

The Saturday Evening

The Mysterious Doings of the CIA:

An Exclusive Report on
AMERICA'S SECRET AGENTS

Luckiest Girl in Hollywood —
GRACE KELLY

October 30, 1954 — 15¢



THE SATURDAY EVENING POST



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IN THIS ISSUE

October 30, 1954

Vol. 227, No. 18

4 SHORT STORIES

| | | |
|---------------------------------------|---------------------|----|
| THE MAN-HANDLER | Williams Forrest | 26 |
| OUTCAST OF THE FLORIDA KEYS | Frank Skipp | 30 |
| TUGBOAT ANNIE'S LONG SHOT | Norman Reilly Raine | 34 |
| THE ZONE OF SUDDEN DEATH | William Chamberlain | 37 |

NOVELETTE

| | | |
|---------------------------|------------|----|
| FRONTIER FRENZY | John Reese | 22 |
|---------------------------|------------|----|

8 ARTICLES

| | | |
|----------------------------------------------------------------------------------------------|-----------------------------|----|
| America's Secret Agents: THE MYSTERIOUS DOINGS OF CIA (First of three articles) | Richard and Gladys Harkness | 19 |
| WILL CHINA STAY RED? | Joseph Alsop | 24 |
| THE LUCKIEST GIRL IN HOLLYWOOD | Pete Martin | 28 |
| THE TRUTH ABOUT CONGRESSMEN Martin Dies, Congressman at Large, Texas | | 31 |
| CONFESSIONS OF A FOOTBALL RECRUITER | Herman Hickman | 32 |
| MY OLD MAN GROUCHO (Seventh of eight articles) | Arthur Marx | 36 |
| THE TIGER DOESN'T STAND A CHANCE | Robert C. Ruark | 38 |
| LOOK! MA'S DANCING THE HULA! | Frank J. Taylor | 40 |

2 SERIALS

| | | |
|------------------------------------------------------------|----------------------|----|
| HOUSE OF HATE (Third of six parts) | Storm Jameson | 42 |
| THE CASE OF THE RESTLESS REDHEAD (Conclusion) | Erle Stanley Gardner | 49 |

OTHER FEATURES

| | | | |
|--------------------------|----|--------------------------|----------------------------|
| LETTERS | 4 | POST SCRIPTS | 44 |
| EDITORIALS | 10 | VERSE | 53, 90, 101, 143, 157, 165 |
| REMEMBER WHEN? | 17 | KEEPING POSTED | 172 |



THIS WEEK'S COVER

Now then, young aquarists, some instructions to you while Mr. Fisher dipsnets a *Pterophyllum scalare*. 1—Balance your aquarium so that the fish and water plants breathe the right amount of carbon dioxide and oxygen at each other, otherwise both sides will be distraught. 2—Also balance the aquarium so it doesn't tip over and dump the

makes human beings distraught too. 3—Maintain a seventy-five-degree water temperature 365 days a year, 366 days in Leap Years. 4—Avoid putting together fish that chew or swallow each other. 5—Avoid slaying the fish with too much food or too little. 6—Finally, children, let your parents worry about the above items while you enjoy your

THE SATURDAY
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Allen Dulles—CIA director and brother of the Secretary of State—in Denver last month for a National Security Council meeting called by the President.

AMERICA'S SECRET AGENTS:

The Mysterious Doings of CIA

By *RICHARD and GLADYS HARKNESS*

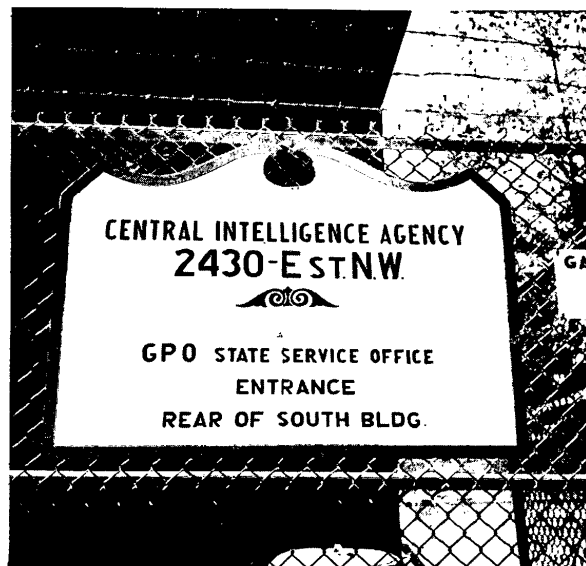
The Post presents its own exclusive report on America's "silent service"—the supersecret Central Intelligence Agency. Here, revealed for the first time, are its methods, how it gets its operatives and its money, and its accomplishments—in Guatemala, Iran and behind the Iron Curtain.

