INTERVIEWEE: LESTER D. JOHNSON

INTERVIEWER: DAVID G. McCOMB

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M: First of all, I'd like to know where you were born and when.

J: I was born in San Jose, California, on May 15, 1907.

M: And you went to college?

J: Yes, I received an A.B. degree from San Jose State College in 1929; and I did graduate work at Stanford where I received an M.A. degree in 1932.

M: And then what did you do after getting out of school?

J: I taught in a junior college in Oakland, California, for about two years, and then I entered the Customs Service in San Francisco in October 1935.

M: And you've been with the Customs Service ever since?

J: I've been with the Customs ever since, first in San Francisco and then in Honolulu, next in Tampa, Florida, and then Miami, Florida, back to Honolulu and then Tokyo, Japan, then in Washington for about a year, and then I was in Rome for almost four years. I returned here in 1963 and have been here ever since.

M: When you came here in 1963, what was your capacity?

J: I was assigned as Deputy Commissioner in Charge of Investigations. I served in that capacity for a year, then I was made Assistant Commissioner of Customs. I was in that about a year and a half, and was appointed Commissioner in July 1965.

M: And that appointment, of course, came from the President?

J: This is an appointment of the Secretary of the Treasury but it required approval of the White House.

M: I see.

J: It is not a Presidential appointment as such. It does not require Senatorial confirmation; it's what is known as a Schedule C appointment.

M: Have you had any connection with Lyndon Johnson--any personal connection?

J: Well, I have met him on several occasions. The first time I met him was in Rome in the latter part of 1961. He visited there as Vice President, and our office there made some of the arrangements with the Italian authorities for his visit.

M: This was the first occasion you had to meet him?

J: That was the first time I met him, yes.

M: This was on one of his Presidential--

J: Vice Presidential--

M: Vice Presidential tours.

J: I believe it was the first time he had been in Rome. I still have a souvenir of that trip, an ashtray with his signature and the Vice Presidential seal on it.

M: What was your role in his visit? What did you do?

J: Well, we made some of the advance arrangements with the Italian police with whom we had very good connections.

M: The security measures?

J: That's correct, yes.

M: Did you then give him a tour of the city?

J: No, I was not responsible for that. The Embassy handled all those details. But I met him during that time both at a reception in the Embassy and also he addressed the American Club in Rome of which I was a member.

M: When did you meet him next?

J: The next time was very briefly at the home of Phillip Nichols, Jr., who

was then Commissioner of Customs. That was, I believe, in December 1961, or thereabouts. He was still Vice President at that time.

The next time I met him was after I had been made Assistant Commissioner at a meeting in the White House in connection with the equal opportunity program which he addressed and I met him briefly then.

M: Then, of course, you've had some connections with him while President?

J: Yes, that's correct, since he has been President. This equal opportunity program was while he was--since he has been President. Of course, we had some contact during that time of the Customs reorganization and more recently in connection with the accelerated inspection system which we and the other inspection agencies--that is, Immigration, Public Health, and Agriculture--have installed at a number of airports and eventually hope to expand further. He has shown quite an interest in this program.

We had a meeting in the White House a couple of months ago at which I got a very fine souvenir which I've treasured.

M: Is that your color picture?

J: Yes.

M: Signed by the President?

J: That's right.

M: Was he signing a bill at that time?

J: No, he was going over the program that had been arranged in connection with this--as it was called then--"One Stop Inspection System," which was intended to reduce the amount of time that a traveler spends in going through the entrance formalities.

M: When did this program you're talking about--this One Stop Program--arise?

J: Well, the Bureau of the Budget at the request of the President set up a committee composed of a representative of the Bureau of the Budget, Customs,

Immigration, Public Health, and Agriculture, and surveyed the possibility of having a really one-stop inspection where the persons coming from abroad would have all their--whether it be Customs, Immigration, or what not--all of this would be handled at one point. After going into the matter carefully, they concluded this was not possible and recommended instead what is in effect a one-stop for about 80 percent of the people that pass through; the remainder may require some further processing for immigration purposes or customs or otherwise.

M: Let me ask you this. Prior to your one-stop inspection, did an incoming traveler have to stop at various agencies or what?

J: Yes. Prior to this, the person--this is related primarily at this time to air traffic. The procedure is a little different in connection with persons arriving by land or by sea, but by air the standard arrangement was for the passenger to be processed first by the Public Health Service; in other words, they would present their international health card which would show that they had current vaccinations or whatever inoculations that were required for the area into which they were coming. This took a matter of perhaps a minute or two at the outside. Next, they would be processed through Immigration which usually for American citizens did not take very much time, but for aliens or persons not U. S. citizens, it might take considerably longer. Then the next stop was the examination of their baggage by Customs.

M: Would all of this take place, say, in a terminal or a port?

J: That's correct--at an airport or--

M: But the traveler would have to make three different stops then at different stations?

J: Yes. Under the present procedure which is in effect at three airports

only at the present time--it's in effect at John F. Kennedy Airport in New York; at the San Antonio International Airport; and at Dulles Airport here. We are extending it as we can to other international airports as well.

