

INTERVIEWEE: RODNEY BORUM (Tape #1)

INTERVIEWER: DOROTHY PIERCE

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P: Mr. Borum, you are the Administrator of the Business and Defense Services Administration of the Department of Commerce, right?

B: That is correct.

P: Would you summarize for me your background and career up to your appointment, and how long you have been in this position?

B: I have been in the position for two years. My anniversary was last month. Prior to being appointed Administrator, I was with the General Electric Company for ten years. My last management position with the G.E. Company was as manager of the engineering operation at Cape Kennedy. I left Florida in 1965--October of '65--and was relocated to Washington by the company. My first task was to serve as manager of a conference at Crotonville, New York, dealing with a foreign policy problem of the U.S. This is something that Secretaries Fowler and Connor attended, G.E. hosted, and the Atlantic Council sponsored. The conference was on trade and investment problems within the Atlantic community, with special interest on balance of payments. This was a shirt-sleeve session where details of a voluntary system of balance of payments was discussed. The chief executives of one hundred top companies in international trade were present at the conference. Following that and still on G.E. payroll I accepted a Fellowship at Brookings Institution here in Washington.

P: This conference was in what year?

B: This was in December of 1965. Then in January of 1966, I accepted the Fellowship at Brookings. And the purpose--the Fellowship was in Public Affairs--was to acquaint middle and top management in industry with the government. So I was assigned to Assistant Secretary Trowbridge and again I worked on a foreign trade policy matter. It was really to evaluate part of our export expansion program.

P: If the emphasis of what you told me is on foreign trade, how did you get into this area?

B: Well, I really had not had experience in industry in this area. My experience had been in electronics and aerospace products in particular--in industry. I had been a student of foreign affairs though for some time.

P: What is your educational background, Mr. Borum?

B: A graduate of the Naval Academy, Bachelor of Science and in General Engineering. Graduated in 1953. Prior to coming to the Academy in 1949, I attended the University of North Carolina two years, with a major in economics.

Then as far as the Brookings Fellowship was concerned, it was a new area of endeavor for me. It was a very interesting one and really the economics and engineering background were very helpful. And part of the Fellowship program dealt with the legislative side of things. And there I worked for Congressman Paul Rogers from Florida. And the assignment that he gave me also was in foreign trade policy. It was to look at a program for a potential subcommittee in the House to deal with foreign commerce as a single subject.

P: This was while you're still attending Brookings Institution?

B: No, my contact now with Brookings ceased when I was appointed Administrator. Now, there was an interlude when I went back to G. E. Company problems per se. Between finishing the Fellowship at Brookings and accepting the position as Administrator of this bureau and during that interlude, I did some market research for the company relative to education products. This involved establishing some relationships with Ohio U. Dr. Verne Alden was very interested in seeing a company come to the campus, and this relationship has not been established, by the way, by the company, but we did do the initial research. Then I did become Administrator in September of 1966.

P: Here in the Department of Commerce?

B: That's right.

P: Who appointed you?

B: Secretary John T. Connor made the appointment.

P: How did he know about you and your background?

B: I first met him at the conference which I mentioned earlier, the one that I had managed for G. E. Company, dealing with trade and investment problems and foreign trade. And of course I had contact with him during my stay with Brookings.

P: To go back to this 1965 conference that you spoke of, could you elaborate a little more on that conference, and was this a usual thing for G. E. to put on?

B: It was new for G. E. I was not the originator of the conference as far as G. E. is concerned. Gene Bradley, who is still with the company and a part of the Washington office for G. E., felt that the company should move more heavily into the foreign trade policy area,

and so interested the Atlantic Council in holding it. My job was to make sure that we got the right speakers and this type of thing; help set up the program; see that it was implemented.

P: What was developed by the conference?

B: Well, I'd say the prime thing was a very good understanding of how the voluntary system of balance of payments was to work, and it did work for two years, and was very successful. As you know today, beginning the first of this year, we do have a mandatory system on balance of payments as far as foreign direct investment is concerned. But the voluntary program did work for those two years, and did achieve all the objectives and goals which were set for the program. This is something that Secretary Connor and Assistant Secretary Trowbridge were very interested in.

P: Did the mandatory program evolve out of the voluntary program that developed from this conference?

B: Well, I would say certain aspects of it did lead to the mandatory system. I see, have been out of that area since I've been Administrator of this bureau, because our main interest is domestic business affairs, even though there is an obvious relationship between domestic and international business. Let me clarify this point. The need for the mandatory balance of payments program came from the deterioration of the overall balance of payments account. The foreign direct investment portion objectives were achieved under the voluntary system, but we found we had to do more in the balance of payments area. And the foreign direct investment part of it was one area that you could do something with. For example, the travel program, that is, limiting the travel of U.S. citizens abroad, which would help the account, has

not been enacted by this present Congress--this immediate past Congress.

P: Could you give me your views while we are on that of limiting U.S. citizens' travels abroad?

B: Well, the deficit in the travel area approaches \$2,000,000,000. In other words, U.S. citizens spend \$2,000,000,000 abroad more than foreign citizens spend in this country. And it's just one element, of course, that makes up the account and one in which we have a very heavy deficit. As far as achieving the objectives here, my feeling is that we should always approach it where we can from a very positive stance, and that is enact those measures which would entice foreigners to visit in the U.S. rather than limit so completely travel from the U.S. on the part of U.S. citizens.

Now, there are the two parts to it and of course this department supported Secretary Fowler when he proposed the travel tax. That really was the travel limiting program which was proposed by the Administration. It was really a tax on travel and an attempt to discourage some of the movements abroad.

P: Do you feel that that still is a necessary measure--that it should be continued to be--

B: Yes, I would say we should be doing something in that area. The Treasury Department is the big promoter of it and this department supports Secretary Fowler. Now, I want to make it clear that I and my bureau do not have a direct interest in this. This is a secondary interest to us because of its obvious impact in some areas and are in many areas on domestic business, and domestic business is our concern. It's the concern of this total bureau.

P: Since your acceptance of your appointment as Administrator of this

bureau, have you had the opportunity to come in contact with President Johnson?

B: I have. I would say perhaps on five occasions, one of which was a meeting he held with the Secretary and the other secretarial officers, as well as the bureau heads of this department.

P: When was that?

B: As I recall, it was in late winter of last year, 1967; and the subject was the proposed merger of the Labor and Commerce departments, which he announced in his State of the Union address.

P: Could you elaborate on what was discussed at this meeting regarding that issue?

B: Yes, the President explained his reasons for desiring this type of change in the Cabinet structure. He felt the advantages were very concrete, a lot of the interests were the same. For example, the data collection, data tabulation and evaluation parts of the two departments could be combined perhaps with some economies in the process. Because after all we do have the Bureau of the Census, and there's the Bureau of Labor Statistics in the Labor Department. And my own bureau does a lot of evaluation and analysis of data. We're a big collector of business data; perhaps we have more data on U.S. business than any private or public organization in the country, because we pull statistics from all government agencies that has anything to do with domestic business. And this includes, for example, Securities Exchange Commission, Federal Reserve Board, Bureau of Labor Statistics, Office of Business Economics here in the Department of Commerce, and the Bureau of the Census here in the department. So we well understood the point about combining forces

as far as data collection, tabulation, evaluation and analysis etc.

P: What are the possible difficulties involved in this combination of departments?

B: Well, here, the difficulties would be those that are characterized by what happens presently in industrial relations, in business, the traditional problems between labor and management in the country. I'm sure the President felt that by combining the two departments that he would have one Cabinet member that would bring these forces together, rather than meet in his own immediate office. And he was looking at it from a management standpoint, and it certainly had its advantages.

Now, Labor has an interest in international business, for example, quite an interest. This is witnessed by their considerable concern about rising steel imports in this country which cuts down possibly on domestic steel business. And this is true of many industries today: textiles, shoes, and the like. So Labor's objectives in the long run obviously should be the same as those of management. But as we witness the strike situations and we do the strike impact analysis for the Executive Branch in the government, there are problems between the two forces at play here.

P: What was the position of the Department of Commerce or your thoughts on this?

B: The department did support the President in this and did attempt to solicit interest on the part of the business community. I personally felt it could be a very good idea; in fact, when it started this way, we had a Department of Commerce and Labor beginning in 1903, and they did separate in 1913. And I can well appreciate the advantages which could accrue by the proper organizational arrangement and the

very careful selection of a Secretary. And I mean by that you have to be careful and not select someone with very deep interests in either side--labor or management.