PART ONE

A MAN with the plump pink cheeks and blue eyes of a typical middle-class German sat on the grassy hilltop overlooking the Red port city of Stettin on the left bank of the Oder River in communist-held Poland. As he had done every seasonable day of last spring, he basked in the warm April sun while washing down his lunch of dry bread and sausage with a liter of white wine, and watched the birds in the nearby trees through his field glasses. Then, rising to leave, he swept his glasses along the piers on the river front below, where freighters were being loaded for the thirty-mile trip northward along the Oder and into the open Baltic Sea.

Returning to his small machine-tool works after the noon hour, the businessman called in his secretary to take dictation. The letter, addressed to a French automobile-parts concern, was formal and concise in the stiff manner of German commercial houses. It cited precise specifications for presses his firm was offering for sale to stamp out motorcar fenders. The price was less than the British could quote. The machines carried the official guarantee of the Ministry of Machine Industry of the Polish People's Republic. It was a letter that the local Red commissar could approve—and did.

But do the communists know even now what the letter really was? The "East German businessman"



CIA headquarters in Washington. The agency has unnumbered secret branches around the world.



Col. Castillo Armas (left), whose American-armed "freedom forces" drove out Guatemala's Reds.

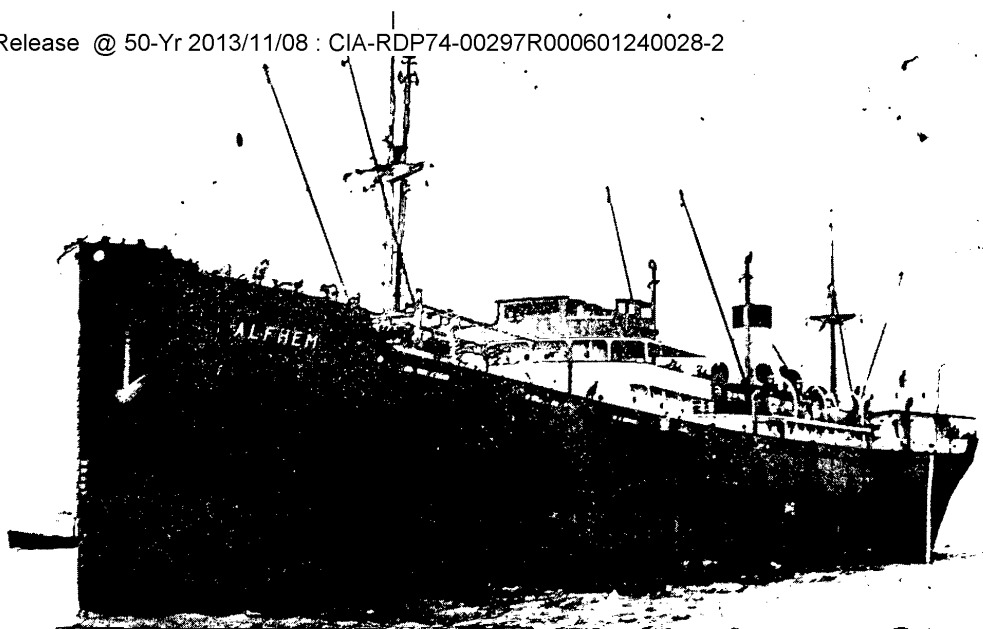
and his pretty Nordic-type blond "secretary" were plants of the United States' supersecret Central Intelligence Agency. The innocent-appearing address on the letter was, in reality, a CIA drop in Paris.

