INTERVIEWEE: HENRY H. FOWLER (TAPE #5)

INTERVIEWER: DAVID MC COMB

Date: July 31, 1969

M: This is a continued session with Mr. Henry Fowler, former Secretary of the Treasury. The interview is in his office in Goodman Sachs and Company in New York City, 55 Broad Street. The date is July 31, 1969. My name is David McComb.

The first question I have for you is a rather large one and rather general, too. I'd like to know what the influence of Viet Nam was on Treasury policies? Did it have an increasing effect? Did the President, for example, ever say to you, "We've got to do such-and-such because of the Viet Nam war?" What kind of impact did this war have on the Treasury?

F: Well, the basic impact was to change, you might say, one hundred and eighty degrees the direction of economic and financial policy for the federal establishment of which the Treasury was the integral basic part. To change that policy from one of fiscal and monetary stimulation to achieve the goals of full employment and a healthy rate of growth to a policy of fiscal and monetary restraint designed to keep the economy in tolerable bounds, given the additional economic and financial strain that would be a consequence of an involvement in a war requiring unpredictable increases in defense expenditures, accretions of substantial blocs of manpower to the armed services, deployment of productive resources and materials from normal civilian activity to the special requirements of war.

So that in all aspects of the Treasury's problems, the emergence and development of the war in Viet Nam was a very major and fundamental factor.

M: Yes. Did this war become increasingly intruding on your policies? What I'm thinking about is that seemingly when we first began to accelerate that war there was the opinion that we could have both guns and butter as the cliché goes. As time went by you didn't hear much more talk like that. It seemed that the war was absorbing more and more of our resources, and more and more of the President's time and his Cabinet officials as well. Is that a correct impression or do you have any insight into that?

F: No, I think there was continued discussion of whether or not the war called for a cut-back on other activities. This was a matter of continuing debate throughout the course of the war and up to the present date. The "guns and butter" issues is one that has been under constant debate since the Viet Nam war assumed the major proportions and the magnitudes of, let's say, 1966.

It's true that in the early days of the conflict following the President's statement on July 28, there was no measurable or predictable scale.

Wars are impossible to predict their course, in any event. It would have been, I think, quite possible to predict the economic and financial consequences of an all-out war, such as we had in World War II, because you know you're going to deploy all the resources that you can without disrupting your on-going civilian economy. But in a conflict of this sort of a highly limited character, a good deal of the pace and scale of the war depends not upon your own national decisions to deploy all your resources, but how much the enemy, in effect, requires you to deploy particularly since the objective of the United States was not to destroy

or invade or capture North Viet Nam but to resist aggression from North Viet Nam. So the extent and amount of your effort in a defensive conflict of that sort depended primarily upon the amount and extent of force that the enemy willed. And you can't look in the enemy's mind and you can't determine over a long period just what the level is going to be a year or eighteen months or two years from now of that effort.

So from July 1965 on we simply had to rely in the Treasury on the estimates that were arrived at from the Defense Department as to what the proportions of increased expenditures would be; what the consequence of that would be in terms of the budget, in terms of the call on employment; the strain that it would put on an economy; the probabilities of an excess of demand that might be a consequence of this scaling up of the war effort. In other words, the scaling of what one did in the fiscal and monetary restraint field had to necessarily depend on an unpredictable. The only guidance we could get on that unpredictability was the scale of effort that the Defense Department and Joint Chiefs outlined. Now both the scale of that effort and the time dimensions of it constantly accelerated.

M: Was there any point in time where you began to feel that the war would go on for a longer period of time than was being predicted?

F: I never felt that it was my role or that I had either qualifications or resources to second-guess the President, the Joint Chiefs of Staff, the Secretary of Defense and the Secretary of State on the duration or magnitude of the war. I had my job to do and I had to take the positions and information that came to me from those sources as the benchmark for my own actions.

I had my own personal view that any war is unpredictable. Therefore, you assume that it may last longer than in fact it will or that popular opinion has it. And it may take more effort. That was my own personal predisposition and attitude and one which I constantly asserted, that the course of any war is unpredictable. However, I had to operate in the "givens" that came, basically, from the Defense Department.

