INTERVIEW IV

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INTERVIEWEE: KERMIT GORDON

INTERVIEWER: DAVID McCOMB

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Tape 1 of 1

M: To speak a little bit about legislation and the ideas behind it, I might start off asking you if you had anything to do with the formation of the idea of the so-called Great Society.

G: I am not quite sure what the idea Great Society is. I know it as a phrase, as a slogan, as a tag, to describe a very activist, ambitious, aggressive program of legislation in the fields of social welfare. My impression is that President Johnson was looking for a tag to describe his major legislative accomplishments, purposes, to correspond to Kennedy's New Frontier. My recollection is that the phrase Great Society came out of a speech that, I think, Dick Goodwin wrote for him that he delivered at the University of Michigan sometime in 1964. I'm afraid that's all I know about it.

M: There wasn't ever an idea saying we're going to create a Great Society, and this is what it will cost, and this is what we will do?

G: No. There was not. President Johnson was a man with strong ideas about the important values that ought to be pursued and strengthened and served by an activist government, and I think the Great Society was a tag that described this set of goals that he had in his own thinking when he moved into the White House. I never thought it was a particularly

happy phrase. I didn't at the time. There was just none better around and for some reason it was felt necessary to have a rubric to follow on from the Square Deal, and the New Deal, and the New Frontier, etc. I remember wincing a bit when I first heard the phrase and first sensed that it was going to be used as the rubric for the Johnson Administration. But it was an ex post thing; it was a phrase, I think, invented by a speechwriter to describe a program, the goals for which were very clear in President Johnson's mind when he moved into the White House.

M: Does the phrase "war on poverty" fall into the same sort of category?

G: Not really, because the phrase "the war on poverty" does relate to a quite specific and concrete program purpose. In a sense, I think, it was less grand--it was certainly a grand phrase--but a less grand phrase than the Great Society, and it did relate to a rather identifiable area of activity and purpose on the part of the Johnson Administration.

M: With respect to the war on poverty, you must have gotten involved in the formation of OEO.

G: Your asking me about the war on poverty reminds me of a rather amusing episode. I forget exactly when it was. The poverty program was initiated early in 1964, and I can remember a meeting in the Cabinet room to which the President called all of his most trusted advisers. There were a number of Cabinet members around the table, Clark Clifford was there, Abe Fortas was there, and I'm sure Larry O'Brien was there. And a number of other such people, to talk specifically about the poverty program. The one thing every person in the room agreed with was that under no circumstance must this be called a poverty program because it

was felt poor people would be offended to be told they were living in poverty, and secondly, it would be bad for the American image abroad for the government to acknowledge this bluntly and flatly that it had a serious problem of poverty. An interminable amount of time was spent in thinking up euphemisms for the poverty program with all this high-powered talent around the table. I think the reason it was called the war on poverty, the poverty program, was that nobody around the table, despite a lengthy effort to identify such a title, could think of any euphemism which didn't sound silly. The meeting broke up kind of inconclusively. In the absence of something better, it was called the poverty program, the war on poverty. I remember that later with a good deal of amusement.

M: Then did you get in on the formation of OEO?

G: Yes. There have been a number of versions of the origins of the OEO idea of the war on poverty--all of them partly accurate, partly inaccurate, in my recollection. My impression is that this really began in the summer of 1963 in an approach that Walter Heller made to President Kennedy.

Kennedy earlier the previous winter--as a matter of fact before that--had developed a deep concern about the poverty he himself had observed in the hills of West Virginia during the Presidential primary of 1960. There was a series of articles on the suffering of the poor people in the hills of eastern Kentucky which ran in the New York Times , I think some time in the winter of 1962-63. These articles were written by Homer Bigart, a New York Times reporter. These captured Kennedy's attention and imagination and aroused his

concern, and he ordered a crash program, I suppose it must have been in the late fall of 1962, without new legislation, but simply focusing existing programs and funds on the situation in eastern Kentucky.

M: Do you think Heller gave him some idea of which direction he should go in, I mean with the poverty program?

G: I'm going back to before the poverty program, going back to what I think was the winter of 1962. And on Kennedy's own iniative, with Ted Sorensen taking the lead, a number of federal agencies were mobilized to concentrate, in effect, relief programs in the hills of eastern Kentucky among the unemployed miners in that area. This was a clear response to Kennedy's concern over these articles he read in the New York Times by Homer Bigart. Well, this just, I think, foreshadowed the growing concern in the Administration with the problem of the people who had been left behind--the people who in a generally prosperous and affluent society were subsisting on the level of severe deprivation and hardship.

