

~~SECRET~~*Overexposure*

THE CIA AND THE JOHN PATON DAVIES AFFAIR

Robert M. Hathaway

McCarthyism: even now, thirty years after the junior Senator from Wisconsin savaged the American political landscape, the word evokes images of unprincipled ambition, crude fabrications, irresponsibility, disrespect for truth or decency. But McCarthyism, that unreasoning frenzy which for a few years in the early 1950s so agitated the national psyche, was far larger than one individual. Joseph R. McCarthy lent his name to, and came to symbolize the movement, but he neither created nor controlled nor perhaps even understood it. Others, more subtle, less obviously opportunistic, contributed equally to the demoralization which for a time threatened to paralyze creative energies throughout much of the United States Government. Their tactics of intimidation and innuendo immobilized the State Department for a period in the early 1950s. Less often recognized is how narrowly the Central Intelligence Agency escaped a comparable fate.

McCarthy displayed little hesitancy in attacking the CIA when it suited his purposes, but his clumsy onslaughts did not represent the most serious danger the Agency faced in the early 1950s from senators in pursuit of suspected disloyalty. That distinction goes to Senators Pat McCarran and William Jenner, successive chairmen of the Judiciary Committee's Internal Security Subcommittee, who between 1951 and 1954 doggedly marshalled the full power and grandeur of the United States Senate against career Foreign Service Officer John Paton Davies, Jr. In the process, the CIA found itself sucked into the controversy, mired in a situation offering no satisfactory solution but manifest perils to Agency operations and interests.

Meeting: 16 November 1949

The affair began on 16 November 1949, when [redacted] (b)(3)(c) [redacted] (b)(1) Agency officers assigned to the Office of Policy Coordination (OPC), [redacted] (b)(3)(c) met with Davies [redacted] (b)(3)(n) [redacted] OPC had not yet been integrated into CIA, but occupied an anomalous position suspended between the State and Defense Departments and the Agency. Under this awkward arrangement State's Policy Planning Staff was to furnish policy guidance for specific operations; hence, the November conference with Davies.

Born in China, the son of missionaries, John Paton Davies had entered the diplomatic service in 1931 and over almost two decades had compiled a distinguished overseas record, primarily in China and the Soviet Union. Recognized as one of the Department's most knowledgeable experts on China, Davies had been rotated to Washington in 1949 and assigned to the prestigious Policy Planning Staff, headed by George F. Kennan. It was in this capacity that Davies met with [redacted] (b)(3)(c) [redacted]

~~SECRET~~

17

~~SECRET~~

Davies Affair

Even today the details of the 16 November meeting between Davies and the two OPC representatives remain in dispute. The diplomat apparently suggested that the CIA, through the use of a secure cutout, tap the expertise of six Americans of known leftist, and in several cases probably communist, political views. Davies explained that these six individuals—Edgar Snow, Agnes Smedley, Anna Louise Strong, Professor [redacted] Mrs. John K. Fairbank, and Benjamin K. Schwartz—could be of value [redacted]

(b)(1)

(b)(3)(c)

(b)(3)(n)

[redacted] Summarizing the discussion for their superiors a short time afterwards, [redacted] (b)(3)(c) recalled that Davies had said that he was aware that some uninformed persons considered Fairbank and his wife communists. The diplomat had scoffed at this and insisted that they were “only very (politically) sophisticated.” Davies would later deny, under oath, that he had characterized the Fairbanks in this manner.

Returning to the Agency, [redacted] (b)(3)(c) relayed the gist of Davies’ proposal to their OPC chief and, in a move which would have far-ranging repercussions, to security officers. And here the historian must enter into the slippery realm of motivation. It may be that the two OPC officials left the meeting at State alarmed by what they viewed as a dangerously improper suggestion on the part of Davies. If so, there is no evidence that they made any sort of protest to Davies at the time. More likely, they simply wished to ascertain Security’s views on using the six, given their controversial reputations. In either case, as reports of the Davies plan passed up security channels, the tentative nature of the proposal tended to get obscured. Rather, word had it that Davies had requested full-scale clearances for employment of the six. Greatly alarmed, Security informed the DCI, Rear Admiral Roscoe Hillenkoetter, who reacted just as his senior security officers had. He immediately issued a directive prohibiting all operational contact with several of the more objectionable people on Davies’ list and then carried word of the diplomat’s proposal—personally, by one account—to J. Edgar Hoover and the FBI.

Thus began what ultimately became a three-year, four-cornered struggle involving the State and Justice Departments as well as Congress and the Agency. In retrospect, one can see that once Hillenkoetter passed information about the November conference to the FBI, the chances that an unfriendly source would get a muddled version of the story increased significantly. And of course, this is precisely what happened. McCarran’s Internal Security Subcommittee eventually picked up vague rumors and developed an overpowering interest in learning as much as possible about the professional relationship between Davies and the CIA. The Agency, on the other hand, had compelling incentives to deny the Senate this information. Out of the clash of these conflicting desires came a set of managerial problems requiring senior Agency officers to balance institutional imperatives with the unique demands an open society places upon its intelligence services.

CIA objectives throughout the many months of turmoil occasioned by the Davies affair remained consistent and, in principle, straightforward, but their simultaneous fulfillment proved impossible. Essentially, Agency managers

Davies Affair~~SECRET~~

sought to protect the security of important covert operations; to maintain a tolerable working relationship with the State Department; to preserve CIA's reputation with Congress and the public for integrity and reliability; and to avoid establishing a precedent whereby Congress could demand operational testimony from CIA officers. On four different occasions, Agency officials believed they had successfully reconciled these goals and defused the Davies threat. Each time the rush of events undermined their hopes, forcing the CIA to fall back from optimal objectives to less satisfactory solutions, from there to rearguard tactics, and finally to a policy of cutting its losses as best it could. In the end, the Agency emerged from the episode with secret operations unveiled, covert employees exposed, and healthy working relations with other government bodies jeopardized. One wonders, in retrospect, if the Agency might not have been spared some of this had Hillenkoetter not run to Hoover. For, having raised the alarm, the CIA then found itself unable to disengage from the ensuing controversy, leaving the Agency with the mocking knowledge that its wounds may have been self-inflicted.

