

INTERVIEWEE: ROGER BLOUGH

INTERVIEWER: JOE B. FRANTZ

July 29, 1971

F: This is an interview with Mr. Roger Blough in his office, 14 Wall Street, New York City. The interviewer is Joe B. Frantz, and the date is July 29, 1971.

Mr. Blough, just to get started, when did you first meet Lyndon Johnson, do you have any memory?

B: I probably met him while he was still a senator on several occasions, but I really had no personal acquaintance with him at that time.

F: You never had to appear before any investigating committees that he was head of?

B: I had to appear before a number of investigating committees, but I don't believe that he was on any of them that I appeared before.

F: His interests ran a little differently, you know, in the Senate from the sort of things that you would have been testifying before.

Did you take any role at all in the 1960 election campaign beyond just an ordinary citizen?

B: The 1960 election campaign?

F: That's the one between Nixon and Kennedy, with Johnson of course tagging along as Vice President?

B: No. I made a contribution to several of the candidates there, but I took no active political role.

F: When you had that problem with Mr. Kennedy--you and the whole steel industry--on the price cutback, was Mr. Johnson's hand at all visible in that as Vice President?

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B: My recollection is that Mr. Johnson was one of those who supported President Kennedy's position publicly, but I don't recall him as being very active in the matter. I'm sure that I had no interviews with him or any discussion with him at the time. I'd have to conduct some research to find out how much of a part he did play, but my recollection at the moment is that his part was a minor one. I expected that he would support the President in what the President was saying and doing. But I doubt very much whether President Johnson thought of himself as being one of, let's say, the inner Kennedy circle. And under the circumstances I doubt also whether he was called upon to do very much.

F: Did you come to know him during the vice presidential days?

B: Yes, a little--a little better, I should say. He was the chairman of the--what was the name of the committee on fair employment?

F: Equal employment.

B: Equal employment committee. We saw something of him in connection with that. My recollection is that on one occasion there was a White House meeting while President Kennedy was still around, and that President Kennedy spoke, but that Lyndon Johnson was the one who really conducted the meeting.

F: Did you ever meet with him privately at this time, or was it in groups like this?

B: I can't recall meeting with him privately until after he became President.

F: In this Equal Employment Opportunity Commission role, did you get the feeling that he was committed to some sort of a really fair employment idea or that he was just going through the necessary motions because of

political position?

B: My impression was that he was trying to do a good job and was interested in equal employment. I must say that at that particular White House interview that I'm talking about, or meeting, President Kennedy surprised me a little. He made several remarks which indicated, and I believe this was in 1963 possibly, that he thought perhaps this matter had gone rather far and that there were two sides to the equal employment question. I got the impression really at that point that Johnson was pushing the matter perhaps a little harder than Kennedy was.

F: Did Johnson run a fairly taut meeting? Did he let everybody talk? What was the meeting like, the general tenor?

B: I had many meetings with Johnson, which I'll talk about later, but this particular meeting I supposed was attended by fifteen or twenty businessmen. My recollection is that we met in the East Room and that it was a very informal meeting. It was an effort to get cooperation from business on this matter. My impression of the way the meeting was conducted was quite satisfactory. I don't know exactly how to interpret the word "taut" in your question, but, no, I would say it wasn't a taut meeting. It was informal, rather easy-going meeting, but an earnest meeting.

F: Did you find that Johnson seemed to be able to grasp the realities of the business scene? Did he understand the workings of businessmen?

B: My impression of Lyndon Johnson is that, of all Presidents that I've known since Hoover, he understood the business problems better than anyone of the other Presidents. And I'm including President Roosevelt, President Truman, President Eisenhower, and President Kennedy.

F: You could talk to him then in a straightforward manner?

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B: Yes, without question. I don't know where he picked up all of his knowledge of business. But I would say that in the first year or two after his assumption of the presidency his relationship with the business community was really quite good.

F: Right after he became President there was some talk of a price rise. This was in the summer of '64. He made a very thinly veiled warning against such action. And right after that when U.S. Steel cut prices on its raw steel, did Johnson ever seem to be an anti-business President to you? Did you fear the man in the White House?

B: I'd like to interpret your question this way--

F: Yes.

B: As a desire to do something adverse to business, no. I think personally he relied upon business and upon businessmen. He knew where the tax support for the government came from, and he also knew that in the total community of people in the United States there were a number of businessmen who could be helpful in more ways than one. I think he also had a sense of the practical so far as businessmen were concerned--and businesses--and knew that there were some things that had to be done.

For example, I recall--I think it was in '64--that he perhaps spoke to the Business Council or to one of the groups that I was associated with in which he laid great stress on the then-improvement in business and the fact that profits had come up considerably since 1961, which at that time was true--not necessarily very true with respect to the steel industry, but taking industry in general it was true.