Once the letter from Stettin was in the hands of America's espionage and counterespionage service, it was rushed to a commonplace-looking shop in the arty Montmartre section, where a sign on the window read *Salon de Photographie*. Behind this front of a simple photographic studio, a CIA microfilm technician went to work. The agent, squinting through a magnifying glass under bright lights, scraped at each "period" on the typewritten page with a delicate, razor-sharp instrument. Finally, one black dot came off. There, scarcely larger than the point of a pin, was a tiny circle of microfilm which had been pasted on the sheet of paper at the end of a sentence. It had been disguised by the ink of the secretary's typewriter ribbon back in Stettin as a period. The agent, holding his breath lest he blow away the minute speck, used tweezers to carry the film to a photographic enlarger. When he emerged from the darkroom, the blown-up message was the size of a tea saucer. The words could be read as easily as the words on this printed page.

In accordance with basic intelligence security, the message was only gibberish to the CIA microfilm expert. (Also in accordance with security, what actually happened in Stettin and Paris has been disguised in this account.) The spy team in Stettin had employed a code prearranged with CIA headquarters in Washington. The microfilm was a cryptogram based on a key in the twenty-second prayer of David in the Book of Psalms; that mournful lamentation of David which begins—appropriately, in view of the fate of the Poles under the Russians—"My God, my God, why hast Thou forsaken me?"

The next step in CIA procedure was to transmit the unintelligible scramble to Washington by short-wave radio under the cipher address: "For AWD's eyes only." That meant: for the sole attention of Allen Welsh Dulles, the Government's first civilian director of the Central Intelligence Agency, and younger brother of Secretary of State John Foster Dulles.

The message, decoded by a cryptographic machine and transcribed in CIA's purplish-blue ink, was taken to Dulles in his office, where American and CIA flags and a huge world stereoscopic projection map dominate the room. Dulles worked with the supervising case man on this Polish project, and the full details of the report from Stettin are still classified top secret. But this much may be related: The two agents confirmed the underground route they planned to follow—successfully, it turned out—in leaving the Red port, threading their way across eighty-four miles of communist-patrolled countryside, and finding haven in a CIA "safe house" in West Berlin. To this may be added: When Dulles received the decoded message, he had information



The Swedish freighter *Alfhem*, which delivered 1900 tons of Czech munitions to Red-dominated Guatemala five months ago. When CIA agents reported the shipment, U.S. guns were flown to Colonel Armas.

which enabled CIA to pull off one of the most successful intelligence coups of the entire cold war. He was hot on the trail of proof that the communist-dominated government of Guatemala was part and parcel of a Red conspiracy, hatched in Moscow, to give Russia a military foothold in Latin America hard by the Panama Canal.

The message—broadly paraphrased to protect code security—said this: A freighter named the *Alfhem* and flying the flag of Sweden had tied up at the dock at Stettin. More than 15,000 crates and boxes had been lowered into her hold. The rumor along the water front was that the cargo, which arrived by rail from Czechoslovakia, consisted of munitions from the communists' Skoda arms works.

Dulles alerted agents in Europe and in Africa. From them, replies tracing the transaction were rushed to Washington. Stockholm: The *Alfhem* was owned by the Swedish shipping line, Angbats A. B. The line had chartered the vessel to a shipping agent in London, E. E. Dean. London: Terms of the charter stipulated that Dean, a financial middleman, should recharter the freighter to Alfred Christianson in Stockholm. Stockholm: Christianson represented the *Alfhem* as carrying optical-laboratory equipment and optical glass for the French West African port of Dakar.

The Secret of the Devious Freighter

OTHER reports came into Dulles' office. Two days out of Dakar, the captain received radio orders to change his course for Trujillo, Honduras. Two days out of Trujillo, the captain's orders were countermanded again. The *Alfhem* was to proceed and unload at Puerto Barrios, the Caribbean port city of Red Guatemala.