Difficulties for Davies

Hillenkoetter's decisive rejection of Davies' proposal effectively ended its consideration. Months passed with barely a mention of the suggested operation. In April 1950, the FBI took sworn statements concerning the November meeting from (b)(3)(c) and OPC director Frank Wisner, but demonstrated little additional interest in the matter. Sometime during the spring a newsman confided to Kennan that he had been told that Davies had attempted to infiltrate communists into CIA. Assured by Kennan that these reports were without substance, the journalist pursued the story no further. Preoccupied with issues of much graver import, Agency officers let the abortive proposal, like countless others similarly advanced and then dropped, slip into the nether world of rejected ideas.

Davies, meanwhile, was experiencing difficulties from other quarters, arising from the one blot on his otherwise admirable record. In November 1945, Major General Patrick J. Hurley, American Ambassador to China, had suddenly resigned amidst widely publicized accusations against Davies and a number of the other Foreign Service officers in China. Davies, the volatile Hurley charged, in reporting that the Nationalist regime of Chiang Kai-shek was corrupt, unpopular, and out of touch with the Chinese populace, had indicated undue sympathy toward Chiang's rivals, the communists led by Mao Tse-tung. Worse yet, Hurley continued, Davies and other career diplomats had used their official positions to undermine Chiang and had sabotaged the American policy of promoting a stable non-communist government in China.

Never proved, these allegations nonetheless found ready devotees among Americans unwilling to believe that Chiang's ultimate defeat might have been self-induced. Those who accepted the essential validity of Hurley's accusations set out to demonstrate that communist penetration and influence in the Executive Branch had significantly contributed to the dismaying outcome of the Chinese civil war. The State Department in particular provided a tempting target for those who would free the government of the scourge of

~~SECRET~~

~~SECRET~~

Davies Affair

internal subversion, and Davies was only one of a number of Far Eastern experts under fire even before the outbreak of the Korean War. Finally, in June 1951, one week after promoting him to Class 1 Foreign Service Officer, the State Department suspended Davies pending investigation of the recurring charges voiced by Chiang's admirers in the American Congress, McCarran and Jenner among them. A month later, the department announced that its Loyalty-Security Board had cleared the diplomat of all accusations and returned him to active duty.

Such a finding was guaranteed to enflame critics of the Truman administration's China policy. By this time staff aides to Senator McCarran had picked up rumors of Davies' 1949 meeting with [redacted] (b)(3)(c) Robert Morris, the subcommittee counsel, later confided that these leaks had come from State Department officials made uneasy by the FBI inquiries that had followed Hillenkoetter's complaints to Hoover. On 3 August 1951, McCarran's Internal Security Subcommittee asked Wisner to appear before it to testify about his knowledge of Davies' proposal to utilize the six Americans of suspect political views. Suddenly, nearly two years after the initial conference at State, the matter had become public. A new and threatening chapter in the affair was about to begin.

To Testify or Not to Testify

The subcommittee's request presented General W. Bedell Smith, who had replaced Hillenkoetter as DCI in late 1950, with a tricky problem. There was, first of all, the matter of security. Should Wisner testify, this might lead to senatorial inquiries as to who (b)(3)(c) attended the November conference with Davies. Because both [redacted] (b)(3)(c) were then engaged in sensitive (b)(1) operations [redacted] (b)(3)(c) the surfacing of their names could have (b)(3)(c) serious adverse consequences. Moreover, an informal understanding had been (b)(3)(n) established that no CIA official other than the Director or his designated representative should testify before congressional committees on operational matters. To allow Wisner, [redacted] (b)(3)(c) to violate this rule would set a precedent that might subsequently come back to haunt the Agency.

On the other hand, McCarran, as chairman of the full Judiciary Committee, had been extremely helpful to the Agency in matters relating to both appropriations [redacted] (b)(1) [redacted] (b)(3)(c) Because an irritated McCarran could cause the Agency considerable (b)(3)(n) discomfort, prudence dictated a cooperative attitude toward the subcommittee's request. CIA should not put itself in a position with either the Congress or the public of appearing to duck an issue of this sort, Legislative Counsel Walter Pforzheimer warned. The Agency must maintain the rapport it had established on the Hill, CIA's public affairs officer added, and not jeopardize its reputation for integrity.

Thus, faced with the subcommittee's request for Wisner's testimony, the Agency's initial response was to forestall a formal appearance. General Smith instructed Pforzheimer to tell the subcommittee that if he, Smith, had been DCI in 1949, he might well have authorized action along the lines proposed by

~~SECRET~~

Davies Affair~~SECRET~~

Davies. [REDACTED]

(b)(1)
(b)(3)(c)
(b)(3)(n)

[REDACTED] Above all, the DCI emphasized to his staff, CIA must elicit a promise from McCarran that none of Wisner's subordinates would be called before the subcommittee, and that it would raise no questions about Agency operations.

Complicating Smith's choices further was the stance assumed by the State Department. Davies was hampered in his defense, State's legal adviser argued in a stormy meeting with the DCI, by the fact that he was forbidden to discuss the 1949 conference with the McCarran subcommittee because of the security requirements surrounding OPC operations. The government owed Davies protection for placing himself in this position, he continued. Should matters come to a showdown between sacrificing Davies and imperiling the security of OPC operations, there would be little question: the Department and the Secretary would stand by Davies. Upon hearing that State would endanger an important operation which had taken months to set up for the protection of a single Foreign Service officer, no matter how capable, Smith, in the words of one closely involved in the affair, "exploded." No doubt the priorities inherent in the State Department position seemed skewed to one accustomed to the military tradition of subordinating the individual to the group. But State was unbending, thereby adding one more hazard to a question already treacherous enough.