When you go further with your question though, and ask whether

businessmen thought his attitudes were always right from the standpoint of business, I'd have to answer that with reservations because that gets into the questions of the desirability of certain policies that he followed. And some of the policies--particularly one that we had a number of discussions about--I felt were quite ill-advised from the standpoint of business, and not only from the standpoint of business but from the standpoint of the country. But we can get into that later.

So, answering your question, his instinct was to do what he could to keep good business activity going.

He had an additional couple of instincts. One of them was to remember that labor had control of many votes, or at least that there were more votes in the labor movement than there were among the business executives. I'm not sure that all businessmen among my associates at that time would have supported a number of the things that he did, sometimes at the instance of labor. But the primary thing that I will discuss at an opportune moment is what I would call national economic policy.

F: Johnson has the reputation, I think deservedly, for being the most anti-protection President we've had at least since Franklin Roosevelt. Of course, the United States steel industry--not the company, but the whole industry--has been somewhat badgered by particularly Japanese steel and foreign steel, and the consumption of foreign steel in this country has risen. Did you ever talk with Johnson about the realities in this case?

B: Yes, on several occasions. But I can mention one in particular. I believe it would be probably 1964. You'll recall that David McDonald

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was the then-president of the Steelworkers of America, which is the principal union in the steel industry. Dave McDonald and I went to see the President at the White House, and we sat down with him in a very small room right next to his office. We discussed the steel industry at some length. He was quite willing to listen and quite free with his time. Of course, the steelworkers and Dave McDonald, in particular, had supported him very strongly. So he may have felt some obligation there. But I believe he was intensely interested in this problem and he wanted to know what was going on. We told him, and on this particular matter McDonald and I were on the same side of the fence. I recall that he said in substance, "Well, I have some appreciation of what your problem of imports is because as you may know I am in the beef cattle raising business." And he said in substance, "There's a lot of Argentine beef coming into this country, and that doesn't make it any better for the beef growers here." Then he proceeded for ten or fifteen or twenty minutes to tell us all the problems that were involved in the importation of beef, and if there were no other considerations what would be an ideal thing by way of checking imports on beef.

Well, the mere fact that he had been through that business was good enough evidence to both of us that he understood the principles of the problem. He didn't make any promises to us. He did say he'd give the matter consideration. And there was someone else sitting there with him who was on the legal staff, if I recall it correctly, and he asked him to do certain things. My collection is that this individual did what he was asked to do, but that no great relief came of the whole matter.

We did however have an opportunity to register with him. And

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as you probably know, it was the following year--it was in 1965--that after a period of some internal difficulties within the union itself, Dave McDonald was ousted as president and I. W. Abel became the president. And it was in '65 that there was an extension of the normal termination date of the contract, I believe. On condition that the companies would pay an 11-1/2 cent an hour increase--I believe that was it--for a four month period. It was toward the end of that four months period in 1965 that Lyndon Johnson called the steel industry and the union to come to Washington, and they had a very intense negotiation in the White House. I was not in that negotiation, but I was in the hotel close by and was following it intensely.

F: I was going to ask you about that in a moment. Did it make any essential difference on whether your union leadership was headed by David McDonald or by I. W. Abel, or the forces that are at work--

B: You mean so far as--

F: As your own relationship with the union is concerned.

B: Well, I think there's quite a difference in union leadership. As far as personal relations with Dave McDonald, I think they were reasonably good; and the same way with Phil Murray, who was in there a much longer time. And I'd say the same with John L. Lewis. What you infer is that belonging to a large organization, there are so many factors involved over which the individual union leader has no control, that they're not free agents. I think there's a great deal to that, but I also think that it's highly important to head these unions. I think that, like everything else, the leadership of the union group--for example in the case of the steelworkers--is primarily three men, although below the three men in rank is an executive

committee which has I think about thirty or thirty-three people on it. At least that's the way it once was. But, no, I would say that it's like everything else; it makes a difference who is the president of a university; it does make a difference who is the president of a corporation.

F: These things aren't automatic.

B: Yes. I think it makes a difference who is President of the United States. I think that, sure, every President has so many things pushing him and hauling him that he thinks sometimes he has to be an automaton, but on the other hand the final, final decisions are usually made by the fellow with the final, final responsibility. And how he thinks about things is very important.

F: Did you get caught up in the '64 campaign? Businessmen for Johnson or--?

B: No. I was not involved in that. I'm a Republican, and I was not involved in that campaign. I did make contributions to several different people, but that's all.

As a matter of fact, I should explain--you've asked that same question twice about being involved--I've never really been involved in taking any active part in politics. I've felt that if I had tried to support someone, it would be a question as to whether my efforts would have been a plus or a minus. Besides that, in a job such as I had, you're tremendously busy all the time. I think it's fine when businessmen can take part in political work. I'm all for that.

F: As '64 went on, of course--you came down towards the end of '64--it was getting time for contracts renewal; and of course you move into '65 with a new union leadership in the midst of all of this. The

spring of '65 to a certain extent was tied up with bargaining between the union and the companies you did that would make that agreement finally on 11-1/2 cents per hour.