M: When there was a decision to send more troops, in other words to accelerate the war, were you brought in and consulted about this? Did they say, "Here's what we've got to do. Do we have the money to do it?"

F: Well, I sat in on the National Security Council sessions as an invited member by the President and was cognizant of the course and development of the conflict. At no time during the course of that conflict did I ever say that the decisions that the President and the Joint Chiefs of Staff and the Secretary of Defense and the Secretary of State had to make during the war ought to be cut according to the economic and financial availablities. It seemed to me that the role of the Secretary of the Treasury, was to try to see that other things were cut or their rate of increase was moderated, or that the financial policies of the government should be designed to support the war effort as it was determined by the Commander-in-Chief and his principal foreign policy advisers, the Department of State and the Department of Defense.

I never did, at any time, go in and say to my colleagues "I'm sorry. I don't think you can scale up the war to this particular level or that particular level because of financial considerations." I took it to be my job to point out to them the consequences, budgetary wise, balance of payments wise, etc., of various of scales of efforts, what would be

involved in terms of economic and financial policy. But I didn't go the next step and say, "You can't do it because of economic and financial limitations!"

M: This raises another question. Did you feel that the American economy could do it, that you could do these things?

F: I felt the American economy could do it, but I felt that the American economy couldn't do everything all at once, that other things would have to be postponed. Other efforts would have to be moderated. Other efforts would have to be scaled down and a very relatively rigid policy of economy had to be, and ought to be, practiced in the other activities of government. Therefore lots of things that otherwise might have been done, or might have been desirable to do for other reasons, had to be deferred. And from the very beginning of our entry into the conflict it was my own personal view that we did have to follow a policy of increasing stringency in the other demands on the government.

M: Did this Viet Nam War--

F: Now, I might say, I preached this publicly. I preached it within the councils of the Administration. I preached it to the members of Congress in their appropriation processes and in public statements, that we all had to exercise restraint in our normal activities in order to carry the additional burdens of the war without unduly damaging or wrecking the economy.

M: Did this Viet Nam war take up increasing amounts of the President's time, do you know?

F: I wouldn't know. I couldn't make any judgment about that. Those who handled his daily calendar--I'll only say that as far as the economic

and financial affairs of the government were concerned, I never felt for a moment that the President diminished the amount of time and the attention that I felt they deserved. Everytime I called, or wanted to see him, or wanted to present a particular matter that I considered to be worthy of importance, he was completely accessible to the extent that I asked for. So, I didn't feel that the economic and financial affairs that were the business of the Treasury Department were being short-cut or passed over by reason of a preoccupation with anything else.

M: Did Lyndon Johnson ever talk with you about the war, expressing his concern about it?

F: Oh, my, yes. I not only saw him in the official meetings, Cabinet meetings, National Security Council meetings, meetings of the Quadriad, smaller meetings, but I also saw him with just the two of us--or maybe another person in an informal way. No man felt more deeply and more heavily the burdens and responsibilities of the decisions that he was called on to make. And if the American public could have seen the Lyndon Johnson that I saw in those private sessions with this deep and overpowering concern for the lives of our boys, of the men, women and children in the war zone--the unfair and intemperate criticism of the President--people would be ashamed of the things they've said and the attitudes that they've held. To me he was just exactly like I've always thought Abraham Lincoln was. He was carrying on a war which he regretted more than anybody else in the world, and suffered more than anybody else in the process of doing what he felt was his duty on behalf of not just the security of the United States--it was much more than that--but of establishing the basis for a lasting and durable peace.

M: Do you think the burdens of this war influenced his decision to resign--not resign but not to run again--that March 31 decision?

F: No, I don't think it was the burdens of the war. Because I've said it on another occasion in these interviews, the decisive element in his decision to not run again, was his conviction that he could do his job and fulfill his responsibilities to the American people to be President until January 20, 1969, and in that process deal with the problems of the Presidency most effectively as a non-candidate rather than as a candidate. And I don't think it was the burdens, and I don't think it was the difficulties, and I don't think it was the pain, as it was that conclusion that he reached that he would be a more effective President in those intervening months having pulled himself out of the race for re-nomination and for re-election.

