

INTERVIEW WITH HOWARD BERTSCH

Administrator, Farmers Home Administration

Interviewer: Paige E. Mulhollan

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[Mr. Bertsch was discussing his support of the Committee for an Effective Congress when the recorder was turned on]

B: I was contributing money to that outfit because I didn't have any real political home. And I saw [Sen. Geo. D.] Aiken was listed as one of the recipients of their support. I thought this was crazy because --

M: You're talking about the Committee for Effective Congress?

B: Yes. They try to pick some Republicans who are pretty liberal-- it's largely Democrats. Guess it's pretty hard to find liberal Republicans. Each year they pick out a couple--they picked [Sen. Thomas] Kuchel and [Sen. George] Aiken, and they also try to pick people who are having trouble collecting money and whose opponents have a lot of money. This was amazing me, so I called Aiken and said, "What's this?" He said, "Oh, I'm fine in the general election but it's in the primary. I've got a young man running against me and I'm just running hard." I found out later he had spent \$17 on his campaign and won 16 to 1 over his Republican opponent.

M: And that's what he called running hard.

B: That's a cliff-hanger for him.

M: That's the kind of politician that it would pay to be, I think, someone that has that kind of a base.

Let's identify, to begin with Mr. Bertsch, you and your career

here. You began your service with the Agricultural Department in the 1930's, I believe, with the Resettlement Administration. Is that correct?

B: That's true. I finished my graduate work after having finished undergraduate work in [Oregon] State College in 1931. I finished my graduate work at Kansas State University in 1932. I went back to Oregon State College, which was in my home town, served on the staff at the state college there for a couple of years, then in 1934, when the New Deal's programs came along and the professional staffing for them was, let us say, in short supply, I went to work as field officer for the Oregon Rural Rehabilitation Corporation, later to become the Resettlement Administration. The Resettlement Administration even later became the Farm Security Administration. I served in the Pacific Northwest in Oregon for the Northwest Region of Oregon, Washington, Idaho and Alaska. In 1947 I was invited to come to Washington as a professional member, or civil servant member, of the Farm Ownership Division of the Farmers Home Administration. The Farmers Home Administration Act had been enacted in 1947, late 1946, and that created automatically the Farmers Home Administration.

M: So you've been with this agency in Washington since it began with its present name.

B: I've been with this agency in Washington since 1947, except for seven years, 1954-1961, when I served as a representative for the Ford Foundation in Iran in the Middle East, doing essentially the same kind of work, advising the Shah of Iran on his land reform program

which, incidentally, has proved to be perhaps the most successful one in the underdeveloped part of the world. I also advised the Agricultural Bank of Iran on its restructuring and ultimately advised the government of Iran in other aspects of their economic development. I came back to the United States in 1961 and into this position as Administrator of the Farmers Home Administration under President Kennedy's Administration.

M: Could you compare roughly the Agriculture Department's operations and goals in the days of the Resettlement Administration with the goals of the Farmers Home Administration as it evolved over the years.

B: The Resettlement Administration was established by executive order by President Franklin Roosevelt. There was no legislative base for it, no legislative authorization for it. The funds for its administration came by transfer of funds from the Federal Emergency Relief Administration under Harry Hopkins. Franklin Roosevelt carried on much of government by executive order without any reference to the legislative branch whatsoever. In those days of extreme emergency in domestic affairs, this was considered certainly acceptable, if not--well, it was good government, in their terminology. The Resettlement Administration was concerned with dual problems: problems of drought in the country, the dustbowl was at its height. The other problem was the problem of depression: the economy was at its depth. The Resettlement Administration attacked this problem in two ways:

It made rural rehabilitation loans, small loans to farmers who were on relief rolls. Its sole purpose was to undertake to give farmers a different way of recovery than the dole.

M: These would be operating loans as opposed to ownership?

B: These were essentially all operating loans and very small in amount. They had one thing in common with what we are doing today; it was recognized that poor farmers--farmers who were in a depressed financial state--needed recapitalization somewhat, but at the same time they needed some advice, some technical guidance on the adoption of new technology that was already then coming into being and which had passed them by because they didn't have the capital to take advantage of it. We provided both the capital and this management advice which we called supervised credit. And supervised credit in the 30-some years ensuing has become the hallmark of the Farmers Home Administration. We knew then and we know now that when you're lending money to an applicant who cannot get credit from any other source, it's pretty obvious that you have to contribute something besides money. If money were the only answer, other lenders would be interested. So it's this management advice and planning that goes with our loans that make them repayable. It makes a man whom other people have determined is not a good credit risk, to us a good credit risk. The fact that it's paid off throughout the years, with eight or ten billion dollars having been advanced to such farmers for such purposes, losing only about 1% of the principal