P: Someone who, in other words, would be more strongly associated with one element as opposed to the other?

B: That is correct. I might add, one problem that could arise here--now I'm not saying this would be too formidable, is making sure that there would be one place in the department that business--and when I speak of business, I'm really speaking of the management of business in the country--could come to and feel they could speak quite candidly about their problems. It's the so-called antenna part of the organization, that you have your antenna up to know what the problems are and that you're getting a correct and accurate input,

P: Communications--

B: That's right. It would be a matter of communications, proper communications.

P: And also to avoid any alienation?

B: That is correct. Now, you understand that labor was more concerned about this organization than business was.

P: You said that this meeting in 1967 was the first one on this issue?

B: That's right, and the only one in which I attended where the President was involved.

P: Was this more of a briefing, or was it thrown open for free bringing out the points of views of your department?

B: It was more of a briefing, but he did ask if there are any questions, and questions were asked. He was quite informal in conducting the meeting, and I'm sure he looked at it as an opportunity to really

get to know the departments better.

P: Did you have some questions for the President?

B: I did not.

P: You said that this was the first meeting that you had with Mr. Johnson, and you've had a total of five? Could you continue on this?

B: Yes, the other four involved signing of particular pieces of legislation, and I was asked to be in attendance and of course in the reception which would follow such a ceremony.

P: What were these pieces of legislation?

B: I'm going to have to review that later. I might point out we do process some 500 pieces of legislation ourselves, and it's only the matter of the significance of a particular piece of legislation and its impact on this department whether I would be invited. I will review that for you and get the names.

P: Now, regarding the activities and programs of the Business and Defense Services Administration of which you are the Administrator, there was a reorganization of this bureau in June, I believe, of this year, 1968.

B: That is correct.

P: Would you discuss with me what the changes were, why this was done, and then I would like to go into some of the programs.

B: We organized effective 1 July of this year in order to provide that type of organization which can best look at major domestic business policies. I had felt for some time that we had been remiss in not looking at those broader issues which often involve other agencies. And in fact in most cases where they may have prime responsibility, but where the issues are programmed, impact heavily on domestic

business. For example, taxation. The Department of the Treasury here, of course, has the major responsibility, but any tax measure which they support or implement may have an impact on domestic business. If it does, then we have an interest. And it is this type of thing that we had not been doing enough of, so in a sense we were adding on responsibilities, not giving away any or not stopping any, in a sense. And to do this then, we introduced the concept of program management into the bureau similar to how it operates in business and industry. This is where one man is charged with coordinating the work of several divisions--of several parts of the bureau. But this one man would serve as a focal point for the entire program. So we did establish an Office of Business Programs, and the programs that we were looking at or getting involved in are those, say, in manpower where there are fifteen to twenty different ones involving Labor, primarily, but also OEO and HEW, and pollution abatement, even though HEW and Interior have the prime responsibilities. We are interested because the impact of pollution abatement measures on domestic business. Then we established in addition to the Office of Business Programs an Office of Business Policy. And here of course the concern would be with the formulation of policy within the Executive Branch. And then again our reason for interest being the impact on domestic business. Here the policy could deal with taxation as we've mentioned, labor management policy, any new manpower policies, private pension plan legislation, consumer protection legislation. As far as that's concerned, anything in the legislative area. And we have a very heavy load in that respect as far as reviewing proposed legislation, and I mentioned we did look at some 500 pieces a year.

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P: In regard to this problem of the impact of legislation in other areas on domestic business, what do you do to either prepare them for or lessen the impact of this on business?

B: Well, as we see our responsibility, it's one of balancing the overall public need with that of business, specifically, say, pollution abatement. We feel we must strike a proper balance between standards and criteria that are set for pollution abatement with the economic impact it has on a particular industry. For example, we have been told that if the gray iron foundry industry wants to adopt those pollution abatement standards that our major metropolitan areas already have, if they were to do this in a relatively short period of time, then some 40 percent of them would go out of business because they could not afford the capital investment. So we look upon it as a transition and as an achievement of a proper balance between the standards and its impact on a particular industry.

P: Do you carry this before committees in Congress--this information regarding the impact on domestic businesses?

B: Well, in this particular case, let me say, we do have to be careful because of the legal restrictions against lobbying on the part of executive agencies. But in the instance of air pollution, a trade association did request the right to give testimony on the Clean Air Act of '67. And the thrust of the testimony simply was to involve BDSA in the establishment of criteria and standards by HEW on air pollution abatement. And as a result of that testimony in the report accompanying the bill which finally passed Congress, it was pointed out that BDSA should be consulted relative to the economic impact of the measures which they would undertake.

Now, that brings out one of the problems facing the bureau, in my opinion, in that we don't have a legislative mandate per se to do a lot of the services we provide domestic business outside of the industrial mobilization area, which is well buttressed by three pieces of legislation.

P: In other words, you are saying that this is a one-way communication between this department and domestic business?

B: Well, no, really what I'm saying is that in many pieces of legislation where domestic business is involved, this department and this bureau is not given a major part of the action; therefore, we play a secondary role. Of course, it's debatable whether it should be different. I'm sure many would disagree with that. I was looking at it, you know, in a somewhat parochial view in a way that where we have the Defense Production Act, say, to such a vital part of our industrial mobilization program in this bureau, we do not have anything equivalent, anything near that, as far as the rest of our programs are concerned. It's a matter, then, of extending an offer of cooperation with the other agencies and working with them, volunteering our input, rather than having to mandate it by legislative act. Obviously if it was mandated by legislative act, then it would have more impact on the acting agency within the Executive Branch.

P: Are there other areas of reorganization that occurred in June that we have not touched on yet?

B: One additional area. We did strengthen the Office of Marketing. The bureau for many years, and really since its establishment as Business and Defense Services Administration back in 1953, really as a follow-on to the national production authority--the bureau has been

almost totally production-oriented until recent months. We started making this change two years ago to get more interested and more involved in marketing and distribution. After all, 45 percent of the cost of a consumer product is marketing and distribution; therefore, we should be quite interested. Now, it's a matter of history that the orientation of this agency has developed this way; that is, so totally oriented towards manufacturing and production.

P: This would be in effect a modernization?

B: That is correct. That's right.

P: In order to meet what is equivalent to a good part of the cost of the product nowadays.

B: Right. It's such a major part of the gross national product. And really when you look at it from industry and government, from the viewpoint of both, we know so very much about manufacturing and the economies involved in mass production--the production line, techniques of method, but we know very little about the economies involved in marketing and distribution. And a great deal of work is going to have to be done there to help us implement some of the work we have in mind. We did establish a national marketing advisory committee for the department in June of 1966. And the purpose of this committee was to further some of these objectives related to marketing and distribution as far as the Department of Commerce is concerned; that is, do studies, do research, in an area of marketing and distribution as well as advise the department on policies relating to these areas.

P: Was any other department or bureau or agency covering this marketing area?

- B: Well, many have an interest. For example, we consider antitrust and regulation as a part of the marketing sphere, so this would mean the Federal Trade Commission, Justice Department, among others, would be quite interested. And we've invited them to many of our meetings; we've invited representatives of those two agencies to all of those meetings where they'd really be involved.
- P: It would seem to me though that these areas wouldn't cover domestic business' interest in the problems of marketing.
- B: Well, let's look at it from this aspect. The need here, say, when we speak of antitrust, and it is a very difficult complex area--right now, the Federal Trade Commission is studying conglomerates. We would be interested in doing that too because we feel so little is known about them. And as you well know, the merger movement is increasing in intensity, not decreasing, and since the operation of a conglomerate is so little understood, it really should be the charge of the Department of Commerce to assist in understanding before, say, overt action is made by other government agencies. Now, see, we're not a regulatory agency, this bureau is not. You might say we're in business to serve business; that has been a motto of the bureau in the past. And we are the single domestic business bureau among the some 125 bureaus in the Executive Branch. But in fulfilling the mission of the bureau, then we of course must work with other government agencies regardless of what their objectives are; as long as it deals with domestic business, we potentially have an interest. Obviously, we have to choose priorities in any work that we choose to undertake. But with the fifty-four member marketing advisory committee, we expect to see a lot of this work

done outside of government.

P: The industrial mobilization part of the BDSA was taken in this reorganization. Were there any changes made in that?

