

INTERVIEW I

DATE: July 22, 1969

INTERVIEWEE: JOHN E. HORNE

INTERVIEWER: PAIGE E. MULHOLLAN

PLACE: Mr. Horne's office, Boston, Massachusetts

Tape 1 of 1

M: Let's get your identification on the beginning of the tape here, Mr. Horne. You're John E. Horne, and your last official position with the Johnson Administration was as chairman of the Federal Home Loan Bank Board.

H: That is right, although I had served as a member of the Board before Johnson appointed me to be chairman.

M: You held that position from 1965 until what time exactly?

H: Until close of business, November 18, 1968.

M: So just almost until the very end of the Johnson Administration?

H: Yes. Matter of fact, one reason I resigned when I did was to be able to resign under President Johnson, during his administration.

M: Rather than waiting until it was through.

H: Rather than waiting and being encouraged and prodded, as I felt sure I would be, to resign under the incoming administration. Moreover, I had no desire to be associated with the new administration.

M: Right. Your first major public service comes way back in the late 1940s at about the time Mr. Johnson was entering the Senate. I believe you were administrative assistant to Senator [John] Sparkman of Alabama at that time.

HORNE -- I -- 2

- H: Yes, I was his first administrative assistant. As a matter of fact, Congress in 1946, on one of the rare occasions it has effected a real reorganization of the Senate, set up the position of administrative assistant for each senator.
- M: So you were not only Mr. Sparkman's first but also the first that anybody could be.
- H: Yes. I was in the first class of administrative assistants. The law became effective as Congress opened in 1947, and that's when I first came to Washington.
- M: I've been impressed in talking to people on the subject with the number of persons who have gone to high places having started in the position of administrative assistant to somebody. It's a credit to the type of men that get chosen. Did you meet Mr. Johnson when he was a young senator at that point?
- H: Yes, I got to know him early. He was a very active, very hard driving, very intelligent and very able senator who became interested in a lot of things, not just the things with which his own committees were concerned. But I got to know him best when he became majority leader.
- M: That was after you were working in the political--
- H: That was after I had been working with Senator Sparkman for some time. Because as majority leader, it was necessary for him to broaden his understanding and knowledge about all legislation that was under consideration. He was especially interested in the field of

HORNE -- I -- 3

housing, because he understood even better than some of those on the committee that handled housing matters the importance of helping to make it possible for everybody to have a decent shelter. Since Senator Sparkman was chairman of the subcommittee that handled all the housing legislation, that is the Housing Subcommittee which was a subcommittee of the Banking and Currency Committee of the Senate, and I worked closely with Senator Sparkman, it was through this medium that I really got to know the then-Senator Johnson quite well.

M: Mr. Sparkman was always known during those years and since as one of the moderate southern senators.

H: Yes.

M: Was that the circle in which Mr. Johnson fitted, or did he fit into any particular group of senators from that section?

H: Well, I would say as senator at that time that he could not have as wide a national horizon as he had to have when he became president, but it was obvious to me at that time that he looked on a senator as being a person who had a responsibility that extended beyond just his own state, that was nationwide in scope. So while his intimate associations, as I recall, were more with the southern senators, southeast and southwest Senator Russell, for example, of Georgia, and the two senators from Alabama, at the same time he had friends and acquaintances that went beyond the South. As I've just said, his thoughts about issues extended beyond just a regional consideration.

HORNE -- I -- 4

M: Did you work with him as Mr. Sparkman's aide on any specific piece of legislation?

H: On some housing legislation and also on some small business legislation.

M: Did Mr. Johnson try to master the details of a law like that, or was he more of a tactician who was interested in its legislative progress after it was formulated? In other words, where did he [concentrate]?

H: He generally would master enough details that he could talk very sensibly about it, and of course this added to his ability to get legislation through. The majority leader has to know something about the legislation. Even though the chairman of the committee or the subchairman or the sponsor may be the floor manager, still it's important for the majority leader to be familiar with the legislation sufficiently that he can also be of assistance with whatever controversy or differences of opinion that may be expressed. I was able to see several majority leaders in operation. I wouldn't want to compare one with the other, but I would say that nobody worked harder at his job and nobody understood his job any better, if as well, than did Senator Johnson.

M: Was he a hard, personal taskmaster on people who worked for other senators? I know he's got a reputation of being rather hard on his own staff. You were on Senator Sparkman's staff. Did he push you pretty hard when he got involved with you?

H: He was never at all discourteous. He was never inconsiderate, but he would want to make certain that what you gave him was accurate.

HORNE -- I -- 5

If there was any doubt in his mind or your mind, he would always ask you to check it out. He didn't want to take a chance on being in the slightest degree misinformed. So, [yes], to the degree that he was a perfectionist in wanting you to give him accurate information [he drove you hard]. He was not inconsiderate so far as his personal relationship to me was concerned.

M: Did you work closely with his staff mainly or with the Senator himself?

H: I worked with both. I worked with two of his staff members, one particularly, and I also worked with Senator Johnson. There were times, for example, when Senator Sparkman was out of pocket, was out of the city or he maybe couldn't be reached, and Senator Johnson would talk with me and, "How does John feel about this? What's John's position on this? What are the facts on this?"

M: When you say "John" are you saying John Sparkman, not John Horne?

H: Sparkman, yes. John Sparkman.

M: Right.