advanced, indicates that this was a sound theory then and is a sound theory now. In addition to those rural rehabilitation loans, the Resettlement Administration had two other purposes: One was to retire from agricultural production the great deal of land, a tremendous mass of land, particularly in the West, which had been plowed during the war years, the preceding war years, first World War years, to grow wheat and which should never have been plowed, so that this was really the basic cause of the dustbowl. This was called a submarginal land use program. We bought hundreds of thousands of acres of that submarginal land, seeded it back to grass, and then we had the problem, the third problem, which was how to keep the farmers who were on that submarginal land in farming. And that brought up the resettlement phase of the Resettlement Administration. We established resettlement projects on good land--in good land areas--and made them available at cost, or less than cost sometimes, to the refugees from this submarginal land. These were the three arms of the Resettlement Administration.

M: You did attempt then to keep those submarginal farmers in farming in another and presumably a feasible area?

B: A more promising situation than continuing to farm submarginal land. It has worked out. The rehabilitation portion of it, the rural rehabilitation portion, kept many farmers off relief and took them off relief, made tax producers rather than tax consumers of them, and gave them personal dignity which they wouldn't otherwise have had.

The submarginal land purchase program restored to productive use, to most suitable use, hundreds of thousands of acres of presently most productive grazing land in the West, and established farmers-- whose future was very bleak indeed on those submarginal lands-- as productive farmers on good family type farms.

M: Compared to that, what are the major changes in the goals and the missions of the Farmers Home Administration today?

B: I suspect that the major change was that in 1947, after a three-year Congressional inquiry into the operations of the Farm Security Administration, basic legislation authorizing the Farmers Home Administration was enacted by the Congress. This continued the Bankhead-Jones Farm Tenant Act, which was passed in 1937, which the Farm Security Administration administered but which represented a very modest, pilot kind of approach. It authorized the rehabilitation loans. It removed our authority to create resettlement projects, and since the Submarginal Purchase Program was pretty much accomplished-- that was not continued. We just managed the land that had already been acquired until it was ultimately turned over to the Bureau of Land Management or to the Forest Service, whichever one was appropriate. Today we have a vast array of aids to not only farmers but to non-farm rural residents and to rural communities. Most of this legislation has been enacted, well, all of it has been enacted since 1961, and much of it has been enacted or improved since 1964. We now find ourselves administering a complete gamut of credit and supervisory

aids to farmers who can't get credit elsewhere and to nonfarm rural residents who can't get credit elsewhere. We've learned, you see, since 1961, that about four out of five of our rural people do no farming whatever. So we had pretty good farm credit institutions, and we had pretty good urban credit institutions. We had failed to recognize that the way American people were living had changed pretty much in the 1950's, so that by 1961, as I say, 80% of the people living in rural America didn't farm, so they didn't have access to either of these two types of institutions. We created one during the 1960's to meet the needs of these 40,000,000 Americans.

M: Is this what Secretary Freeman means when he says that the orientation of the Department has shifted from agricultural to rural during his Administration?

B: I suspect this is precisely what he means. The other great development in the last five years has been the recognition that if rural people are going to prosper individually, their communities must prosper. Their communities must have what President Johnson called "a parity of opportunity." A parity of access to the good things of life; a parity with urban America in water systems, good housing, sewer systems, recreation facilities. All these we took for granted for urban areas, but no provision had been made to help rural communities catch up or keep up. This is now all a part of the accepted functions of the Department of Agriculture and of the Farmers Home Administration.

M: Do you make loans now for these purposes to rural communities?

B: That's right. Last year we loaned a quarter of a billion dollars to rural communities for water and sewer systems; we made loans of \$60,000,000 for community recreation facilities to rural communities; last year we made nearly half a billion dollars of loans for housing to about 50,000 rural families.

M: Billion, not million. Half a billion?

B: Half a billion dollars. Yes, \$493,000,000. To about 50,000 rural families.

M: Nonfarms?

B: Eighty-five percent were nonfarm. This compares with a housing program that struggled along, limped along, at about a \$40,000,000 a year level until 1965. We're projecting an even more effective and far-reaching rural housing program in the years ahead. And all of this is being done without impact on the federal budget. I speak of our lending money--actually, what we do in the housing field is to insure the loans of private investors. This is also true in this community facilities field; it's largely true in most of our long-term farm loans. In 1961, 6% of this agency's loan level was accounted for by insured loans of private investors, and this year 64% of its loan level is accounted for by the private investors' making the loan subject to our insurance. So we've transferred a great rural credit arm of the Department, transferred it largely through President Johnson's support and leadership and enthusiasm, from the public sector to the private sector, so far as financing is concerned.