B: No, there were not. The industrial mobilization program, which takes about 23 percent of our resources, has been one of long standing. It really grew from the National Production Authority, which was a war production board for the Korean conflict. This means then that its programs and its projects are well established; and those are first of all implementation of the Defense Material System under the Defense Production Act as amended in 1950, last amended in 1950. We're responsible for priorities and allocations of strategic materials.

P: You say this was about 23 percent of the BDSA?

B: Yes,

P: How would you break down the percentages on the other areas?

B: Well, this is quite fluid, and we really have not to a great extent. This does not mean that we don't have our own internal planning, because we do. We have what is known as industry activity schedules which we have each of the twenty-two industry divisions prepare, which outlines six months ahead what they expect to be doing, and this way of analyses, and in the way of establishing communication, we have several industry advisory committees in operation; they report at different levels within the bureau; they report at different levels within the department. And this way we get a better understanding of what problems a particular industry has. We have of late, for example, emphasized establishing rapport with the various trade associations in the country. There are 2100 major ones, most I guess

we've had some contact with, many we've had major--had a very good interface with, but some we have not. So now we're on a campaign to get to know those better. And in that way, we've come to know what the particular industry problems are. For example, last week, we met with representatives of nine major retail trade associations; and that particular meeting was very productive because we gained insight of what they considered to be their major problem areas for the future.

P: But you don't see this as a percentage breakdown of time spent such as an industrial mobilization program as opposed to the industrial operations--

B: I can clarify that some more for this present half year, if you would like. Let me get a breakdown of this. Now, as far as a typical industry division operation is concerned, the percentages would be something like this. First of all realizing now that as far as mobilization is concerned, it is a program; we have a program manager--that's the Assistant Administrator, Mr. Anthony Bertsch; therefore a lot of the work, or most of the work, is done within the industry division and not by his immediate staff. And looking at the bureau as a whole, some 3 percent of the time is spent on the defense materials system. As far as special assistance and authorizations are concerned, and this deals with clearing bottlenecks in production for space and defense, again some 3 percent of our time and resources are spent that way. On strategic material and stockpile activities, 5 percent. Industry evaluation studies, when we chair the industry evaluation board, 4 percent. We support the largest defense executive reserve in the Executive Branch. We're aiming now to have some 3,000 members and we've reached one-half of that membership.

P: This developed from the old dollar-a-year man, didn't it?

B: That's right. It is correct. And we spend 4 percent of our industry division time on that, recruiting and training these people. Relocation activities and problem exercises dealing with mobilization, something less than 2 percent. Post-attack production capability studies, 1 percent. Special projects dealing with industrialization mobilization, some 1 percent; and then one half percent of our time is spent on essential survival item studies. These are now survival items for an emergency situation--emergency war situation.

Then in the area outside of mobilization, we can break that down this way into three main areas; first, industry analysis. We're the only organization either public or private in each year which makes an outline for economic outlook by industry. Here's where we take a look at what the production is going to look like, the export-import picture, the financial picture, the industrial capacity by individual industry. For example, the outlook for '68 covered 80 percent of manufacturing capacity in the country and covered eighty-seven different industries, including construction and the major service industries in the country.

P: Does the bureau do this from the reports from these industries, or first-hand observation?

B: We do get reports from the industries involved most of the time through their trade associations; but in addition, as I mentioned before, we make use of all the data that the government collects on domestic business. All of this poured into our computer and we in turn pull it out at the proper time. Presently we're involved in preparing the outlook for the calendar year '69; and for this new

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outlook, we will up the number of industries covered from eighty-seven to approximately 110, and cover some 85 percent of the manufacturing capacity of the country. This is perhaps the limit, because beyond this either the industry is too small or too insignificant to count, say, GNP-wise, or we don't have the statistical base to work from. So 4 percent of our resources, industry division resources now, is spent this way.

On domestic trade publications--5 percent. We have in addition to the outlook seven recurring publications or magazines, recurring reports or magazines; two monthly, The Construction Review and Marketing Information Guide.

P: This would be part of your service to the domestic business.

B: That's right.

P: The dissemination of--

B: Of information.

P: Both government and from what you've compiled through collection and have made use of through the computer, right?

B: That is correct. And then the other five are quarterly, dealing with chemicals, copper, pulp paper and board, packaging and containers, and printing and publishing. Now, we have a lot of one-time reports too, and this covers a wide range of activities. It may involve technology. For example, we did a report on long wall mining in the coal industry, which was introduced in the United Kingdom, but it had not been used to any great extent in this country; it's where instead of having a relatively small shaft in a coal mine, you approach it from a wide lateral direction and have it actually--the walls collapse in a sense behind you as you move ahead with your coal mining machinery. So we did introduce that. We had one on fluid

power systems. Then if there's a particular problem on imports or foreign competition, we'll do a report. We do a lot of overseas business reports on foreign market potential for a particular commodity. And here we rely a great deal upon reports we receive from the foreign commercial officers that are stationed overseas but report to the State Department.

Then we do one-time reports on any statistics which we think the industry would be particularly interested in, showing a dramatic change in the market. Now, I am not mentioning here those publications done by the Office of Marketing, which we can cover later. They're rather unique unto themselves.

Then business analyses. We may be called upon, or we initiate ourselves an analysis of strike impact; for example, we do this for the Executive Branch in a sense, those interested, Council of Economic Advisors and our own Secretary. And we prepare these prior to a strike. For example, we did one on the coal strike which has just been settled. We did one on the potential longshore strike. In fact we helped prepare an affidavit for the Taft-Hartley injunction. We're called upon to do that type of thing quite often by the White House, by the Council of Economic Advisors mainly, because we're in the best position, you see, to evaluate the impact on domestic business, any segment of it or domestic business at large.

P: And this, in other words, supports the invoking of the Taft-Hartley Act?

B: That is correct. That's right.

P: In what other areas has this come to the forefront recently?

B: Well, last year the railroad strike situation, or potential railroad strike, came to the fore; and at that time, we made an analysis of what

this would mean to domestic commerce. What percent was defense products, for example? We found that to be 10 percent. And pointed out the difficulties involved, for example, in moving just defense products. You really can't separate them out in the storehouses across the country. If you're going to have a train move 10 percent of its products, you might as well have it move all because of just the basic economics involved in operating a railroad. So, we're the ones that provide that information. Now, the copper strike which lasted eight and a half months. We did several studies there, and at one time, we were making at least weekly if not daily surveys of all parts of the copper industry, every part involved in the copper pipeline; from mining through smelting, refining, fabricating.

P: This was during the strike?

B: Before and during. And we were measuring the impact of the strike.

P: In what terms were you measuring it?

B: In the impact upon gross national product, balance of payments, export-import, impact on defense production, impact on state revenues. Four or five western states depend a great deal on the copper industry for tax collections. And of course the very obvious impact upon the companies, the industry itself, as well as the employees. Thus we were involved in many aspects of that particular situation.

P: Do your reports daily include the recovery from these strikes?

B: Yes, especially in this case, because it takes some four to eight weeks to get the copper pipeline moving again where the fabricator can really receive refined copper and put into his profit. So we made those forecasts of just how long it would take to get back to proper operation for the CEA, for example, and for our own department

use. We did the same thing for the glass container strike. We did the study for the threat of a strike in steel and aluminum. And again looking at all aspects of the problem, from the impact on gross national product to just what does it mean to the consuming industries of these particular commodities.

P: How early do you start these research areas where there becomes a developing situation where a strike might occur?

B: All right, the strike impact--we start several weeks before the strike termination date. We attempt to complete it at least two weeks before the strike termination date.

P: What constitutes to you a real strong indication at this early a date of their being a strike possibility?

B: We do follow when the contract termination dates are due, and we alert our industry division specialist to these facts. And they in turn then begin their analyses well in time. Of course, they pretty well-- We provide ahead--members of my staff make up a standard format for making the strike impact study, so all our specialists do know what is expected of them. Now we do import impact analyses the same way. If we see a developing situation where imports are increasing dramatically, then we make an analysis of that. Price changes the same way. If a basic commodity has changed its price recently, as lead has or aluminum last year or nickel last year, we will make an analysis of the impact of this. And follow it through from the change in a basic commodity to the change in the consumer products in which it may appear.

P: Did you do studies on the recent steel increase?

B: We did--that's right. Now most of this information is used internal to government.

P: To the White House? To the Executive Branch?