Conscious of these considerations, and directed by Smith to get Wisner excused from testifying, Pforzheimer arranged for Morris, the subcommittee counsel, to come to CIA on 8 August for an informal meeting. The conference got off to an inauspicious start when Wisner, already exasperated by what he considered the subcommittee's harassment of Davies, offended Morris, a casual acquaintance of many years' standing, by his frosty formality. To make matters worse, Wisner, who had not even heard of the Davies proposal until months after it had been advanced and dropped, obviously had only sketchy hearsay knowledge of the 1949 meeting. His incomplete and sometimes misleading responses served to heighten Morris' suspicions. Thus, what had originated as a sincere effort to explain the CIA's position resulted instead in raising further doubts about both Davies' plan and the Agency's integrity in the mind of this key congressional staff member.

Davies himself testified before the subcommittee on 8 August and again on the 10th, refusing to reveal details of his proposed operation and fostering the impression among members of the committee that he had something to hide. Meanwhile, an internal search of CIA records had unearthed a [REDACTED] (b)(3)(c) memorandum which added considerably to the Agency's knowledge of the facts surrounding Davies' suggestion. Wisner learned additional details by interviewing [REDACTED] (b)(3)(c) For the first time, CIA officials came to possess the information they needed in order to defend themselves and their organization from congressional suspicions. Armed with this newly-discovered knowledge,

~~SECRET~~

21

~~SECRET~~

Davies Affair

Pforzheimer and Carlisle H. Humelsine, the Deputy Under Secretary of State for Administration and the official in charge of the State Department's loyalty program, called upon McCarran and Homer Ferguson, the ranking Republican on the Internal Security Subcommittee, on 15 August. Pforzheimer and Humelsine made the point that Davies had been correct in refusing to discuss with the subcommittee the 16 November meeting since it was classified Top Secret.

(b)(1)
(b)(3)(c)
(b)(3)(n)

Repeating the Director's observation that proposals such as that made by Davies were not improper, Pforzheimer informed the Senators that the DCI had spoken highly of Davies, whom Smith had known while serving as American Ambassador in Moscow, and possessed no doubts about his loyalties. Both Pforzheimer and Humelsine left the meeting encouraged, believing McCarran and Ferguson were inclined to let the matter rest. A serious threat, so it appeared, had died aborning.

(b)(1)
(b)(3)(c)
(b)(3)(n)

But two months later, random chance intervened. In October 1951, that Morris had requested that he appear before the Internal Security Subcommittee to relate his version of the 16 November 1949 conference.

(b)(1)
(b)(3)(c)
(b)(3)(n)

Already convinced that Davies had committed perjury during his August testimony, Morris saw no reason why could not safely be called upon to testify. In this manner did capricious fortune undo in a minute the hard work of Pforzheimer and Humelsine.

Threatened Relationship

(b)(1)
(b)(3)(c)
(b)(3)(n)

Legislative Counsel Pforzheimer, upon learning of Morris' request, was simultaneously alarmed, embarrassed, and incensed. OPC had led him to believe that

This consideration is what had induced McCarran and Ferguson to drop their investigation in August. Now, Pforzheimer's reliability, if not his honesty, had been called into question, threatening to undermine the relationship of trust and candor he had established with McCarran and Morris over the years. Without this reputation for straight dealing, CIA would stand defenseless before suspicious congressional inquisitors.

(b)(1)
(b)(3)(c)
(b)(3)(n)

Of even more immediate concern, Morris' demand to have testimony reopened all the troubling problems thought to have been successfully contained in August. A complete disclosure by of the Davies

(b)(3)(c)

~~SECRET~~

Davies Affair

~~SECRET~~

incident would not only establish an unfortunate precedent for CIA, but would contradict the position the Agency had previously taken in substantiating Davies' refusal to testify. Furthermore, (b)(3)(c) appearance before the subcommittee might necessitate a later court appearance, with the attendant security implications. At the very least, cooperating with Morris would create a serious breach in CIA's relations with the Department of State.

Again, equally compelling arguments supported complying with Morris' request. The prospects of antagonizing senators of the stature of McCarran and Ferguson pleased no one in CIA. Moreover, as Pforzheimer pointed out, the Agency "could be muddied by the inference that it is deliberately attempting to shield Davies." And even this might not be the end of it. The subcommittee members, Pforzheimer warned, "may be sufficiently irritated to make public all of the facts in the Davies controversy with resultant damage to CIA security. It is known that they feel deeply about the Davies matter, to the point that they feel his presence in the Department of State is more damaging to our national interest than any revelations they might make on CIA."

Senior Agency officials gathered in the DCI's office on 17 October to weigh the alternatives. Once again, they each (b)(3)(c) that the preferable course was to persuade McCarran to excuse (b)(3)(c) from testifying. Smith directed Pforzheimer (b)(3)(c) Morris and McCarran in order to establish CIA's good faith. The Legislative Counsel was then to make the case for (b)(3)(c) not being required to appear. If the subcommittee persisted, (b)(3)(c) should acknowledge that Davies had made the recommendations in question, since this was already a matter of record. He was not to go into the circumstances surrounding the suggestion, as this would necessarily involve discussing information still classified.

(b)(1)
(b)(3)(c)
(b)(3)(n)

Informed of the DCI's position, State's Humelsine angrily accused the CIA of throwing Davies to the wolves. One could not separate the unclassified features of the Davies affair from the classified aspects, he protested. Pleading that (b)(3)(c) be restricted in his explanations in the same manner as Davies had been, he insisted that CIA stand, as he put it, "on all or nothing at all."