H: He said, "What are the facts on this?" And as I say, he wanted to make certain that you were giving him accurate information.

M: But he was accessible in time of need? You could go see him and straighten out any matter that might arise?

H: Yes. Oh, yes.

M: No trouble. By 1954 you were staff director of the Democratic Senatorial Campaign Committee, and that was, I guess, during his first term as leader. He'd been minority leader during that session. Did you work directly with him in that position?

HORNE -- I -- 6

H: No, in that position I worked much more closely with Senator [Earle] Clements, the then-senator from Kentucky.

M: Right.

H: Senator Clements was chairman of the committee, and I was his staff director.

M: Did Mr. Johnson play any role within that committee, take any interest in its operations?

H: He took interest in its operations, but if there were any unusually close following of its operations on his part it was carried on more with Senator Clements than it was with the staff.

M: Then he was very close friends with Senator Clements even then?

H: That's right. Yes.

M: The reason I asked is because I think it's been charged, at least, or hinted almost in some of the books about it that Mr. Johnson was apt to use that institution, that committee, in building up his own personal network of support, and perhaps political support for seeking the nomination for the presidency at a later time. But you didn't get involved as staff director with that?

H: I did not get involved in that. I think it was clear to the staff people and to the senators that Senator Johnson, like quite a few others, had presidential aspirations. His were no more obvious than some of the others were.

M: Right.

H: Senator Symington, as I recall, from Missouri was quite active in wanting to become president, so it may be that Senator

HORNE -- I -- 7

Johnson took advantage of his position to make friends and to promote his aspirations to become the Democratic nominee for president. But he was not the only one who did so, and that's something that's been going on for years in the past.

M: No, I didn't mean to imply there was any wrongdoing.

H: And it will continue I'm sure for years in the future, and I'm sure it's going on right now, night and day.

M: But that committee is organized in such a way that the majority leader can influence the direction the funds flow, I take it.

H: Well, I should think the majority leader could always have some influence in what's going on in any Senate activity. I'm not conscious of any particular strong hand taken by Senator Johnson when I was staff director in determining who was going to get money. I never saw any evidence. He may have talked with Senator Clements about it, but I never saw any direct evidence that he was trying to influence the Democratic Senatorial Campaign Committee as to who would get money and who would not get money.

M: Since he already knew you, he still didn't ever talk to you directly about that.

H: No, not during the campaign. He might inquire as to how things were going, but he never gave me any directions as to what I should do or as to what influence if any I should try to play insofar as who got money.

M: Right. In 1956 then, you were, I believe, assistant campaign manager for Mr. Stevenson's campaign. Is that correct?

HORNE -- I -- 8

H: Yes. See, in 1952 Senator Sparkman and Mr. Stevenson were the Democratic candidates for vice president and president, respectively. Then in 1955, in December, I took a leave of absence from Senator Sparkman's office and worked closely with Mr. Stevenson and other officials on his staff on through the campaign in November of 1956.

M: There was some hint at that time during the summer of 1956 that maybe Mr. Johnson had been interested in trying to create a boom for himself at the convention. Did the Stevenson people think that that was a possibility that they had to be on guard against during that summer?

H: As I recall that convention, and at that time I was on Mr. Stevenson's staff, Senator Johnson was interested in the nomination. He did make an effort, as did some others, Senator Kefauver being one, to get the nomination. As I remember the facts of the matter, naturally we, those of us with Mr. Stevenson were making efforts to keep up with their progress and to make progress in behalf of our own candidate.

M: Which you did quite well.

H: I never myself experienced any, or ever saw any, evidence of any feeling of personal hostility among the candidates. Naturally there were maneuverings against one another in the competition for nomination.

M: What about after the [convention]?

H: And after the campaign was over, that is for the nomination, Senator Johnson supported Mr. Stevenson and Mr. Kefauver, and also supported the ticket quite vigorously.

HORNE -- I -- 9

M: Did he take an active part in the [campaign]?

H: I've heard it said that he could have been more active, but I've heard that said about a lot of other people. I guess it's always possible that somebody could put out a little bit more effort than he did put out. That could be true of President Johnson, but it could also be true of others.

(Interruption)

M: You had been talking about the 1956 convention and Mr. Johnson's support of the ticket. Did you have an opportunity to observe the degree of personal relations that Mr. Johnson had with Mr. Stevenson? Were they close personal friends?

H: I never felt that they were close personal friends. I think they respected each other, but they had not had an opportunity to work together so far as Congress was concerned. One was in Congress, one was a governor. They were from different parts of the country, of course, had different backgrounds; they were different types, different styles, different character. I never felt there was any deep personal affection for one another, but I did feel there was respect for one another.

M: Did you remain close to Mr. Stevenson from that time on?

H: Yes.

M: The reason I pursue it is because, of course, with his not being available anymore, the relationship between President Johnson and Mr. Stevenson is one of the questions of some importance. Did you have an opportunity to know how they worked together after Mr. Johnson

HORNE -- I -- 10

became president? Did they get into close friendship then?

H: I had no opportunity really to become acquainted with or to know about their relationship after he became president. I just wasn't in the foreign or international picture sufficiently to have any real knowledge about that. I never discussed it with Mr. Stevenson; I never discussed it with President Johnson. Of course, Mr. Stevenson was Ambassador Stevenson of the United Nations. I never discussed with either one his attitude about the other. But here again, based on newspaper accounts I would say that, yes, they respected each other, that they worked reasonably well together. So far as being able to answer your question from a personal knowledge standpoint, I couldn't do so.