Now, then this brings up two questions. One is did President Johnson ever talk with you, or in your presence, about the need to increase productivity of the worker as a hedge against inflation? Did that seem to concern him?

B: I think it concerned him more in the early part of his administration. He never talked with me personally about it that I can recall, but he did talk with a group about what made America productive and what made it strong and the necessity for businesses being successful. The knowledge that he had on the importance of productivity was quite large. I don't think he lacked information on that point.

I think that you'll recall that at the time he became President we'd been coming from rather a low period in '59 and '60; and I'd say each successive year was a little bit better from, say, '60 to '65. It was during that period that we had so many discussions on what to do to improve the, let's call it the economy and business activity in the economy and employment and everything else. I think then-Vice President Johnson knew of some of the things that we had tried to work out with President Kennedy, including those related to tax reductions, because soon after President Johnson came into office, my recollection is--I may be wrong--but my recollection is that it was in his State of the Union message in January of 1964 that he progressed as much as he could the idea of some tax reductions. Was it not in 1964 that Congress finally adopted the tax reduction program?

F: Yes.

B: That was stimulative from the standpoint of business, as we all said we thought it would be.

I think the word productivity doesn't quite convey all of the things that were in his mind. Productivity, to many people and in some respects to myself, involves the individual performance on the job of an individual workman. My recollection of President Johnson was that he was interested in what you might call national productivity --the operation of the whole economy. That he certainly was interested in.

F: Did you get involved in this National Alliance of Businessmen? The training of the hard core unemployables?

B: That came considerably later, didn't it?

F: Yes.

B: That was the organization that Henry Ford was involved in? I was not involved in that personally, but our company was involved in it. We did a lot of work on that in the Pittsburgh area.

F: As far as the information that was fed up to you was concerned, did this seem to be a fairly viable program?

B: Yes. We supported it, and we had quite good results in U.S. Steel with respect to the program.

We ran into some problems with it, as you would expect. First, the difficulty of getting people to train. That was part of the problem. The second thing was to retain the people who you got to train during the training period. That, I'd say, in the case of U.S. Steel worked out reasonably well. You further had the problem of giving them a job after they'd finished training. Perhaps part of the training would be on-the-job and part would be the classrooms.

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But on the whole we had a rather good record, if I recall correctly, in the results that came about. So I would say those things are quite useful.

I would also say that at the present time the government is spending tremendous sums of money in training, particularly in the area of construction, and I'm afraid that a great deal of it is not going to the best possible purpose. I'm not sure that in this area the program has been quite as successful as it might have been.

But in the so-called hard core training, yes, I think that was a useful thing to do.

F: In '64-'65 the administration suggested pricing guidelines as an anti-inflationary measure. Did they confer with you on this, or did this come sort of unilaterally from the government?

B: My recollection is that the so-called price guidelines first were instituted about 1962 during the time President Kennedy was in office. At that time they were instituted, I think, without too much consultation with business.

I can recall a talk that I had to make--I think it would be June of 1962--June or July, I think late June--before a group of the electrical industry in Atlantic City. And certainly a part of that speech was devoted to the then subject of these new guidelines. Now we call it by another name, incomes policy. I don't know whether my views are the same now as they were at that time or not, but at least the record is there.

F: Are the guidelines more-or-less, say, like some of the virtues, like thrift or something that's desirable but can be broken when it seems reasonable to break it?

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B: With respect to the original guidelines--

F: Break is too strong a word; let's say, bend.

B: Depart from it.

F: Yes.

B: The guidelines were possibly of some use for a period when they were first put in effect until, late-1965 or '66. But I would point out that the situation in the country was at a point of economic activity when my guess is you'd have somewhat the same results whether you'd had those guidelines or not. I don't believe that Mr. Heller would agree with this, but I'm inclined to believe that they were not particularly helpful during that period.

Some people automatically draw a conclusion that since the rate of increase in wages from, say, '62 to '66 was, let's say, moderate --certainly moderate compared with today--and since the guidelines were then in existence, that the guidelines had something to do with the rate of increase. I have some question about that, having been in negotiations and having watched the thing in operation. My impression then was, and still is, that that guideline became a floor, and that the effort to better the guidelines was the starting point at which negotiations began.

Now, there's so much that can be said about guidelines that I'm not sure that I should take the time, except to say one thing: that the guidelines were really broken by the union. The largest break that I can at this moment think of, I believe, came in either early '66 or late '65 when the airplane mechanics broke through. They got something in the area of 6-percent when the guideline was about half of that. Then in '66, '67, and '68 the guidelines were there, but

what is a guideline which, let's say, in 3-percent when the government itself arbitrates, negotiates, mediates, and forces a settlement let's say, two or three or four points above the guideline! It's a fluid thing, and that's part of the difficulty of guidelines.

F: Is there a feeling among your colleagues at your level that the Council on Economic Advisers does practice some pragmatic economics, or is it primarily a purest, almost theological group?