Pforzheimer then looked up Morris. Explaining CIA's position, he argued

(b)(3)(c)

(b)(1)
(b)(3)(c)
(b)(3)(n)

Next seeking out McCarran, Pforzheimer found the Senator quite sympathetic and somewhat embarrassed that he had forgotten his pledge of 15 August not to call for (b)(3)(c) testimony. McCarran then directed Morris to cancel (b)(3)(c) appearance and indicated to Pforzheimer that he wished to confer with CIA representatives to review the whole affair before doing anything more on the Davies matter. Reporting back to Smith, Pforzheimer noted that CIA need take no further steps unless McCarran requested a briefing. For the second time in barely two months, the Legislative Counsel concluded, a potentially damaging situation had been averted.

And again, the problem would not go away. By early February 1952, word reached the CIA that the subcommittee was once more thinking of calling (b)(3)(c) to testify. Pforzheimer returned for another attempt at

~~SECRET~~

~~SECRET~~

Davies Affair

convincing Morris that such action would be ill advised, but this time with little effect. On 13 February, (b)(3)(c) received a subpoena ordering him to appear before a closed session of the Internal Security Subcommittee two days later. An agitated Humelsine again urged CIA to instruct (b)(3)(c) not to testify. The Agency explained to him that the subcommittee already possessed the report (b)(3)(c) had given the FBI nearly two years earlier; to refuse to discuss matters about which the subcommittee was already informed would leave the Agency in an indefensible position. Rebuffed by CIA, Humelsine then insisted that the White House be consulted. On the afternoon of 14 February, he, Wisner, and Lawrence Houston, CIA's General Counsel, met with the President's legal adviser, Charles Murphy. Humelsine made an impassioned plea for the President to issue an executive directive forbidding (b)(3)(c) in the interests of national security, from testifying. Murphy, on the other hand, saw no reason to involve Truman in the controversy and declined to carry State's request to the President.

(b)(3)(c) **Appearance**

Thus, on the morning of 15 February 1952, (b)(3)(c) appeared in executive session before the Internal Security Subcommittee to answer the Senators' questions about the November 1949 meeting with Davies. Before appearing he had been instructed by Wisner and Houston to testify only on the sketchy factual details he had previously given the FBI. Above all, he was to refuse to divulge information involving operations. Stuart Hedden, CIA Inspector General, had then cross-examined (b)(3)(c) to impress upon him the line of demarcation between permissible testimony and matters which should not be discussed. So prepared, (b)(3)(c) entered the subcommittee chambers. CIA had lost the first round.

At the noontime recess, (b)(3)(c) had some more bad news. The subcommittee wanted him to go over the same ground again that afternoon, this time in open session. Moreover, Morris had somehow obtained (b)(3)(c) name. Pforzheimer and General Counsel Houston, doubly alarmed by these revelations, hurried to find the subcommittee counsel. Again, they reviewed the security aspects of the situation, emphasizing the importance of keeping (b)(3)(c) name out of the proceedings. They then attended the open session to monitor the extent to which sensitive information was revealed. The 1949 conversation with Davies was brought fully into the record, together with repeated references to CIA and OPC, although [redacted]

[redacted] After the session (b)(3)(c) refused to talk with the press and departed immediately [redacted]

(b)(1)
(b)(3)(c)
(b)(3)(n)

Over the next several days Agency officers tried to assess the amount of damage Agency interests had incurred. The DCI, attempting to head off further subcommittee proceedings, sent word to Morris that if he felt compelled to involve the Agency in a public fashion further, Smith would be forced to issue a statement in reply. Such a declaration would observe that although CIA did not know what Davies specifically intended by his proposal, it was necessary for the Agency, due to the nature of its functions and duties,

~~SECRET~~

Davies Affair~~SECRET~~

to consider the views, recommendations, and advice of people with all shades of political beliefs, and from time to time to [redacted] types of people. Undeterred, McCarran forwarded transcripts of [redacted] testimony to the Department of Justice, along with a request for advice as to possible perjury charges.

But if CIA officers hoped this would satisfy the subcommittee's need for action, they were quickly disabused of such an idea. Within a week, word got back to the Agency that Morris had contacted [redacted] (b)(1) (b)(3)(c) Investigation soon disclosed the distressing news that [redacted] (b)(3)(n) the subcommittee counsel had written [redacted] (b)(3)(c) asking him to confirm [redacted] testimony concerning the 1949 conference with Davies. To Agency officials, this appeared in direct violation of the pledge Morris and Senator Ferguson had given at the time [redacted] testified to protect [redacted] (b)(3)(c) connection with CIA. Finding that Ferguson was similarly vexed at not having been consulted in advance of this action did little to assuage Agency worries. Apparently Morris had acted upon instructions from McCarran, who was incensed to learn that Davies was to be assigned a new and highly responsible position in Germany and had convinced himself that the State Department would not take action against its Foreign Service officer unless forced to do so by the Senate.

Houston and Pforzheimer discussed the matter several times over the following days with McCarran, Ferguson, Morris, and J. G. Sourwine, counsel to the full Judiciary Committee. Each time their indications of alarm that information of this sort had been sent through the regular mails met the now un reassuring reply that the subcommittee had no intention of implicating [redacted] (b)(3)(c) publicly. Hoping at least to determine whether the letter had been tampered with prior to reaching [redacted] (b)(3)(c) Agency technicians asked to examine the envelope in which it arrived. This, too, came to naught, for [redacted] (b)(3)(c) had destroyed the envelope upon its receipt.