B: That's right. That is correct. Very little of it is really published or released to the public, because it's needed in direct policy formulation. So one of our main practices in trade then is industry or business analyses. And the sum total of this is some 14 percent of our resources are spent this way. This is a very dynamic situation, because you cannot always anticipate where your particular problem area is coming obviously. And by use of electronic data processing and by use of standard formats, we feel we are able to provide a very rapid and accurate report by the industry specialists when a particular problem does arise.

Then we provide special information services. This is a very large--Here again is about 14 percent of our resources. And then we mean here inquiries that we receive from other branches of the executive part of the government, from members of Congress, and from business people, inquiring on matters, of course, always related to domestic business, but ranging from market research information to just what is the government policy on some area. And of course we always attempt to give as complete an answer as we can. This is very unpredictable as to what nature these inquiries take, as you might gather, because for example, we had some problems with increasing imports in mink pelts. Well, this caused considerable interest on the part of mink farmers, I guess a big majority of which are in the upper midwest, and that led to a lot of Congressional inquiry as well. So then we all became well versed on the problem and in turn took action to meet the challenge. In that particular case, I might point out, our competitors in Scandinavia on their own cut back on

their production in their imports in this country.

P: Just on the basis of your inquiry and reports on it?

B: Well, it was more than that. We really did sit down with them and explain the situation, what was happening in this country, and I'm sure they in Scandinavia did not want quotas set, you know protection-type legislation, so they had incentives to sit down with us.

The same with canned mushrooms, by the way, which has been a particular problem for Pennsylvania, because most of it's there. And if we had not taken action, then Taiwan--Formosa--might have gained well over 50 percent of the market in this country this year in canned mushrooms. So, you see we have quite a range of problems and this then leads to a lot of diverse activity in providing information-type services.

P: Are you able to use your computer on these information services?

B: Yes, that's very much so, especially if obviously they're asking for data. I guess it ceases to be surprising what they may be asking about. But we do rely upon the computer a great deal.

P: How long have you had this programmed into computers?

B: I'd say, really, it has been about a year since we've had much of the information in it. And we have bought, see, from the private sector Standard and Poor tapes, the data that that company has, as well as Dun and Bradstreet. And as I pointed out, I'm sure we are the largest depository of information on domestic business in the country. And we're working presently on how to utilize this more effectively, how to pull the information out in a usable package for the businessman, whether he's small, medium, or large-sized. And their needs are different.

Now, that leads us into another area, which takes some 5 percent of our industry division resources, and that's trade and investment opportunities abroad. We process some 25,000 a year of these, 10,000 of which are private trade opportunities. This is where a foreign commercial officer picks up a lead that some foreign business interest is either interested in receiving a U.S. export or establishing an agency arrangement with a U.S. business whereby he would sell U.S. goods abroad. And we disseminate that information to individual companies, trade associations, and through publications. And a major part of this are the U.N. development projects. We're responsible for that, and presently we're on a campaign to solicit more interest on the part of U.S. business in the U.N. development projects. This takes the form--these projects take the form of technical assistance to the less developed countries of the world, where we're building up the interest structure of those countries. But as you might gather, there is a market here for our engineering services, our construction services, as well as products. The competition is great in many ways in this particular area.

P: How do you mean the competition is severe?

B: Well, all the developed countries of the world are bidding. And our standard of living, and that's our wage structure, is high, so we have to make up for it in productivity, you know, to be really competitive then with, say, Japan, where the wage structure is much lower. In fact our wage scale is many times that of most of the other developed countries in the world.

P: This is not at all on any sort of a non-profit basis at all?

B: No, all is on very definitely a profit basis. And obviously we feel

very strongly about that, that it should be. And there's no quarrel with the U.N. on that score.

P: This would separate you from other government agencies, doing technical assistance or--

B: This might. Now, however, we work closely with AID in their programs.

P: How do you mean?

B: Well, when some of our senior professions serve on the various boards that determine how their operations are to be conducted. For example, there are certain products which AID will not permit their funds to be used in purchase of in the U.S., or in some cases--in many cases where you could only buy from the U.S. And I believe this percentage is correct. Of those AID funds spent on technical assistance, 90 percent of it is spent in the U.S., so U.S. business, see, is directly involved in the foreign aid abroad. See, we're quite interested in that for many reasons. It helps domestic business first of all; second, it helps our balance of payments because the money is spent here and not in a foreign country. So we do work closely with them and attempt to influence what happens to the foreign aid monies.

Marketing and distribution information--some 4 percent of our activities. Most of the time this takes the form of market research data, you know, where is the product being sold and to what extent. And this is quite useful of course to the individual companies.

On growth and research information, this is a very small percentage, less than 1 percent, where we're looking at so-called growth industries--we want to learn more about them, what makes them grow so we can then maybe in turn utilize this information for industries who are having particular problems, especially those industries having problems

competing with other industrialized nations. We participate in marketing research system analyses--now, more on that in a minute when we get to the Office of Marketing, which we separate from the industry divisions, per se.

Now, a second major area of activity is domestic business policy; legislation regulation--I mentioned some 500 pieces a year, where we review and comment on, or initiate. We have a legislative package of our own each year. For example, the Copper Duty Suspension Bill, which has just passed Congress, is now in the Office of the President, was introduced by this bureau because we're a net importer of copper so we felt that it was to the overall interest of U.S. business and the country at large than to have no duty on it on copper, and therefore making it a less expensive item. Therefore, it should show up in the end product, what the consumer buys he'd be paying less for.

P: Are there other areas where you reported on legislation to the Office of the President?

B: Oh, well, in a normal process and as it worked in this case, all of the agencies report to the Budget Bureau, and the Budget Bureau is the arbiter. Now, we submit our proposed legislation to them, and they in turn--excuse me, pass it to the other agencies for comment, and if it passes that hurdle and I'm sure if the White House concurs, it is submitted to Congress. Now, in turn, we review legislation that Congress considers and not introduced as an Administration measure. That's the vast majority of the bills that we do look at, by the way.

P: I was thinking, during the present Administration, have you reported

on some of the proposed legislation that has been made a part of the President's program?

B: Oh, yes, we have--For example, any of the consumer protection measures. They always ask this department to comment, and we do participate, and we are quite interested in that area. And among the bills that have passed, where we have commented upon, have been Truth in Lending; in that case, we received permission to go directly to Senator Sparkman, the chairman of the committee reviewing it at the time, which was right after I became Administrator. The Meat Inspection Bill, for example; the Radiation Safety Bill, which has just been passed and now in the Office of the President. That may be a good case in point on how we do work with industry, and in that case we did receive industry views on that bill, primarily through their major trade associations. And we took those under consideration. Now obviously we do not inform them of the position we take, because we must work through the Budget Bureau in conjunction with the other agencies of the Executive Branch and present one Administration viewpoint relative to the bill.

P: Well, let's just take that one. How did this bureau stand on that?

B: Well, we did seek several changes in the bill, which we felt that would make for a more practical implementation by industry. A case in point was whether the government was to provide performance standards or design standards. Now, to make this clear, we said the government agency responsible, which in this case was the Health, Education, and Welfare Department, should not be in the business of formulating design standards, but only performance; because the real interest really was in performance and not in design, leaving

all the different alternatives of design to the individual companies. And obviously in the electronics industry, which I'm quite familiar with since I came from that, you do have many alternatives in designing a product.

P: And this would promote competition too?

B: That's right. And we want to obviously preserve that element. So we lend our ideas, our analyses, of these problems to the Budget Bureau.

P: And what about the issues of meat and food inspection and the automobile safety measures?

B: On all of these, we did the same type of analysis and provided the Budget Bureau with our views.

P: Did you do a very extensive study on the addition of safety--

B: For automobiles?

P: For automobiles.

B: This bureau did, and this predates my coming, but the bureau did. Minimum wage legislation, for example. This is another area where I understand the bureau did a rather extensive job. This came up in '65, again predating me. But we're not preparing for the future in this respect. We're attempting now--or I should say it differently, we are designing an approach to learn what the impact of minimum wage is on business, especially on retail outlets. And especially on, say, on-the-job training and hiring the disadvantaged. Does this make a difference, by having to pay minimum wage, does this make a difference in the number that we would hire? Or do they make their changes some other way--you know, a particular store, a business outlet?

P: This must get rather complex when you have to break it down also geographically or regionally.