B: Oh, no. They may be good on theology--I guess you're talking about economic theology. That's undoubtedly true. But going 'way back to Arthur Burns in the Eisenhower Administration, Arthur Burns was certainly a pragmatist. And Heller was in his own way--and Ackley, and the others that followed.

F: You can talk to them in finite terms and not have to deal with the textbook?

B: There's no question about that. Sometimes, in those days particularly, you had great difficulty in having them understand that a price increase in connection with a wage change also involved material costs, for example. They had some kind of an idea that somehow or other there was a source of income other than the normal sales revenue, and there isn't. There was some difficulty agreeing on the factors, but as far as an understanding, no, I have quite a good impression of the economists that were in those groups.

Now, I'd be quick to add that there are many in the business world who did not. But I think you have to look at this from the standpoint of both sides of the coin. And things being what they are in this country, the economic policies being so affected by government action, I am very happy that the President had somebody

to advise him on economics.

F: I think he'd have a problem if he tried add that to his other understandings.

I was reared, as so many other people were, on the basis that the steel industry more or less wrote the economic laws of this nation; and of course U.S. Steel is the mother hen of the steel industry. In a sense as U.S. Steel goes, so goes the whole economy. And if U.S. Steel raises prices 1-percent, eventually everything in the country raises 1-percent. Is that a fair assessment?

B: I don't think it is.

F: You probably came up at the same kind of idea.

B: I heard that, and of course we had the many congressional debates on the subject. Senator Kefauver felt that way, and advocated it at length. Senator Kefauver just happened to be wrong about that one point. I don't know what else he was right or wrong about, but on that one point he was in error.

I think the easiest way to demonstrate that, for anybody who's interested, would be to take a period--well, for example, we were speaking of the 1960's--in say, 1964 or '65, the so-called cost of living had gone up--my recollection is that was about thirteen or fifteen points above what it was in 1960, and the price of steel had gone up something like two points. There are many, many instances where there are just no relationships.

The steel industry is important in this country, but it is far less important, say, than it was in 1900 or even 1940. The steel industry and the automotive industry, added together, employ far fewer people than the construction industry. The construction industry

is certainly one of the most important industries in this country, and I've had to learn about that in the last year or two because of some work that I'm doing.

No, I think that it's one of those myths that is hard to put to rest. But if you look at the record, you'll find that it isn't so. It may have been at one time before my time, but not now.

F: The year 1965 in the steel industry, and to a certain extent in the Johnson Administration, was one long year of labor and management negotiations in the steel industry. And, of course, the administration took quite a role in that. I'd be very interested in your reactions to the administration's participation in that.

B: When Dave McDonald said in 1952, and he was then speaking for the Steelworkers Union, "We have a friend in the White House," and he said that publicly, it was quite true. I think he said it in 1952. That's when Dave McDonald said that. And it was because of the great support that Phil Murray gave to Harry Truman. That's when it was.

But all through the years that was the tradition, and I don't say it still exists, but there is a tradition that the labor unions have had a much better time of it when there was a Democrat in the White House. This was true with President Roosevelt, also with Harry Truman, and then with John Kennedy, and with Lyndon Johnson.

I don't know quite that I can answer your question as quickly as I'd like. In 1965 I'd say the reaction of the steel industry was that any intervention on the part of the administration, a

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Democrat President then being in office, would not react well from the standpoint of the steel industry--as distinguished from the union in the steel industry. I think the attitude was primarily, "If you would just let us along, we could work our problems out to better advantage from the national point of view and every other point of view." I think some of us suspected that part of the reason that we always ended up in the White House was, you might say, for political reasons.

F: It was a good show. There's no question about that.

B: That's right. And the way you demonstrate to the working man when you're in the political world that you are on his side is to help him get a "fair" settlement which may turn out to be a little bit on the plus side. There's no question that intervention was not thought of very kindly.

I'll say one other thing, however, for the 1965 negotiations. At that time John Connor was the Secretary of Commerce, and he was involved in the negotiations. And I believe it was Wirtz that was the--wasn't it--

F: Yes, he was the Secretary of Labor.

B: Was the Secretary of Labor.

F: And Joe Califano was working directly out of the White House. This was his first big assignment.

B: That's right. My guess is that Wirtz and Connor and Califano were quite reasonable. My feeling is that the direct intervention of Lyndon Johnson at that time was also, I'll say, quite constructive to achieving some kind of a settlement. You'll recall that at that time Abel was new on the job as the head of this union. It's barely

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possible that from the standpoint of Abel's internal picture, inside of his union, that he needed a prop or two from the administration to achieve some kind of a settlement. The settlement was inflationary but not nearly as inflationary as some that came later. When we think of inflation in labor rates and the effect it has, in those days there was nothing compared with now.

F: It seems kind of tranquil now, looking back.

B: In the steel industry we've had a history of almost an average of 8-percent from about 1946 until about 1959, and it was that cycle that had to be broken by the long strike in 1959--a 116-day strike. So we did know what inflation was. But during that period the country hadn't had the inflation that came later. The current situation is abysmal by comparison with what was going at those days in 1965. It is much worse now that it was then.