Perhaps it was a result of that experience that Walter Heller approached Kennedy, I suppose, first in the spring of 1963, and asked for a license to conduct a quiet investigation of the dimensions of the poverty problem in America--the dimensions meaning racial, geographic, by age, etc.--and with the thought that as a result of this type of quiet investigation it might be possible to come up with some preliminary ideas about a more effective program to deal with these problems. Heller got such a go-ahead from Kennedy, and on the basis of that license he brought a man named Bob Lampman, an economist in the University of Wisconsin, to the Council of Economic Advisers for the summer, in the summer of 1963.

He's a very able economist who had worked for some years prior to that summer on the problem of poverty in America. Lampman did some very good work at the Council that summer, and on the basis of his studies Heller went to Kennedy in the fall and got from Kennedy, if I remember correctly, a green light to assemble a little task force to try to begin the job of putting together a program. So this work was going on at the time of the transition after the assassination.

M: Did you work on the task force?

G: No, but there were some Budget Bureau people I was in touch with loosely. If I'm not mistaken, Charlie Schultze, who was then Assistant Director of the Budget, was involved in that activity. If it wasn't Charlie, it was somebody else in the Budget Bureau.

After the transition, after President Johnson moved into the White House, Heller and I went to him--I wish I could remember when--to fill him in on what had happened up to that time, on the planning that had been done, and to ask for instructions. He immediately seized on the idea as an important one, one that was compatible with and consistent with his own purposes in the presidency, and encouraged us to go on.

Now here my memory gets rather vague. There were a number of internal study groups. Initially this came out of the Council of Economic Advisers, but spread by involving other agencies of government. The key figure, as far as I was concerned,was a Budget Bureau official named William Cannon, Bill Cannon, who, starting about the time of the assassination, took the lead for the Budget Bureau in these efforts to design a program. Out of this work came the idea of the community action

focus. Now so much has happened to community action, and there have been so many interpretations of what community action was all about and what it was supposed to do that I suppose the whole subject is deep in confusion.

M: What did you think about it at the time?

G: My conception at the time was quite clear--I don't say correct, but at least clear. I had a clear notion of what we were trying to do. First of all, we saw a large number of federal grant programs to states and cities in the fields of education, training, employment, public assistance, housing, etc. A large number of categorical programs that were operating essentially independently of each other. The lines went from the bureau chief in Washington to the bureau chief in the state Capitol or his counterpart in the city. These programs were narrowly conceived. I could go some length in an explanation of why they came out that way, but they were quite narrow programs, and they operated almost independently of each other. They did not treat the person in trouble as a person. They treated him either as somebody who needed training, or somebody who needed help in getting a job, or somebody who needed some health care, or somebody who needed public assistance--but never as a person.

Out of these reviews that we did at the time we came to feel very emphatically that there was something wrong with the system that put out so many kind of one-dimensional assistance activities into the states and cities, and yet seemed to be accomplishing so little and seemed in so many cases to be operating in conflict with each other; or if not in conflict with each other, at least without contact with each other.

Out of this perception came the notion that the problems of the poverty areas in the cities were highly complex, differed from city to city, differed in racial composition, differed in employment opportunities, differed in age groups, differed in the capacity of the city government to deal with the problem. Out of this came the notion that the monkey ought to be put on the back of the city itself to analyze and diagnose the characteristics of its own poverty problem and to design a concerted and coordinated attack on the poverty problem in the city with federal assistance.

Our picture at that time was a picture of community action agencies, which we thought at the beginning would be dominated by local government, but would have what involved representatives of a wide range of private groups as well--business groups, non-profit social groups, etc., dominated by local government--that would act in effect as the coordinating body for all of these categorical federal programs. We thought of the OEO legislation as providing basic support for the community action agencies themselves but for most of the funds being used to deal with the specific problems of the poverty areas coming from these existing categorical programs coordinated and supervised on the local level by these community action agencies. So we thought of community action as first involving a self-analysis of the nature and dimensions of the poverty problem by responsible elements in the city. Secondly, we thought of community action as a coordinating effort to bring to bear the categorical tools and facilities and funds the federal government provided to attack these problems.