M: What about 1960? Did you go to the convention in Los Angeles as a Stevenson supporter still?

H: No, I did not.

M: You had become a, what, Kennedy [supporter] at that time, or Johnson?

H: Frankly, in 1960 Senator Sparkman was up for re-election in Alabama. There was a great diffusion in the state of Alabama as to which one of the several candidates the Alabama delegation would support. I was working very close in Senator Sparkman's campaign, and I felt that the appropriate thing for me to do under the circumstances was to refrain from participating in the contest among would-be presidential candidates. To be perfectly honest also, I

HORNE -- I -- 11

felt that neither President Johnson nor Ambassador Stevenson stood much of an opportunity, or even Senator Humphrey to get the nomination. I thought they all had only an outside opportunity to be nominated as president. I felt that Mr. Kennedy pretty well had it wrapped up. I felt that next to him that Senator Johnson had the best opportunity, but I didn't feel that even he, without some unusual strong new development during the convention, could get the nomination. For these reasons, for Senator Sparkman's campaign which as I've said I was deeply involved in, I played no part in the 1960 convention and did not go to Los Angeles.

M: You did get in on the campaign, though, as executive director of the Citizens for Kennedy-Johnson.

H: Yes, I did. After the nominations were made I felt that we had an unusually strong ticket. I felt that in spite of the, again, different styles of Kennedy and Johnson that they could work together, that they'd make really great leaders for the nation, and I enthusiastically participated in the campaign.

M: Did you work personally with Mr. Johnson during that campaign, as far as scheduling or traveling with him or preparing his activities in any way?

H: No, I didn't play that role. The role that I played was to work with Byron White, who headed up the citizens group. As I'm sure you know, it's always helpful to have within a citizen or volunteer group one or two people that has had some experience and some

HORNE -- I -- 12

relationship with what you might call the regular partisan organizations.

M: Right.

H: I played the role of being somewhat of an advisor as to how to work with the regular organizations. Additionally, I had directly under my charge about ten or eleven states, as I recall, in which I handled all of the activities, or at least headed up, directed, suggested the activities that would be carried out from the citizenship level, working closely with the regular party organizations within those states.

M: Were these the southern states?

H: These were southern states, including Texas, by the way.

M: Then you didn't have the problem that some of the northern politicians encountered, of Mr. Johnson's rejection by some elements of the Democratic Party. You did have the virtue of his, I suppose, helping the ticket quite a lot in those states.

H: Yes. He helped. Plus the fact that Kennedy himself was quite popular in some of those states. As you know, President Kennedy had a very appealing style.

M: I remember the campaign. I'm from Arkansas normally, and that was one of your states, I suppose.

H: Yes. Once he could get into these states, and they could see his personality and hear him speak and see that smile on his face, he created some enthusiasm himself. But the load in those states primarily was carried by Mr. Johnson, and he did it quite well.

M: Do you think he made the difference in carrying any of those states?

HORNE -- I -- 13

H: Oh, I think unquestionably he did. I don't even recall at this time which states we carried, but there's no question in my mind but that he added to the strength of the ticket, especially in those states. And those were key states, as you recall. For example, I don't believe without President Johnson on the ticket that we could have carried Texas. If I had the states before me that we did carry. . . I doubt if we could have carried several of the other states without President Johnson.

M: Sure.

H: It is true that Kennedy had a lot of friends in North Carolina, but I think that even there Johnson helped immeasurably.

M: By the time the next elections come around, 1964 and afterwards, you were an appointed federal official. Did you play any political role in the 1964 election for President Johnson?

H: I played some part in it. I was not what we call Hatched. I was a presidential appointee, and membership on the Federal Home Loan Bank Board is not a Hatched position. But I wasn't as open in the part that I took in 1964 as I was in 1960 for the simple reason that I was in a government agency, and the role played in regulatory agencies particularly, is somewhat subdued.

M: What kinds of things did you do in 1964?

H: Well, here again I advised with the citizen group, which at this time was headed by Jim Rowe, a very prominent Washington attorney

HORNE -- I -- 14

who had been a friend of President Johnson over the years. Usually my work with the committee then was during the evenings and on weekends.

M: Just strictly in an advisory capacity, not an operational role?

H: Somewhat operational, but in a more restrained manner than in 1960.

M: Did they run scared in 1964, or did they just assume they were going to whip Goldwater pretty badly?

H: I would say that most anyone who has had political experience usually runs scared regardless of how inconsequential the odds might seem. As the campaign got underway our confidence as to the outcome increased because of the remarks, the information, the intelligence that we were getting, and the fact that so many people who had supported the Republicans were then supporting Johnson. But I don't think it could be said that the Johnson organization ever took anything for granted. I think it rather would be said that we continued to exert effort, to work, to make sure that we covered all bases, that nothing was left undone that should have been done.

M: The reason I asked that is that it's been charged or intimated that Mr. Johnson, even though he is a professional politician of long standing, somehow allowed the campaign organization and the Democratic National Committee and so on to sort of atrophy while he was president, through disuse or through neglect or something, so that it was not a vital force in 1968. Do you think that's true?