I would say that while the administration's intervention was not particularly welcome, they did have a good man in the Mediation Service at that time, heading it. I should remember his name.

F: Was that Jim Reynolds?

B: No.

F: Jim was working as Under Secretary of Labor.

B: No, it wasn't. But in any event, we finally concluded the negotiations, and it wasn't as bad as it might have been.

F: Johnson named Senator Wayne Morse and Under Secretary of Labor Collins as special mediators in the middle of this. Did they do anything other than just sort of give a public image that things were going on?

B: Senator Morse was not well thought of. He was able, ingenious,

well-trained, because he had been on the War Labor Board, in all the intricacies of labor negotiation. His desires, however, were to find some kind of a compromise, but almost always on the labor side. He was a politician, and I think he felt that was the way to handle things.

F: There are more workers than there are managers. He could look at it from that standpoint.

Did you actually sit in on any of the talks, or were you staying in your hotel and letting reports come to you?

B: I was not in any of the talks in the White House.

F: You weren't there when LBJ came in to sit in ?

B: No, but I had a lot of firsthand reports. I'd say that negotiators on the company side were quite impressed by his earnestness and his general negotiating ability. My impression is that on his side LBJ was also quite impressed by a fellow named Conrad Cooper that was then heading the steel industry negotiations. At least, he indicated that and I think later indicated it to me personally.

F: Was there any sort of feeling coming out of this settlement that there should or should not be a price freeze? Did you feel that you had assented to anything either through understanding or outright?

B: Of course, we had had the Kennedy incident.

F: Which was bound to have made you a little cautious, I guess.

B: I don't think the government was trying to get any price agreement. My recollection is that--didn't the price of tinplate go up, say, around October early after that settlement?

F: I don't recall that date.

B: I think there was a problem on price, a real problem, that occurred in

January of 1966.

F: Bethlehem--

B: Perhaps it was at the very end of 1965 that Bethlehem raised their price, somewhere close to the New Year, wasn't it?

F: Yes, that was the end of January, '66.

B: The beginning of January? I recall there was quite a problem there, and things looked pretty dark as though there might be another Kennedy-type confrontation between LBJ and Bethlehem. I believe Ed Martin was the chairman of Bethlehem at that time.

F: Right.

B: I guess the records will show that U.S. Steel subsequently came out with a price increase.

F: Bethlehem's was \$5 a ton, and yours was almost half that at \$2.75.

B: Yes, that's right.

F: That's on the general price range. Did you do this independently of the government? Were you trying to--?

B: I should explain that. I guess the answer is, yes, it was done independently, but it was done with the knowledge of the government. It happened this way:

As soon as Bethlehem made this price increase, we of course examined it in our executive group. This was before we knew what the eruption would be in Washington. We were not happy with what Bethlehem had done. We didn't think that that price increase was a proper one from the standpoint of the market as our marketing people understood it.

Then of course the problem arose in Washington. Then shortly after that happened I was called to Washington. It was done, I'm

sure, at the instance of Lyndon Johnson. But he had a feel for the way things could best be solved, I believe, and so he did not invite me to the White House, but he did arrange for me to meet with Robert McNamara. Bob McNamara and I discussed the situation at some length. He told me what the problems were. As you'll recall the President, I think, had ordered the Defense Department to give their orders to other steel companies--

F: Defense, GSA, and Commerce were all ordered to go into competitive--

B: Yes. Bob McNamara and I discussed this at some length. Then after I discussed it with him, I pulled out a piece of paper that was the announcement that we were proposing to make the next morning. And I read it to him.

This announcement we had worked on rather hard in Pittsburgh. We were trying to accommodate the government's position. We were also trying to accommodate the commercial problems as we saw them. In this announcement my recollection is that we first of all eliminated the price differential on the West Coast, which had the effect of reducing the total percentage increase to some extent. But on the structural shapes that Bethlehem had moved on, on some we didn't move, and on others we moved at a less amount. So I think our percentage came out possibly half as much as Bethlehem's. I'm not sure about that, in that area. This is what I laid before McNamara and told him I thought was a way to resolve the problem that then existed between Bethlehem and the government.

McNamara's reaction was good. I went back to Pittsburgh, and I guess he went to see the President. Then the next day--I think it was the next day--we released our release. I don't think the President

said very much about it, but there was a press conference shortly after that in which he indicated a sort of approval of it. But I think it was Ackley who was in the office then--wasn't he the Chairman of the Economic Advisers?

F: Yes.

B: Ackley was quite open in his approval of the change.

I might say also that some of the competitors, particularly Bethlehem, thought that our move was on the low side. But there were a number of competitors, I feel sure, that felt it was the best possible thing that could have been done at that time. So the poor fellow Roger Blough that got pushed around and criticized by the Administration in 1962 was the one that was, you might say, applauded in a minor way for trying to do something constructive in '66.