M: Did you personally think this would work?

G: I had my doubts, but I could see nothing on the horizon that seemed to me to have a better chance of working than this did.

At that stage, up to the time of Shriver's appointment as the first director of OEO, I don't remember ever having heard any discussion of the issue of maximum feasible participation by the poor, which later became a central issue of the community action concept. I mean that literally. I can't remember in numerous meetings and discussions and planning sessions that the issue was ever raised as an important issue. I'm sure all of us at that time thought of community action as organized, controlled and managed in a sense by elite groups--by the city government, by business groups, by churches, by labor unions, by non-profit social organizations, welfare bodies, etc. I have no light to shed on the question of how the idea of maximum feasible participation by the poor emerged. I simply don't know. It crept into the legislation somehow--the phrase crept in the legislation. Of course, the phrase doesn't say very much, it's just a hunting license. But somehow or other after OEO got started, this became a central goal of OEO in managing the community action part of the program.

This conception of the poverty program as consisting mainly of community action had a number of ramifications to it which I think are pretty important. I remember arguing very, very strongly that there ought to be no money for program activity for the first year; that the first year ought to be spent in organizing community action groups and financing studies, diagnoses, and analyses of local poverty problems and the design of local programs. The first year as a planning year, with the federal government picking up the tab for the planning effort, but no substantial

program money. This was, apparently, politically impossible. Once the sales pressure to get Congress to accept the program was mounted, the pressure was so strong that the Administration felt it simply had to go ahead and try to make tracks and achieve results quickly. This was Shriver's instinct. I'm sure politically he was right. Having sold the program as a matter of the highest urgency, it would have then been very difficult to say we needed a year for planning. So, I guess, in political terms he was right.

M: Why was Shriver selected as director of this?

G: I don't know. The President never told me. But I thought it was a very good appointment. He had made a splendid reputation as head of the Peace Corps. He had an image of an unconventional, driving, dynamic imaginative person who had the capability both to attract very, very good people to work with him and to inspire them to effective performance.

M: Did the image fit the man?

G: Oh yes, this was a quite accurate image. Secondly, he was a member of the Kennedy circle as a brother-in-law of the late President, and I suspect that in the eyes of President Johnson this was an advantage at that time when he was doing his best to maintain unity in the party. I thought it was a good appointment. I never asked myself what the motives were. I just thought that on its merits it was a very good appointment.

M: He brought in a lot of new ideas, did he not?

G: He did indeed. In addition to all his other talents, he's a very adept and sensitive politician. Community action was, first, a kind of fuzzy concept and secondly, a slow working kind of notion, as we had it. Shriver

was not satisfied with community action as the major function of OEO. He wanted, in addition, some quick-result programs that could produce by the time next year rolled around, [and] he was coming back for additional appropriations. He wanted to show something, show some accomplishment. Although I think he believed in the idea of community action, he thought this had a long gestation period and would not begin to produce measurable results for a long time. So that it was really Shriver's conviction that community action had to be surrounded with a number of quick-starting programs which would produce results quickly. This was the origin of such things as the Job Corps, the Neighborhood Youth Corps, Head Start, and various work study programs, some of the rural programs that he instituted--perhaps a half-dozen or a dozen quick starting programs that Shriver thought would produce visible results more quickly than community action did.

M: As Budget Director, did you agree with that?

G: I can't say yes or no. I'd have to look at each particular program to give a reaction to it. I never thought much of the Job Corps. I was skeptical of it from the beginning. It was basically an effort to align the conservationists behind the poverty program. The Job Corps, which focused on camps and in rural areas with poor kids doing conservation work and living in the country and breathing clean air and getting vocational training was kind of a romantic image that appealed to the conservatives who had been pushing for some time. Actually, Hubert Humphrey had a bill in Congress

for several years to restore something like the old CCC camps. This was a way of restructuring the concept a little bit and bringing it under the tent of the Poverty Program and lining up the conservation bloc which is a fairly influential bloc in support of the Poverty Program.