Finally, after a week of CIA appeals, Pforzheimer was able to report that he had reached a new modus vivendi with Sourwine and Morris. All misunderstandings about security in the Davies case had been eliminated, the Legislative Counsel observed. The congressional staffers had assured him that Agency security concerns would be paramount in their future transactions. Furthermore, they had no intention of forwarding [redacted] (b)(3)(c) reply to the Department of Justice for use in any perjury proceedings against Davies. Their only purpose in requesting a deposition from [redacted] (b)(3)(c) was to insure that [redacted] (b)(3)(c) testimony was not subject to attack. As they assumed, [redacted] (b)(3)(c) would support [redacted] (b)(3)(c) they would not need to make public use of his statement. So assured, Agency officers relaxed a bit and allowed themselves to hope that they had escaped with most operations still intact.

An Opened Envelope

Congressional suspicions, however, had become too inflated for such a tidy resolution to the affair. Weeks passed without word from [redacted] (b)(3)(c) Whispers on Capitol Hill suggested that the Agency had ordered its employee

~~SECRET~~

25

~~SECRET~~

Davies Affair

to delay his response. CIA, Sourwine intimated, had come completely under the domination of a State Department intent upon thwarting the subcommittee. Finally an envelope [redacted] arrived [redacted] [redacted] Certain that it held [redacted] affidavit for the McCarran subcommittee, and aware of congressional irritation at the lengthy delay already incurred, Houston opened the envelope. As he expected, it contained the missing reply. But when Pforzheimer carried the letter to the Hill, he was greeted with frosty innuendoes about interfering with the United States mails. Trying to expedite matters, Houston had instead fostered veiled accusations that CIA had tried to doctor the text of [redacted] (b)(3)(c) document. Such were the passions building around the case.

(b)(1)
(b)(3)(c)
(b)(3)(n)

On 10 June 1952, committee counsel Sourwine informed Pforzheimer that McCarran planned to meet the following morning with Assistant Attorney General James M. McInerney to discuss [redacted] (b)(3)(c) statement and a possible perjury case against Davies. Pforzheimer quickly reminded Sourwine of his pledge not to make [redacted] (b)(3)(c) name public or to use the [redacted] (b)(3)(c) affidavit in any legal proceedings. But in reporting the next day on McCarran's meeting with McInerney, Sourwine informed the CIA Legislative Counsel that the Senator had remarked that while State would probably go to any lengths to protect Davies, McCarran was similarly prepared to go to any lengths to obtain Davies' dismissal. McInerney then asked, Sourwine continued, if this included utilizing [redacted] (b)(3)(c) testimony. McCarran had replied that he would indeed be willing to do so.

(b)(3)(c) Nor was this all. Sourwine also indicated that the subcommittee knew of [redacted]

(b)(1)
(b)(3)(c)
(b)(3)(n)

[redacted] Com-
partmentation, so essential to many Agency activities, had lured the CIA into still further danger.

(b)(1)
(b)(3)(c)
(b)(3)(n)

~~SECRET~~

Davies Affair

~~SECRET~~

(b)(1)
(b)(3)(c)
(b)(3)(n)

[Redacted]

(b)(1)
(b)(3)(c)
(b)(3)(n)

[Redacted]

Tentative Bargain

Back in Washington McCarran's administrative assistant advised Pforzheimer that "things were getting rough" in the Davies matter. So warned, Pforzheimer arranged to meet on 24 June with McCarran and Sourwine. Again he went over the consequences to CIA operations should [Redacted]

[Redacted]

But he found the Senator more convinced than ever that Davies' 1949 proposal was part of a nefarious plot to subvert the CIA. The subcommittee, McCarran confided, had a sound perjury case against the diplomat. McCarran went on to complain that Pforzheimer was asking him to "connive" in "treasonable action." If Agency security were so important, he continued, then it was up to the CIA to force the State Department to act. A few words more were sufficient to hammer out a tentative bargain: the subcommittee would suppress legal action against Davies providing the Agency persuaded State to move him to a post less sensitive than his current one in Germany. McCarran would withhold action for a short time pending word of the outcome of CIA's representations to the State Department. Once more it appeared that a way had been found to terminate the messy business.

(b)(1)
(b)(3)(c)
(b)(3)(n)

Wisner and Inspector General Hedden met with Humelsine and one of his deputies on 30 June and there presented in the strongest possible terms the case for reassigning Davies. [Redacted]

(b)(1)
(b)(3)(c)
(b)(3)(n)

~~SECRET~~

~~SECRET~~

Davies Affair

But this time it was State's turn to balk. Humelsine reported the Agency position to David K. E. Bruce, who in Dean Acheson's absence was Acting Secretary of State. Bruce ruled that if the Internal Security Subcommittee possessed sufficient information to indict Davies, it should do so; but in the interim, State would stand by its man. Davies would not be transferred simply to placate McCarran. Hedden replied that he hoped that the State Department would at least intercede with the Attorney General to head off any presentation to a grand jury.

Although McCarran and some of his colleagues had by this time progressed beyond the point where any "deal" was possible. On 2 July 1952, while the CIA and the State Department were still negotiating about the possibility of relocating Davies, the subcommittee released its report on the Institute of Pacific Relations. Included was a 4½-page summary of the Davies case, complete with a staff memorandum forwarded to the Justice Department in February that detailed the apparent contradictions between the Davies and (b)(3)(c) testimony. The report stated categorically that Davies had lied in denying that he had recommended that CIA use certain individuals having communist connections, and recommended that the Justice Department submit to a grand jury the question of whether the diplomat had perjured himself. The historian can only wonder at McCarran's intentions eight days earlier in promising Pforzheimer to delay action until the Agency had had an opportunity to persuade State to reassign Davies.