For optical-laboratory equipment and optical glass, the shipment received extraordinary attention. The Guatemalan Minister of Defense was on hand to direct unloading of the cargo at Puerto Barrios. Cordons of army troops sealed off the entire dock area. Details of soldiers guarded the special military trains which sped the freight to arsenals in Guatemala City. Despite a junior-sized Iron Curtain, Dulles again received a message: The 15,000 unmarked wooden boxes and crates were of a size and weight to contain 1900 tons of small arms and small-arms ammunition, plus light-artillery pieces.

Dulles called an emergency session of the Intelligence Advisory Committee behind sealed doors in CIA headquarters. Seated around the table were the intelligence brains of the Federal Government—the heads of the Army, Navy and Air Force intelligence, the intelligence officers of the Joint Chiefs of Staff, the State Department and Atomic Energy Commission, and a representative of the Federal Bureau of Investigation.

The committee, making the hours count, produced a quick crash estimate of the Guatemalan situation.

Those 1900 tons of arms represented enough military might in Latin America to enable the Guatemalan Army to crush her neighbors, Honduras and El Salvador, and to march across Nicaragua and Costa Rica, to the Panama Canal.

Immediately, with no recommendation as to a specific line of action, but with an emphatic warning that action was urgent, Dulles laid the crash estimate before the National Security Council. The first evident result came two days later, on May seventeenth, when Secretary of State Dulles stripped the communist arms plot bare for all the world to see. The United States Government viewed the munitions shipment with gravity, he said, because of its origin and quantity.

Then Washington lapsed into official silence for a week. But, during the period ending May twenty-fourth, the Department of Defense dispatched two Air Force Globemasters over the Gulf of Mexico. Each plane ferried twenty-five tons of rifles, pistols, machine guns and ammunition to Honduras and Nicaragua. Now events—some public, some veiled—were moving rapidly.

Col. Carlos Castillo Armas, former officer of the Guatemalan Army who was in exile in Honduras, obtained sufficient guns and munitions to equip each man in a force of fellow anticommunist refugees with a burp gun, a pistol and a machete. As he sent his troops across the Honduran-Guatemalan border with an ultimatum to communist puppet Jacobo Arbenz Guzman to capitulate, Castillo dispatched his "air force" of two old World War II P-38 fighter planes to buzz Guatemala City. The Arbenz air force was the first to defect. The Guatemalan Army, fearing that the 1900 tons of Red arms from Stettin were actually intended for use by the communist-dominated labor unions, refused to fight. An anti-communist junta took over the country, and an overt Russian threat to the Western Hemisphere was averted, at least for the present.

Some American citizens may find it disturbing and even noxious for their Government to engage in such clandestine activity in faraway Stettin and Puerto Barrios. In the live-and-let-live days after World War I, the late Henry L. Stimson disbanded the "Black Chamber" of State Department code experts, because "gentlemen don't read other people's mail." Today, in this period of cold war after World War II, our Government is deeply involved countering Red espionage as it threatens the Western democracies.

On assignment by The Saturday Evening Post these two Washington correspondents set out twelve months ago to cover the Central Intelligence Agency from every angle consistent with national security and the public interest. Our every interview, including talks with Government officials concerned with intelligence operations, and congressional leaders, plus exhaustive research, has had the aim of answering the question: "What is the CIA up to?"



UNITED PRESS
Ex-CIA boss Walter Bedell Smith with Sen. Joe McCarthy, who has said the CIA is Red-infiltrated.

Briefly, the answer must be stated like this: We are too prone to view our conflict with Russia in terms of the worry, "When will the Reds attack us militarily?" We strain to arm ourselves, thinking only in terms of communist atomic bombs hurtling down on the democratic West from supersonic planes. The Russians hold that fear over us while they craftily go about their business of taking over target countries from within. We plan to defend ourselves on land, on sea and in the air, when what we must also do is combat the communist enemy underground, where he uses the fourth dimension of war—infiltration, subversion and conspiracy.

The free world saw Poland engulfed by communism. That easy Russian conquest was gained, at Yalta, by deceit. Czechoslovakia lived briefly, after the war, in the illusion of peaceful coexistence with communism. But Czechoslovakia suddenly found her free people submerged under Russian infiltration. American military aid to the French in Indochina far outstripped in amount, cost and quality the armed support given the Vietminh rebels by the Chinese communists. But the Reds enveloped a vast area containing 12,000,000 people, the city of Hanoi and the rich rice fields of Northern Vietnam largely by infiltrating, softening up and swallowing.