It looked to us at the very beginning as though it was more romantic than practical. It didn't seem to be a very efficient way of providing intensive job training for delinquents and dropouts and low potential kids from slum areas. And, as you know, it has proved to be a very expensive operation. You can argue about what the cost is, but the Neighborhood Youth Corps, which is a work study program right in the home community of the kids involved, I think has shown itself to be a more efficient way of producing the result than the Job Corps has. But I think I'd have to go over it program by program to respond to your question.

M: You were also in on the formation of HUD. Did that idea come out of the '64 task forces?

G: No, that antedates it. As I remember the HUD concept was endorsed by the Housing Task Force in '64, but Kennedy you remember had made an effort to convert the Housing and Home Finance Agency into the executive department [and] had been defeated by the Congress. The big issue in the Kennedy effort, which I guess was in 1962, arose over an urban-rural split in the Congress. The word "urban" in 1962, if that was the year, was poison. You couldn't use the word urban because in the atmosphere then prevailing. The word urban in the title of an executive depart-

ment would have assured you that every person representing a non-urban area would have voted against it. And the first time an effort was made to establish these functions on a Cabinet Department level, a number of euphemistic titles were invented for this Cabinet Department, in which the word community was substituted for urban. I forget exactly what the proposed titles were, but urban was poison. It was defeated the first time around so this did have some history.

As a matter of fact, I think Bob Weaver himself, who was head of HHFA and then first Secretary of HUD, was one of the people most convinced of the peril of using the word urban and the whole urban concept in describing the role of the new department. Exactly when the word urban crept into the title I forget, but it wasn't until very late, and it really wasn't I think until the growing national concern about the crisis of the cities convinced even rural Congressmen that maybe we'd better start worrying about the cities as sick places.

M: What was your involvement in the formation of HUD?

G: We were involved in a number of the technical issues having to do with the design of the Department to take over the functions of HHFA. There were a lot of semi-political issues to be resolved. The real estate interests had to be cajoled and reassured and appeased. They were particularly concerned about maintaining the independence within HUD of the FHA, the Federal Housing Administration, which as you know insures mortgages and is a very important facility to the real estate interests. They, if I remember correctly, opposed the creation of the Department until they were appeased by establishing the FHA in a semi-independent status within the Department, a number of issues of this kind.

I remember testifying in favor of the creation of the department before a Senate committee. I forget whether I testified before the House committee. You know, every piece of legislation is a problem. I don't remember this as a particularly vexing or complex or intractable problem. The time was ripe when it came around the second time, and it went through Congress without great difficulty.

Actually, of course, the transformation from HHFA to HUD was largely symbolic. It's only slightly in error to say that the only change that occurred was to change the title from Housing and Home Finance Agency to Department of Housing and Urban Development and allow the head of it to sit at the Cabinet table. That's only a slight exaggeration, and there are a few other changes.

M: There was a long delay in selecting Weaver as Secretary. Was there any significance in that?

G: Yes. I think so. I'm sure that the President never confided in me, but I suspect he was looking for a Secretary of HUD who struck him as a stronger and more decisive and more effective administrator that Bob Weaver.

M: I've also heard criticism of HUD that it was a rather slow moving department, and one somewhat difficult to deal with. Is there any truth in that?

G: Yes, because largely for the reason I think I just gave you. HUD was very little more initially than HHFA with a different hat on, and HHFA was a kind of loose confederation of a number of old defensive and semi-stagnant bureaucracies. It would have taken a McNamara to transform HHFA into a dynamic and vigorous and imaginative quick-moving agency.

and although Bob Weaver is a man of many talents, he was not this kind of an administrator.

M: I see. Did you at this same time get in on the Model Cities legislation?

G: Let's see, let me try to date that. Model Cities legislation came after I left the government. It grew out of one of the numerous semi-secret task forces that President Johnson appointed. This was a task force headed, if I remember correctly, by Ben Heineman. When would this have been?

M: Probably '65.

G: It was after I left the government, so it must have been perhaps in the fall, maybe winter of '65, headed by Ben Heineman. It was a good task force. Walter Reuther was a member, Whitney Young was a member, there were a couple of housing experts. The Model Cities notion, I think, represented something of a modification and adaptation and toning down of some basic ideas that Walter Reuther had. My own impression is that if you had to identify a single parent for the Model Cities idea, it was Walter Reuther, although the idea went through many transformations and adaptations after it came from him. My impression is that it was the report of this task force that set in motion the internal deliberations in the Administration which led to the launching of the Model Cities program.

