INTERVIEWEE: ROSS D. DAVIS

INTERVIEWER: PAIGE E. MULHOLLAN

December 9, 1968

M: Let's begin by identifying the interview. You are Ross D. Davis, Assistant Secretary of Commerce for Economic Development; and, at the same time, Administrator of the Economic Development Administration, is that correct?

D: That is correct.

M: And you've been serving in this job since what date, sir?

D: Since Ootober 1966.

M: And before that you were Acting Administrator of the Small Business Administration?

D: I had a brief period as Administrator of the Economic Development Administration. At that point we had both an Assistant Secretary for Economic Development, who was my predecessor in this present job, Eugene P. Foley; and then another comparable Presidential appointment job called Administrator of the Economic Development Administration. When Mr. Foley left, I combined the two jobs and, in effect, hold both, as you've observed.

M: And you are an appointee of the President rather than the Secretary of Commerce, is that correct?

D: Yes, similarly to all the Assistant Secretaries, it is the President who recommends to Congress that I be appointed. Of course, the Secretary of Commerce would have a good deal of influence on the President in these matters.

M: Sure. You're a careerist now. You joined government service, when--

in the late 1940's--early 1940's, I guess, wasn't it?

D: Well, no, except in the context of the Army. Why don't I give you a little history if that would be useful?

M: That's fine.

D: I'm a lawyer and now an administrator. I went to Brown University, graduated in the class of '41. From there I went on to Columbia Law School, and in April of 1942 went into the Army where I languished for more than four years. That, of course, is added to my government career under the present way of computing these things. At the end of the war--we're getting to about 1945 now, '46--I returned to Columbia and graduated from their law school in the class of October '48. From there I went into private practice--a small firm in New York City located on Wall Street. It was called Davis and Heffner. The Davis in the firm was my father--Abraham Davis.

In 1951 we had, as you will recollect, the Korean war. Mr. Weinberg was recruiting hopefully bright young fellows to come down to Washington and staff the regulatory agencies that sprang out of the Korean war emergency. So I came down as a very junior lawyer into an agency, which technically was part of the Department of Commerce called the National Production Authority. I was the WPB of the Korean war. I planned to be down in Washington for a year. Like so many people I never made it back, and I've been in government ever since that time. So, including the military service, I've served under five Presidents and have accumulated almost twenty-two years now of service in the government.

The question of whether I'm a career civil servant is an open one in this respect. I think it's interesting perhaps to know that

one can serve for so many years under the civil service laws and system without really becoming a career person in the technical sense. Lawyers never were drawn into the civil service system except in a very limited way and somewhat exceptional way. When I got finished being a lawyer, I became an administrator in a variety of positions which also were not within the civil service system. So it's a little difficult to say whether I am a career person or not.

M: Is it fairly frequent in government service for someone such as yourself to come in as you say as a junior lawyer type fifteen or sixteen years ago and work your way directly up to an assistant secretaryship? Is that a frequent possibility in government service nowadays?

D: Well, if I were recruiting--as I do from time to time--I don't think I could in good conscience tell everyone that this is a prospect. But, on the other hand, it is not an unusual occurrence. I'm thinking for example of Oscar Chapman, who used to be Secretary of the Interior under Mr. Truman. My recollection is that he made it practically from step one all the way up to Secretary. But this kind of progression depends on a lot of variables that are not within the control of anyone. You have to be rather light on your feet, I guess, as you go from administration to administration.

M: How does Mr. Johnson's Presidency compare with--you mentioned you'd served under five--how does he compare with the others in regard to promoting people from within to important jobs such as the one you hold?

D: Oh course, one of the outstanding characteristics, among others, of his administration was both his concern for making the federal government work better--I'm not talking solely about efficiency in

the broad sense, but to make it work better. And I think he had a high regard for some of the people who had put in a good deal of time learning how to make the system work better. Consequently, I think it gave him great pleasure, because he often did it to reach the ranks and elevate people who, technically or otherwise, fell within the class of career civil servant. There are, I'm proud to say, quite a few of us.

M: What were the circumstances of your own selection and appointment as Economic Development Administrator? A lot has been made in the press about the sometimes peculiar ways in which Mr. Johnson made such appointments. Was there any such circumstance in connection with your own?

D: It was rather straightforward in a complicated and devious sort of way.

M: Straightforward in a rather complicated--okay, explain that.

D: Let me hopefully briefly give you a little description of my government career, and then you will see how we wound up in this office. As I indicated, I came in as a lawyer--in the National Production Authority. That job lasted for about two years at which point I switched over to another war agency called the Small Defense Plants Administration, which was a war agency but also a small business agency under President Truman. When President Eisenhower came in he established, in 1953, the first independent small business agency, called the Small Business Administration. I was with that agency also as a lawyer. I spent the following eight years in various legal jobs in the Small Business Administration, and at the end of the Eisenhower Administration I was an Assistant General Counsel there.

When President Kennedy came into office, he appointed a congressman from Maine by the name of Frank Coffin to a job that was known then as Director of the Development Loan Fund. The Development Loan Fund was the Foreign Aid Bank. Mr. Coffin invited me to be General Counsel of that organization. I went over there and carried on as General Counsel but had the additional duty of part of a reorganization which eventuated in a new foreign aid agency under President Kennedy called the Agency for International Development. By that time it was clear that I was in economic development as an endeavor, even though it was less clear in the Small Business Administration, although I might say that I have always regarded SBA as a pretty good economic development organization. Coming from Arkansas, as you do, you know that that agency is very effectively active in the South particularly in financing the growth of a great variety of small businesses.