B: Absolutely. That's right. It is a very complex problem and one we're wrestling with, and how do you get your hands around it? Because like most every other major problem, this one has many variables. And what at firsthand may appear to be new conclusive evidence in one direction, really is not. Well, for example, it may be said that because you up the minimum wage, then you decrease the number of people that would be hired, and this may be true. We really don't know; we'd like to know. And if this comes about, then you may add to the unemployed rolls, or increase the welfare commitment and so on. You can see all the different aspects that enter this problem, and in turn all the different variables that must be considered.

Now, we're interested in standards, both international and domestic. And we encourage all industries to--those that don't have them already, some of very good in this respect. But where they're not, we encourage them to take advantage of the voluntary standard process which the Bureau of Standards in this department implements. We act as a catalyst in this respect. We encourage individual industries to come in and take advantage of this service. We're responsible for looking ahead as far as strategic commodities and critical material are concerned. We have what we call a critical material plan, which tells the specialist what he must look for in making a forecast for a particular commodity. I'm speaking here of, you know light nickel, copper, etc. If we see a shortage--potential shortage or an oversupply coming in the future, then we want to forecast this; and where we

can, where the government has a role and measures to take, do so. This is where the stockpile comes in, for example. Or tariff, say. If you know you're going to be short on something and where a net importer, you may wish to--if there's a tariff existing, remove it, so as to encourage the import, or vice versa.

P: Does this also include in this area the set-aside part from national stockpiling?

B: That's really a part of our stockpile policy program, and we do have established set-asides for defense and space purposes, for commodities, those being steel, aluminum, copper, and nickel products. That's really a part of mobilization, but it is a very critical part of our activities, one that we're constantly alert to and the business community is alert to. Then we're interested in the protection of U.S. trade and investment. Some 11 percent of our industry division resources are spent on this. This is where we get involved in analyzing, evaluating the impact of non-tariff barriers abroad, for example, that impacts on any domestic business or industry trying to--attempting to trade abroad.

P: Is there a good example of this currently?

B: Yes. We're quite concerned about electrical generating equipment, the sales abroad. And the non-tariff barriers to this take many forms. You know, there may be quotas, may be border taxes--

P: Transportation problems.

B: That's right. And the industry indigenous to the country will want to sell to--having to--being subsidized, you know, being a state operated concern in many cases. So it does take many forms. And it's often very difficult to analyze, because many are well hidden. And obviously

it's to their advantage not to publicize these. For example, with the Kennedy Round in tariff negotiations, we did, for the total support of the Kennedy Round, we did some 3,000 different analyses-- different commodity analyses over a period of three years. And in every case, we were analyzing the impact of a particular action tariff-wise on domestic business.

P: And this was, in other words, before we took a position on this?

B: Right.

P: This would be analyzed?

B: This would be analyzed by this bureau. We would do the analysis from the standpoint of the impact on domestic business.

P: Did a member of your staff attend the Kennedy Round?

B: He did. The Assistant Administrator led our delegation to the final part, to the final sessions of the Kennedy Round negotiations.

P: Who was that?

B: Dave Portner. He's our Assistant Administrator for Industrial Analysis and Business Programs.

Then we're interested in management-labor problem areas, finance problems, taxation. The third and last major category for our industry division's technical business services. For example, we have a program called Industrial Procurement Conferences. This is where we coordinate for that part of the Executive Branch outside of the Defense Department, meetings where businessmen can come and learn of what the potential is for contracting with the U.S. government. And there are some ten billion non-defense in business available to them.

P: Is this part of the program to broaden procurement?

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B: Yes, it is. And we hold some thirty to forty conferences a year.

This is of considerable interest to individual states and the Congress. They take considerable interest in this.

P: Would smaller businesses be able to make better use of this?

B: Very much so. In fact, they're the ones that probably get the most advantage out of it. We figure that for the typical businessman to come to Washington and learn the same thing here, you know, by traveling around in all the various agencies, it would cost him a minimum of \$3,000 to touch base, for example, with General Services Administration, with us, with NASA, with AEC and so on. But we carry the road show to them. Now, I attended the one held in the state of Washington a few weeks ago, and a member of Governor Evans' cabinet, a member of his official family there in Olympia, said that a result of the past two conferences in that state held in the two previous years, fully 25 percent of those who attended the conferences did obtain contracts with the U. S. government. And this is to us a very laudable achievement.

P: Are you asked to set up these conferences in various areas?

B: Yes, they do. They come to us. They solicit our support. And we set it up and get the right people there, and it is face to face contact. A businessman walks in and he tells what product he has to sell, and we provide counselors. Excuse me, and the other agencies provide counselors, which inform him of what is available.

P: And you, in other words, coordinate bringing the other agency people in this area in--

B: That's right.

P: Together too, in these programs?

B: That's right. All outside of the Department of Defense.

P: Do you attempt to get a regional grouping on this?

B: Well, we have not because we felt it did not work. The businessman is unwilling to travel too far away from his office. We make it a one-day affair, you see, so he can come in and very quickly get an input. Like, for example, some three hundred attended the one in Washington--the state of Washington.

Then we implement the Florence Agreement. This is where we permit entry duty-free those instruments and apparatus that are not produced in this country. There are some 40,000 potential users if you can consider universities as well as business concerns. These are electron microscopes, very complex scientific instruments. Here we protect domestic business, you see, because we don't permit the duty-free entry, unless it is not available in this country.

P: Excuse me, how many items--commodities, would that cover?

B: I'd say about fifty a month. Fifty cases a month. We participate in modernization and in technical growth programs. This may be of more interest later on if we see capital investment declining. But right now it's not a major program.

Domestic exhibitions and trade development--we participate in domestic trade shows, making businessmen aware of the services of this department. We're responsible for foreign excess property control; that is, importing into this country excess property of U.S. government. This is the holdovers from the Korean conflict, World War II, or just any other government operations abroad. We don't permit entry, if it doesn't fulfill a specific need in this country. In other words, we don't want that type of adverse competition of our own domestic business. So we do control that.

P: Even if it's U.S. property or commodity?

B: Well, most of it, of course, is in the hands of the foreign business people, not always, but again, we may permit entry under certain conditions in a certain way.

P: You mean selling it back to us?

B: Yes, right. All of it involves that, selling it back to us in a sense. And we've got to look at it from many different aspects. In other words, if it's beneficial to the U.S., then we will assist in getting it here; if it is not, then we hold it out.

We're responsible for trade association liaison. I mentioned there are 2,100 major trade associations, but there are some 15,000 different ones in all. We're responsible for trade adjustment assistance, whether the Trade Expansion Act or with the Canadian Automotive Trade Agreement. There has been no case in the Trade Expansion Act, but there have been perhaps fifteen to twenty different cases with the Canadian Automotive Trade Agreement. We give support in manpower programs. Fifteen to twenty different manpower programs are of interest to us and this ranges from the National Alliance of Businessmen, which operates as a non-profit corporation, but we did do the project leading to the establishment of that, or helped in the pilot project. This, of course, is concerned with hiring the disadvantaged. Bill Zisch, Vice Chairman of Aerojet General, was named consultant to the Secretary to run the ninety day project at the beginning of October last year.

P: Who was this?

B: William Zisch, Z-i-s-c-h, Vice Chairman of Aerojet General. And we did learn a great deal about the problems involved. This led to the

establishment of the National Alliance of Businessmen.

P: Is this the area where you became involved in the employment of the hard core unemployed?

B: That is correct, right. And we still provide staff support services to the National Alliance of Businessmen when they require it, when they ask for it.

P: Could you expand a little on your programs in this?

B: Well, we have only peripheral type programs there now, because they are doing their job. We did provide--We were quite involved in the pilot project, learning what the problems were. We attempted to provide one-stop service for the businessman who wanted to do something about it. In other words, he would come to this department and we would establish liaison for him with the other agencies, whether it's Labor, Small Business Administration, GSA, or what have you. And we still do that if called upon. But most of it now, of course, is being handled by NAB. Now, we anticipate manpower shortages and so report that, see, to the Labor Department. We cosponsored with the Labor Department the Commission on Occupational Training. We set--and this report has just been released, which supposedly sets the policy for occupational training for the years to come.

P: This is by skills, or occupation would be the same word?

B: That's right.

P: And it was a seventeen-member commission that did the work, with staff support from us and the Labor Department.

B: What were your findings?

P: Well, essentially to legislate a national training act, which would pull together many of the programs we know today and strengthen parts

of them. Beyond that detail, we'd have to really dig in the report which is available now.

P: Did you establish that there are certain areas where there definitely are going to be manpower shortages?