- M: President Johnson has been directly interested in making this change from direct loans to insured loans?
- B: He has not only been directly interested, but he has been a real motive force in it. He has two weapons to use: one is to limit the access of an agency to federal funds; and the other is to stimulate that agency to nevertheless somehow meet the need. If you're being prodded on one side as a bureaucrat like me, to get a job done, and on the other side not to use any federal funds to do it, the only gate open to you is the gate of private investments subject to federal insurance. This is one we've taken with great success.
- M: Do the private investors make loans on the same favorable terms that you make direct loans?
- B: In our insurance operation we actually originate and process the loan and then sell it to the private investor. The statutes under which we operate fix the maximum interest rate that we may charge a borrower. That's somewhat below--slightly below--the interest rate which the private money market today requires. So we pay a premium interest rate; we pay now about 3/4 to 1% premium; that is, we pay the investor that much more than we collect from the borrower.
- M: This expense is from your monies or your funds, not from the borrower?
- B: That's right. This is the federal government's contribution to the social purpose of all our programs. By this device, we can get about a hundred million dollars of private investment which otherwise would not be made in rural America each year. Every hundred million

dollars of such investment costs about 3/4 of 1% of that amount.

This is a pretty good way to stimulate rural development-- a pretty economical way and a pretty practical way from a government budgetary standpoint.

M: Is your agency one of those that is self-sustaining in the sense that your income from outstanding loans is adequate to pay the administrative costs of the agency?

B: It probably is, but we've avoided representing it as so being, because we believe that this supervisory or guidance or training or developing aspect of our effort is more in the area of adult education than it is in money-lending. We believe that we shouldn't try to sell this program to the public on the basis that it's self-supporting. We believe this program ought to be continued even if it weren't self-supporting. We believe that the building of character and experience and competence on the part of a lot of people, who never had an opportunity to develop such competence and such dignity of living before, warrants a pretty substantial investment by society. Simply measuring the interest-income of the Farmers Home Administration against the administrative expense would be a misleading figure. We'd have to add all the other outputs of the program, one of which is an increased tax-base in every community in which we operate--increased income taxes by those people who increase their incomes from an average of \$4,000 a year to an average of \$20,000. This is hard to calculate, and so we don't undertake

to justify the Farmers Home Administration on the basis of being a money-making scheme for the American people. Although we believe its virtues are recognized widely enough. We do have wide support now in the public area.

M: There was considerable attack at the time on the Resettlement Administration for its social purposes. Do you feel like the social purposes of the Farmers Home Administration are as extensive as the social purposes of the Resettlement Administration originally were?

B: I think the primary difference is that our social purposes are now endorsed by Congress. They've been authorized by the Congress, by legislation; and this makes us partners with the Congress in a great social effort. One in which they set the limits, they prescribe somewhat the methods, and each year we report our stewardship of this through the Appropriations Committee to the Congress. The Resettlement Administration had no such legislative base. There was no feeling of partnership on the part of the Congress with what was being done; and, there was no regular reporting of the stewardship of the program. I think essentially--well, there were some imprudent practices, let us say; at least, in those days, imprudent for that time. Many of them have since been endorsed by the Congress in some form or another--not all of them--but what we're doing now in the Farmers Home Administration is in complete cooperation and under the authorization by the Congress. I think all of us in the Executive Branch, all of us here in the Department of

Agriculture, certainly guard this legislative authorization very carefully, because we don't want to let anything happen to the relationship we have with the Congress. There are many opportunities for any administrator to circumvent a little bit what he knows to be the intent of Congress. You can't write a law with such precision that you anticipate all the possibilities upcoming under it. We know in our hearts what the Congress intended to authorize us to do and what they intended to prohibit us from doing. We read the legislative history of any piece of legislation. We know what the committees of Congress and the Congress as a whole had in mind. And it's our responsibility to so write our regulations as to achieve those purposes. We try to do this-- doing this, criticism is minimized.

M: One of the great critics, I believe, of the Resettlement Administration-- was the Farm Bureau. Is that relationship still somewhat strained at times, or are they now supporters of this type of program?

B: I remember the years of Ed O'Neal [Edward Asbury O'Neal, 1875-1958] as president of the American Farm Bureau Federation. For a long time he was one of the supporters of the New Deal programs, and then something happened. I wasn't close to the scene at that time that this break took place, and the Farm Bureau became very vitriolic and vigorous critics of the Farm Security Administration. It probably had a good deal to do with the investigation that went on of that agency which resulted in the Farmers Home Administration Act.