HORNE -- I -- 15

H: That charge has been made, and I don't know what evidence of truth there may be to it. For two reasons I say that. One is that I was, for the most part of that time, chairman of the Board, and I had my hands, believe me, completely filled in that job. I wasn't very active in political activity and did not spend any time, except on rare occasions, at the Democratic National Committee. Another point I would make is that President Johnson of course inherited, as any president does, a lot of grave problems, a lot of unfinished work. He became so involved, and understandably so, in both the international field and in the domestic field that I doubt if he had a great deal of time to devote to the affairs of the national committee. When I review or look back over the monumental legislative program that was enacted during his term of the presidency, I would be amazed if he had enough time, in spite of all of his energy and all of his hard work, to have become involved in the details of political campaigns or the committee itself. So this charge about his neglecting the committee and letting it go to seed, so to speak, is one that I've heard, but it isn't one that I could speak about with any degree of definity or any deep knowledge.

M: You didn't get involved in the 1966 or 1968 campaigns appreciably?

H: When you speak of 1966 now you're talking about--.

M: The off-year campaign.

H: No, I did not, no. You're talking about the off-year campaign.

M: Right.

HORNE -- I -- 16

H: No, I did not.

M: During most of Mr. Johnson's vice presidency you were administrator of the Small Business Administration. Did he get involved with your activities there to any degree?

H: Well, let's see, I became administrator of the Small Business Administration in February, as I recall of 1961, and I stayed in that job until August of 1963.

M: Right.

H: So about a year and a half of the time he was vice president I was head of the Small Business Association. When he became president, in the latter part of--

M: 1963. You were administrator except for the last three months.

H: He became president in 1963, did he?

M: Right.

H: By that time I was already on the Federal Home Loan Bank Board.

M: Right.

H: I became a member in August of 1963, as I've just said. Now, while I was at the Small Business Administration there were several occasions in which I discussed the problems of the agency with Vice President Johnson. You see, there's one thing about the Vice President that I think many people understand, but I'm also reasonably sure that many people don't understand. That is that in spite of his success in life, both

HORNE -- I -- 17

from a political standpoint and from a business standpoint, he always had a very warm heart for the underdog. Invariably he supported programs that would enable the little man to have an opportunity to become a successful man, or programs that would enable the small businessman to have an opportunity to become a successful big businessman. This feeling accounts for his interest in the Small Business Administration.

I recall on one occasion I called a meeting in Washington of what we termed at that time our National Advisory Council of the Small Business Administration. This council was made up of representatives from every state in the Union, and we usually met once a year in Washington. I called the Vice President's office, and he agreed to drop in on this group and say a few words, a few words of greeting, a few words of encouragement. He became so enthralled in what he had to say and was so interested, that he talked for more than an hour.

Here again, as he did when he was majority leader, he worked on small business matters. He knew as much about small business problems probably as any vice president or president we've ever had. I would put, by the way, Vice President Humphrey in the same class so far as his knowledge of small business matters was concerned. But Vice President Johnson just held that group spellbound, and

HORNE -- I -- 18

instead of staying there five or ten minutes as we had thought he would, he stayed there more than an hour. And with no notes, just out of his head and out of his heart he gave one of the best speeches that's ever been given on behalf of the small businessman.

M: That really makes a big impression on these visiting firemen, too, doesn't it?

H: Oh, boy, they were just thrilled and surprised, and before he finished his talk they were quite excited and gave him a prolonged ovation when he finished.

M: Was there any legislation for the Small Business Administration that Mr. Johnson, as vice president, worked with you on in any way?

H: Yes, he was very active in his support of the forerunner of the Small Business Administration, that is, the Small Defense Plants Administration. He was active in the legislation that established the Small Business Investment Company, which is a program administered by the Small Business Administration. He was helpful in every major change for the good that was made in the Small Business Administration. I recall, this may be of some interest to you, that when the Republicans under President Eisenhower won the presidency and the control of Congress in the 1952 election--at that time I was administrator of what was the Small Defense Plants Administration, a piece of legislation which Senator Sparkman, Senator Johnson, mostly Democrats but some Republican help had established--I left the agency to go back to Senator Sparkman's office in the early part of

HORNE -- I -- 19

1953, [and] I recommended that several changes be made in the Small Defense Plants Administration. I believe I recommended seven changes. One was to change its name from the Small Defense Plants Administration to the Small Business Administration.

M: You can really claim some patronage there.

H: Of the seven recommendations that I made, the Republicans only bought one, and that was to change its name. So that they in turn could claim credit, you know, for the agency. As a matter of fact, it was an erroneous claim, because it had been set up under a Democratic president and by a Democratic Congress. Well, in the congressional elections of 1954, you remember, the Democrats regained control of Congress. The other six changes that I recommended, plus others since that time, were made in the Small Business Administration. But by a Democratic Congress with Democratic leadership.

M: Then, as you said, beginning in August of 1963 you moved over to the Federal Home Loan Bank Board.

H: As a member.

M: While President Kennedy was still president.

H: That's right.

M: But Mr. Johnson is the president who promoted you to chairman about a year later.

H: That's right.

M: Were there any unusual circumstances associated with that appointment? Mr. Johnson is sometimes noted for pulling rabbits out of hats and

HORNE -- I -- 20

doing things in a little bit circuitous ways.

H: Well, yes, there were two or three interesting things about that appointment. One is that in the fall of 1964, I was offered a very attractive job to go to San Francisco to be president of the Federal Home Loan Bank of San Francisco. Without explaining the details, that job would have been a part of the Federal Home Loan Bank Board structure.