B: No, the purpose of the commission was not really that. It was to define what the government should do to assist in the broad policy areas. For example, how to conduct on-the-job training programs, and how the government was to help business do this. Is business to provide the difference in cost between hiring the disadvantaged and the advantaged person? Of course, this has been the theory behind the NAB program. And we support that. We feel the government should provide that cost differential. Now, all of this, of course, maintains a profit motive on the part of the individual business enterprise, but there is the incentive for business and us to get the disadvantaged employed, no question of that, and make a productive person of him.

P: You're working on the premise that there's expanding need for manpower--

B: That's right. Right.

P: --always, even in conjunction with the increased automation?

B: That is correct. Because we found with increased automation, it just changes the nature of the jobs. Right around one-half of our jobs are in the service area, and many of those require unskilled, or semi-skilled, type labor. And that's where, really, our biggest need is in many ways. It's true we can always use more technicians in various industries, but it's also equally true that we need people in the service area which is the big expanding part of our economy.

P: And there was consideration in this report for training at this level?

B: That's right. Very much so at the--those coming in with, let's say, little or no skills. And getting them in the industrial economy-- industrial process.

Then we're interested in environmental and conservation programs. We support the Council of Recreation and Natural Beauty; we have many projects underway involved with that. For example, we are doing a transportation cost study relative to the scrap automobile problem; how to get the abandoned automobiles into the market and use the scrap steel in the blast furnaces in the steel industry, for example.

P: Did this bureau participate in the White House Conference on Natural Beauty that led to the, I think it was the Highway Beautification Act?

B: That's right. This was before my time--

P: 1965.

B: That's right.

P: What sort of information and services did you bring to the conference regarding beautification and conservation?

B: Well, I'm probably ill-prepared to answer that since I was not with the bureau, but I'm sure of this one thing. We did point out where business can serve its role, where it will be prepared to participate. And, say, with the beautification project, here we're working presently with the auto wrecking industry. In fact, we have an industry advisory committee looking at the problems involved with the automobile wrecking concerns. And they have many problems, because they have a declining market, in one way, in that as the steel industry converts from open-hearth furnaces to basic oxygen

furnaces, they need less scrap. Therefore, they have some rather formidable economic problems to meet, and we're working with them.

P: It's an expensive process too, isn't it?

B: Yes, it is. Whether it's taking a stripped down automobile hulk and getting it into the right area to be used and the right locale to be used. The economics involved are severe. Because transportation costs are high, and 15 percent of the automobiles are no longer used for transportation and are just simply abandoned. And we've been working with state organizations and municipalities about changing the titling procedure, impounding procedure, so that cities can pick up these automobiles and get them in the right place.

P: I believe that was a rather recent and surprising finding, wasn't it, that abandoned was such a large--

B: That's right. And we did a large part of the work on that, in looking into the problem, learning the nature of the problem, and in turn making recommendations to--

P: When was this?

B: This was done some two years ago--the study.

P: You spoke of working with the states on titling?

B: That's right.

P: You'd be involved in that area too?

B: That's right. We're going to look at the problem now and probably make some recommendations relative to that.

P: Now, may I stop you a minute on that? On the manpower end of this, do the minority businessmen come into this area, or is that another section of industrial operations? I believe you have some programs

regarding improving--

B: Well, if a businessman asks us for information on the manpower program, if we don't know it, we do provide liaison for him with the Labor Department or wherever the interests would lie. Now, we've supported Project Transition, for example. We've acted as a catalyst in getting industries involved in it. This is a Department of Defense program whereby they train service men before they're discharged in certain skills so they can go directly into an industry. So we serve as a catalyst, contact point, in many ways with manpower programs. Because after all the largest employer is industry.

P: Not the government?

B: Not the government--that's right.

P: This minority businessmen's program that I was speaking of, it was--

B: We did start this. Now we have deferred just in recent weeks to Small Business Administration. When Howard Samuels moved over to SBA as Administrator from the Under Secretaryship here, the Executive Branch did unify under him the entrepreneurship program. Now, we have worked with it for two or three years. We called in affirmative action program; this is getting minorities into business.

P: To bring their skills--

B: Right and improving their operations. And we had several projects. We had five here in Washington of upgrading the businesses of those minority businessmen already in business, besides encouraging those who were not in business to get in business.

P: These were done through several self-help trade associations?

B: That's right.

P: And they were throughout the country, I believe?

B: That's right. We published a list of those franchise companies who were willing to assist in this program. We put out a publication and got it around to the various minority organizations.

P: How would they assist?

B: Well, many would provide almost all the--and in many cases all the training costs for a man who was interested in getting a franchise. And many would provide for the financing--total financing in the beginning, if he had the potential to be a business manager.

P: Did they inform you of their willingness?

B: Yes. We solicited the interest of many, and let the word get around, of course, that we were working with franchise companies in this area, and they in turn informed us of their interest.

P: This was part of President Johnson's program, I believe, to improve the business area in or involved in the area of social problems. Were there other programs along this line?

B: Well, yes, I guess in many respects we encouraged business to get interested, say, in the urban problem, which involves just not businesses, but hiring the disadvantaged and so on. I would say the main emphasis here has been on providing jobs on one hand, and on the other, getting minorities into business themselves.

P: And acting almost as a go-between between the disadvantaged and the people willing to work with them or hire them?

B: That's right.

P: In other words, you have the information on who the business leaders were that would work with this and also from other government agencies, the people that might be--or the area--

B: That's correct. Now, if we move to the Office of Marketing, I'll briefly

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tell what we're doing there. We have several marketing publications, market research documents; for example, Facts For Marketers.

This is a ten volume series which involves standard metropolitan statistical areas and what products are sold. We're not working on key marketing center maps. We started a new series on Facts for Wholesalers. The first of twenty-four has been issued and it deals with hardware. Then through the National Marketing Advisory Committee we have five task forces--one dealing with consumer issues--consumer education through consumer protection legislation--

INTERVIEWEE: RODNEY BORUM (Tape #2)

INTERVIEWER: DOROTHY PIERCE

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B: --reported further relative to industrial mobilization is that in the area of special assistance cases, I'd say they number about 3,000 a year now and this is a decrease in number, but reflects an increase in complexity. And we often find now that a single special assistance case may involve forty, fifty directives to individual companies in unplugging a particular production bottleneck. Now, a measure of our success in the priorities allocation area, of course, is the fact that we are not allocating any product, any commodity, in the civilian market.

P: Was this done in, say, the Korean conflict?

B: Yes, there were. I'm not in a position to say what they were, since I was not part of the organization, but it was done, yes. And we have dealt with the herbicide problem, I feel, in a very straightforward way with the very good assistance of the chemical companies involved. And today there is no problem, no shortage there. And we're not forecasting one. We've had some problems with it, of course--

P: Such as?

B: Well, bringing production capacity up to the level to produce the so-called orange, which is used as a defoliant both domestically and for defense purposes.

P: In bringing it up, did you come across any resistance in companies in producing the--you call it orange defoliant?

B: No, most cooperative.

P: I was thinking in terms of the public furor, particularly on the campuses regarding production of this chemical?

B: That's right. We weren't really involved directly in that. Obviously, I was aware of all this happening, but the companies involved measured up to what was requested of them by the Defense Department. And we, of course, provided the special assistance, where needed, and the analyses where needed, where the capacity was and how to get it to market better. And we obviously were looking at it from a priority and allocation standpoint, if you can appreciate that, as a part of the defense materials system.

P: In establishing these priorities, does that have an impact that you have to adjust the business community to?

B: Yes. In many areas, this is true. For example, in the operation of set-aside itself, presently with copper and nickel. Defense and space needs come first by law, but if it's production act authority and we can enforce that, we have a self-regulating system so we don't have a--We have one man for compliance because the system has been proven that it does work, and industry in general understands the processes and reacts accordingly.

We were speaking of the Office of Marketing and some of the activities of the National Marketing Advisory Committee. I mentioned one task force dealing with consumer issues, issues for consumer education through and including the consumer protection legislation. We have a second task force looking at the entry and exit of products and services into the economy. This is where we are interested in what are the variables in competition really. What is the impact of management, technology, advertising, concentration within an industry,

product differentiation? Now this has been prompted actually by the interest in relationship of advertising in competition. Some have felt that advertising acts adversely to competition. And our answer that is that, well, if it does, we really know very little about it, so let's research the area and become smarter about the issue, so we have a task force underway in that area.