So it was—almost—in Guatemala. Communist agitators, operating in the role of reformers, began infiltrating the public and private organizations of Guatemala as long as ten years ago. Agents indoctrinated in such institutions as the Marx-Engels-Lenin School in Moscow, organized the peasants and workers on the banana plantations. Once in control of such mass groups, Reds soon took over the official press and radio of the Guatemalan Government. Through the technique of the political popular front, they dictated to the Guatemalan congress and president. Most alarming was the fact that the communists had not simply oozed across a frontier into a contiguous territory, but they were able to leapfrog their subversion and infiltration across the Atlantic and Pacific oceans to Latin America and its vital Panama Canal. The CIA, working with "freedom forces" of Guatemalans, met the Reds early enough to hand Russia its defeat in Guatemala.

As of today, the intelligence experts who attempt to gauge Russia's long-term intentions predict that the communists are not now prepared for military global conflict. That cautious assessment is based on information from behind the Iron Curtain which may be reported here only in bare-bone outline:

Inside Russia: Despite the hard outer shell of Russia's military might—a 4,000,000-man army, 20,000-plane air force and nuclear weapons estimated in four figures—all is not rosy within the U.S.S.R. Communist industry is progressing reasonably well, spurred by an intensive program to train young scientists and engineers. This drive threatens to outstrip us in the live-or-die field of technology. Food—an all-important weapon in total war—is a



UNITED PRESS
The CIA gets some of its best information from ex-Reds—like Mrs. Vladimir Petrov, shown being hustled to a plane in Australia by Russian guards. Later, she was rescued and granted political asylum.

vexing problem, due to a breakdown in the communist collective-farming system. The Soviet recently was forced to divert 100,000 workers from industry to agriculture. Premier Malenkov is in control, but he ordered the liquidation of Secret Police Chief L. P. Beria because Beria was plotting the eradication of Malenkov "in two or three days." On the day Beria was seized, Red Army tanks rumbled into the outskirts of Moscow, as they did the night that Stalin died. So Russia's committee form of government, with its divided power, is not an easy form to maintain in a dictatorship.

Conclusion: The Politburo is quite satisfied with the gains communism is making with the present Red technique of subvert and conquer. The men in the Kremlin cannot be certain, even if they launched open military warfare and won a global conflict, that their regime could survive the retaliatory wreck-age and misery sure to be inflicted on the Russian

population. The Red rulers have no thought of winning a war for someone else. The U.S.S.R. is worried lest her major ally, communist China, get a little out of hand. Russia does not want to be dragooned into armed combat with the West by Mao Tse-tung, but prefers, if and when she wages war, to choose the time and place herself—probably not before 1957 or 1958 at the earliest.

The foregoing estimate of Russian plans and intentions is reported as no tidbit of gossip from the capital's cocktail-party circuit. It represents the warp and woof of our Government's foreign and domestic policy as patterned by the National Security Council. If our leaders had thought open war was imminent, the Administration would have sponsored no \$7,400,000,000 reduction in Federal taxes at the recent session of Congress. Secretary of the Treasury George M. Humphrey would not be talking of the

(Continued on Page 162)

possibility—barring fresh outbreaks of Red-armed aggression—of another \$2,000,000,000 cut in national-defense spending in the 1955 fiscal year.

Evidence points to a shifting of emphasis from a "dollar-defeat" line, based solely on developing and stockpiling more and more military weapons, to a strategy of countering the communists underground, where real Soviet conquests are being scored. This was the strategy in Guatemala, where we alerted "freedom forces" who were then able to drive the Reds to the surface and hand them a sound defeat. If the communists had been permitted another year of unbridled subversion of the Guatemalan people, we might have faced the necessity of sending marines to reinforce the Panama Canal and to save Latin America. The subsequent propaganda windfall for Russia in her trumped-up diatribes against Yankee imperialism can easily be imagined. Such strategy, evolved from CIA's revelations of Soviet maneuvers, meets the communists in their own kind of subversive underground cold war, where a timely bit of American counterespionage may prevent a hot war.