M: It's one of the regional banks.

H: One of the twelve regional banks. But the responsibilities of the job are not as important as the responsibilities of the board in Washington, the strain is not nearly so great, and the pay is a great deal better.

M: That sounds like an unbeatable combination.

H: I accepted the job. But I was asked by one of Mr. Johnson's staff members to postpone my departure until after the campaign. So I got the board of directors at the San Francisco Bank to give me an extension of time, actually until January 1965, to take the job.

M: Did he say why he thought it was important that you stay in through the campaign?

H: No, it was not explained in any great degree as to why they wanted me to do it. Reading between the lines, there were probably two or three reasons. One, they felt that I could be of some help, which I think I was, to the campaign. Secondly, they may have thought that if Johnson were re-elected that they had plans for me to become chairman of the board.

HORNE -- I -- 21

M: I see.

H: And it possibly could be that he didn't want a whole raft of people leaving their offices on the eve of the campaign. But as to what the details were, I didn't inquire. I just acceded to the request. But I had, of course, offered my letter of resignation. I changed that letter of resignation to become effective early in January. Following the election, I did not hear from the President regarding either being appointed to the board as chairman of the board or my letter of resignation. And as I recall, I've forgotten some of the details perhaps, I made a telephone inquiry in December, reminding a member of the President's staff that my letter of resignation was there, that I was making my plans to go to San Francisco to assume the job. On Christmas night, as I remember, I had a call from Bill Moyers, and Bill asked me if I could go down to Andrews Air Force Base the following morning and take a jet to President Johnson's Ranch, which I did.

M: He didn't tell you what for?

H: He just said the President wanted to talk to me. Well, I flew down. Bill Driver was on the plane with me. Gleason who had been director of the Veterans Administration, who had been head of it, was also on the plane. As it turned out, we went down at the President's request to be advised that I was going to be made chairman of the Federal Home Loan Bank Board and that Bill was going to be made administrator of the Veterans Administration.

HORNE -- I -- 22

The President talked to us separately, but I recall going into a relatively small room, a very comfortably furnished room. I don't remember all the details of the conversation, but it was to the effect that he did not want me to leave the board; that he wanted me to be chairman of the board; that he wanted people in key spots that he felt had backgrounds that would enable them to perform well; that he wanted people in whom he had confidence, people he could rely on, to help him in this very important and arduous job of carrying out his duties as President of the United States.

Then he asked me to do two things. He recognized that there were some problems caused by relatively a handful of associations, as you know, a few bad apples can sometimes impair the image of an entire industry. He said he wanted legislation enacted, whatever legislation was necessary to get at these problems. This industry was too important an industry and was doing too much, and could do too much in the future, to help house America to permit this situation to deteriorate, and he would help me pass whatever legislation I felt was necessary. The second thing he told me was something that has always stayed with me. He said, "I want you to do in your conscience what you think is good for the public. I want the public interest to come first."

M: Not worry about the political part of it?

H: Not worry about the political part of it. And I want to say this: on no occasion, absolutely no occasion while I was chairman of the

HORNE -- I -- 23

Board during his term as president, did he ever in any way, shape, form or fashion, personnel-wise or otherwise, try to bring pressure on me to play politics, in carrying out my duties as chairman of the Federal Home Loan Bank Board.

M: Did you try to decline the honor that was offered you right here before you were fixing to move to San Francisco?

H: I told him that it could be embarrassing to have to advise these people at this late date that I couldn't go. I told him that I was sure that there were others equally as well qualified. His reply was, as to the first point, that he would be glad for me to advise them that it was his fault, that it was at his request that I was staying in Washington to work in his administration. As to the second point, he said no doubt there were others, but at the present time he didn't have them in mind. He also said no doubt there were others who could serve as well as president as he could, but that he had sought it, that it was now his responsibility, and that he wanted me to take the same attitude about being chairman of the Federal Home Loan Bank Board.

M: Would you say that you got what was called "the treatment?"

H: I got very gentle but firm prodding that he wanted me to do this as a public service.

M: Was it announced then immediately, or did you have to keep it secret for a while as he sometimes [wanted]?

H: No, I think it was announced the following day. I'm not sure on the timing, but I think it was announced the following day. At least it

HORNE -- I -- 24

was shortly after our visit.

M: So there wasn't any problem of leaks and so on, which he hated so badly.

H: No, no.

M: As chairman of an agency like the Federal Home Loan Bank Board, how much contact do you have with the President himself in the operation of that agency?

H: As to President Johnson, and I know President Kennedy had a similar procedure: there was usually a staff man at the White House that served as a point of contact with the agency on behalf of the presidency. Now, that didn't preclude you from going directly to the President or to another staff member.

M: You could do that?

H: You could do that. And on two or three occasions I did. But knowing how overworked the President is and having been a staff man myself, I did not feel that on matters except of urgent importance, matters that only the President himself could decide, that I would be treating the President fairly by trying to see him on every matter that might come up. So while I did not have an occasion to be in touch with the White House frequently regarding my work at the board, usually when I did have an occasion to do so, I went through--

M: Who was the staff man?

H: The staff man with whom I worked primarily, so far as savings and loan matters were concerned, was Jake Jacobsen.

HORNE -- I -- 25

M: Oh, yes.