A threat to CIA security now arose from a new direction. Justice, prodded by the McCarran subcommittee report, asked the Agency to open its files for inspection by the FBI. The State Department, receiving a similar request, quickly complied, but Agency officers, although realizing that their refusal would be unfavorably compared to State's cooperation, concluded that yielding in this manner would pose unacceptable risks. Repeated FBI requests to interview Kermit Roosevelt and (b)(3)(c) OPC officials who had conferred with Davies three weeks before the 16 November meeting, also had to be denied in the interests of security and on the grounds that neither had any independent knowledge of the case. Gradually the conviction grew among senior Agency figures that the Justice Department was seeking to saddle them with responsibility for Justice's failure to proceed against Davies. Assistant Attorney General McInerney's office had concluded that the evidence submitted by the McCarran subcommittee simply did not justify legal action, but realized such a ruling was certain to draw congressional ire. If the CIA could be portrayed as the agency that was withholding vital information, Justice would be off the hook.

Apprehensions about their personal vulnerability flourished among some of the Agency officers most closely involved in the affair. (b)(1)

(b)(3)(c)
(b)(3)(n)

By early July both (b)(3)(c) were discussing the feasibility of employing legal counsel. Reports circulated that General William

~~SECRET~~

Davies Affair~~SECRET~~

Donovan, the legendary head of OSS, might accept the case without charge. To still some of the rumors, the Agency informed [redacted] (b)(3)(c) that it would secure a lawyer for them at CIA expense.

Libel Suit Testimony

For the next several months it was possible to hope that such extreme measures would not be necessary, for the controversy slipped from the headlines amidst the news of the nominating conventions and the beginning of the presidential campaign. Then Smith inadvertently touched off a new furor in September while testifying in federal court in a libel suit brought by Senator McCarthy against Senator William Benton. McCarthy had worked Davies' name, immaterial though it was, into the proceedings, leading Smith to declare that he still considered Davies a "very loyal and capable officer." But this judgment was lost in the uproar occasioned by the DCI's offhand admission that he believed the CIA contained communists. He immediately denied knowing of any but added that simple prudence dictated that he operate on the assumption that the Agency had been penetrated. He would soon discover that not everyone was prepared to let him wriggle out of his careless statement so easily.

Less than two weeks later, the McCarran subcommittee published the hearings held during its investigation of the Institute of Pacific Relations. Included was the verbatim transcript of Davies' executive session testimony in August 1951. While still omittir(b)(3)(c) name, the record allowed outsiders a closer look into Agency operations than anyone in CIA desired. Then on 11 October 1952, the subcommittee announced that it had recently asked the Justice Department to review the Davies case again. Drawing attention to Smith's recent statement concerning possible communist infiltration of the CIA, the subcommittee observed that it had in the past acceded to the argument that CIA interests might be adversely affected by full disclosure of the evidence in the Davies case. But now, it continued, Smith's startling admission had drastically weakened the force of this argument. "In our judgment," the subcommittee concluded, "the national security issue involved outweighs the narrow interest of any one particular agency."

(b)(1)
 (b)(3)(c)
 (b)(3)(n)

Meanwhile, official proceedings in the John Paton Davies case continued. On 17 October, the State Department's Loyalty-Security Board issued the besieged diplomat another favorable review. Two weeks later, the President's Loyalty Review Board calle(b)(3)(c) to repeat his testimony concerning the

~~SECRET~~

29

~~SECRET~~

Davies Affair

1949 conference with Davies. Smith was summoned as well. Noting that he and Davies had worked together in Moscow, the DCI averred that neither by word nor action had the Foreign Service officer given any reason to look upon him in any way other than as a loyal, able public servant. In mid-December this panel, too, announced that it had found "no reasonable doubt" about the loyalty of Davies, and therefore endorsed the favorable recommendation of State's board. But it ominously added: "It is not within the province of the Loyalty Review Board to approve or disapprove of the wisdom or judgment of Mr. Davies as a Foreign Service Officer and we do not purport to do so."

Most Painful Aspect

For CIA the new year of 1953 brought not a fresh start, but further trials. The President-elect, General Eisenhower, had nominated DCI Smith for the number two position in the State Department. McCarran, sensing that this was his last opportunity to obtain testimony from the Agency on the Davies matter, quickly moved to place a hold on Smith's nomination. Under the rules of senatorial courtesy, this block had to be honored until McCarran lifted it, something the Senator let be known would not occur until he had received satisfaction on the Davies affair. CIA thus entered into the most painful aspect of what had been all along a painful affair.

Beginning on 13 January 1953, the McCarran subcommittee conducted an exhaustive eleven-day round of hearings. Smith, Wisner, (b)(3)(c) Houston, Pforzheimer, and a number of other Agency officers all received subpoenas, as did Kennan, Humelsine, and Admiral Hillenkoetter. These January hearings were unprecedented, and would remain so for another two decades. Never in the Agency's first quarter century, even in the aftermath of the U-2 incident and the Bay of Pigs fiasco, would so many CIA officials be hauled before a congressional committee in such a confrontational atmosphere. Old Agency hands repeatedly use the word "traumatic" to describe the demand that they discuss on-going operations with those outside the intelligence business. For a brief moment the crazed excitement of the McCarthy years threatened to cripple the CIA as it had the State Department.

A strategy session among senior Agency officers generated the decision that when the subpoenas were delivered, "service should be accepted and testimony given in the full spirit of cooperation." The ensuing days, however, brought rough moments which belie this air of amiability. (b)(3)(c)

(b)(3)(c) reported that the subcommittee's questioning was far more thorough and searching than it had been during his original testimony. Houston was again quizzed about his actions (b)(3)(c)

(b)(3)(c) Wisner was asked if he had consulted with anyone outside CIA about the submission of evidence in the case. Momentarily forgetting the White House meeting with Charles Murphy a year earlier, when Humelsine had attempted to secure a presidential order forbidding (b)(3)(c) to testify before the subcommittee, Wisner replied in the negative. Reminded of the conference during a recess, he then tried to amend his statement, leading to renewed suspicions that he was not being fully candid with the subcommittee.