Today, the American Farm Bureau Federation each year has passed a resolution (each year, at least in the last four or five) saying they approve of the Farmers Home Administration, and they see a place for it. They're not as wholeheartedly in support of our activities with nonfarm rural people or rural communities; they believe that we should perform as little in the field of farm credit as possible and limit our activities to farm credit as against nonfarm rural credit. They believe that the Farmers Home Administration was intended to be a standby credit source in the case of emergency. They've never fought us in the last four or five years; they do not ardently support us. All the other farm organizations are, I would say, quite ardent supporters of the things we're doing, and many of the state farm bureaus resolve each year at their annual conventions in favor of the things we're doing on a broad base. This is really a philosophical difference rather than an argument about how we do things. The Farm Bureau still philosophically believes that government ought to participate in the affairs of man as little as possible, and somehow things will work themselves out. We participate a good deal more than that, and we always have some arguments with those carrying the philosophy that the best government is the least government.

M: I understand that a lot of your programs are aimed by statutory requirement at what they call the family-sized farm. Do family-size farmers know about the services that they can get from the Farmers Home Administration? How do you inform them about what they can get?

B: We feel that we have a responsibility for advising people of the availability of services from their government. On the other hand, we believe that it's contrary of the intent of Congress that we flagrantly and blatantly solicit business, because that always leads us to a potential conflict with, an encroachment upon, the fields of private investors. This seems to present something of a tightwire for us to walk and I would say that our information program--our device for letting all farmers know of the availability of services--is somewhat limited. For example, we don't advertise in the local press; we don't buy spot commercials on rural television and radio stations. We do, however, believe that doing good work in a community is perhaps our best advertisement. Neighbor-to-neighbor, man-to-man communication. A man who gets a new house in a rural area tells his neighbors how he got it, and thus the word spreads. Certainly we have more people who are entitled to our services, knowing about the availability of our services, than our resources both in manpower and in funds will enable us to serve. There are those who believe that we do not yet adequately communicate with those people most in need of our services. I'm sure this is to some extent true. We do have this rather sensitive problem of letting folks become aware on the one hand of what we're doing; and still, on the other hand, not be flagrant solicitors of business.

M: The reason I asked that was because one of your recent authorizations, I believe, is to make small loans through the Office of Economic

Opportunity. These are to the people who presumably most need the loans. Is there a program for familiarizing those who are eligible for that program with the program?

B: We've used extraordinary information devices in connection with the economic opportunity loan program, the small rural loan program, which was authorized by the Economic Opportunity Act of 1964 and delegated by the Office of Economic Opportunity to the Farmers Home Administration to administer. This is for the exceedingly disadvantaged in our rural areas. Being exceedingly disadvantaged also means that they are exceedingly hard to reach. They are harder to reach than an average clientele would be. We've had to use extraordinary methods; we've used the clergy in rural communities; we've used community action agencies who are particularly well acquainted with the rural poor; we've used the county and state welfare institutions and used their channels for reaching the poor with information about these programs. As in all our other programs, we've perhaps overdone it a bit because each year, about the middle of the year, we run out of funds even for those people.

M: How extensive have those loans under that particular program been?

B: We've made loans to 65,000 rural families below the poverty level, totalling nearly a hundred million dollars since January 1, 1965. Our records indicate that these people have an average increased spendable income of about \$525 a year. That's not very much, but for people earning from \$800 a year to \$1,500-\$2,000 a year, a \$525 increase in spendable income is quite something. We know and

take quite a lot of satisfaction out of the realization that the members of 65,000 poor families around the country are jingling a little money in their pockets because we were there, and we're gratified by it.

M: Is what you're attempting to do here part of what is called "a rural-urban balance," trying to keep the family farmer on the farm rather than having the city drain him off, as has been the case in the last couple of decades?

B: We're undertaking to make a contribution to a better rural-urban balance. I believe, and I'm sure Secretary Freeman believes that the people of this country are entitled to a choice. They're entitled to a rural alternative to urban, metropolitan, impacted, polluted, tension-building living. You see, the problems of our cities didn't start in our cities. They started because for a couple of decades before 1961, we pretty well ignored the problems of our rural areas. We didn't solve rural problems where they were, and so they were transferred by migration. During the decade of the 1950's, a million rural people a year migrated to urban communities. I read the other day where this was the largest single migration in the history of man and practically not at all recorded by the historians. I'm sure it's more voluminous, just from the standpoint of magnitude, than the children of Israel going out of Egypt. But we didn't pay too much attention to it until strife took place in our cities. Then we realized that something fundamental was wrong and we were looking at symptoms, not at diseases, not at the real causes. The more we looked, the more we recognized that we'd let our rural areas deteriorate;

we'd ignored their needs. We believe that, if we built the kind of rural communities and the kind of rural life that's comparable to the amenities that one expects to find in the cities, this migration could be slowed. We've worked at it for seven or eight years and found out that our ideas were right.

M: You mean, the trend has slowed?

B: The trend has slowed. You know, during the 1950's, the annual migration, as I said, was about a million people. During the last three years, interim studies show that the trend is down to about 135,000.

M: Thirteen percent of what it was?