H: From Austin, Texas, who was on the President's staff. There were times also when I worked with Walter Jenkins, and after him with Marvin Watson.

M: Right.

H: Then there were times when I worked with Jacobsen's successor, Barefoot Sanders. I always had understanding, had cooperation from them. As I said earlier, it was only on rare occasions that I went to President Johnson himself. Now, in the money crunch of 1966, when for reasons I can explain if you want me to, money was flowing out of the savings and loan associations by the millions of dollars--

M: Primarily due to the change in rates of commercial banks, I think it was.

H: Yes, that was part of it. That was the greater part of it as a matter of fact. The Federal Reserve Board had raised Regulation Q in the early part of December, 1965. I sensed immediately that this was going to cause difficulty for the savings and loan industry. I also sensed that it would cause difficulty for the entire housing industry.

M: The two are related very closely.

H: You know, the housing industry is made up of several sectors: home builders, people who finance, people who supply the things that go into housing and so on. Well, I knew that the rates that had been set on Regulation by the Federal Reserve Board was going to result in an outflow of money from the savings and loan industry to the commercial banks. Of course, the commercial banks and the

HORNE -- I -- 26

savings and loan industry also had another problem, and that is that there were other instruments, like corporate issues, government bonds, et cetera, that sometimes paid higher returns than Regulation Q.

M: They would also attract money.

H: And pay higher returns than savings and loans were paying on savings. But the biggest source of drain from the savings and loan industry in 1966 was to the commercial banks, and we were getting into a pretty threatening situation. I did ask for a direct conference with the President. He granted it. He understood immediately what the problem was, and he immediately began to work to overcome these problems. I remember while I was sitting in his office he called Chairman Martin of the Federal Reserve Board and Secretary Fowler of the Department of Treasury, and [he] asked the three of us to have a discussion on the matter. We did.

To make a long story short as to what happened to give relief to the savings and loan industry; First, [we] borrowed money through the treasury from government trust funds to meet withdrawals at threatened associations; and second, we finally enacted the dividend control law on September 22, 1966. It really was a restructuring of Regulation Q. If it had been enacted earlier we could have prevented, I'm certain, a couple of billion dollars from flowing out of the savings and loan industry, and there would have been that much more available for housing. If we hadn't enacted it at all, I'm convinced that there would have been another one or two billion dollars, and maybe more, that would have continued to have flowed out of the savings and loan industry. But the fact is that we did

HORNE -- I -- 27

pass it. The banking regulatory agencies and the Home Loan Bank anticipated that it would be passed. We had already consulted with each other. We'd already worked out what our regulations would be; what our action would be. And immediately upon the President's signing the bill, we issued our regulations.

The bill, as you will recall, authorized the Federal Reserve Board to set different ceilings on interest under Regulation Q. Thus our regulations permitted one ceiling rate on savings amounts of less than a hundred thousand, and a higher ceiling on one hundred thousand or above. The banking agencies set their rates low enough in savings of less than a hundred thousand that the savings and loan in industry and mutual savings banks could pay a few points more for savings than the commercial banks were paying. This did not cut off completely the outflow of money from S & L's, but it reduced it to a mere trickle. Then Mr. Fowler cooperated and the Federal Reserve Board did, too, in obtaining some money from the market. Moreover, a back-up was provided by the Federal Reserve Board, if we'd had to have used it to prevent a calamity, to get money through the Federal Reserve System in order to meet withdrawals and to prevent a collapse of any of the savings and loans associations.

You have to keep in mind when you think about this story that it wasn't a case of the savings and loan industry as a whole not having assets equal to their liabilities.

M: Certainly not.

H: It's a case of the savings and loans being in long-term lending. They primarily loan money for mortgages, and mortgages run anywhere from

HORNE -- I -- 28

twenty to thirty years or so. Thrifts simply don't have the ready cash on hand to meet huge withdrawals. So as depositors went to the savings and loans to draw their money to put in the banks, primarily, or some of it in other places to get a higher rate of return, somehow we had to meet withdrawal demands. We succeeded in doing so. Not only did our efforts enable thrifts to meet all withdrawals, but we enabled them to retain the money that was paid monthly on loans outstanding, and also to retain the dividends that accrued on savings accounts and feed all that back into the mortgage market.

M: At a time when the industry was pretty depressed.

H: At a time when hardly anybody else was in the home lending business. While the bottom, so to speak, fell out of home building in 1966, it was the thrift industry, the savings and loan associations and the mutual savings banks, that really prevented a much greater drop in home building. The savings and loan industry itself fed over seventeen billion dollars into the mortgage market in 1966. Now that's about five billion dollars less than they usually had provided. But if we had not been able to raise funds to meet the withdrawals from the market, and if we had not brought some stability to the rate of interest, that could be paid by banks and S & L's on savings and loan industry in 1966. This catastrophe more than likely would have flowed over into the commercial banks, and we could have had a real donnybrook on our hands.

To some it would be surprising that the American Bankers Association understood this. The man who was at that time president

HORNE -- I -- 29

of the American Bankers Association, Archie Davis, from Winston-Salem, North Carolina, was very sympathetic and very helpful; not only in that but also in another piece of legislation that was needed, the supervisory legislation that applied to all the financial regulatory agencies.

M: Who drew the legislation? Did you? Was it drawn in the Federal Home Loan Bank?