F: From a public viewpoint you changed a policy in here from what might be called across-the-board price raises, as necessary, to selective price increases.

B: We did that in 1962 and '63.

F: Yes, and continued.

B: We continued to do that.

F: This, I judge, has had the effect of allaying public and governmental criticism, that where they might arch their backs at a straight percentage rise they will let you raise on certain items and it doesn't bother them? Is that a fair estimate?

B: I think there's something to that. This price problem is a long and complex one. It really doesn't involve Mr. Johnson too much. I think he had a feeling that prices should be kept down. I also believe that he had a feeling that wages should be kept down within

reason, but that was more difficult for him. As far as the timing of pricing is concerned, that has varied a great deal over the years. But it is true that after the 1962 problem we did raise some prices at a different time than we raised other prices; and one of the reasons was to avoid, let's say, the magazine and the newspaper world almost forcing the Administration into taking some kind of action about steel prices. A great deal of the problem on steel prices was, 'Well, here are these antagonists again, and let's make all the journalistic hay that we can out of it.'

F: Definitely you find the white hats and the black hats in this issue.

B: Yes. And the public doesn't ever want to see a price go up, although the public wants the wages to go up. "So here's another opportunity, and we'll go to town, and if we can force a real confrontation here, think of the headlines that we can get!" Part of it was that.

F: When President Johnson asked in '66 for a repeal of the investment credit, and then the next year he also asked a levy a corporate personal income tax surcharge, did you get any feeling this was punitive because of the fact that the guidelines had gone to pot, or is this just part of its own economic reality?

B: This was in 196--?

F: '66 and '67 that he started talking about it. He didn't get the surcharge of course until '68.

B: May I go back just a little bit?

F: Yes.

B: One of the things that Lyndon Johnson did, and it was a very constructive thing, he talked with labor. Of course George Meany was very close to him, and others in the labor movement. I would say it was within two

weeks after he became President that he invited to Business Council to come to the White House--I forget for what, probably just a social hour. But there were a number of occasions when he would speak to the Business Council or would invite us to the White House, and then speak to us, and McNamara and Rusk and Doug Dillion and others would address us on these various occasions.

But there were other meetings with President Johnson which in some respects were really more important--at least I thought they were--and those were the times when he would invite a few--a few, I mean a dozen or so, maybe fifteen--businessmen to talk with him in either the Cabinet Room or occasionally for dinner. I don't have any record of all those visits, but there were quite a few of them.

F: Were most of these off-the-record?

B: Entirely. And meant by him to be so, but he'd always have a cabinet officer or two, for example, Doug Dillon or Henry Fowler, or maybe both of them. He also had the economic advisers. What's the name of the fellow who's now the head of Brookings--Gordon?

F: Kermit Gordon.

B: Kermit Gordon was there for quite awhile, and would attend some of these meetings and brief us on the economic posture. There would be preliminary discussions about the budget. There would be policy discussions.

The President was very good about one thing. At all of those small meetings he would go around the room and say, "Now, Sidney Weinberg, what do you think about this?" Then he'd ask Henry Ford or whoever happened to be there what they thought on this particular subject.

B: Yes. And so the net effect of this was that the budgetary problem became a very pronounced one. We would actually give our judgment on this. Now, I won't say that all the businessmen there were of the same mind. There were one or two that I felt were more impressed by the need for doing something social and felt that you had to do something at that time. This was without regard to the merits of these social programs. Each one of them could have had great merit in itself, although I think some of them were rather loosely conceived and loosely operated. Be that as it may, the basic problem from the standpoint of the country was that we were headed for a very serious demand-pull type of inflation, and also a cost-push type of inflation.

And our good friend Lyndon was quite unwilling to see this. It didn't fit in with his ideas of politics, and I can understand why. How could he win the 1966 election if he started to constrain the welfare programs in order to conduct the Viet Nam engagement. And how could he, once we got in the Viet Nam engagement say, "Well, you can have enough money for 10,000 to 50,000 men, but you can't go over that because we don't have the money in the country to support that!" The difficulty was a cumulative difficulty on both sides. As one new welfare program came along, it would be supplemented by another. And as one degree of engagement in Viet Nam came along, it would be supplemented by another.

What I would like to say is--and this is my judgment of it--that there was nothing vindictive about any action that the President took with respect to taxes. I don't think there was. If there was, it's a surprise to me. I never felt it that way. What I felt was that the logistics of the situation caught up with him, and that

he had no choice but to raise taxes.

F: It was mandatory.

B: It was mandatory. He couldn't, once he got them started--and I'm simplifying this greatly as I will now explain--once he got them started he couldn't stop them. But I want to quickly explain that it wasn't all President Johnson's doing. I know a group of us from the Business Council used to meet with the Treasury from time to time, the Secretary of the Treasury; and Doug Dillon, when he was there, would complain about what Congress was doing by way of authorizing programs that went 'way beyond what the Administration program was so far as cost was concerned--and the same way with Henry Fowler. Henry Fowler had a particularly difficult time of it. And Henry, I think, understood where we were coming out on this whole proposition.