In any event when the new AID agency was formed I switched from the legal end of the business to the administrative end. I was appointed Deputy Assistant Administrator in an office called Development Finance of Private Enterprise. My principal concern had to do with development lending policies which govern the loans made by AID to foreign governments and private concerns as well. I did that until the end of 1963.

At that time Eugene Foley was Administrator of the Small Business Administration, and he was looking around for a principal deputy. And I had known Mr. Foley from the time when he was with the Senate Small Business Committee. Because of a variety of reasons, mostly I guess because I was an instant expert on SBA, Mr. Foley invited

me to come over in a job called Executive Administrator. I was there until Mr. Foley left which was around October 1965.

Mr. Foley went over to Commerce to head up a new organization in the Commerce Department which was established under the Economic Development Act of 1965 which, of course, was one of President Johnson's Great Society legislative initiatives. It followed on from ARA and incorporated some of the features of another piece of Mr. Johnson's legislation, the Appalachia Act. I became Acting Administrator of SBA for a period of nine months while Mr. Foley was over here in Commerce setting up the new economic development complex.

At the end of nine months--this brings us to about June 1966--Mr. Bernard L. Boutin was appointed Administrator of SBA; and I was appointed by the President as Administrator of the Economic Development Administration. Then about three months later in October--four months later--Mr. Foley resigned to go into private business, and I was appointed by President Johnson as Assistant Secretary of Commerce. At my swearing in my wife, who has some memory for these things, said it took about fifteen years for me to go from the fourth floor of the Commerce Department, where I was housed for my first job, to the seventh floor. She may be right.

M: I notice you and Mr. Foley both came to this agency by way of SBA. Do you think that's more than coincidental? Does the President see SBA, as you indicated you did, as an economic development agency which qualifies one to go into this more broadly conceived development program over here?

D: Yes. It was my impression that the President well understood that the concern and support of the small business that was evidenced by

SBA was something more than concern for an old way of life. He recognized that small business represented a critical and vital part of our growing economy; and that activities which had as their aim the strengthening of small business and strengthening the economy--and of course that's what we mean by economic development.

As a matter of fact, my recollection is that back around 1958 President Johnson introduced legislation which led to the establishment of an interesting experimental aspect of our small business programs. I refer to the Small Business Investment Act of 1958 which authorized the setting up of a new entity which was designed to provide capital and loans from essentially the private sector for small business. That particular piece of legislation also provided for the financing of development companies--local and state development companies. So you can see that as far back as 1958 President Johnson showed concern not only for small business generally, but for the developmental aspects of fostering small business.

I think that President Johnson would have liked to have seen these activities drawn more closely together and arrayed in a manner so that they could be directed not only to the assistance of small business, but also to the developmental aims. As a matter of fact, I now recollect that one of the reasons I found myself as Acting Administrator of the Small Business Administration for such a long period of time--it was nine months--was because at that point the President was quite interested in merging SBA and Commerce so that we would have a more effective developmental agency.

Now that merger idea has been made from time to time. It is always very controversial because, among other reasons, you have small

business committees in the House and Senate who did not want to lose the Small Business Administration into the Department; but also because the small business activity was formerly in the Department of Commerce and as such represented a very small portion of the Department's interest and activities. It was not until small business activity was taken out of the Department of Commerce did it really develop into a program with the dimensions that it presently enjoys. The fear therefore was that if SBA were to go back into the Department of Commerce that it would tend to be weakened; its independence would be dissipated; and it would be a less effective agency.

I might also add that the same controversy was raised when the ARA was passed in the Congress in the early Kennedy Administration. There were many people who felt that it would be a mistake to place the new developmental agency within the Department of Commerce because it was felt that, although there was a certain logic to it in terms of economic development being business growth, nevertheless there was the fear expressed that if the activity were to go into the Department of Commerce it would never achieve the support and importance that it would if it could be set up as an independent agency.

M: During this time, you mentioned the late 1950's when then-Senator Johnson was already somewhat interested in this area, did you ever have any occasion to have personal contact with him in your position at the SBA?

D: No, unfortunately, I did not. I should explain I suppose, if you have time to listen--

V: I've got time.

D: --to an explanation, that I played a fairly behind-the-scenes role in SBA in the sense that it was known there that I was not a Republican; and although this--

M: This in the Eisenhower Administration that you're talking about now?

D: Yes, indeed. And although this aberration was tolerated, nevertheless it meant that I had to--and appropriately I might add--to be very neutral and circumspect about my activites. And I was more comfortable as an inside man, if that's the proper expression.

Now the genesis of this particular legislation was that it came as an initiative from the Congress, which was then Democratic, and not as a creature of the Eisenhower Administration that generally was against the proposal. Where they supported SBA, they did not want to see it grow unduly large and unduly expensive. And the 1958 amendments were feared for that reason. It wasn't until it became clear that the new legislation which was proposed and supported by not only then Senator Johnson, but by a very substantial group of Senators and many people in the House--it became clear that some kind of legislation was going to go through.