H: Primarily, the supervisory legislation to which I refer was drawn in the Federal Home Loan Bank, by our legal division. The legislation for dividend control, I think, also was drawn primarily in the Home Loan Bank. But, of course, we were consulting regularly with the other regulatory agencies.

In connection with the 1965 and 1966 events that I have just referred to, President Johnson also very firmly requested, as a matter of fact it could be described perhaps as a demand, that there be established a coordinating committee which would be represented by the chairman of the Federal Home Loan Bank Board, the chairman or vice chairman of the Federal Reserve Board, the chairman of the Federal Deposit Insurance Corporation, the controller of the Currency, and the secretary of the treasury or his representative--and in my experience that was usually Joe Barr--as an ex-officio member. Usually the Treasury did not meet with us, but there were occasions when they did. And of course they were always on call if a matter was up in which they

HORNE -- I -- 30

would be involved. This coordinating committee did serve, and I assume it's still serving, a very important function to this degree: before any major decision is made by either of these agencies that could adversely affect either of the others, there was consultation about it. As a matter of fact, regular meetings were held.

M: When was this put together?

H: This was established in the early part of 1966.

M: Is that a direct reaction to the fact that monetary policies had been followed that maybe you objected to?

H: That was a direct reaction to the Federal Reserve Board having raised Regulation Q.

M: Without consultation?

H: Without consultation. Now President Kennedy had suggested such a coordinating committee while he was president, but it was not actually effected until President Johnson became president.

M: So after that point, you, as chairman of the Federal Home Loan Bank, had at least a voice before the monetary policy was tightened, for example, that might adversely affect the home loan [industry].

H: That's right--that might adversely affect the thrift industry. And of course when I say the thrift industry, I include mutual savings banks because they are a part of the thrift industry. Some of them are under the Federal Deposit Insurance Corporation through insurance of accounts, and some are under the Federal Home Loan Bank Board through

HORNE -- I -- 31

membership. Some are under both. And then some are not under either, because they don't belong to the Federal Home Loan Bank Board system and neither do they have Federal Deposit Insurance Corporation insurance of accounts.

M: Those are the ones that often get in trouble, too.

H: But they are an important part of supplying housing funds. Had it not been for this protection for the thrift industry, as I said earlier, when people speak today of the bottom having fallen out of housing, it really was--

M: They haven't seen anything.

H: It really would have fallen out had not these actions been taken.

M: How important was the White House, or Mr. Johnson, in getting the laws actually passed after they got to Congress? Did they do an effective job?

H: They were very helpful. They were very helpful in getting these and other measures adopted. You see, there were several pieces of major legislation that were passed during President Johnson's term of office that unquestionably are greatly benefiting the thrift industry. One of these was the dividend control bill that I mentioned. One was a financial institution supervisory act of 1966 to which I made brief reference a moment ago. One was a holding company bill which brought holding companies under the Federal Home Loan Bank Board regulation, that is savings and loan holding companies. One was a receivership act.

HORNE -- I -- 32

M: The ideas for these things come from where, the Federal Home Loan Bank?

H: From the Federal Home Loan Bank Board, primarily, but was in keeping with the President's request that I referred to earlier when I met him at his Ranch, that is, that he knew that legislation was needed. He charged me with the responsibility of getting the legislation prepared and presented. Then it was cleared through the budget as an administration measure and was introduced in Congress as an administration measure.

M: Which was very important.

H: Then the President and his staff worked with me very effectively on getting it enacted.

M: Did you get consulted, as somebody who had been involved in the housing end of government for many years through Senator Sparkman, in the administration's housing programs, the Housing Act of 1968, for example? Did you get asked either officially or unofficially about that legislative program?

H: The answers to whether or not I became involved is, yes, but not very deeply. Except as the proposals were of concern to the savings and loan industry.

M: I see.

H: Having worked with Senator Sparkman, and having worked with his staff members of the committees that handled the legislation, it was just as natural as drinking water or eating food that I saw members of the committee from time to time, or saw the staff and that discussions would arise. I would in honesty, have to say that my involvement in

HORNE -- I -- 33

the 1968 Act beyond what involved savings and loans and FNMA was more unofficial than official.

M: The White House didn't solicit your help, for example?

H: Only to this extent: that the President had a program; we all knew what that program was, and we all were asked to do whatever we could to help get that program across. So while I was not singled out, at the same time I was expected to, and gladly did, give some assistance in the enactment of his entire housing program. Understandably a heavy loan was carried by Mr. Weaver of HUD and his staff.

M: Surely.

H: Some help was given by me, and I'm sure by others. Just like, understandably, the load for legislation which dealt primarily with the Federal Home Loan Bank Board was carried by the Board, of which I was a member, and our staff. But we also were given help and assistance from time to time by other government agencies.

M: You also had an advisory council for the Federal Home Loan Bank Board, as you had with the Small Business Administration.

H: Yes, the advisory council for the Federal Home Loan Bank Board is established by statute.

M: Yes. But it is private citizens, not government.

H: No. In the federal Home Loan Bank Board, as I recall there were about eighteen members of the advisory council. The board of directors of each of the twelve banks--I think I'm right about this, don't hold me to this--

M: I've read the regulation but I don't recall it.

HORNE -- I -- 34

H: I think the board of directors and the bank president of each of the twelve banks selects one member. And so you have twelve industry members. And the Federal Home Loan Bank Board in Washington appoints the other six members.