B: That's right. This is quite a change. I think it can actually be reversed. Gallup did a study a few months ago in one of his surveys. He asked the people surveyed where they would like to live, if they had a choice, and 57% of the people in this country said that they preferred to live on farms in the open countryside, or in small towns and villages rather than in metropolitan areas or their suburbs. You know, only 30% of the people live on farms and open countryside or in small villages. If 57% would like to and only 30% are, there could be quite a migration out from metropolitan America and its suburbs. President Johnson has made it clear time after time that he believes in the right of people to choose where they live, and to have an opportunity to make a good living there, and to live with dignity and enjoy the amenities of life. And not be forced by

circumstance to live where they don't want to live simply because that's the only place they can get a job, or that's the only place they can get a house, or that's the only place they can have the amenities of inside plumbing or good safe water. That's almost the situation we found in this country at the beginning of the decade of the 1960's. Progress is being made.

You know, a survey I saw the other day showed that in 1960, the larger the place, the higher the rate of new plant locations, and the larger the place in 1960, the higher the rate of new job opportunities. But by 1967, this had completely reversed. It's an absolute perfect correlation. By 1967 the smaller the place, the higher the rate of new plant locations; and the smaller the place, the higher the rate of new job opportunities. These are results that certainly even we didn't expect to achieve in so short a time.

M: But they are the results of conscious policy?

B: I think they are. I think they're the results of substituting a policy for a total lack of policy. I think that nobody had a policy to promote migration to urban areas, but nobody had a policy of any sort about the distribution of people in the United States. And now, we're beginning to develop one, and I would say that President Johnson's policy pretty clearly enunciated is that people ought to have a chance to live where they want to live, and make a living there.

M: But your intent is not then to save the (for want of a better term) "family farm" so much as it is to rehabilitate the rural area in an industrial sense?

B: We all know that agricultural technology has reduced the number of

job opportunities on farms in rural America, and that agricultural technology hasn't run its course yet. There will probably be fewer people employed directly in agriculture in the next ten years, somewhat fewer, than there are now. But agricultural America and rural America should not be confused. There are opportunities for rural development, not necessarily agricultural development; rural job opportunities, not necessarily agricultural job opportunities, which this Administration and Secretary Freeman and the Department insist be exploited, be developed, be encouraged. The results of this concentrated effort, I think, are being felt. I saw a survey the other day on Tennessee: 89 rural counties in Tennessee had lost population every year, according to studies made consistently by the University of Tennessee, for 30 years. In the last three years, I think 45 of those 89 rural counties had reversed that population trend. And they had gained population for the first time over the last three-year period. This accounted for all the differences between the birth-rate and death-rate, and what not, and represented purely the question of in-migration. We can measure this as a result of the Rural Water District Bill that was passed in 1961 and amended significantly in 1965 which started us down the road of providing clean, domestic water under central systems in rural communities.

M: I'm from Arkansas, a state where this same thing has happened--a reverse of population decrease.

B: Arkansas is the second state, and there the State Bureau of Business and Commerce, I believe it is, tabulates these statistics. I like to

see statistics on this thing tabulated by some relatively independent outfit like the University of Tennessee or the State Department of Commerce in Arkansas so that we know that our biases and aspirations are not influencing the results.

M: How about the program, I believe you have, of making loans for recreational purposes? Has this been important in this process of reversing the population-loss of the countryside?

B: I think it's tremendously important. Again, we only insure the loans of private investors in this area, but we believe that if you're going to build amenities in rural communities commensurate with those in urban centers, you've got to consider recreational along with the others. We do about \$30,000,000 of this business a year; we have insured loans for the establishment of little league ballparks in rural communities where kids never had an opportunity to participate in little league baseball before. This made it a better place for people to live and parents to raise their kids, and we got people moving back there, because there were opportunities there. We have financed the building of a good many rural community, nonprofit golf courses. We know of a number of examples of substantial industrial establishments taking place in rural counties, purely rural counties; and when the management was queried as to why they chose that site over another one, they said "because there was a recreation facility available here for our people to enjoy and we can keep good management and good top-level supervisory personnel living in this community,

because of that golf course over on the hill." So it is important.

M: Is the same thing true with the loans you insure for housing for elderly people.

B: Yes, nonprofit associations are qualified to get rural rental housing loans from us. For a while it was limited to senior citizen housing, pretty largely in that category; yet the whole field of decent housing for rural communities has been sadly neglected until the last five or six years, but we're moving ahead now. And President Johnson has asked for a ten-year program which would result in six million low-and modest-income families being moved out of disreputable and deteriorated housing into adequate but modest housing.

Half of the bad housing in the country is in rural communities.