At that point the Administration very sensibly took the position that if legislation was going to go through that they'd better have a say about what kind of legislation should go through. My role then was to draft legislation--which I did and surprisingly the final legislation was significantly like the legislation that we drafted. The compromises were accepted by the Congress and we had the new bill. But in any event, you can see that I was in a somewhat

delicate position.

M: What about the initiative behind the 1965 Act that created this agency? Did you, while in the SBA, play any role in the framing of that particular program, and/or where did the initiative for that program come from?

D: The answer to your first question, so far as my role was concerned, I played no role. I had my hands full over at SBA. The initiative for the new legislation arose out of, I suppose, the ARA Act which then was in trouble and was expiring, or had expired, and of course the President's interest in continuing this activity in a strengthened form. I must say that we got an awfully good act when we got the 1965 Act. Considering what we know about economic development, it was very advanced in its thinking. It had a high degree of flexibility, and really, I think, in many respects is a landmark piece of legislation. But when I came into the picture it was all handed me as if it were on a silver platter, and we're still functioning under that act.

M: At the time President Johnson appointed you as administrator of the EDA, did he give you any kind of personal charge as to what he expected that agency to do under your leadership, or did he leave that pretty well to Mr. Foley as your immediate superior at that time?

D: Yes. Unfortunately, we were never able to discuss his views of what should be done under the legislation, but he knew that Mr. Foley and I worked very closely together over the years at this point. I think he felt that I did not need any new or separate instructions, that Mr. Foley had the program well in hand.

M: How about since that time, since you're in the operating capacity both

in that job and the combined job that you hold now? Do you deal frequently with the White House staff directly--not with the President necessarily, but with his people over there?

D: Yes, I do. I was trying to go over in my mind the number and variety of White House contacts I've had in recent years, particularly those involving the President. So if I may go back a bit, I'd like to tell you about some of them. I don't think that they were profoundly significant, although they were profoundly significant to me. But from the point of view of history, I don't think they were profoundly significant.

My recollection is that the first time that I met the President, was a large gathering in connection with the celebration of a strange rite and weird practice that was held annually by SBA called the Small Businessman of the Year. In 1964, I guess this was, as we do every year, we had an individual selected and the White House rolled out the red carpet and we had a little celebration over there for the Small Businessman of the Year. In my recollection this is the first time I met President Johnson, and obviously this was only a brief handshake.

The next occasion, a little more significant, was in connection with the Alaskan earthquake. You will recollect when the Alaska earthquake hit that that was a major catastrophe for that particular part of the country. And the President formed a reconstruction group under then Senator Clinton Anderson. It was an interagency group; and SBA, as one of the major disaster financing agencies, of course played a large role.

I recall that at one of the first meetings of this group, Mr. Foley

was out of town, and I was called over to the White House; and we received one of those typical lectures from the President in which he was in effect teaching us what he wanted us to do collectively in alleviating the suffering in Alaska and getting their economy back on its feet. I know that you are aware that one of the important roles of the President, and perhaps any good executive but certainly the President, is somewhat analogous to teaching; to try and teach among others, your officers, what is important, what kind of reactions they should have to given sets of circumstances, and also a reasonable sense of urgency about getting things done. President Johnson spent a lot of his time and effort in group meetings teaching us boys how we should react to current events and how we should carry on our work.

I might say that this teaching process had nothing to do with politics per se, President Johnson's attitude as expressed to us was that we should get the job done, and he would take care of the politics. But the teaching focused on such things as need for cooperation between agencies, and always a sense of urgency to get the job done and to develop new ideas as to the nature of the job and how it should get done. So we had one such lecture in connection with the reconstruction group in Alaska.

I was privileged to have another such lecture some time after that in connection with a legislative proposal that we successfully got through Congress that at the time was of great interest to the President. I'm now talking about early 1965, I guess it was, if my recollection is correct. This was the time when I was Acting Administrator with SBA, and the legislation was a proposal which

authorized the financing of certain types of lending agency by the sale of participation certificates in the portfolio of loans held by the agency. The Export-Import Bank had financed itself.

M: This is to avoid budgetary impact in meeting the capital for the program?

D: Exactly. This way you could raise money without having to go to the Congress for appropriations which then indicate, and probably incorrectly, that money is being appropriated for activities that really do not involve the direct expenditure of funds.

In any event, this legislation was quite controversial and we had a lot of difficulty with it. But in due course we were successful. And in due course we were invited over to the White House where we convened in the Fish Room.

Here again we got a lecture. There were many things on the President's mind. In the first place, he was pleased that we were successful, but even more so he was pleased that we were successful in mounting a cooperative effort to achieve this legislation. It did involve many agencies and a good deal of close coordination and cooperation.

Perhaps the most striking thing to me about that particular meeting--and I'm sure none of these were unique, but along these lines--I had always been a little irritated by the frenetic activity generated by the White House staff. Everything had to be done yesterday, and there was always tremendous pressure to get things done overnight, all emanating from the White House. I felt that maybe programs would be more effective if we took a little more time to think about them and contemplate the consequences and so forth

and so on. So although I always did my best obviously to accede to needs of the White House in these matters, there was a certain amount of resentment on my part that we should be pushed so hard.

Well, this resentment vanished pretty much when I heard the President talk about his sense of urgency in getting things done. What he said came down to this: we in government were responsible for the well being, I think he said for 3,000,000,000 people or something like that; and I realized that he wasn't talking about the United States. He was talking about the whole world. And he went on to point out that this was not only our responsibility, but it was our opportunity. And this was an opportunity that never would come around again for us; and that, accordingly, it was of the utmost urgency that we make the most of this opportunity to be of service to the people of the world. It made very good sense.