M: I see. Really, the reason for asking was to wonder if Mr. Johnson ever performed for you before this group, or had anything to do with them that gave you an idea of what his relations might be with prominent, private bankers, or private businessmen.

H: No, he didn't as regards the advisory council. He did at one meeting, a meeting of the bank directors of the twelve regional banks. I started a practice of calling the directors of the twelve banks into Washington for an annual meeting, just a get-together with a planned program in which they participated, and representatives from the Board and Board members participated. On one of our meetings the President received us and spoke to them briefly, not as long as he did when he was vice president to the advisory committee of the Small Business Administration. There was another occasion, also, in which the mutual savings banks and the savings and loan industry put together a group to work toward rebuilding the ghetto areas. He met with that group in the Cabinet Room at the White House. He gave a command performance, a very impressive performance, and showed a great deal of knowledge--

M: That's where he really performs well, for a small group like that.

H: --about the savings and loan industry, the thrift industry, and what it was doing for housing. This really astounded the members. They didn't know that the President knew that much about their industry.

HORNE -- I -- 35

The truth is that during the whole time I was in Washington, from 1947 on, the only two presidents that ever really knew much about housing, who took a personal interest in it or a personal interest in the institutions that finance most of the housing, the savings and loan industry itself, were President Kennedy and President Johnson. President Truman was very sympathetic but I did not feel that his knowledge or interest equalled that of Kennedy and Johnson. And Johnson, having been majority leader, was even better informed in this area than was President Kennedy. But both of them were tremendously interested, tremendously well informed, and tremendously cooperative with the Home Loan Bank Board.

M: These savings and loan executives are sophisticated, wealthy, frequently urban, usually urban, types. Did Mr. Johnson's style that's been the subject of so much comment bother them in these instances where he would come in contact with them?

H: If so, no one ever spoke adversely to me about it. I remember several of them kidding and saying that he had about convinced them that they should vote for him when he ran for re-election.

M: I was going to say most of them were also Republican, in addition to those other [differences].

H: I would say that most of them were Republicans. There is no justification for it. Practically every constructive measure that's been promoted in behalf of the savings and loan industry has come from Democratic origin or passed by Democratic leadership. There are some Democrats, of course, in the savings and loan industry. I've never taken an inventory, but my guess is that most of them vote the Republican ticket.

HORNE -- I -- 36

M: But Mr. Johnson, as a southwesterner, sort of rancher type, didn't bother them in their association?

H: I saw no evidence of it. As a matter of fact, he's at his best when he's with smaller groups, when he can just sit down and talk. He was a very well informed person about many, many problems; had much more information about domestic and international problems that face this country than a lot of people ever knew or gave him credit for. I don't know any president we've had in my lifetime that was any better informed, or even as well informed on the different issues as he was.

I'd say something else. The programs that he passed in my opinion had to be passed, although they made some people unhappy. And I would also say that some of the blueprints he laid out for the future have either got to come to pass or this country is not going to continue to go forward and be a great nation. You take the pollution problem, for example, that he talked about; the educational needs that he talked about. These needs have got to be met, the housing, the rebuilding of cities, such as envisioned in the Housing Act of 1968, for example. They've just got to come about or this country is not going to continue to be the real strong nation that it is, and that it should be. It's not going to service its people as it should.

And while he may not come through as a dreamer, as a person who looks down the road, if anyone will just take the time to read

HORNE -- I -- 37

the messages he sent to Congress and the programs he outlined, you see that he is a dreamer, that he does have vision, that he does know and understand that change takes place and that the government has to meet those changes working with the people.

M: That's about as good a summary as I could think of to give, and I want to thank you for your patience. Are there any other areas of contact that we haven't talked about that might be important to recall here? I don't want to cut you off; on the other hand, you've got to catch a plane.

H: I don't think of any others that are of major importance. I do recall something that happened while I was administrator of the Small Business Association that may be of interest. A very destructive storm hit the southwestern part of the country--

M: That Hurricane Carla.

H: Hurricane Carla was the name of it. President Johnson--he was vice president then--had several others, myself, and representatives from other appropriate agencies, to meet him early one morning. We flew down to the area, flew over the area, made several stops during the course of the day. I never was with a person in my life that expended as much energy, all of it well directed, all of it organized, to take inventory of what the needs were, to talk with groups of people. The trip had been set up meticulously, for lunch, meetings before lunch, meetings after lunch, and then to return to Washington that night.

HORNE -- I -- 38

As I recall, we got back to Washington around midnight or after, although we left about five o'clock that morning. On the way back he requested that each of us have prepared for early the next morning what our recommendations would be as to what our particular agencies needed to help do the relief job that ought to be done. We did so, and within a couple of days he succeeded in persuading Congress to appropriate the needed funds. It was, I felt, an outstanding performance. The President was on top of everything, all the way through, from the time we left until the time we got back, and finished the task.

M: That's the kind of story, see, that we like to get, because that's probably not written down anyway. It might have been in the newspapers, but certainly not in the. . .

H: While I do not recall with minuteness how successfully all of the things he requested be done to meet this catastrophe were handled, I do know that what was requested by me for the Small Business Administration, so far as funds and help was concerned, went through as I had recommended to the Vice President.

M: I thank you again for your help on this project.

[End of Tape 1 of 1 and Interview 1]

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