In the meantime you could see, if you were looking at the indices, how much was being spent out of this budget for, let's say, welfare programs that were not there before. Now, I'm talking about education, and I'm talking about Appalachia, and I'm talking about all the rest of it. You could also see, if you were looking, how much was spent for the Viet Nam conflict. And when you add the two together, you could easily work out another forty or fifty billion dollars.

That forty or fifty billion dollars did two things: it forced the demand side of the country to such a point where, let's say, business was more active than it should have been in some areas. From the supply side--and it's very clear if you look at the record now--you had a holdback on the supply of people being willing to work, and particularly in such industries as construction. And under those circumstances the wages started to climb. And the wages had created

a clear road to inflation which we are now traveling.

One way of looking at this is that without believing it--or perhaps believing others who told him something else--certainly I don't think he believed me--he may have. I always felt that he thought reasonably well of my activities on the whole. I'm sure he criticized me for many things, and I think he felt that from a standpoint of articulating some kind of a business point of view that maybe it was worthwhile hearing what I had to say. But on this particular issue, he simply did not appreciate the magnitude of the problem that was ahead of him. Either that--and I think that's correct answer --or he felt that the political exigences were such that he had no choice.

Now you might say that this is being critical of the President. I don't mean it that way. I'm just trying to explain a situation. We are now in the middle of an inflation, and the inflation was really started in 1965 when both the Viet Nam war and the so-called Great Society--although I think he called the Great Society--when was that--'66 or '67?

F: No, it started in '65. That's when it got titled. The first year it was the general War on Poverty.

B: But when those things started out simultaneously--

F: They accelerated together--

B: They accelerated, and in '66 it was more and then, as I said, Congress accelerated the Great Society programs--or added a little greatness to whatever there was of the program. And between the two things, we built up such a steam boiler type of pressure that it was obvious that things were going to happen to wages. When things happen to

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wages--since wages are 80-percent of the cost, 75 to 80-percent of all the costs in this country--it is absolutely impossible to hold prices. It just can't be done. So this was the problem.

This is the one thing that I personally wish that Mr. Johnson had taken a different posture on. You can say it's hindsight. I think you'll find, no transcripts or anything was kept of those meetings, but there will probably be some people who will remember that some of us protested rather vigorously at the course that the country was taking.

F: Did you ever talk this over with the Johnson cabinet people?

B: Kermit Gordon.

F: Well, Gordon and Fowler and Dillon and Wirtz and Connor are the ones that you'd be most involved with at the cabinet level.

B: Connor, in a way, yes. But I would say Dillon and Fowler, I think, were quite aware of this, that they were sitting on a powder keg. We had quite a good group of businessmen working with Dillon and with Fowler. We had no difficulties with them.

F: From the standpoint of understanding, Johnson made good appointments in these posts--

B: I would say by-and-large Johnson's appointments were all right. It's difficult to get a good man to take a cabinet post. I mean, you can make so many errors, and I think by and large the men that he put in there were all right.

Now, of course, Jack Connor and Johnson sort of fell out. Have you had any--?

F: He has just been putting me off. He hasn't said no. Once he did say he would at a time that I couldn't make it. I'll get him.

B: In any event, he's a very intelligent fellow. I think possibly that the President, if you haven't asked him this question, as far as my own relationships with him were concerned there was never anything but the pleasantest relationship. But there were some people who had, let's say, difficult relationships with him because of his great anxiety to perhaps do everything himself. And some people did think he was somewhat on the overly sensitive side.

F: You're talking of people who'd make up like the business council, or some people in government?

B: Some of those, but I'm talking about some of his appointees. I think you'll find among some of the cabinet officers at that time people who will tell you that they thought he didn't get the best out of his cabinet because of the way he managed his total operations. And I can understand it. Different people work different ways.

When he was in the Senate, I think he would be ideally suited for that. You have ninety-six or a hundred people there, and you know them all, and you know what committees they're on, and you know how to talk with them. And you do have some contacts with the House but only with a few of the important people, and you have contact with the White House. You know all the angles, and you know what legislation--you can control that. You can manage it and maneuver it.

When you get into as big a job as the presidency, that's impossible. That's impossible. I think that Mr. Johnson for one think was overworked. If I recall it correctly, he had something like well over a hundred people reporting to him. From a corporate executive point of view this is purely and simply an impossibility.

F: This wouldn't pass a basic organizational chart in a college of

business administration.

B: It wouldn't pass anything. It was one of those things like Topsy that grew all the time. Everybody wants to talk with the top man, and so it grew. For example, sitting in these negotiations--impossible for a President to do his job and to do that! You know, phoning people at all hours and undercutting the man who, on paper, had the job to do by going directly to some subordinate, or going this way or that way. That may be all right when you're managing a small show, but when you're managing a large show that is no way to run anything, including a railroad.

F: Did the Business Council, or these individual members that showed up down there, did you ever foregather to sort of talk about what you were going to talk about when you went to see the President, or did you have post mortems afterwards?