M: You allude there to a whole network of relationships that are very rarely written down, and it's one of the things we're most interested in getting, too. You're also in a very good position at your particular level to get these--the relationship between the White House staff and operating people in the agencies; and the relationship of the operating people in one agency to counterparts in other agencies; the whole network of interagency problems; of how much problems do things like this pose. For example, let's take interagency cooperation. You got to work with what--labor and manpower retraining and all sorts of other government agencies? How do problems of differences of opinion get solved in this area?

D: Well, now you've asked something that is very near and dear to my heart; and something that I have very strong feelings on which I'm

not sure can be condensed to the size lecture that you want this afternoon.

M: I've got all kinds of tapes and I can come back lots of other times. So you just take what time you have and if we don't finish this afternoon, I can come back another day and we'll finish up then.

D: Well, today's New York Times has an article--

M: This is for the transcriber. This is December 9, 1968--to identify that newspaper. All right, go ahead.

D: It started on the first page and talked about what is the Great Society, and where is it. Among other things it pointed out that over the recent years we have had programs which have increased in number from something like 60 or 70 to something in excess of 400. Now because of this proliferation of programs we have heard increasing demands for better coordination of the whole spectrum of effort, which involved literally tens of agencies at the federal level, and then should be adequately related to and integrated with programs and efforts at the State and local level.

Now generally there are two systems of coordination proposed, at least according to me. One is that you appoint a czar. This fellow is going to make all the decisions and all the agencies are going to have to abide by his decision; and out of his authority, you will get some kind of coordination of effort.

Well, this is just unrealistic. I'm sort of a smallbore czar of EDA, and I don't kid myself that what goes on in this small agency represents 100-percent what I want to come out--even though I'm in a position to make all the decisions, and if it doesn't come out that way it's my fault. But the whole activity is too complex to

control just by giving somebody the authority.

The other coordinating mechanism is the conference-type coordination where you get everyone involved sitting around a table, and you describe the problems and all the lack of coordination that has characterized the effort to date. Then you wind up with a nice little plea that says, "Come on, fellows, let's get coordinated."

Now I don't think that people like not to be coordinated. I think everybody really is for coordinated programs. But coordination is not a matter of good will. It's a matter of establishing some kind of common goal and common language between the elements to be coordinated. Until you can establish this common language, you're not going to get coordinated programs--or at least it will be very difficult--and you will have only isolated instances of successful coordination.

I'm talking "coordination" in the larger sense. I think--sure we got a coordinated effort to get that legislation on participation shares because everybody knew what we were talking about. But when you look at 400 federal programs and you recognize that the fellow who is running EDA sees one objective--maybe it's jobs or business growth; and the fellow who's running the Labor Department proponent of this sees another objective--maybe he expresses it in terms of training; and the fellow over in the E part of HEW sees another objective--he's talking about education; and you get to the H fellow, and he doesn't see any of these things, but he does see health--but maybe he only sees eye health or lung health or foot health or something. And so it goes. These agencies have no common language to talk to each other. And so if you're trying to get a coordinated

program for Alaska or for Oakland, California, it's extremely difficult because the federal government in the aggregate doesn't really have a method of communication.

Now the way you get this common language, in my judgment, is to develop a common understanding and view of what is supposed to happen in a place. Now that statement is more difficult than it sounds but, in any event, I believe that if all the agencies sitting around the table are trying to produce some clear objectives in Alaska that can be overtly measured in terms of progress, then each agency will begin to see different strategies to produce that end result, an appropriate for each of the agencies, a budget for each role, and so forth, so that we would then begin to get a coordinated effort in a natural sort of way. The gravity of the situation would bring these programs into coordination.

Now one of the great pleasures that I've gotten from my present job is that it has given us an opportunity to experiment with different systems of management--different systems to achieve more effective programs. Now when we started out, we looked at our budget, which is small particularly as measured with the need, and we made some decisions about how we would operate. The first thing clear to us was that if economic development in the lagging areas of this country were dependent on the amount of money that we had, we could forget it, because we didn't have that kind of money. Moreover, that if our program was limited solely to financing public works, financing business loans, or giving planning grants, or financing technical assistance activities and so forth, that they didn't need an EDA for that because many other government agencies were doing the same

or similar activities. So that what we were required to do under our act was develop programs for economic development and projects, or collections of projects, that were not programs. So what we tried to do was use our resources to foster an economic development process which started at the local level and involved local people. Indeed, our legislation suggested that this is the way that we should work, and the planning and coordinating ability would be conducted at the local level rather than trying to get it at the Washington level. And it would be conducted to implement local objectives.

Now this involves a substantial change in the way federal agencies normally operate, in my view. Sure, we talk about decentralization. But it turns out that what we mean by decentralization is letting the people out in the field pick the kinds of projects that they want to finance out there. But in order to make sure the people in the field don't pick what we in Washington view as the wrong kind of projects, we make a whole bunch of rules here in Washington that pretty much hamstring the ability of the people at the local level to pick effective projects because we make our rules looking at the nation as some kind of monolithic thing and each one of these local areas has separate characteristics, separate needs, and separate desires.