CIA's nerve center is not housed in one of the imposing, neo-Hellenic buildings which line Washington's Constitution Avenue from the White House to Capitol Hill. The locale is one that Hollywood might choose for a spy thriller. The main office is a colonial-type structure of red brick in the rundown Foggy Bottom section of the city. To the west, a brewery raises the turretlike towers of a pseudo castle on the banks of the Potomac. A honky-tonk organ grinds out jazz in a nearby roller-skating rink. The view to the east is blocked by the shabby back sides of an array of State Department annexes, and to the north the grimy shell of an abandoned gas works casts weird shadows on the surrounding slums.

The main CIA building was disguised until recently as the Department of State Printing Office. Dulles discovered that the Washington telephone directory listed: "Central Intelligence Agency, 2430 E. St., EXecutive 3-6115." He found Washington sight-seeing guides halting their loaded buses on the street to point out to tourists that "there is the building where spies work." Dulles ordered a discreet sign posted: CENTRAL INTELLIGENCE AGENCY.

Publicity ends there. A mesh-wire fence, eight feet high and topped by three strands of barbed wire, runs around the clipped green lawn. Inside, when the Intelligence Advisory Committee meets, the doors are barred and locked. The typewriter ribbons and carbon papers used by stenographers to record the proceedings are locked overnight in safes. The wastebaskets are marked classified, their contents shredded and burned by special security officers. Meetings of this group

Although it operates on the record as far as the American public is concerned, the CIA occupies thirty-odd buildings in the capital, maintains twenty-five domestic offices across the country on a twenty-four-hour basis, and finances unnumbered covert branches around the world to beg, buy or steal information on the Reds' war potential and intentions.

CIA employees number between 8000 and 12,000 anonymous men and women whose duties, salaries and even names never appear on published Government payrolls. The total cost of CIA operations runs several hundred million dollars a year. Dulles declines to discuss details of agency personnel and his budget, but if CIA employs 10,000 persons, the payroll is half as large as the entire Department of State.

The CIA will not, as it may not, concede publicly that its employees and appropriations are used in what are popularly known as cloak-and-dagger operations. But it is significant that while Allen Dulles is not nearly so well known in this country as his brother, John Foster Dulles, he is probably much better known behind the Iron Curtain. His alleged exploits and dire deeds as an imperialist warmonger fill the columns of Pravda and the satellite press. Radio Moscow has linked him with every unfortunate communist leader who has gone to the gallows for "co-operation with the capitalistic West." He was paid a singular compliment by Ilya Ehrenburg, the sharp-tongued Kremlin propagandist. "Even if the spy, Allen Dulles, should arrive in heaven through somebody's absent-mindedness," Ehrenburg wrote, "he would begin to blow up the clouds, mine the stars and slaughter the angels."

If he desired to proceed with such celestial depredations, Dulles undoubtedly could find authority in Public Law 110, the act passed by Congress and signed by President Truman on June 20, 1949, to make the CIA a more effective weapon to protect free nations from subversion. Under this virtually unbounded grant of personal authority, Dulles need not vouch his multi-million-dollar appropriations. Actually, the director files routine Federal expense accounts for all "white" CIA operations, such as research. Dulles reports to the Bureau of the Budget and to a small group of members of Congress on an off-the-record basis for his secret, or "black," expenditures—but on a lump-sum area basis of so many dollars spent, say, in the Far East or Latin America. Since he has been director, Dulles has returned an unspent balance of his appropriation to the Treasury.

Dulles may hire, pay and fire CIA personnel, under the law, without re-

gard to the provisions of any other laws which require the publication or disclosure of the organizations, functions, names, official titles, salaries, or numbers of personnel employed by the agency." He may assign employees "for special instruction, research, or training, at or with domestic or foreign public or private institutions; trade, labor, agricultural, or scientific associations; courses or training programs under the National Military Establishment; or commercial firms."

