. Howard Heinz, who at that time was representative of the United States Grain Corporation and Mr. Hoover's personal representative in Constantinople in administering certain relief, that certain things were very much urgently needed, such as leather, blankets, soap, thread, and shoes.

At the request of Mr. James, I immediately took up with the United States Liquidation Commission, which was carrying on in Paris, the disposition of all of the surplus United States army supplies. I asked General Krautoff if there was not some way in which we could get a donation of some of these goods so as to relieve the terrible situation which existed in the Near East, and the letter from the general to the committee in New York explained my coming to him and asking about a donation.

We talked at some length about it, and the general advised me it was impossible for the commission to make this donation, that Congress had the sole power of making a gift of the size that was necessary in order to in any way touch this relief problem. The President of the United States, however, did have special authority, I believe, from Congress at that time.

I then talked the matter over with Colonel Burr of the American Red Cross, who was at that time European commissioner, and as a result of our consideration of the matter it was deemed advisable to purchase these goods from the commission and then take whatever steps were necessary in the United States to have the bill canceled by a special act of Congress.

Because of the great need this method was adhered to and the goods were ordered and sent to Constantinople. Unfortunately, the matter was not followed up in the United States and the purchase was treated by the Government as a straight out and out purchase.

You all know that in July of that same year Congress, at the request of the President of the United States, gave over \$10,000,000 worth of these same goods to the Red Cross, and the Red Cross in turn gave to the Near East Relief some \$2,000,000 worth of these goods and at that time this bill should have been attended to.

The United States Liquidation Commission in Paris, as I have said, was disposing of these goods as soon as they could with the idea of getting rid of them for relief purposes when they found that they could not be turned into cash. It was at that time that Congress turned over this \$10,000,000 worth to the Red Cross.

Unless you gentlemen have some questions to ask me, I have not anything further to say, except that these goods were very much needed, were very carefully used, and did render great assistance to the people of the Near East.

The contributions which were made to the Near East Relief, and, as you all know, most of these contributions came through the children in the Sunday Schools, fell off very much in the fall of that same year, so much so that for many months they were obliged to carry on practically without any funds. The leather that came on this order was turned into shoes made by the children for their own use, and the thread, likewise, was used in sewing the garments. You have read about the hundreds of thousands of refugees, as well as the hundreds of thousands of orphans. We also took care of 2,400 Russian refugees while I was there, and this material has been used for the same Russians that the United States Government appropriated some \$20,000,000 to help who fled from Russia out into Turkey. Some of these very same goods were used to care for them.

I submit that the getting of these goods at that time in this way was just doing it a little in advance of and in a little different manner from that in which the Government a little later donated the same kind of goods.

Senator STEPHENS. These goods were distributed about as other goods were distributed by the Near East Relief, and were for the same purpose exactly?

Major ARNOLD. Yes, sir; the world at that time was practically divided into areas and the Red Cross took care of all the world, with the exception of Turkey, Syria, and southeast Russia, which was to be taken care of by the Near East Relief who had personnel on the ground at the close of the war to do the work, and so the Near East Relief did exactly the same way that the Red Cross did, only their work was confined to that territory.

Senator STEPHENS. If this relief is not granted, from what source could the Government of the United States collect this debt?

Major ARNOLD. As Doctor Brodie has stated, I fail to see how the bill could be collected, but the Near East Relief is an organization that is very proud of its record, and I think it would like to feel that when it does go out of business, if it is ever able to do so, that it can feel it can go out of business with a clean slate, and that is about all it is asking in the name of the United States, the cancellation of the debt. These children are wards of the American people in institutions over which you are flying the American flag and they are supported solely through contributions of Sunday-school children. The United States Government certainly does not want to have attached those funds which have been contributed for the purpose of caring for these children.

Senator STEPHENS. The association simply desires to have its effort cleared on the record.

Major ARNOLD. Exactly.

Doctor BRODIE. And if I may say, to straighten it up with the War Department because they want to get their books straightened up also.

Colonel Newbill, who is here and who is familiar with the whole details of it, will now make a statement.

STATEMENT OF COL. WILLARD D. NEWBILL, SPECIAL REPRESENTATIVE OF THE NEAR EAST RELIEF.

Colonel NEWBILL. In the first place, Mr. Chairman and gentlemen, I wish to have recorded the names of the officials of this organization. These officials are:

James L. Barton, chairman; John H. Finley, vice chairman; Charles V. Vickrey, general secretary; Cleveland H. Dodge, treasurer; Frank L. Polk, general counsel. Executive committee: Edwin M. Bulkley (chairman), James L. Barton, Cleveland H. Dodge, John H. Finley, Harold A. Hatch, William B. Millar, Henry Morgenthau, George A. Plimpton, Walter George Smith, Charles V. Vickrey, Stanley White. National board of trustees: William Howard Taft, Josephus Daniels, Abraham I. Elkus, Myron T. Herrick, Henry Morgenthau, Elihu Root, Oscar S. Straus, James L. Barton, Charles E. Beury, Arthur J. Brown, Edwin M. Bulkley, William I. Chamberlain, Henry Sloan Coffin, Charles R. Crane, Robert J. Cuddihy, Charles G. Dawes, Cleveland E. Dodge, Cleveland H. Dodge, Charles W. Eliot, John H. Finley, James G. Harbord, Harold A. Hatch, William I. Haven, Patrick J. Hayes, Howard Heinz, Hamilton Holt, Frank W. Jackson, Harry Pratt Judson, M. Karagheusian, Frederick Lynch, Charles S. Macfarland, Vance C. McCormick, Wm. T. Manning, John H. T. Main, William B. Millar, Frank Morrison, John R. Mott, Frank Mason North, George A. Plimpton, Frank L. Polk, Wm. Cooper Proctor, Franklin D. Roosevelt, William Jay Schieffelin, Oliver J. Sands, George T. Scott, Albert Shaw, Walter George Smith, Robert Eliot Speer, James M. Speers, Anson Phelps Stokes, Charles V. Vickrey, Stanley White, Ray Lyman Wilbur, Talcott Williams, Stephen S. Wise, Leonard Wood.

You will note that Mr. Taft is the head of our national board of trustees and that the name of Gen. Leonard Wood appears at the

bottom. Between the two we have some of the most prominent men in the United States of America.

Senator BROOKHART. Whom are you representing?

Colonel NEWBILL. I am special representative of the Near East Relief from the New York office.

As Doctor Brodie said, the Near East Relief was chartered by Congress in 1919 to care primarily for orphans made thus by the World War. However, its activities have, from time to time in emergencies arising in the Near East, particularly the Smyrna disaster, been directed to relief of destitute refugees. Probably 1,000,000 persons are alive to-day because of this American benevolent agency. The Near East Relief has gathered, sheltered, fed, clothed, and trained more than 100,000 boys and girls, fatherless, motherless, and for the most part without country or government. About half that number are still under 12 years of age. These wards of America are the potential leaders of to-morrow, industrially, educationally, and politically. They are in a large sense the solution of the Near East problem. The activities and methods pursued have merited and received the gratitude of the Governments of Greece and Turkey; also of the Soviet Republics. Work has been thoroughly investigated by Senators, Congressmen, and governors; by editors, bishops, professional and business men and women, representing our great institutions of learning and large financial concerns; by representatives of fraternities, brotherhoods, and churches, Protestant and Catholic, and it has called forth the most enthusiastic approval.

I can read these approvals here. I will read a few, and the rest I can pass around among the Senators to look at.

General Harbord says:

It has rescued the refugees from starvation and brought the name of America to a point of sympathy and esteem it has never before enjoyed in this region.

A group of Senators and Congressmen cabled:

We have visited Armenia and visited the work of Near East Relief at Alexandropol. Without reservation we indorse the splendid results accomplished and urge the American people to continue their support so that the activities may be continued.

Oliver J. Sands, president of the American Bankers' Association, Richmond, Va., writes:

In 1923 I visited the Near East to consult with representative people regarding the character of the work and the method of administration of Near East Relief as well as the necessity of its continuance. We came back determined to assist in every possible way until the last one of these little ones has been permanently provided for. The American people must not for a moment relinquish this job until it is finished. It is worth many times its cost.

George M. Reynolds, president of the Continental & Commercial Bank, Chicago, says:

The Near East is a desolate country now. Americans are nowhere doing any work than can begin to compare with the orphanage work there. These orphans are the future leaders among the men and women of their country. Give them three or four years of experience in the American schools, and they will count for a great deal in the future.

John H. Finley, of the New York Times, says:

If American contributors will keep the Near East in funds until the orphans are graduated into useful citizenship, they will have helped immeasurably the "beginning again" at Ararat.

Frank P. Graves, commissioner, State of New York, and president of the University of New York, says:

I was never more proud of America in my life than as I went about inspecting this Near East Relief.

Mrs. Alice Hegan Rice, author of "Mrs. Wiggs of the Cabbage Patch" and "Lovey Mary," says:

Two months spent in the Levant worked a radical change in my mental attitude. Wherever I went I saw the effects of war, famine, and disease that had devastated the land, and hundreds of thousands of helpless and tortured children were whirling in the maelstrom. To rescue these children from their living death, Near East Relief devoted its energies, and it is these children, trained and educated, who constitute the sole hope of these countries whose future affects the welfare of the world.

Fred B. Smith, of the Federal Council of Churches, says:

I have just returned from a journey around the world. For the scientific administration of funds I have never seen the equal of Near East Relief in all the welfare, eleemosynary, and philanthropic agencies I have observed. I went out expecting to find inevitable waste and inefficiency, but was amazed at what I found. Near East Relief is as nearly 100 per cent efficient as is possible in human organization.

With regard to the payment of this debt the general secretary of the organization says in a letter recently written to the Secretary of War:

At no time since the summer of 1919 would it have been possible to pay any considerable portion of the War Department's claim without actually taking food from the mouths of dependents, homeless peoples, most of whom were innocent children and whom it was apparently the will of the American people to feed with their contributions.