Now what we tried to develop under our activity was what I like to think of as decentralized policy making. The way decentralized policy making works is to ask the field man working with the local people to decide what it is that the agency's activity is to produce in that place--what the problems are, what the local people want, some theory as to how to get from the problems to the end result the

local people want, and finally a role for EDA--what EDA should do to help the local people achieve the kind of community that they want to see. Now this activity is reduced to writing and represents a discipline, but it can also serve I believe as a control mechanism for your field people. In effect what is happening is that they are inventing the EDA program for that locality and explaining why it takes a particular form and what is going to come out. The project selection then is secondary, and it is the planning discipline that controls the selection of projects. At that point, if the system works properly, we have what can rightfully be described as an economic development program and not just a collection of projects. And we have gotten planning out ahead of the projects.

We feel that the kind of development process that we are attempting to foster out at the local level should control not only EDA funds, but also the whole spectrum of resources of the other federal agencies and state and local agencies and private sector as well. And the planning coordinating process that we're trying to foster at the local level is in part an ability to tap on these resources and use them in a logical, effective, efficient way with some underlying strategy and some sense of priorities. Now if you can get everyone to begin to agree as to what you want to see happen in a place, then as I said earlier you can begin to provide a matrix or a common language for coordination of efforts.

We see this working out, I think, pretty well in connection with the program that we put together with OEO for Indians. As you know, Indians have always been a rather frustrating problem in terms of government programs to assist them. Periodically you get speeches

which say, "The Indians are always at the end of the list and, by George, they ought to be at the head of the list." Then it winds up and says, "Come on, fellows, let's coordinate our program to help those Indians."

M: Meanwhile the Indians stay at the bottom of the list year after year after year.

D: What we did working with OEO was to say that we would try and develop a coordinated program for economic development for certain selected Indian reservations. These reservations had to be reservations where we felt there reasonably was a prospect for economic growth and economic activity, and where the Indians residing on that reservation wanted that particular kind of activity. We started out with fifteen of these reservations.

Now at this point we had a program that could be labeled either Indians or economic development, and we didn't care which. But it was a program that was tailored to the specific problems, the specific opportunities, the specific characteristics of specific places. And we began to get a piece of territory on which you could build a coordinated program. Now what we were trying to achieve there was not to enhance the quality of life of the Indians living on that reservation, as we expressed our objectives. It was something much less amorphous. We wanted to create jobs in the private sector on those reservations and get Indians into those jobs.

This was a very explicit kind of thing, and then having determined what our objectives were we could begin to see what the opportunities were, very specifically, and what the problems were, very specifically. But in addition to that very real advantage of focusing our programs,

we were able to talk to other federal agencies in a language that they would accept in the context of these reservations. We could go to HUD, for example, and say, "Now, we're trying to create jobs on this reservation, and we can do it a lot faster and better for ninety-eight different reasons if we had a community center in this place. So what about it?" Now we weren't telling them how to spend their money or how to run their program. We were talking to them about a specific reservation, specific acceptable objectives on that reservation, and a role that they could play to help. And most of the time they would say, "Yes, we'll find the money for that."

By the same token we could go to other agencies--SBA--when there was an opportunity to finance business on a reservation. Labor, OEO was very effective under this program, and all through it BIA which was a little leery about the selectivity of the program but nevertheless--

M: BIA? I'm not familiar with that.

D: Bureau of Indian Affairs.

M: On, in Interior, right.

D: Nevertheless, they embraced the objectives of the program and, since we took the heat for the selectivity, were able to support our efforts in a number of ways. For example, it occurs to me that--and maybe this is unheard of in the bureaucracy--we had working for us under vice-president in charge of Indian programs three or four employees who happened to be Indians just as if they are our employees but in fact Interior made the slots available to us. And we are using Interior employment ceilings to staff out this activity, and why? Not because Interior has any special love for Commerce or EDA, but because we are talking a common language about what we're trying to do in these reservations. I could go on with examples--

M: That's a good one to pick on here. For example, in that case now does the White House staff ever get involved? Let's say, it comes down to a basic disagreement between EDA and Labor of whether a particular Labor program is absolutely essential to one of these specific projects that you've set up. Then would there be a role for the White House staff to try to bring some compatibility into that?

D: I suppose potentially that could happen. But we don't really get that kind of disagreement. It's quite true that, bureaucratically speaking, all of us have difficulty getting out of our own way; and we have difficulty moving the money. EDA has this difficulty and the other government agencies have this difficulty. But in this program we have no disagreement.

Now the White House has not played a role in this program, although I believe they are aware of the existence of the program. And certainly when President Johnson set up that Indian commission which is headed up by the Vice President, they became aware of this cooperative arrangement that we in the executive branch had put together to carry this Indian program forward.

Now I don't want you to feel that this is a proven technique that has been operating for a long period of time. It isn't. It's an experimental technique that has been operating for a short period of time. But I hope it's carried on because I feel that it can be profoundly significant.

M: The other question that comes to mind immediately is when you're leaving the kind of local initiative that you are allowing for in this type of experiment--I appreciate your thinking in regard to the

bureaucratic rules that sometime hamstring local initiatives, but there has to be at least a minimum of that presumably. The AID people went through a long period--and you were a part of that agency during some of that time I suppose--where the recipient countries wanted steel plants and automobile factories and all the trappings of twentieth century industrial society and economics at a time when they couldn't feed their population. It took a long time to teach some of them--some of them are still not taught I guess--that if they couldn't have an agricultural sector that was healthy first they could not then build on that. Don't you get into some of this with local areas who seek development even in the United States?