B: You mean these small groups I was talking about?

F: Yes.

B: No. Once in awhile--

F: You sort of came as individuals and left as individuals?

B: That's right. That's the way it always was. Now that isn't true of these liaison committees of the Business Council--the committee that I spoke of that talked with the Treasury group, for example, or the Commerce group. Those committees knew who was on the committee. We never really had much chance to talk things over ahead of time, occasionally there would be a little bit. And I think if you talked with Doug Dillon or Fowler, for example, you'll find that if there were six of us there at a meeting you may get at least three opinions, or two anyway. One fellow would say, "No, I don't agree with that,"

even though four or five thought it was all right. In other words, these were sort of intimate meetings, and we felt that we were there not to try to please somebody but to say what we thought.

F: In '68 you negotiated a new three-year contract that the administration did not intervene in in any way in the negotiations. Why was it so much easier this time? Do you think Johnson just had other things on his mind, or what happened?

B: There were several things in '68. I suppose the answer is that the economic situation was different, and the companies' willingness to--

F: We had accepted inflation, I think, as a way of life by this time.

B: --to increase the amount that they were willing to give was more clearly apparent. We had an interesting experience in '68-'67, I think. Some of us felt that it would be a good idea if we could find some way of handling this labor situation--and I still think so--other than through this confrontation type of thing that we have had all this time.

I suppose I have to lay a little background. What happened was that every time we had one of these threatened shutdowns, or a shutdown, all we were doing and all the steelworkers were doing was to increase the amount of imports that came into the country. We were depriving the steelworkers of the job of making the steel that they otherwise would have made.

Now the union finally saw that, although, it took a long time for them. They didn't believe this import thing. I started talking about the import problem in '57 and '58. But it took them the longest time--now, they're as much involved in the problem as anybody in trying

to get the State Department to make some arrangements about imports and all that sort of thing--strong on sort of getting Congress to help. Why? Because they realize what they're up against!

But there was every reason for the steel industry, and particularly for the steel unions, to try to find a better solution than to have either a long strike or a short strike--but in any event, a big build-up, and then a big letdown. So there was a great deal of discussion in the fall of '67. Finally a plan was worked out, after a lot of internal discussion--a lot of discussion in the industry, a lot of discussion with the union--whereby we would have a voluntary, and I emphasize voluntary arbitration of any unresolved issues; and therefore no strike; and therefore no build-up of inventories; and no letdown; and no great importation of steel to supply a vacuum.

F: A few more percentage points of your domestic market loss.

B: That's right. This seemed sensible finally to Abel and his associates. Then they presented it to their executive committee, and about half of the committee was for it and half of them were against it. Some of the powerful members of the committee were against it because they, in effect, felt they had a vested interest in the right to strike, and that they had strengthened their position before when there was a strike, and they wanted to do it again. They didn't see the whole picture, or they looked at it from the standpoint of the picture of, let's say, around Chicago and not around the United States.

Well, the matter had finally to be shelved. Now, that all proceeded the negotiation in 1968. I think that Conrad Cooper and his associates did a good job. And I think Abel and his associates

did a good job as they saw their job. I believe by that time that the union wasn't too anxious to go through one of those White House traumas again. So it was just one of those things that finally worked out without a strike.

F: What do you think of jawboning as a technique? Now, we're talking about incomes policy, I think.

B: Jawboning as a technique has many angles to it. I think Lyndon Johnson's type of jawboning was not too bad, perhaps not too good, perhaps not too effective. It's a long story in itself. I can recall, and I was always amazed at this, that sometimes he would have groups of businessmen--now these are still another type of group. This would be a group that maybe got there from, I'll say, the National Industrial Conference Board and some other organization just to call on the President and to see him for a minute and leave. And he would set us down, and then he would give us, you might say, the problem of the day.

Johnson is a very keen individual, you know, He has lots of good qualities and a good mind, and when he starts to ramble on about some of the problems that he was facing at that time, including wages and prices and other things, this could go on for an hour. Sometimes I would sit there amazed that the President of the United States had that much time to spend on us with respect to matters--he really seemed to be getting a little relief from the toils and cares of the day simply by talking with some people that he knew knew something about what he was talking about, but had no power or authority to affect it one way or the other.

F: Did you form any particular opinion of the Johnson associates? Did

you get to know Lady Bird reasonably well?

B: I liked Mrs. Johnson very much, still do. I think she is a very able, fine lady.

F: The social functions you went to at the White House, I judge, were generally pleasant affairs?

B: Always. As a matter of fact, in many respects I think that Lyndon Johnson handled those affairs on a very able, I'd say, distinguished basis. I thought he did a fine job, and so did she.

F: Good. Thank you.

B: One tape's enough, isn't it?

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By Roger M. Blough

to the

Lyndon Baines Johnson Library

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Roger M. Blough

Date

April 10, 1972

Accepted

Harry J. Middleton - for  
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Date

March 5, 1975