M: Now, as you've implied--

F: Might I just say that Lyndon Johson is a man of deep emotions. And if the mothers of the men who went to Viet Nam could have seen him on occasion as I saw him reading their letters with the deepest emotion they would have felt as sorry for him as I did, for the grief he had to suppress publicly, but gave way to privately, of carrying on this dreadful conflict.

M: Now you, talking about your relationship to Viet Nam decisions and how you would sit in with the National Security Council, this sort of thing, you have implied, or at least hinted at, the idea that the Secretary of Treasury plays a rather unique role and that he has certain limitations on his duties which brings me into the second question. What was your attitude as Secretary of Treasury toward the President and toward the Congress?

F: I don't accept what you say about my conception being that the Secretary of the Treasury had limitations on his job. I viewed the responsibilities of that office as being concerned with the entire range of the govern-

ment's activities, both domestic and international. And I think the economic and financial dimensions of all of the problems of governments were the business of the Secretary of the Treasury, and that he ought to assert the financial and economic considerations and policies that were required in connection with other decisions.

I don't think it's the function of the Secretary of the Treasury to say to the President "You can't do this," or "You can't do that!" I think it's his responsibility to say, "If you do so-and-so, in this particular area then I think you'll have to do so-and-so in other areas," and this was a part of the process from the very, very beginning, from July 28 on, that we had to shift our policies in the economic and financial field to meet the situation at the time.

So I don't want to leave any impression that I accepted the principal of a limited role. I think limitation is not the word. It's the way in which you don't, as the treasurer, say to the board of directors, "You can't spend this money for this particular purpose!" You say, "If you do spend the money for this particular purpose, I either have got to go across the street to the bank and borrow more money, which may have some consequences, or the stockholders will have to put up more equity," which is another way of describing a tax increase. The Federal Reserve System will have to follow certain policies, which may lead to tighter money and higher interest rates, etc.

In other words, you may have to hold back on certain civilian programs which otherwise it would be desirable to carry on. You can't vote and spend appropriations in the order of magnitude that perhaps the needs would call for if we didn't have these extraordinary situations. You

had to spell out the consequences in terms of maintaining a sound and balanced economy.

But you didn't assert a veto on what the President and the rest of your colleagues did. You tried to see the sum total of what they did represented a balanced and measurable mix--now this is not an easy thing, particularly in a limited war context. I'll repeat again what I said, it's much easier in terms of decision-making from an economic and financial point of view to deal with an all-out war than it is to deal with an unpredictable limited war where the length, the duration, the scale depends fundamentally on how much pressure the enemy puts on.

M: Now as I recall, the United States Constitution spells out some duties for the Secretary of the Treasury which--are not spelled out, report to the Congress?

F: No.

M: I was just curious if you felt any special responsibility to the Congress?

F: Yes, I do. It's not the Constitution, but the first acts of the Congress establishing the Departments--the various departments of government--provide I think, a special function for the Secretary of the Treasury, in relation to Congress. I have spelled out my own conception of this at various times. I think the Secretary of the Treasury is in the middle. He has special responsibilities to keep the Congress informed concerned the financial affairs of the government because of the Constitutional power of the Congress over the purse. That's where he goes to get the money to pay the bills, or that's where he goes to get the authority to borrow the money from the private sector to pay the bills. I've always felt, and I've voiced this, actually on various occasions, and I could supply you

in a much more precise way what I've said on this particular subject, but I do think the Secretary of the Treasury has a very special responsibility to the Congress.

To put it in a very pragmatic way, I think there can be conflicts between other Cabinet officers and the Congress and maybe the consequences aren't too great. But if the Secretary of the Treasury and the Congress don't get along reasonably well, then the whole machinery of government tends to creak and there's no meshing. You get very unfortunate results. Therefore I always felt I had a special obligation to go the last mile to supply information, to supply my opinions and convictions about the economic and financial situations as I saw it. I never for one monent held back anything that I thought was material that had a bearing on our economic and financial situation. I instructed all of my colleagues in the Treasury to be very forthcoming and frank in their dealings with the Congress, to make the extra effort to supply whatever was appropriately requested by the duly constituted committees and authorities of the Congress and to reflect the geographical position of the Treasury Department which is between the White House and Capitol Hill.