D: Yes, indeed you do. But we have to be aware that we know very little about how you achieve economic development, and we know very little authoritatively about where you begin and what's important. In the AID agency in my day we were very heavy on industrial activity. Now food is the top priority consideration I believe. Earlier it was health. We're learning about these things, and these things are going to change.

I think that what we are trying to do here is substitute a planning analysis discipline for the rigidities of certain kinds of legislation, or more important, certain kinds of implementing policies. Abstractly and ideally where you have the discipline at the local level, why not let them make the judgments as to how they spend the money so long as you are reasonably assured that the money is spent in a rational disciplined way? I recognize it has its hazards but my argument would go very simply this: the present system

isn't working. We must find a more effective system.

And I've been hoist on my own petard in this business. You know, we stand very close to something that could resemble pork barrel, and we are trying to have an economic development program, not a pork barrel program. As a matter of fact, the rather threadbare joke around here is that our act is known as the public works or economic development act.

M: One or the other.

D: But in any event I have to try--and we have to try--and explain constantly to the Congress what we are doing and why we are doing it so that they recognize and accept that this money goes out under some kind of discipline. Now that's a long way to introduce the fact that we prefer associating ourselves with the kind of projects that are directly related to jobs--industrial parks, water and sewer support for a specific industry, access road for a specific industry--that kind of concrete thing.

M: Is that for political reasons as much as for sound developmental reasons too, in that that's explicity measurable?

D: Yes, exactly. And I think that it is easier to explain to the Congress why you're saying "no" on other things. But in any event in connection with our district program, where we have finance projects in growth centers as well as in lagging areas, we set up a district organization, the District Organization to Develop Planners. And the planners came up with certain strategies and certain priorities. And then they came to us and they said, "Our top priority in this particular growth center is a parking lot for the following nineteen reasons." Well, if there was anything I didn't really want to do because of

the reasons I explained, it was having EDA associated with a parking lot. You know, "give me a factory, don't give me a parking lot."

M: How many jobs does a parking lot generate?

D: Precisely. But we did the parking lot, because what's the point of us going through all the trouble of creating a local level planning ability and plan, and then say, "Well, fellows, that's a very good plan, but we're not going to play because we have other problems or other views or other something else." That's so typically the way the federal government operates. We talk planning but we operate our programs in frustration of plan.

For example--I don't want to belabor the point but I'm perfectly delighted to--one element of planning is budget. And a good planning organization ought to know how much money they're going to have to spend this year and how much money they're going to have to spend next year, and what kind of money it is and so forth. Now I defy you to find any local community or city that knows for next year what the federal government is going to spend there. Yet we're giving them millions of dollars for planning purposes, but we won't tell them for a variety of obvious reasons, and less obvious reasons, what they're going to have to work with for next year. So how can they plan?

M: What to plan for.

D: We have an interesting experiment going in Puerto Rico. Puerto Rico is unique perhaps in the sense that they have a proven planning capability, whereas most the communities that we work, we try to help the community develop a planning capability and then our response is keyed to that planning capability either by way of encouragement

or strengthening in some ways. Puerto Rico is a little different, because they've got that planning capability. We feel that Puerto Rico ought to know from EDA exactly how much we will spend in any given year and for what kind of projects.

Well, what we did is conclude an informal treaty with Puerto Rico. Puerto Rico has a tremendous spectrum of needs, as do most places, and many of these needs could be responded to by EDA. But since we are talking about a relatively little amount of money, particularly as measured against the needs, we sat down with the planning organization and went over their plans and said, "Well, all right. EDA will associate itself with that part of your plan which encourages decentralization of industry to the southwest portion of the island. And you come up with projects that implement that particular part of your plan." And the first year we gave them a planning figure--we're not Simon pure, we fudged it a little bit--I think we said something like six to twelve million--

M: That's fudging quite a bit.

D: But they were able to get away from their other system of operating with EDA which was to give us a whole spectrum of applications, hoping that we would respond to some of them. We were able to sit down around the table and come down to cases and in very short order--since we knew what they needed, they knew what they wanted, and we knew what our role was going to be--in very short order we could agree on the nature of the projects that we were going to finance that particular year as evidence of our role. And we are continuing to try and strengthen that kind of involvement.

Now the effectiveness of it depends on, among other things, the

degree to which the Puerto Ricans are willing to maintain the discipline. And they have their own problems in politics about this thing, so there has to be a continuing dialogue, you know. "How does that project fit in with decentralization," you might ask when they come up with something that is more suitable for the mayor of Ponce's brother-in-law than it is for decentralization. But at least you've got a common language, and you have a basis for planning ahead, and you have a basis for setting some kind of budget. I think that this is the direction the federal government ought to head. It's a very limited version of a bloc grant.

M: You mentioned awhile ago the tendency to refer to EDA as sort of a pork barrel adjunct. What kind of political pressures come up to you for the designation of development areas or growth areas? Does that have to become a major criteria in deciding which areas to designate?

D: Yes. Under our act, most of our activity is limited to redevelopment areas which are defined under what amounts to a formula under our act. We don't have too much discretion in the designation of redevelopment areas. In the designation of growth areas we have more discretion and, of course, we get a certain amount of argument or pressure, however you want to describe it, in some controversial areas.