M: Now you had something to do with Medicare, too, but you mentioned this was more after you had gotten out.

G: Yes. Let me think on the timing now. I wish I had a better recollection for dates--the Medicare legislation was enacted in '65 or '66. Well, I can't be sure. My recollection would be in '66, but I can't be certain.

After the legislation was enacted--the legislation provided for a body called the Health Insurance Benefits Advisory Council--a statutory advisory council to the Secretary of HEW on the administration of the Medicare program. I was asked to serve as chairman of that council. All the members--there were some fifteen or so members--represented various groups with an interest in hospital and medical care for the elderly. They were physicians, hospital people, nursing home people, nurses, etc. Do you have the date there of the Medicare legislation?

M: I'm checking it out. I think it was '65. I wanted to get a precise date on that.

G: It was in the late summer or fall. I think I remember that accurately.

M: Well, I don't have it in these notes--the precise date--but that can be checked and spliced into the tape. [The Medicare bill was signed in July 1965.]

G: In any case, it was an incredibly complex piece of legislation. People not involved in the organization of the Medicare program, I think, will never appreciate what a tangled and inordinately and unduly complex piece of legislation it was. It was, as you remember, a kind of series of compromises, mainly in the Ways and Means Committee, and a last minute shotgun marriage of a Democratic plan and a Republican plan--one of the manifestations of the cunning of Wilbur Mills to take over from the Republicans a major alternative which they had proposed to Medicare and simply incorporated it into Medicare on top of his own package.

Well, this was politically very astute. Administratively it made for--I won't say an unadministerable program, but a program twice as difficult to administer as it needed to be. The HIBAC --the Health Insurance Benefits Advisory Council--as a statutory advisory body worked very hard for a period of about nine months between the enactment of the legislation and the effective date of the Medicare Program, which was either July 1, '66 or July 1, '67--I can't remember.

In a way, this was one of the most brilliant administrative performances I have ever seen in the United States government or anywhere else--the most brilliant! Social Security which happens to be one of the tightest and smoothest operations in the federal government was ready for this. They mounted a program in nine months which in effect assured, first, hospital care to some 19 million people, and it went off with almost astonishing smoothness. The reason I remember when it became effective July 1 was because the newspapers were of course ready for the inevitable bungling confusion and chaos, and the newspapers had reporters stationed on the front steps of hospitals all over the country waiting for the inevitable massive surge of old people getting their benefits under the program, jamming the hospitals, paralyzing the hospitals, etc. It never happened.

With a mere nine months to prepare, administratively this was the largest and most complicated thing the United States government has ever done outside the military field. [There's] never been another thing on a scale comparable to Medicare. It was done, as I say, very quickly,

very smoothly. I don't want to go into the nuts and bolts of the problems in Medicare. This would use up all your tape, and I don't think there would be enough people interested in it. But there was some real heroic performance on the part of the top staff of the Social Security Administration in launching this thing. It could have been a mess. It turned out I think to be a real jewel in the crown of the federal government.

M: Did it work up to expectations?

G: Yes, it worked up to expectations. It had the predictable and predicted effect of accelerating the increase in the cost of medical care. It caused the rate of increase in hospital charges and in doctors' fees to accelerate. They had been going up rapidly before Medicare. They went up even more rapidly after Medicare. This is a serious problem, and no one has yet figured out a way to deal with it, although there are some efforts going on currently in the Medicare program to try to create incentives for greater efficiency in cost control on the part of hospitals. So the Medicare record is certainly blemished to this extent. But given the legislation--the legislation almost guaranteed that Medicare would be highly inflationary. There was very little that the administrators could do about it initially. So as I say, some efforts are being made now at least to dampen the inflationary impact of Medicare on health costs.

M: You also mentioned that you were somewhat involved in the elementary and secondary education act?

G: Yes. I remember that mainly as a superb piece of political innovation

by Larry O'Brien. My recollection is that Larry O'Brien is really the person most responsible for designing that very important piece of legislation in a form that made it possible for the legislation to survive the vicissitudes of Congressional consideration. He analyzed with great care the strengths of the conflicting interest groups and pressure groups on education. He designed a package which assured that everybody involved, although disgruntled about some things in the act, found enough good things in it for him so that he came out on the positive side where you had to decide whether to support or oppose. In the design process, we were making a lot of technical inputs, costing out various proposals and raising questions about the consequences of particular actions. But the strategy and the conceptual brilliance--the political brilliance--of the legislation, I think, was almost wholly attributable to Larry O'Brien's work.