(b)(1)
(b)(3)(c)
(b)(3)(n)

~~SECRET~~

Davies Affair~~SECRET~~

At one point in the proceedings McCarran noticed that Pforzheimer was following the testimony while referring to a batch of documents in his lap. Inquiring about these papers, the Senator was informed that they were diary entries and office memoranda compiled by the Legislative Counsel. "Put them in the record," McCarran ordered, sweeping aside Pforzheimer's objections that these were privileged records. An emergency call to the DCI avoided an ugly confrontation, for Smith, no doubt weary of the entire affair and desiring only to resolve the matter expeditiously, quickly authorized the unusual step of allowing Pforzheimer to hand the required materials over to the subcommittee. Never before had the Agency been forced to open its files in this manner, nor would it do so again for twenty years.

Smith's concession proved, as he later told Pforzheimer, "a blessing in disguise." Once the subcommittee had looked through the documents, Agency officers noticed an immediate and "remarkable" change in the tenor of the hearings insofar as CIA was involved. The confrontational atmosphere disappeared as McCarran and his colleagues came to appreciate that the Agency had been dealing forthrightly with them from the beginning. The requisitioned records established CIA bona fides in a way that oral testimony never could have. Shortly after receiving the Pforzheimer files, McCarran withdrew his hold on the Smith nomination, which then sailed with ease through the Senate. Moreover, the integrity of the Agency's relationship with McCarran and his staff was reestablished and fortified.

But not without a price, for during the hearings the Agency had been forced to lay itself bare in a manner without parallel, setting forth internal communications, operational plans, and tradecraft secrets in profuse detail. If the ultimate outcome was not as destructive to Agency interests as many had feared, the process nonetheless left an offensive aftertaste among CIA personnel. A new wariness, a faint sense of trust betrayed, crept into Agency thinking about its ties with Congress.

Designed to Draw a Noose

More immediately, the subcommittee closed its hearings by voting unanimously to ask the Justice Department to reconsider whether Davies should not be indicted for perjury. Agency officers were hardly surprised; early in the proceeding (b)(3)(C) had reported that his only definite reaction after being interrogated was a feeling that the whole affair "seemed designed to draw a noose around Mr. Davies." Davies' transfer to Lima in May 1953 did nothing to dampen these intentions, despite the fact that his reassignment was widely seen as a demotion meant to remove him from the public scrutiny that his sensitive position in Bonn brought him. With the conclusion of the January hearings, CIA's direct involvement in the case became less frequent, although McCarran continued to skirmish with the State and Justice Departments with some degree of regularity.

From time to time, Agency officers received reminders that the affair still held dangers for CIA. On 30 July 1953, the subcommittee directed that a transcript of the Top Secret hearings be forwarded for editing by the new

~~SECRET~~

~~SECRET~~

Davies Affair

DCI, Allen Dulles, in case it became necessary to make the record public. After reviewing the bulky manuscript, the Agency wrote Senator William E. Jenner, who had replaced Democrat McCarran as chairman of the Internal Security Subcommittee in the wake of the Republican victories the previous November, that the amount of testimony dealing with sensitive information pertaining to intelligence sources and methods was too extensive for routine editing. As a consequence, CIA hoped that public disclosure could be avoided. In September, DDCI Charles P. Cabell authorized turning the entire unexpurgated record over to the Department of State for use in its new security investigation of Davies, while noting the Agency's regret over further dissemination of this highly classified material. A short time later, Dulles approved a similar transfer to the Justice Department. In each instance, Agency officers bemoaned the risks implicit in permitting wider access to CIA secrets but felt themselves powerless to prevent it.

Inevitably, additional revelations trickled into the public domain. In August the Internal Security Subcommittee released a new report entitled "Interlocking Subversion in Government Departments," which included a transcript of (b)(3)(c) 1950 affidavit to the FBI. In November, Senator McCarthy delivered a widely discussed address critical of the Eisenhower Administration for not firing Davies. McCarthy noted that the McCarran subcommittee had asked the Department of Justice to indict Davies "because he lied under oath about his activities in trying—listen to this—in trying to put communists and espionage agents in key spots in the Central Intelligence Agency." A front-page article in the *New York Times* two days later discussed the Senator's charges and, in the process, brought them to the attention of people who would never have dreamed of reading a McCarthy speech. [redacted]

(b)(1)
(b)(3)(c)
(b)(3)(n)

Nor did this stop the hemorrhage of heretofore undisclosed information. On 9 December the *Times* carried another page one story, complete with a headline featuring the codeword "Tawny Pipit," identified as Davies' original designation for psychological warfare operations against the Chinese. The article quoted extensively from (b)(3)(c) testimony before the subcommittee. Two days later, *U.S. News and World Report* devoted 19 pages to what it called, in a cover headline, "The Strange Case of John P. Davies."

(b)(1)
(b)(3)(c)
(b)(3)(n)

[redacted] Finally, to complete this flood of public speculation and comment, George Kennan a few days later wrote a letter to the *Times* protesting the treatment accorded Davies and observing that his forced departure from governmental service "would be a serious loss to the public interest."

Meanwhile, new dangers loomed on the horizon. The Justice Department renewed its request to interview Kermit Roosevelt, despite the Agency's earlier refusal. More alarmingly, the Internal Security Subcommittee returned to the idea first broached the previous July of publishing an edited version of the

~~SECRET~~

Davies Affair~~SECRET~~

voluminous January 1953 hearings. Such a threat, if carried out, would represent the most damaging blow yet to Agency interests. The subcommittee testimony still contained a great deal of extremely sensitive material.

(b)(1)
 (b)(3)(c)
 (b)(3)(n)

Yet, over and above these arguments, wrote an alarmed Agency officer, "there remains the ever present thought that if CIA can be hauled up to testify before these Congressional Committees, and that such testimony, even though given in Top Secret Executive Session, would be subject to unlimited publication, or even edited publication," this could not fail to shake confidence in the integrity of the Agency's files and in its ability to protect its confidential information. This would be true particularly in regard to the Agency's relationships with foreign intelligence services. "The entire principle of operating a secret intelligence organization is involved in this point," this official warned.