Now I said earlier that we have a very flexible act, which we do. When you're talking economic development, practically anything you do can have a potentially good effect on the potential for economic development. So we are faced with the situation where under our act we could do practically anything--there are very few limitations, particularly in the public works field. We have limitations as to

where we can do it, but we can do those industrial parks, or we can do libraries, or schools, or hospitals, or anything.

M: It seems to me that under your designation of growth area, you could almost do it wherever you want to, too. I was wondering if that might be a loophole--

D: There's a certain amount of flexibility there. Now this creates a problem for us, particularly it created a tremendous problem for us by '66 when we had a budget of $300,000,000 and a backlog of projects that amount to around $1,200,000,000. And we were faced with the situation where every congressman was mad at us. We did two things. One is we decided that we would not carry a backlog that was unrelated to our resources. We would just ruthlessly cut out the backlog, tell everybody, "no, we didn't have the money"; and then we would try to develop a backlog that was not only commensurate with our resources but was a backlog that was developed, in effect, by us. Sure, with local initiative, but of the kind of projects that we were prepared to do. So that this backlog did not represent a wish list, but more a pipeline of things that we were prepared to do.

The second thing we did was to try and get across to the Congress that we were going to conduct this program under a discipline. And in conjunction with project selection perhaps we overemphasized jobs in order to establish some kind of guidelines for the type of projects we were going to do. And I think that with relatively little difficulty we were able to explain our problems and our approach to the Congress and get them to accept it. I don't think we are totally out of the woods, but I like to feel that the Congress understands now that we are trying to put together an economic development program, and they cannot look to us for their favorite pork barrel requests. I feel

that this is the way the program must run. Because if a Congressman can come to you with something that is pure pork barrel and get you to do it, whereas he may profess to be happy with the result, I think that he goes away feeling that that really isn't much of a program. And the success of the program lies in the ability to develop and apply discipline.

M: He may vote for you once, but he's likely not to vote for you the second time around.

D: I think that's quite true.

M: Have you ever been able to terminate designation of a development area either through what you consider to be success in developing the area, or did it happen that you had to terminate it because of non-cooperation or non-participation by the local agencies involved?

D: Well, a lot of the redevelopment areas have gone off our list. Whether it is due to our efforts or economic growth generally is a matter of conjecture, quite candidly. Out of all the money we've had since 1965 for things like public works, we have actually spent only 20-percent of it. So it's pretty hard to judge the impact of our efforts.

Moreover, we really don't want to be judged on the basis of the jobs we have created. We want to be judged on the basis of our ability to create at the appropriate local level a capability for mounting, coordinating economic developed program activity. And that's a lot more subtle in terms of how you measure success there. But we were talking earlier about Mountainview, Arkansas and I think you ought to get out that copy of the National Observer which came out some months back which discussed the program in Mountainview,

and what ARA did there and what EDA did there and what some of the other agencies did there. And I think you will see a rather good example of a successful economic development program.

I'd like to make it clear, if I haven't already, that the success or failure of these programs is not going to depend on the government agency. It's going to depend on the desires and capabilities of the people who live in these places--because under the present economy a great deal can be done by people who want to bring about social progress and economic change in these areas.

M: You were anticipating my next question which was how successful have you been in getting jurisdictional cooperation on the local level--inter-county and this type of thing? I believe that your original act called for you to emphasize larger-than-counties areas. Have counties cooperated fairly well, or not very well, or in what way in local matters?

D: Well, the results have been very uneven and depend on the peculiarities of different places. We have gone through the spectrum of efforts from cooperating with established elected type groups in certain places to establishing something analogous to CAP agencies that have minimum participation by the power structure or elected officials and so forth. And we've gotten all the slings and arrows that have come at OEO under these particular arrangements.

Where I come out is that you have to have both. You have to have the elected officials and the people who represent the power structure, but you also have to have other sort of new faces developing programs for change. Most of the places that we now are working are not going to change of their own volition. There has to be refurbished

leadership as well as strengthened capability for change

Now I think that the district program, which is a multi-county unit, shows great promise. We have put together economic development groups at this multi-county level which seem to show good capability for coordinating all federal programs. They are composed a little over one-half elected officials and a mélange of other types of representation. They are supported by surprisingly capable staffs so that they have the professional expertise to mount and carry through these programs.

M: Do you help support the paying of these professional staffs in such instances as this?

D: Yes. We give grants to finance this.

M: Planners and this type of thing.

D: Exactly. And we have about a hundred of these in the works. I think currently [we] are financing better than eighty-five; and we have about fifty that are well along the road to developing programs. A study of this program is being conducted by Jim Sundquist of Brookings Institute and he's very high on the technique, as am I.

M: Is he going to publish his study, hopefully, some time reasonably soon. Is that the purpose of the study?

D: Yes. It should be published. It's overdue now.

M: As scholars frequently tend to be.

D: We're not the only bureaucracy that has its red tape.

M: Is what you're talking about now a more realistic concept than I guess the original concept of something like Appalachia, where you get maybe ten states or something involved. Is this district type thing really a more realistic approach in getting cooperation at

lower levels?

D: Yes. I think that the district program is close enough to the local communities and towns so that it is a practical approach. But on the other hand, I do feel that there has to be planning and implementing programs at all appropriate levels for different purposes, so that some towns--certainly cities--must have it. I think the county must have it in certain exceptional cases, but I'd prefer to see it at the multi-county level in my judgment. I think the state must have it, and I think there is justification for regionalization.