Only a third of the people live there, I remind you, and if half the bad housing is there the frequency of rural people living in bad housing becomes about twice as great as that of urban people living in bad housing. If three million, and this is about right, of the inadequate houses exist in rural America--if we get those replaced and take care of the new family formations that are going to take place in the next decade, if we take care of some families migrating back to where they want to live in rural areas from urban areas, this means 300,000 new homes a year. I was boasting a bit awhile ago about getting up to 50,000. This means a six-fold increase right away, if we're going to achieve this objective. And we're setting our sights in this direction. I think this Administration will be--I'm sure, everybody has a different name for it; I've

heard my Senator from Oregon, Wayne Morse, refer to it as the Education Administration; I think of it as the Rural Development or Housing or Rural Housing Administration. More incentive has been given us to move in the right direction by this Administration than anything that has ever happened to us before.

M: Can and does an individual President importantly influence the way an Administration such as this one operates, or a Department such as the USDA operates? Does it take on the stamp of an individual President in an important way?

B: That is difficult. I think that an individual President can very quickly and easily discourage innovation and concern in the Executive Branch. Certainly, you'll rarely get Congressional action on items you don't ask for. Clearly, in the operation of the Executive Branch, one's not permitted to ask for things in an individual agency for which the President doesn't find a suitable slot in his total Administration program. Oh, I think undoubtedly, the answer is yes. A President of the United States has a tremendous influence on the course the country takes. He either encourages his subordinates, lieutenants, to move in a constructive, progressive direction, or he discourages it. The most amazing thing that has happened in the last ten years in this country, the past five years in this country, even with the Vietnam War dragging on our economic necks like an albatross, we have still done more in the field of domestic programs, in education, in health improvement,

aid to the disadvantaged, fighting poverty, rebuilding rural communities, than in all the rest of my experience and in all the rest of the history of this nation. This is due, I believe, almost exclusively to the inspiration, to the determination, or at least to the sanction--and that's the mildest word one can use--by the President. I heard a story about the Director of the Bureau of the Budget and the Secretary of Agriculture being down at the Ranch in Texas not too many months ago when this water program was being discussed. The Secretary, with my admonition ringing in his ears, said, "Mr. President, we just can't cut this rural water program." And the Director of the Bureau of the Budget said, "Mr. President, we just can't finance this rural water program."

And the President said, "You two fellows get out of here and find a way to carry on this rural water program without impact on the Budget. Now, you're both smart men and you've been around a long time, so you figure out how to do it. I want this program vastly expanded without any impact on the Budget."

It was quite an assignment, but you know we're getting it done and legislation has been drafted and sent to Congress in the late days of this Congress, and it will be enacted in the next Congress regardless of what Congress it is. But under a less concerned Executive, a decision would have been made and nothing would have happened. So, I'm dead sure that much of what we've accomplished, we've accomplished either with the sanction of the President or more accurately under the goading of the President. I shouldn't

act as though I've had a lot of experience with a lot of Presidents. I've served as a Presidential appointee under President Kennedy and President Johnson. I've been a fortunate guy. Both of them have been the kind of men who seriously and sincerely and imaginatively wanted to move ahead on sound and solid fronts. They not only permitted one to advance his programs, but they encouraged him to--in fact, they demanded that he do it. This is a stimulating and challenging kind of an Administration to serve in.

M: Did the two Presidents operate differently insofar as your personal experience with them was concerned--Presidents Kennedy and Johnson? Technique? I mean their manner of getting things done?

B: I never personally knew either President Kennedy or President Johnson. My relationship with both of them, as Presidential appointee, was always at this professional level. Whatever their methods were, whenever they got down to me, they came out about the same in much the same way. President Johnson--of course, I have been serving him longer than I was permitted to serve President Kennedy--if anything, I think his domestic concern is greater. Certainly his rural background, his rural upbringing, makes him more familiar with and more comfortable with rural problems and rural affairs. This has caused him to give a little extra push, I suspect, where rural issues were concerned. We have made tremendous achievements in the whole recognition of rural problems and the achievement of rural prestige. When the President of the United States makes

it clear that he is from rural America and that he will return to rural American and he applauds rural America, this gives everybody who lives in rural America a little added dignity and a little added prestige. It's so much better than finding out he lives on the 70th floor of the Waldorf-Astoria. I think of many, many evidences that President Johnson has given great rural emphasis in all his approaches. Now, I'm not answering your question.

M: Do you have a specific instance where you've come in contact with President Johnson as an individual, as a leader, that might enable you to recount an example of the kind of person he is?