Fortunately for CIA, the onrush of events made release of this testimony unnecessary. In March 1954, shortly after the Justice Department announced that the evidence did not warrant grand jury proceedings against Davies, Secretary of State John Foster Dulles requested that a special Security Hearing Board reconsider the case. The panel's hearings meandered through the summer, necessitating yet another round of testimony from Smith, (b)(3)(c) Davies, and others. In August the board recommended Davies' dismissal, not for disloyalty, but for having demonstrated "a lack of judgment, discretion, and reliability." On 5 November 1954, Secretary of State Dulles concurred in this recommendation. Career Foreign Service Officer John Paton Davies was fired. And with Davies' departure went much of the threat from Congress that had dogged CIA officials for nearly five years.

Lasting Damages

But Davies' discharge did not erase the damages the Agency had sustained during the long siege.

(b)(1)
 (b)(3)(c)
 (b)(3)(n)

Agency operations and activities had been subjected to minute investigation by outsiders with little appreciation of the realities of running an intelligence service. The Agency's ability to work in tandem with State had been seriously jeopardized, while for a bit the respect and trust CIA had carefully cultivated on the Hill had been threatened. To one degree or another, CIA projects, procedures, personnel, and policies had all been compromised.

~~SECRET~~

33

~~SECRET~~

Davies Affair

This unhappy outcome had not resulted from deliberate unfriendliness on the part of the McCarran subcommittee. McCarran himself had given ample proof in the past of his support for the Agency, and his actions even during this affair did not reflect outright hostility toward CIA, although he did distrust Wisner and Houston. On several occasions, he and his aides worked with the Agency to accommodate its unique requirements. (b)(3)(c) appearance before the subcommittee was delayed several times at CIA's request, [redacted]

[redacted] Moreover, the subcommittee, despite its threats to go public, sat on the Top Secret hearings of January 1953 for nearly two years without releasing them. But neither was McCarran, increasingly convinced of Davies' perfidy, prepared to allow his amiability with CIA to keep him from ferreting out disloyalty. CIA had the misfortune to get caught in the middle, between a Senator determined to drive Davies from government service and a State Department almost as determined to protect one of its own.

(b)(1)
(b)(3)(c)
(b)(3)(n)

Lessons

In reviewing this affair from the safety of thirty years, one cannot avoid being struck by the dangers inherent in the compartmentation which an intelligence organization necessarily requires. Wisner was poorly informed in his original meeting with Morris because reports of the 16 November conference had passed through OPC security rather than operational channels. As a consequence, the subcommittee counsel came away from his talk with Wisner convinced the Agency officer was lying and had something to hide. Similarly, OPC's failure to inform Pforzheimer (b)(1) placed the Legislative Counsel in an untenable position with McCarran and (b)(3)(c) Ferguson (b)(3)(n) without a doubt, OPC's failure to clear matters with the Agency's legislative liaison people [redacted] provides the most damning illustration of the hazards offered by compartmentation. As essential as secure compartmentation is to an intelligence service, these episodes emphasize the need for insuring that some centralized coordination takes place as well.

The Davies affair also provides a disconcerting example of how small incidents, each unimportant in itself, can snowball into major problems. Wisner was perhaps unnecessarily cool toward Morris, who came to believe (b)(1) the Agency was being less than fully candid with the subcommittee. (b)(3)(c) [redacted] (b)(3)(n)

[redacted] Smith made an impolitic but nonetheless reasonable remark that he had to assume the CIA harbored communists. Testifying in January 1953, Wisner momentarily forgot a meeting in the White House a year earlier. Although none of these unfortunate occurrences was of any great significance, each compounded those before it, crescendoing into a controversy out of all proportion to the cause. Even acknowledging that these incidents could be expected to trigger congressional reaction, one still marvels that they combined to present CIA with a full-scale credibility problem with several of the subcommittee members.

~~SECRET~~

Davies Affair~~SECRET~~

The historian reflecting on these matters returns again and again to the fickle role played by chance in this whole business. [redacted] (b)(1)

[redacted] (b)(3)(c)

[redacted] (b)(3)(n)

[redacted] Perhaps an element of poetic justice was at work here. It was CIA, after all, that had initially raised the alarm about Davies' loyalties. Later, when Agency officers desperately wished the issue would disappear, fate itself, so it seemed, conspired to thwart CIA desires.

Finally, the John Paton Davies affair reminds us how difficult it is, even under the best of circumstances, to reconcile the needs of a secret intelligence organization with the values and practices of a democracy. The American system of checks and balances guarantees built-in tensions between the Executive and Legislative branches. Added to these is the traditional American suspicion of power exercised clandestinely. As a result, the anomaly of a secret agency in an open society presents Congressmen of all political and ideological hues—those with the best of motives and those with something other than fully admirable intentions—with a well-nigh irresistible temptation to probe into CIA affairs. More than that, it demands that they do so.

As for the matter of Davies' actual guilt or innocence, this essay has made no judgment (although the author does possess convictions on the subject). What is noteworthy for our purposes is that the episode handed the CIA a set of managerial problems which for a time threatened to undermine its entire intelligence mission. In the end the Agency survived, thanks in large measure to a reputation for straight dealing and an ability to make concessions with grace once they had become unavoidable. But something had been sacrificed as well. Having lived through the trauma of a congressional investigation, Agency officers could no longer approach the Hill with the same sense of partnership, of shared purposes, that had prevailed during the initial years of CIA's history. Subsequent events would demonstrate that neither the Agency nor the Congress nor the nation was well served by this loss.

This article is classified ~~SECRET~~.

~~SECRET~~