M: Is the religious issue a key in this legislation?

G: Oh, yes, that was one of them of course. There were a number of very astute provisions in the legislation which went far enough to attract the support of the Catholic groups without going so far as to mobilize and crystallize the opposition of the separation of the church and state people.

M: And Larry O'Brien was the man who got this all laid out?

G: Yes.

M: Are there any other enactments, legislation, in this period of time that stand out in your mind that we haven't mentioned?

G: I wish I had a checklist here.

M: How about in the area of health, education, and welfare? We've talked about education and Medicare.

G: Not much happened in my period in the public assistance area. I think probably nothing else occurs to me in the field of legislation. I was heavily involved in a number of characteristic budgetary issues involving health research; involving the public health service, the hospital system; involving the Veterans Administration. There were some pieces of legislation. Veterans legislation tends to be an area of legislation in which the Budget Bureau plays a kind of watchdog role because of the imbalance between the strength of the interest groups seeking to dip into the public treasury, as against those who can be expected to oppose them. There's a kind of chronic imbalance here. The veterans are too strong politically. The Budget Bureau for this reason has developed a kind of habitual or characteristic alertness to raids on the Treasury issuing from the veterans. As you know, veterans' programs are getting to be very, very expensive. They're now running close to 8 billion dollars a year, and going up very rapidly. So every Budget Director is inevitably heavily involved in veterans' matters, largely because nobody else is, and somebody has got to watch the store.

In my period very happily we had in the House a remarkable man as head of the Veterans Affairs Committee--Tiger Teague from Texas. He was a war hero. It must have been the Second World War. I'm not sure of that, badly shot up, badly wounded, had a heroic record. He had the credentials to stand up to the veterans lobby, and he was a man of principle, not a reckless or self-destructive sort of person. He yielded

when he had to yield. But he had a balanced view of the claims of veterans against the claims of others in American society, and managed to restrain the avarice of the veterans' groups more effectively than anybody else in the House. I pale to think of what would have happened in that period to veterans programs had Teague not been chairman of the Veterans Affairs Committee. He made some concessions to them that I thought went a little bit too far, but considering his political problems I concluded that he had acted with great courage and great discernment.

Did I tell you about the issue of trying to close the obsolete veterans' hospital? Did I mention that to you?

M: No.

G: This is a little sidelight. It's not terribly important in money terms, but it certainly is important in other terms. This would have been in January of 1965. As usual, every President--and Johnson more than most--tried in his budget, which he sent to Congress that month, to institute some reforms to eliminate evidences of waste and obsolescence and low productivity in the federal budget by selectively trimming back some programs that clearly had outlived their time, and seeking to institute other reforms to enable the federal government to do its job more efficiently. One of the things he did--and he knew perfectly well when he did this that he was getting into a hornet's nest--we had conclusive evidence, that no reasonable person would have questioned, that a number of veterans hospitals simply weren't worth the money it was costing to keep them going. These were either physically obsolete--so old and so

dilapidated--that they couldn't give good medical service, or badly located. It doesn't help much to have a veterans hospital in an area where there aren't any veterans; so many of these were badly located. Many of these initially had been located in places where there never should have been a hospital because of political logrolling. The veterans are moving, at least the veterans of the Second World War, and those who remain from the First World War are now becoming a part of the elderly population, and old people in America tend to move south. They go to Florida, they go to California, the Southwest. So we had a very aggressive program of hospital construction--of veterans hospital construction--in the areas in which the veterans population was growing. And it seemed reasonable, when you're building a lot of new hospitals following the migration of the veterans, to close down some of the most dilapidated and obsolete and poorly located of the others. So we had a program for closing some eleven veterans hospitals out of over a hundred while we were building the new ones in the areas of increasing veterans populations. Although the amount of money involved was not more than twenty--twenty-five million dollars a year, the President knew that he was taking on a fight in this effort. This by the way might be an interesting insight; before he would move on this,I think I convinced him of the merits of the action, but he wanted another opinion. The opinion of a person whose judgment he had confidence in to look over the evidence and ask questions and give him a separate judgment; and he brought into the matter a young special assistant in the White House whom I had never met before named Ramsey Clark. My first encounter with