Dulles has the right, with the approval of the Attorney General and the Commissioner of Immigration, to bring as many as 100 aliens a year into the United States if he finds their entry "in the interest of national security, or essential to the furtherance of the national intelligence mission."

Millions of dollars to finance black activities are camouflaged in routine appropriation bills for regular Federal departments sent to Congress by the Bureau of the Budget. No more than ten or twelve congressmen, including Senators Saltonstall, of Massachusetts, and Russell, of Georgia, and Representatives Taber, of New York, and Short, of Missouri—members of the Armed Services and Appropriations subcommittees whom Dulles briefs personally and privately—even realize that they are approving CIA funds when they cast their votes. So if size, cost and secrecy were the sole criteria for gauging the success of CIA, the country could sleep soundly tonight in the assurance that we have the right answers to Russian scheming.

But during the recent session of Congress, Sen. Mike Mansfield, a fair-minded Democrat from Montana, stood on the Senate floor to cite what he called CIA "exploits which have been the subject of many whispered complaints." He pointed to rumors that CIA had subsidized a Nazi-type organization in West Germany which had marked leaders of the Social Democratic political party for liquidation. The senator admitted that he could not vouch for his information, but he voiced suspicion that CIA was maintaining the tattered remains of a Nationalist Chinese Army in Burma, despite Burmese protests to the United Nations, to make forays into Red China.

Mansfield concluded his speech to a hushed and attentive Senate by introducing a resolution to establish a special watchdog committee to keep a congressional eye on Dulles' operations.

Dulles adhered to his usual closed-mouth policy of neither confirming nor denying such open or published reports. To do so would offer attractive bait for Soviet fishing expeditions into our intelligence secrets. So the Mansfield speech went unanswered. The result was that nineteen other Democrats and seven Republicans joined the senator as co-sponsors of his bill.

This meant no specific faultfinding. Because of the hush-hush air surrounding the agency, they were voicing natural doubts over the efficiency of the administration of CIA, a political curiosity as to the number of jobholders on its unpublished payroll, and a questioning of the reliability of CIA's "national estimates."

More recently, a direct attack on CIA came from Sen. Joseph R. McCarthy, who charged that the agency had been infiltrated by communists. The senator called the situation "even more dangerous than Red penetration of the Army Signal Corps' radar laboratories" at Fort Monmouth, New Jersey. He announced that he would make CIA the next target of his Special Investigating subcommittee. Flaunting his disregard of the presidential order safeguarding such executive secrets, McCarthy renewed his call on Federal employees to furnish him with confidential information from restricted and delicate agency files.

Dulles issued one of his rare public statements. He called the senator's charges false. He revealed that he had written McCarthy almost a year ago, asking for any specific allegations McCarthy had to offer on communists within the CIA, but the senator had not even acknowledged his letter. Dulles, expressing no doubt that McCarthy was seeking information from inside CIA, addressed a CIA orientation session with this ultimatum: "Anyone giving Senator McCarthy CIA information will be fired."

McCarthy went ahead with his inquiry, assigning the preliminary investigation to Donald A. Surine, even though the then McCarthy committee aide had been refused clearance by the Defense Department to see classified material. McCarthy announced later that he had conferred with a "high elected official" of the Administration and agreed that public hearings on CIA would not be in the public interest, but he left for a vacation in Mexico, declaring his determination to probe our intelligence system.

While McCarthy vacationed, the Administration cannily froze him out of new Red-hunting headlines. The Hoover Government-reorganization commission announced that a special task force would examine CIA. The survey, beginning in the fall of 1954, was placed under the direction of retired Gen. Mark W. Clark.

A previous Hoover survey, made in 1949, when CIA was two years old, held that the agency "had not yet achieved the desired degree of proficiency and dependability in its estimates" for the National Security Council—so McCarthy could not charge "whitewash." During the hearing into his controversy with the Army, the senator had singled out General Clark for special praise—so he could not cry "hand-picked judge." The senator gave up and pledged that he would transmit his information on CIA to General Clark.

This is the first of three articles on the CIA. Next week, this exclusive report reveals the truth about communist efforts to infiltrate the agency.