B: I suppose the most pertinent one is the situation that occurred in 1965 after Senator [George] Aiken and Congressman [William R.] Poage sponsored amendments to the Rural Community Water District Act, which was originally written in 1961. Senator Aiken was invited to bring guests along on Air Force One and fly with the President up into his state of Vermont. I was also invited to go along. We had just closed the first loan under this Act for a district called the Tri-Town Water District in Vermont. It happened to be Senator Aiken's 70th birthday, the President recognized this and had a birthday party for him aboard Air Force One and cut a big birthday cake. But as we disembarked from the plane at Burlington, Vermont and took helicopters and flew over the area--this was as close as I've ever been to President Johnson for any extended period of time--I sat next to him as we flew over this countryside in the helicopter

pointing out the route of the water system--the President talked to Senator Aiken about Vermont and its farm problems. He identified the problems of Vermont farmers, particularly the dairy farmers, as we flew over those dairy farms. And he showed something else rather remarkable. This was an Administration bill, pressed by President Johnson, but he convinced Senator Aiken, who recognized its application of his state, to sponsor it in the Senate and convinced Congressman Poage of Central Texas, the Chairman of the House Agricultural Committee, to sponsor it in the House. And when the bill signing took place, I was invited over to the White House, they had quite a ceremony. And when the President handed the pen to Senator Aiken after signing the bill, he said, "George, this is your bill." He has always referred to it as the Aiken Bill, and he gave Senator Aiken all the credit for the fact that 93 Senators co-sponsored this bill in the Senate. He could have taken the credit for the Administration for this bill and ignored both the Senate and the House, but he--

M: And he would have been actually within his rights doing it?

B: Oh, yes, he would have been completely accurate. And I suppose that a man less wise and less sensitive to other people and their pride in their work would have left the Senator out of the picture. It demonstrates, it seems to me, a basic decency and his instinctive understanding of other people and their feelings that caused him to handle this bill signing as he did. Remembering all the time that Senator Aiken was rather vehemently and vigorously opposing

the President's Vietnam policy, my Senator, to whom I referred before, Senator Morse of Oregon--

M: And mine, in Senator Fulbright--

B: And yours--they have taken strong positions against President Johnson on certain issues, but this has in no way blinded him to the areas in which they have agreement--the areas in which they do agree. This has caused him to keep their friendship, in large measure to keep their respect; he still appointed Senator Morse not long ago to arbitrate a most difficult labor problem, which again he didn't have to do. He has been able to always, it seems to me, winnow the disagreements from the areas of agreement, which is the mark of not a politician, but the mark of a decent human being. I've experienced some of the other side of President Johnson a few times. I know that he can be a tremendously demanding taskmaster. We had a piece of legislation before the Congress which did not concern the Farmers Home Administration but did concern the President and the general balance of payments position of the country, the budgetary condition of the country, very much. It was the Participation Sales Bill.

M: Participation in sales?

B: It was sales of participation certificates. The authorization by the Congress of the Executive Branch to sell participation certificates against government assets. For example, we have had two or three billion dollars of accounts receivable represented by notes of our

borrowers. We could sell those to the investing public and realize an immediate cash return and let the investing public carry the balance of these accounts. We could sell participation in those notes, and by this device, pump a lot of private money into the public sector without budgetary impact. This act affected other agencies of the federal government a great deal more than it did ours. We weren't really deeply involved in it; the Treasury Department had handled this bill, had written it, and they were handling the discussions of it. But when it became apparent that an agricultural bloc in Congress had doubts about the wisdom of this bill, we were asked simply to explain to key members of the agricultural committees, and from agricultural districts, what this bill really would do. When we did it in a casual way and did it as time from our other duties would permit, I will never forget the admonitions that came directly from President Johnson saying, "Get with it, boy, I didn't mean next week, I meant now. What have you done so far today?" And I knew that this time he meant business and we dropped other things and went to work on it.

M: You got the idea that he was paying direct attention to what you were doing?

B: I knew that he suspected at least that I hadn't fallen into line totally on this effort. And it was an effort that redounded to our benefit, but as I say, primarily to other people's. But he made a team, an Administration team, out of everybody involved, which is the way it has to be. I feel very strongly, from a governmental

point of view, that the Executive Branch must be responsive to the political leadership of the country. This is one of the things that concerns me a little bit about the broad civil service, the career civil service. You see, if the American people vote a change of Administration, they in effect ask for a change in the way their government is conducted. Since their government is largely conducted by the career civil service, then if the career civil service is not responsive to the political leadership they in effect can veto the will of the American people in putting that political leadership in control. I think it's the responsibility of those in the mid-group, in the non-career group-- I've spent most of my life in the career civil service group. Now, I'm out of it. I think it's very, very important that we be responsive to political leadership so that the will of the American people is expressed. You see, there's only one man in the Executive Branch of this government who puts his record on the line every four years and puts it up to a referendum by the American people, and that's the President. I don't have to run for office; I never have to ask the people whether they approve of how I'm administering the Farmers Home Administration. But the President does have to ask the American people every four years if they approve of the way he's running their country. And if they don't approve, they get someone else to do it. But if I just keep on doing the Farmers Home Administration business in the same old way, even though the American people by their selection of the

President have said "We want it done differently," in effect I'm vetoing the will of the American people. And this is the position that the career civil service is really in and they can do this. The only way to correct it, the only way to avoid this veto, is by persuasion really. I think that this means that those of us in this non-career group must learn first how to persuade appropriately, and then take the responsibility for persuading change very, very seriously. I've undertaken to do this, and I think the fact that my organization has increased five-fold the investment that we've been able to make in rural America since 1960--this agency invested \$300,000,000 in all facets of rural America in 1960. In 1968 we invested \$1,300,000,000 with about the same people.