Ramsey Clark. Ramsey Clark spent, I suppose, three weeks working on this problem, boring into the issue with the most admirable system and efficiency, asking all the right questions, pushing hard for answers, insisting on answers before he would make up his mind. He did a beautiful job of surveying the problem, both on its merits and the politics of the problem, and finally wrote a memorandum to the President supporting it completely and saying that it would be scandalous if we allowed this situation to continue. From that experience, the first encounter I had with Ramsey Clark, I developed an admiration both for his acumen and his courage which I've never lost. He's a very superior person. But on the basis of that, the President went ahead and the economies were incorporated in the budget.

Immediately there was an uproar. The veterans organizations mobilized, threatened to picket the White House, alerted all of their friends in the Congress--and most Congressmen are friends of the veterans organizations--and it was a real storm, a major storm. Curiously enough, although this was agitating the Congress more than any other single issue at that time, there was very little public attention given to it. The newspapers never saw this for the political issue it was, but it had the Congress in turmoil. They demanded hearings. If I remember correctly, they immediately passed as a rider an appropriation bill, a proviso that no funds appropriated by Congress could be used for ninety days to shut down these eleven hospitals, etc. There were hearings by the Veterans Affairs Committee, and the Veterans Affairs Committee received some 30,000 letters of which all but thirty, I think, opposed the action. There were a number of

letters from deans of medical schools who had studied the problem saying it was the wise thing to do. But the ratio was a thousand to one in opposition. This was an activity organized by local Legion posts and VFW posts.

Well, the President, at the time when he had, you know, measured on any reasonable standard, scores of more important things to think about was deeply involved in this explosion in Congress. He read every night the transcript of the hearings before the House Veterans Affairs Committee on this issue. I know because I got a phone call from him every morning telling me what he didn't like about the testimony the day before and suggesting ways of making the case more effectively to the Congress. I guess for a period of almost a month he spent more time on this issue than on anything else that concerned him at the time. It was a tragic waste of his time and energies. It wasn't worth it, and I suppose in retrospect if we had known how violent the reaction would be, we probably wouldn't have done it.

Well, in any case, he appointed a special panel to study the problem, and it was predictable that they would compromise it. I think they came out with a recommendation for closing five and keeping six open, or closing six and keeping five open.

One of the reasons that the President had to get involved was that this precipitated an explosion from the Majority Leader in the Senate, about as violent as I think he has ever been. I've never heard him speak with such feeling and acrimony about matters of high national policy as he did about the closing of a veterans hospital in the state of Montana. There's a veterans hospital in Miles City,

Montana. The trouble is there are very few veterans in or around Miles City. It was put there in the '30's as a concession to some Senator, and this was one of the clearest cases for closing on the list. A committee of medical school deans had visited the Miles City hospital one winter, and studied the records of all the patients in the hospital and concluded that 75 percent of them were not suffering from any ailments that required hospitalization. These were people coming in out of the cold in a Montana winter.

Well, this is a long and rambing story, and perhaps I've given it more importance than it deserves. But I don't think so because any issue that preoccupies the precious time of the President as much as this issue did and which, you know, as a matter of principle, I think it was very important, but as a matter of dollars, it was almost insignificant, almost inconsequential in the budget, probably deserves to be told.

M: In your period as Budget Director, did you feel increasing pressure from the military because of Vietnam.

G: No. Vietnam, from a budgetary point of view, didn't really become a major issue until after I left. You remember the big decision to escalate U. S. participation came in the late spring, summer of 1965. That was just about the time I left, so that in a sense my departure was very well timed from the point of view of my own peace and sanity. That problem was inherited by my successor Charlie Schultze.

M: I have heard that you were either offered or considered a position Secretary of Treasury at the time, and yet you refused that and came to Brookings. Is that correct?

G: I never answered that question publicly. I'd be loath to have my answer disclosed before the passage of a substantial length of time. This was widely bruited about. With the understanding that I could control the timing here, the answer is--

M: You know you can restrict the tape.