With regard to the attitude of Congress at the time, I take the liberty of reading from the remarks made by Mr. Hitchcock, the then chairman of the Senate Committee on Foreign Affairs. I read from the Congressional Record of January 6, 1921, page 1086, as follows:

Mr. PHELAN. Mr. President, may I ask the Senator a question. Is this in the nature of a report to Congress?

Mr. HITCHCOCK. No, sir. This is an effort to set before the Senate the fact that this \$100,000,000 fund has been distributed in the most effective, most efficient, and most economical way, in accordance with the orders of Congress. It is intended to put before the Senate the fact which should be put before it, that this great trust has been most admirably administered, and that, instead of giving away this vast sum of money, Mr. Hoover, as the representative of the United States, has done exactly what Congress intended that he should do. He has given the relief. Where it was possible to secure back the bonds of the country he has taken them. Where that was not possible he has made it as a contribution, which was in effect carrying out the intention of Congress, as we all remember from the discussion at the time. Many at that time expected that there would be no return at all to the United States, and nobody now is able to tell what we will realize from the \$84,000,000 of securities in the Treasury; but the fact is that the distribution has been most admirably done, largely under the supervision of officers of the United States Army, largely through the cooperation of the wonderful organization of the Red Cross, through the Quaker societies, and through the various other ones of which I shall give the names in a few moments; and not only has that been done, but a most careful accounting has been rendered by chartered accountants to show the exact distribution and the exact destination of all those reliefs.

I merely quote that to show the attitude of Congress at the time these appropriations were being made. As Doctor Brodie stated, over \$5,000,000 of this \$100,000,000 fund was returned to the United States Treasury June 30, 1919. It is certainly reasonable to assume

that the United States Government would have been willing to contribute of that \$5,057,355.09 covered into the Treasury the sum of \$632,669 for the relief of the great charitable organization of the Near East Relief.

I may, in passing, mention further that later \$20,000,000 was donated outright to Russia, and, further, as Major Arnold has said, in July of 1919, after this \$100,000,000 law had expired and the money had been returned to the Treasury, Congress authorized the Secretary of War to turn over such surplus supplies as were not needed by the A. E. F. to the Red Cross for distribution to our destitute Allies. The War Department arbitrarily set a value of \$10,000,000 of supplies as a reasonable amount to turn over. It is my belief that if this purchase by the Near East Relief had been known at the time, the war debt might well have made it \$632,669 more for settlement through the Red Cross, whose agent the Near East Relief was in the Near East, as explained by Major Arnold. They were not restricted in this allowance of surplus supplies and I think the sympathy of the War Department was probably to that effect.

I may further mention that the sale of our war materials in France valued at approximately \$1,800,000,000 was made to the French Government for \$400,000,000. I was talking to one of the gentlemen who helped make this sale, namely, General Krautoff, only night before last, and he told me that the Liquidation Commission for some time haggled with the French as to whether or not it would be \$425,000,000 or \$400,000,000. I do not for a moment believe anyone thinks that if these comparatively few supplies which we purchased had been among those sold to the French the amount of sale would have been increased by a penny.

With regard to the state of the treasury of the Near East Relief I wish to say that at the time this memorandum from which I am reading was made our treasury had a deficit of about \$600,000, and we were then running temporarily on borrowed money. However, in this connection the Smyrna disaster occurred last year, where humanity demanded that the Near East Relief, the only philanthropic organization with considerable supplies on the spot, do its utmost. This was done, and it would be easy to show by records that hundreds of thousands of refugees are alive to-day because of its activities. But it should not be forgotten that this occasion cost the Near East Relief, over and above emergency contributions, about a million and a quarter and left a deficit in the treasury.

Under these conditions, if the program for the care of these hundred thousand orphan children is to continue, the Near East Relief can not pay this debt and appeals to Congress for relief.

Senator JOHNSON. Do you mean to say that the Smyrna disaster cost you approximately \$600,000? Is that what you mean to convey?

Colonel NEWBILL. No, sir; it cost us more than a million over and above the specific emergency contributions made.

It must be admitted that extreme consideration and sincere sympathy in the cause of the Near East Relief were shown both by the Liquidation Commission and the War Department generally, though every proper effort, except resort to law, has been made by the War Department to collect this money. For some time the War Department has insisted that an interest-bearing note be issued pending act

of Congress, but the Near East Relief administration, while acknowledging the justice of the claim, recognizes its inability to meet such an obligation.

It is not a matter simply of justice that we ask. The Government is under no obligation whatever to cancel this debt, but it must be admitted that the sense of Congress at the time these supplies were brought and administered was to give relief to our destitute allies. These supplies were used for that purpose and for that purpose only, as testified by the director who handled them, and we respectfully appeal to your sympathy, your consideration, and your charity to relieve us of this debt and wipe it off our books and incidentally to relieve the War Department of what I consider a white elephant on their hands. The War Department can not collect it directly, and I am sure they will not attempt to collect it by levying on contributions for charitable purposes.

Are there any questions, gentlemen?

Senator STEPHENS. None from me. I think all you gentlemen made very clear statements.

(Thereupon, at 3.20 o'clock p. m., the committee adjourned.)