Then a third is commercial services to slum areas. I'm sure there's no misunderstanding as to why we're doing that in this day and time, but we do have a very good team that's analyzing that, as to what is needed, for example, in the way of services in the ghetto areas and what are the guidelines for a successful business operation in the ghetto areas!

P: Have they found that consumer products in the ghetto areas are either of low quality or over-priced?

B: We have not found that, but we have not made a--have not completed any study in that area either. Now, several studies have been made and most of them have been conflicting in conclusions relative to that particular matter. We have another task force looking at just what research projects should be undertaken by this department in marketing and distribution, assuming we get the resources to do it. Then a fifth task force is looking at what can be done in the way of a doctoral dissertation program for the department whereby this department through Secretary awards to those grad students who do good work in marketing and distribution area. And the second meeting of the National Marketing Advisory Committee--the total committee--is due within a few days, so we're preparing for that presently.

There are other projects in the marketing area that we're interested in. We're interested now in a cooperative program with

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our field offices in getting a lot more information in the hands of the small businessman, information that he can quickly understand. Because a lot of the market research data we've put out in the past is really for the use of the more sophisticated--the market researcher, as opposed to a small businessman. We're interested in doing an analysis of the productivity of employees in trades and services. And we know a great deal, you see, about the productivity of employees in certain manufacturing industries, but very little about the service trades. As we mentioned before, that's one of the prime growth areas in jobs and in gross national product. And then we're interested in how to improve the return on investment in new products. It is reported that 50 percent of those entering business for the first time fail, so we're quite interested in learning the whys and wherefores of that.

I would like to make one additional comment relative to our use of data, in which you see threads throughout most of our activities, whether it's stockpile matters, whether it's marketing, whether it's the typical functions of any of the twenty-two industry divisions. We are doing work now--Well, most of our work is in micro-economics, looking at it on a--This is m-i-c-r-o-economics, looking at it on a commodity or individual industry basis. So, we're now doing work in developing the econometric model. For example, for predicting the gross national product by industry.

P: What model?

B: Econometric model. One that puts all the variables of the same equation and enables us to forecast some better what the GNP will be for individual industry by quarter. Now, I don't know whether

this is achievable or not. We're looking at it. At least in the process, we'll improve our forecast capability.

I feel sure that we really touched just briefly on the many areas of interest. I think if you had to summarize really what our area responsibility is, we could say if it's a domestic program, or if it's an Executive Branch program or a policy issue that involves or impacts on domestic business, then we're involved as a bureau.

P: Would you discuss with me any plans that are made in this bureau in the event of nuclear war regarding research management, stockpiling?

B: Well, this is a classified area. I can just say we do post-attack studies by industry, and this is a continuous process really. They go on all the time, updating, past studies, and the like. But it is a responsibility of the bureau, this is true.

P: Do you supply the requirements for--or level of what is projected for a national stockpile of critical material?

B: Yes, we do. We provide this to the Office of Emergency Planning [Preparedness]. We participate in many ways in the stockpile, helping prepare specifications for the purchase of materials, determining what should be in it, and what should be released, and how it should be released, and when.

P: This would of course again be in releasing it, would be--you'd have to take into consideration the impact on the domestic business.

B: That's right. In fact, by law, see, you cannot release anything in such a way that would impact adversely on the market of a particular commodity, on the price or any aspect of it.

P: Do you prepare studies when it is considered to release national

stockpiles of a commodity to bring the market price down?

B: No, because by law we're not to change the market price. Now this is obviously difficult to always predict what impact you would have, but really you're not to do anything that has significant change in the market place, put it that way. Because really theoretically you won't be changing the price.

P: Well, then not the market price, but, say, to bring down inflationary actions--

B: When a shortage develops, by the very nature of the market, this would act as a deflationary move, this is true. And we do respond that way because the need is there. There's a shortage. This would have been true of nickel, copper, among other commodities.

P: Was aluminum involved in that recently?

B: Yes. Release is being made of aluminum now, but the market is rather--the supply and demand situation is rather stable. So this is worked out in conjunction with the producer so as not to upset domestic business. So it's released in smaller batches, so to speak. Now, when there is a severe shortage of copper, then we rush, you know, out into the marketplace to meet the demands of the consuming industry. But we've worked out a plan with the producers, and really the producers bought the copper from the stockpile, from GSA, and it in turn, passed it out to their consumers. In this way we had minimal influence in the--or minimal unsettling in the marketplace, which is our objective. Because obviously you don't want to destroy the normal working relationships that take place between industries and between companies.

P: I was thinking, in a particular recent area where President Johnson

indicated that if inflationary measures were not stopped, he would release stockpiles--I believe it was aluminum, but I'm not sure--

B: Yes, this was indicated at that time, but--this was before my time; it's my understanding that this was said relative to a potential price increase, and that the stockpile is available to be used by the government.

P: Does business look at that as a potential threat by the government to maintain--

B: Well, I'm sure many in industry can and do look at it that way, but on the other hand, I'd say they see that the advantages of having a stockpile far outweigh any disadvantages, because when they have a need, then generally it's a real crying need and then stockpile possibly can meet it when there's a shortage.

P: You've used the word stockpile here in two different capacities, I think. Is there a stockpile which is primarily there for defense, or let me put it back--for contingency plans in the event of a war that is not touched, and then there's also a stockpile of over-production of materials?

B: You see, some of the items in the stockpile are in excess of the objective that's needed. So, you see, you kind of have a surplus in many commodities at any one time. So when you have a surplus, you can operate quite differently. Now, we have dropped below the objective in copper because there was a real need; there was a shortage, and we had to meet defense and other needs. At the time it was issued for defense purposes, because that need comes first.

P: Well, now, in rebuilding the stockpile, are you placing a stronger burden on the business community to reproduce it, and then when you've

reached your quota, what is the impact on the industry?

B: Well, fortunately, we're not below objective, but in two or three items. And we're not going into the market not to rebuild in copper because the market still is not that stable; still recovering from the strike. And again, I say we don't want to adversely influence the market unless there's an emergency on our part and there is not that.

P: Is there a minimum level of stockpile which we cannot go under for our own defense purposes?

B: We don't look at it in that respect. Obviously, as a practical matter, there is.

P: I believe the BDSA has gotten involved in the radiation and preservation of food, I think as early as 1964.

B: That's right. We have looked at the commercial potential for radiated foods and have worked with FDA, DOD, and others. Now, of course, there has been some recent concern by FDA on the potential harm that radiated foods may bring, so I'd say we're still, you know, maybe years away from real commercial use of radiated foods. We feel we can still see this coming because of the advantages of packaging, storage, and the like.

P: Is this an area where this bureau has gone ahead of the business community in area?

B: Yes. We have encouraged business in this area; we helped select the first company to make radiated foods for use in Viet Nam, and we provided various economic studies relative to the use of radiated foods and the manufacture thereof.

P: Was much of this used in Viet Nam?

B: Not too much to my knowledge. That has been out of our hands once the company was selected. It really is more responsible to DOD, you see, who made the contract. The Department of Defense made the contract.

P: Is this Irraco that I've seen, regarding the meat radiation company?

B: I'm not sure of that now. There was one--It was a joint venture that won the contract, and I don't recall exactly what company that was, even though some of our people did participate on the selection award. You see, our interest has been again economic impact of this, and what advantages may lie in marketing radiated foods, once we get over the hurdle of any damage to the human body.

P: Are there other areas where the bureau itself has taken the lead in order to establish what the impact could be--a projected impact?

B: Something new in technology? Yes, we've been working with the shoe industry in reviewing if there should be a change in shoe sizes, the number of sizes, or a different system for example.

P: Why?

B: Well, if you can reduce the number of sizes, you can reduce the inventory; therefore, you make for a less expensive product, if you may, cut down on marketing and distributing, and maybe a better fit; you know, where the approach is, I believe they call it geometric rather than arithmetic. What is the shape of the human foot now? We still use sizes that have been years in use; and maybe this whole area should be looked at to the advantage now of both industry and the consumer in the end.

P: That's a very good example of understanding the impact this would have on the changing of an industry.

B: That's right. Just think of the education you would need for the consumer to really understand what's taking place in the first place, and we're quite aware of that. Like, for example, we're participating in this study of conversion to the metric system--you know, from foot-pounds to the metric measure. And the impact would be considerable, and it may take--I'm sure it would, if we went that direction, we'd take a number of years to make the transition.

P: Have you reached any conclusions on either one of those?

B: No, we haven't.

P: This is in a study stage?