M: With about the same employees of your own agency?

B: Essentially the same folks, with some new people added, but pretty largely the same career civil servants who were here in 1960 are here in 1968. But they're doing things in a much different way, because the President and the Secretary of Agriculture and I asked them to and persuaded them to. And I think the Farmers Home Administration program of today is a vastly different program than it was in 1960, and it didn't need to be. If the 6500 career employees which we have in the Farmers Home Administration had made up their minds that they knew better and that they would do it the same old way, then they would in effect have neutralized the voice of the American people in the election of 1960.

- M: Do you think the President himself played much role in convincing the civil service career people that they should support actively his directions, or do you think that the middle people--?
- B: I think the President does it in a normal chain of command sort of way. I think he impresses his will and wishes upon the Cabinet members, and they upon their agency administrators, and then they check-back, to see how well we're able to persuade. That's why I say I think administrators must be masters at the art of persuasion. Unless one can convince people in the career civil service by persuasion that changes need to be made, the President can make all the promises he wishes to the American people, and the American people can make all the demands they wish upon the President, but nothing happens.
- M: Obstructionism can be theirs if they want it to be.
- B: Not necessarily deliberate obstructionism, but just passive non-compliance or nonaction. I'm sure that in some facets of every government, federal, state, or local, this takes place. I think that one can see it in his school district at home. You get a new school board elected and they get elected on promises of changing certain things, and the school principal and the school superintendent decide that what they did last year is good enough for them, and nothing takes place of any difference in the school. This somehow or other means to me that political leadership must be recognized for what it is and supported for what it is, which

is a reflection of the wishes of the people at election time.

M: Mr. Bertsch, you've been more than helpful. I can't end here without asking if there is anything that I haven't uncovered that you would like to add to what we have said.

B: I think I've talked as though I knew a very great deal more about President Johnson than I actually do. I want to reestablish my credentials, or my lack of credentials, and say that I never through these years have been a personal associate of the President's. I've been to ceremonies with him; I travelled that one trip to New England with him; I made a very interesting trip to eastern Kentucky several years ago with Mrs. Johnson when she made, I think, her first trip into the eastern Kentucky area of the Appalachians to look at the problems of poverty in eastern Kentucky. I was with her all that day and it was a delightful day, and I think she reflected pretty much the attitude of the Johnson family. It was certainly an attitude of genuineness and sincerity and real concern and great energy. I nearly walked myself to death trying to keep up with her, walking through the hollows of eastern Kentucky. But these have been my only personal associations with the First Family. I don't know that one's evaluations or judgments are any less valid; they may even be a little more objective by the remoteness expressed here.

M: Certainly the people who worked for an agency in which he's interested have a good opportunity to see him in action and in a sort of detached way, not involved with personal admiration or personal dislike.

B: My experience has been that he knows how to use the chain of command and uses it. There's conversation about his telephone habits, how he phones relatively minor officials at the drop of a hat or in the middle of the night and asks for information or for action. Our experience has been that our communications from President Johnson have come through Secretary Freeman through channels. This doesn't mean they've been diluted or that they've been any less effective or any less understandable. That simply may be because Secretary Freeman understands the chain of command so well himself and passes it on without dilution or distortion. But I think we've had good leadership for our program, the kind of leadership that an administrator ought to relish and actually wallow in. We've been doing our best to take advantage of it. It has been the most stimulating and exciting period of my life these last five years and I've had a pretty stimulating and exciting life.

M: Thank you very much, Mr. Bertsch, for cooperating with us.

GENERAL SERVICES ADMINISTRATION
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Gift of Personal Statement

By Howard Bertsch

to the

Lyndon Baines Johnson Library

In accordance with Sec. 507 of the Federal Property and Administrative Services Act of 1949, as amended (44 U.S.C. 397) and regulations issued thereunder (41 CFR 101-10), I, Howard Bertsch, hereinafter referred to as the donor, hereby give, donate, and convey to the United States of America for eventual deposit in the proposed Lyndon Baines Johnson Library, and for administration therein by the authorities thereof, a tape and transcript of a personal statement approved by me and prepared for the purpose of deposit in the Lyndon Baines Johnson Library. The gift of this material is made subject to the following terms and conditions:

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