M: Well, now did that position ever bring you into a crossfire between the two?

F: Oh, of course, constantly!

M: Such as in tax bills. You mentioned this once.

F: That's right.

M: You had to more or less work out a compromise.

F: I was kind of a broker between the Executive Branch and the Congress on financial matters, trying to reflect the attitudes and opinions of the Congress to the Executive Branch and trying to reflect the needs and

attitudes of the Executive Branch to the Congress. I was the man in the middle.

M: You were between the hammer and the anvil at times.

F: Absolutely.

M: This brings me to my last question. Why does a man do this sort of thing? Now I know that you are a man of great ability, that you could have had a career outside of government which would have been financially beneficial to you, lucrative. And yet you'd had come into government--you'd go out for awhile but you'd always come back at the request of the President or whoever needed you.

F: Well, that's a very important element that you throw in. All my service to the government, responding to President Truman and President Kennedy and President Johnson were, you might say, requested or command performances. I did it because they asked me to.

M: Now other people have refused and I know enough about pay scales and so forth to know that Cabinet members are not paid what they could get on the outside and you may well lose money.

F: I lost a great deal of money and went into debt in the process.

M: Well now, why? Is it patriotism?

F: I've tried to state my own conception of the motivations for national public service. A man can't always reflect completely and adequately his assessment but in 1961 I delivered a talk to the annual dinner of the Yale Club on the motivations of national public service.

M: Was this ever published?

F: Yes, it was published and I think it was reprinted in full in the Washington Post at that time. Therefore, in answer to your question,

"Why does a man accept an assignment like this?" There are different motivations. There are good motivations, and there are some that are not so good. I like to think that the reason I took these assignments on was because of the good motivations. But there would be others who would say, "Well, any man that does this, does it because he likes power, or he likes public position, or he likes the reputation he gets." But the simple answer to me is that anybody who goes into national public service for power or for the future pursuit of wealth or for ease or comfort or personal vainglory is a fool! Because he doesn't get those things out of it basically.

It seems to me that the more appropriate motivations are first the simple words, patriotic duty, performing patriotic duty. Secondly, he's being a part of his times. He's being a part of some of the most significant and moving events of his generation. Third, he's associating with a lot of very fine people. Now clearly the first of those is by all odds the most significant one. I think the motivation of love of country, of patriotism, of public duty, of obligation and dedication to the best interest of one's country. The old Roman concept, if I can use that term is one which has characterized the Anglo-American tradition, one which is particularly characteristic of the traditions of my state, Virginia, down through the years. That I think is the primary reason men do this sort of thing.

Now, I don't use the word sacrifice in connection with it. That's a kind of public breast beating by self-appointed heroes who seek or refuse high places always talking about what sacrifices they're making. I think it's a privilege to serve your country and the elements of personal

sacrifice I discount very much.

I do think the family of men who do this, their wives particularly, and to some extent their children, are sacrificed. But I don't feel it is a sacrifice by the person concerned. Of course there's some element of sacrifice involved in it. If you're going to get dedicated men and women. It's like teaching. It's like the ministry. It's like military service in war time. It's better performed if you've got an element of dedication in the person. And I think we have to have that dedication if we're going to cope with the problems at home and the competition from certain quarters abroad.

What is it you're dedicated to? Well, you're dedicated to your country, to its survival and its welfare, and to, hopefully, an increasing excellence in the performance by the government of the responsibilities that under our Constitution are the reposed in the government--. Government performing its role in a free society and achieving ever higher standards of conduct and living up to the ancient ideals; well being in a period of change and where there's a constant change in the environment and in the position of the country in terms of world affairs. Well, I don't think there can be anything more challenging and more calculated to bring out the best that's in a man than being asked by his President to play a role in that process. And when President Johnson asked me in March of 1965 to come back-although I think as he said himself, at my swearing in ceremony, he didn't ask me, he just told me! You do it not out of any feeling that you're uniquely equipped, or anything of that sort, but because the President asked you to for his own reasons.

M: Unless you have something else to add, I'd like to call the interview to an end.

F: I think that's it.

M: Thank you.

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By Henry H. Fowler

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