Now the regional commissions are still pretty much in their infancy. The Appalachian Regional Commission suffers from the fact that it isn't really a region--it's much too large an area. And it is hard for me to see what kind of developmental strategies they are evolving. But all these things take a long time.

We started out under Title 5 with two kinds of regions: One, a multi-state region representing New England; and the other are regions such as Ozark region, or Four Corners, or Coastial Plains, which essentially represent lagging areas. The boundaries of the region encompass the lagging areas. Now there is some pressure to change that boundary system to coincide with states rather than with just lagging areas, and frankly I don't know what is the better approach. I like the idea of associating growth areas with lagging areas which would be more easy under a state boundary arrangement. It also makes the life of the governor a little more simple.

M: Is this where the pressure you mentioned comes from--from the state politicians in this case, or congressmen from home--?

D: From the governors, but I wouldn't regard it solely as political. There is a policy question here. I'm negative because I'm afraid that those portions of the state which generally are characterized by the maximum number of voters and probably the maximum amount of economic growth will continue to preempt the maximum amount of state resources. And if you set up your regional commission to coincide with state boundaries, you wonder whether the monies that come in under the strategies of the regional commissions are going to be as effective in helping the people in the lagging areas as they will people in the growing areas. But I really don't know what the answer is, and I think it will take a little while to find out.

M: Do you think that the Johnson Administration has really added what you'd call a total commitment to the idea of economic development for less developed areas as opposed to sort of a rhetorical commitment? Critics have said, you know--"they talk about Appalachia; they talk about Ozarka, but they don't really seem to put any money into it."

D: I don't like to talk of it in terms of commitment because I think the Administration and the President are committed to all these concepts and all these ideas. Moreover, I don't think commitment can be measured in terms of money. To me, in my judgment for what it's worth, the real open question and the problem is much less the amount of money we have for these programs than it is how you accomplish the aims of the programs. Are we capable of putting together and orchestrating a variety of programs that will produce the kind of change that we want to see happen?

Basically what we are after in this country--what President Johnson is after--is social progress. That's the name of the game. Economic

development is one aspect of social progress. We are learning a great deal about social progress,,economic development, and a lot of other things. I can't overstress the fact that we are still beginning to learn important things, and in my judgment are not to the point where we can effectively use massive sums of money.

Let me illustrate in this way. In our program we start out with a concept that stems from the fact that we see people living in lagging areas without jobs. We say we must bring jobs to these people. Then we become aware of migration and mobility of people and we can start to argue about whether you ought to bring the jobs to the people or make the people more mobile so that they can move to where the jobs are. Then you become aware of the fact that we have a highly mobile populace in this country. One family in five moves every year. Indeed, part of the problem is that a lot of people are moving to where the jobs are not, and so that brings us to our view of the city problems.

We are also learning that under our kind of economy economic growth--whether we're talking about national economic growth or localized economic growth--is inextricably bound up in urbanization and the urbanization process. It involved a clustering of people. So it is fair enough to say in my judgment that when you are creating economic growth, you are creating urban communities. Now we begin to ask ourselves what kind of urban communities and where. I think the most current thing that we are learning today of significance is that we do need to address ourselves to the question of where we want this urbanization process to take place.

I think we need a federal policy for decentralization of this

urbanization process. Now that in fact is what EDA is or may be involved in. We are creating an urbanization process in less urban areas, but we are still doing it on a relatively haphazard basis. But at the same time under President Johnson's Great Society programs, there are developing new tools for the implementation of an urbanization process. The New Cities, or New Towns Legislation--

M: Model Cities--but that's for older cities, that's right!

D: No--

M: There's a title in that for--

D: Yes. And different things in the transportation field and so forth. So we are moving in the direction of creating the programs. We now have to master the programs, but we also have to learn what is the basic question. The basic question is not, "Why must these rural areas languish?" although that's part of its question. The basic question is not in terms of migration, although we have all kinds of problems created by migration; but the basic question now seems to be what kind of cities are we creating, what kind of cities can we create, and where. I think that when there is more widespread recognition of this, we will begin to get a better fix on what to do about our cities, what to do about our rural areas, Indians, and all the rest of it. I think it's entirely possible that our major cities cannot solve their problems in the context of the city; and that somehow--although we have to get localized programs, place-oriented programs--we also simultaneously have to carry with it some kind of national view.

Now New Cities or New Towns is, or ought to be, a tool of regional development. In due course through these regional groups, through

state awareness, through federal awareness, I hope we will evolve some kind of policy which we can then begin to implement for spreading people, for spreading jobs, for spreading cities in a way to maximize the amount of social progress that we can make in this country, and to maximize the quality of life in these places. You take a place like New York City, I don't care if everybody in that city had a job, had a good job, I think you would still have tremendous problems and social unrest.

M: We're coming to the end of this tape. Is there anything that you'd like to add? I've run out of the questions I had here, but I don't want to stop you. If there's something important that you'd like to add on here, feel free to do so.

D: Just briefly. I think one of the least understood, perhaps least appreciated, attributes of President Johnson's Administration is that he and his people were concerned with the problem of how you make the system work. Creative federalism meant something.

M: You're off right at this point.

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By Ross D. Davis

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