G: Yes. With the understanding that I can control the timing and I've never said this before, the answer is correct. I was. It was the most difficult decision I ever had to make,I struggled with it for about a week. I don't think President Johnson knows this to this day, but one of the things he did to kind of introduce me to the financial community, on the assumption that I was going to accept it, was to have a private lunch for about a dozen bankers, mostly New York bankers--these were in most cases presidents or chairmen of New York banks--in his private quarters in the White House, after he had offered me the job and before I had given him a firm answer. And it was that luncheon, which went on for about two hours, that I guess tipped me in the direction of my final decision.

It just seemed to me that a Secretary of the Treasury, if he was to serve the President effectively, had to be a person who enjoyed the confidence and who enjoyed even a personal rapport and understanding with the banking and financial community that I just didn't think I had. It seemed to me I would have gone to that job with two strikes on me. I was strongly tempted, but it seemed to me that it would not be a service to the President to take the job if one couldn't at least start out with a fairly strong bond to the banking and financial community. And that luncheon convinced me, not only that I didn't have it, but that

I wouldn't be very happy trying to cultivate it. And it was for that reason that after a couple of days of anguish, I decided that it was not only wise for me, but in the best interest of the President--although I don't think he understood it at the time--that I decline the job.

M: I understand that it's difficult to withstand the pressure of Lyndon Johnson when he wants you to take a job.

G: It is.

M: And so despite arm twisting and--

G: He was very persuasive. As a matter of fact I knew enough about his talents in this direction so that when I finally made up my mind after staying up all night one night, I didn't call him and I didn't go to see him, I wrote him a letter, suspecting that if I had told him over the phone or in person I might have walked out having reversed myself.

M: Were you then already offered a position at Brookings?

G: Yes. We were already on our way here.

M: You were already on your way?

G: Yes, that's right.

M: Then you might make a few comments about the significance of Brookings and its relationship to government.

G: Given my own tastes and interests and proclivities, it's a job almost tailor-made for me. I've spent my whole life sort of shuttling between the campus and the federal government. I've needed both these things for my own satisfaction--both the detachment and perspective that one gets from the academic post, and the sense of involvement and closeness to the main ring that one gets in the government. I've always felt the need to move back and forth every few years to satisfy both these tastes.

Well, the great virtue of Brookings is you get both these things in the same building. Brookings is, in a sense, a bridge between the academic community and government. It is engaged mainly in the business of policy research, studies on the policy problems faced by the federal government, to some extent by state and local governments. We have very close ties with the academic community; a high proportion of the studies we conduct involve people in universities, either working with our permanent staff or working independently. At the same time we're closely involved with officials of the federal government and the Congress. We run a very active kind of mid-career educational program at Brookings in public affairs for high level civil servants, for management people from business, for physicians, for clergymen, for other functional groups in the private sector. And we involve in these programs the high officials of the executive branch and of the Congress so that both through this advanced study program and through our research activities, where we are always running study groups and conferences of various kinds, we maintain very close contact with the people in the federal government. That's why I say I think we serve as a bridge between academia and the federal government. This cuts down my commuting time considerably since standing on the bridge here, it's no longer necessary for me to shuttle back and forth.

M: Well, with that statement, we might call this interview to a close.

G: Very good. It has been a long one.

[End of Tape 1 of 1 and Interview IV]

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Legal Agreement pertaining to the Oral History Interviews of Kermit Gordon

In accordance with the provisions of Chapter 21 of Title 44, United States Code, and subject to the terms and conditions hereinafter set forth, I, Mrs. Kermit Gordon of Williamstown, Massachusetts, do hereby give, donate and convey to the United States of America all my rights, title and interest in the tape recordings and transcripts of personal interviews conducted with Kermit Gordon on December 16, 1968 and January 9, March 21, and April 8, 1969 in Washington, D.C., and prepared for deposit in the Lyndon Baines Johnson Library.

This assignment is subject to the following terms and conditions:

(1) The transcripts shall be available for use by researchers as soon as they have been deposited in the Lyndon Baines Johnson Library.

(2) The tape recordings shall be available to those researchers who have access to the transcripts.

(3) I hereby assign to the United States Government all copyright I may have in the interview transcripts and tapes.

(4) Copies of the transcripts and the tape recordings may be provided by the Library to researchers upon request.

(5) Copies of the transcripts and tape recordings may be deposited in or loaned to institutions other than the Lyndon Baines Johnson Library.

Mrs. Kermit Gordon
Donor

December 3, 1980
Date

Archivist of the United States

Nov. 12, 1980
Date