B: Right. But it's examples of the type of things that we are doing.

P: You've talked of it in terms of the variables it involves, such as just the education of the consumer. What other problems do you have to include in investigating changes?

B: Well, the cost of changing the last used in the manufacture of shoes, you know, conversion of shoe production machinery, for example. That's one. Whole system of nomenclature etc.

P: Would these studies conceivably indicate that this is just practically an impossible task?

B: No, I wouldn't say that. There may come a time where we really want that. You see, the savings may be so considerable in inventory and at the same time get a better fit that it may be quite worthwhile.

P: This is in shoes?

B: In shoes. And in the metric system, as more and more of our competitors in industrialized nations switch over to the metric system, it may be to our advantage to switch too. The United Kingdom now is, and they've set the target date of 1975 to complete the switch. You see,

we may find ourselves out of the market place.

P: Then it may be a necessity.

B: That's right; it could be. We really don't know; we've got--Because it'd be a tremendous costly thing to change obviously. All your production machinery and all your schematics, your diagrams--just think of all the changes involved in that alone! So it's a two-sided question.

P: But your studies are projected on how this can be done, not whether it should be done?

B: No, it's on whether too. Whether is there as part of the study, very definitely; and if we decide it is the direction to go, how, of course, will be the next question to be answered, and when. Whether must remain as a part of it.

P: I was trying to determine if it was a positive approach to it.

B: Oh, it's positive. I would say it's positive by looking at the question in the first place. Not bring it up, you know, unless we feel that it should be looked at.

P: These are very interesting. Are there other areas that are being pursued like this?

B: Well, let's say, at any time, we're looking at many aspects of manpower programs, taxation, labor management policy. What should be the role of the Executive Branch in the future--labor management, policy area, if any? Now, we've had Taft-Hartley legislation and so on, but we still have very costly strikes. The copper strike added \$550,000,000 on the adverse side of the balance of payments. Can we afford it as a nation to let this happen again? We've got to answer that. And we're now looking at the trends taking place

in industrial relations and what some of the answers--potential answers to this are.

P: What are some of the potential answers?

B: I think it's premature to answer that at this point.

P: Do you foresee a way that both labor and management would be happy, or accommodated, if we could get around costly strikes?

B: Well, possibly. I think even there it would be premature to answer, because I think, first, we must look at--we must analyze the trends that are developing and then look at what our competitor nations are doing. We can learn something from them. We don't know that, but nevertheless we are looking in that direction.

P: Our strikes have nowadays a greater national impact, don't they, in that they can paralyze almost an entire industry throughout the country? This hasn't been as prevalent in, say, the past twenty years, has it?

B: Well, yes, I'd say if we had a railroad strike for any duration, or a longshore strike, or a steel strike, you could begin to see some real impact after a period of time.

P: But isn't this more true nowadays than, say, twenty years ago?

B: Yes, this is probably so.

P: Either for the greater unionization of labor or variety--

B: Or more interdependence between industries and the like; this is so.

P: So then it becomes even a greater imperative--

B: That's right, and it is a national issue--there's no question about it. And foreign trade policies are always under review, as you well know. Our sister bureau is more involved--the Bureau of International Commerce, but we have an interest because of the impact of what moves

they make would have on domestic business.

P: Back on shoes and metric system--this is a modernization in their industries--

B: That's right.

P: This is an area then that you do definitely pursue--the impact of progress--

B: That's right--technology, really. That's right. We're definitely interested and assist where we can.

P: How do you pursue this? You'd have to have--

B: Well, most generally, if the industry itself asks for the help. As the tool and die industry has pointed out, we need to make a study, and we agree, and we're looking for resources to do it now--the impact of technology on their industry. They're small businessmen, very high technology oriented, and a very cyclical type economic operation, so we would like to look at the variables involved. We know--why is it so cyclical, and what is the impact today of technology in that industry? And we're in the process of creating an advisory committee for that industry at the present.

P: You spoke earlier of the changeover in the steel industry to oxygen--

B: Basic oxygen furnaces from open hearth.

P: From open hearth. Did you do studies on this or was this steel industry?

B: Well, we followed this--yes, in many ways we do. We follow it on a continuous basis. The Japanese are much further ahead in this conversion, by the way, than we in the U.S. I'd say they're something over 30 percent converted at this point, because it's a much more efficient process. And in the steel imports this year--will amount

to something like 16 or 17 percent of domestic consumption. So we have a real competitive problem with our steel industry, and so it behooves us to work with them and we do. There may be capital investments, something over two billion this year, in a plant and equipment, and I'm sure a large part of that is the basic oxygen furnace. I should point out that that is not a U.S. invention. It's Austrian, and we've got a lot to make up in the way of catching up with some of our competitors in that respect, you know, to keep the steel industry competitive.

P: Are there other areas where foreign technology has gone ahead of us and we must--say, this bureau takes into consideration the impact?

B: Well, this bureau has completed technology gap studies. I think maybe the most that can be said right now is we feel there is no technology gap between us and our competitor nations, as some of them have claimed. We say if there is a gap, it's in the application of technology, because we can list a number of areas where foreign companies and countries have made significant contributions. And when you make a tally of these, you find really the conclusion is that there is no gap. We're moving ahead faster maybe in the application, but this involves education and management, education of the employee and how he's used. So these are the areas that really should be looked at, and we've done a lot of work in the past year in this technology gap analysis area, both for OECD--the Organization for Economic Cooperation and Development--that's twenty-one industrialized nations of the world, as well as for our own Office of Science and Technology in the White House. But this bureau has done the work. So we're very conscious of what the other industrial nations are doing

technology-wise.

P: You would have to be on this in order to prepare our business community for impacts of these kinds?

B: That's right. That's true.

P: Are there any other areas, far-reaching areas, that have been developed that are in early stages now? That we haven't covered?

B: I believe not. I believe in general we have covered most of them. Some of the individual projects, until they really take better form, are not--I'm sure not worthy of mention.

P: Would you give me your opinion of the impact of the last four years, or if not the impact--I'm using one of your words--the development within your bureau during the Johnson Administration?

B: Well, I'd say--I've looked at it as a real opportunity. First of all, we made the reorganization--reoriented the bureau towards some of the more significant policy issues it had not been involved in. So I'd say conceptually we're on the right track now--we're headed in the right direction.

P: These policy issues are such as marketing--

B: Marketing, taxation, pollution abatement, a whole list can be made in that respect. But it has given more visibility for this bureau and this department, and thus more visibility for, let's say, consideration of the business viewpoint.

P: Has this Administration had an impact on the business community that you see?

B: Yes, it certainly has. We had the voluntary price and wage guidelines for some time. I'm sure this impacted obviously price-wise, maybe in, and hopefully slowing down the inflationary forces. Some of the

major issues are coming now more to the fore as foreign trade, technology gap--I think we've quieted that area down considerably. The foreign nations are not saying now that we do have a technology gap.

P: How would you say the business community, in your opinion, rates Lyndon Johnson?

B: Well, this is a difficult answer. I perhaps would not be well prepared really to answer that, because you get a mixed opinion, as I feel you would with any administration. Certainly we can point to the success and handling of the business side of support to Viet Nam--the lack of controversy there, the lack of allocations we mentioned in the commercial market--of the civilian market. This is certainly a success story for the Administration under any guidelines and ground rules. So I'm sure from that standpoint, there would be a real high rating. And they have been willing to use the stockpile to meet shortages for example.

P: Do you feel that the business community places any direct responsibility on the Administration for the inflationary situation today?

B: Yes, I'm sure they would. Maybe it has been more of a legislative delay, you know, on the surtax. I'm sure they felt, as the Administration felt, it should have been passed earlier. Now in the absence of passage, I'm not always sure--see that the business community really discriminates between the Administration and the legislative process. We certainly felt it should have been imposed earlier; therefore, we would not have had as much spiraling inflations today.

P: Are there any other comments you would like to make, Mr. Borum?

B: Well, I would say the challenges are many, but I certainly feel that the two years here, we've been able to make certainly contributions

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in many areas to help solve many of the national problems. I guess that--Maybe that's being too immodest in putting it that way, but what I'm really saying is that problems have manifested themselves and we have gone into action to help to eliminate them or solve them, whether it has been balance of payments, whether it has been other areas of foreign trade policy, whether it has been Viet Nam support, or what have you. It certainly has been an action type Administration and agency.

P: Thank you very much Mr. Borum.

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By Rodney L. Borum

to the

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