M: Then the traveler would come in and he'd stop at one station?

J: Eighty percent of them would be cleared at the first stop. After that, they're free to go. The remaining 20 percent will require some further processing, either by Customs, by Immigration, or by Public Health, depending on the circumstances.

M: What inspired you to change this?

J: Well, the inspiration on this came from the White House, although it's something that we had all been thinking about for a long time. And as a matter of fact, we do have this in effect on the Mexican border at the present time and also on the Canadian border where we have a joint operation. But the thing that really triggered it and made it absolutely necessary was the tremendous increase in air travel coupled with the emergence of the jumbo jets and now the 747's and the supersonic aircraft which can handle from three to five hundred passengers, so that the old way of doing things--we had to get out of it. We had to find some new way to handle it, and this seemed to offer the best possibility initially.

M: Well, then, is it correct to say that this was a means to better management for more efficient processing?

J: Oh, very definitely.

M: Does it have any connection with an attempt to increase tourist travel in the United States?

J: Yes, that was another--to make it easier for the foreigner coming to the United States for purposes of tourism, and I think it has worked out in that area.

M: Out of curiosity, why was San Antonio chosen?

J: Well, simply because it was a new airport and we expected a large increase of travel there because, first, the HemisFair and, secondly, because of the Olympics in Mexico City.

M: Well, there are large airports both in Dallas and in Houston is the reason I asked.

J: This is true, but you have more international traffic at San Antonio than you do at either Dallas or Houston.

M: Why is that?

J: Well, it's a matter of scheduling. For some reason the airlines schedule San Antonio as the first stop in the United States. This is true with American Airlines, Eastern Airlines, and Mexicana, although Mexicana does have a flight to Dallas and there are some foreign flights going into Houston, but not in the number that you have in San Antonio. I think the flights coming into San Antonio are exclusively from Mexico, either from Mexico City or there now are direct flights from Acapulco. Houston, I think they only have one flight a day from Mexico City and about one every two days from overseas, so that the international traffic there, although the airports at Houston and at Dallas are more important, they're not as important as San Antonio is from the standpoint of the inspection agencies.

M: Well, has this one-stop inspection system worked out?

J: It has worked very well. In fact, I don't think that anyone would want to go back to the old system that was in effect before.

M: And you plan to extend this?

J: We do. We're putting it in in Boston and Chicago and Anchorage and Seattle; then we'll continue on through the other airports as we can; probably after Seattle, the next one will be either Honolulu or Miami.

M: A question about the mechanics of this. Does the traveler come in and meet with one official, and he does all of this?

J: First. That's correct. We have a physical arrangement--one of the problems why we can't do it every place at once is that it requires the rearrangement of physical facilities at the airport. Some places this has been easy; some places it has been difficult. So we have to take one at a time and see what we can do in each one, because they're all different. No two airports have the same physical layout, unfortunately.

M: Well, the inspection officer, then, is working for several agencies?

J: That's correct. He works for all three-all four, actually.

M: You say the inspiration for this came from the White House. Did that mean that the President suggested this to you, or what?

J: Well, not directly, but he has displayed a great deal of interest in it, and I'm quite sure that he had a good deal to do with getting it off the ground originally.

M: Has the President revealed a long-running interest in efficiency in the Customs Service?

J: Yes, he has, very definitely so. I think that the original appointment of Phillip Nichols, Jr., in 1961--I think it was largely because he knew Mr. Nichols and knew of his long connection with Customs, and he had an interest in efficiency.

M: This was under President Kennedy?

J: That's correct, yes. But I think that President Johnson did have a good deal to do with the appointment of Mr. Nichols.

M: Do you think that he suggested Mr. Nichols to President Kennedy?

J: I wouldn't be at all surprised.

M: Did Lyndon Johnson know Nichols then?

J: Well, he had known him for many, many years. His wife had worked for the President, I think almost since he first went into politics in Texas. And Mr. Nichols himself had been a lawyer for the Treasury Department a good many years; had at one time handled most of the legal work in Treasury for Customs and had a good background in Customs law. He later was made judge of the Customs Court and now is the judge of the Court of Claims here.

M: Over the past five or six years, there has apparently been a balance of payments problem with the United States and the world abroad. Can you outline for me the role of the Customs Service in the balance of payments problem?

J: Well, I think our role has been one of suggesting methods which would counteract the unfavorable situation which had developed. We have recommended that a number of things be done, one of which was to reduce the exemption from $500 to $100 and to eliminate any exemption for articles which did not accompany the passenger on his return. I think these two things have had a substantial impact on the volume of tourist purchases because for some reason even though duty rates are currently relatively low, the average tourist traveling abroad will not bring back with him much more than he thinks will be free of duty.

M: He just doesn't want to pay the customs?

J: He just doesn't want to pay the duty. Now, of course, there are many exceptions to this, but the average tourist, if the exemption is $500, he'll buy up to $500; if it's $100, he'll buy up to $100. It's a strange psychological quirk, but I know this to be true because I've had a lot of experience overseas and have talked to lots of tourists, and I know this to be true. It's strange and I can't explain it. People just don't have any desire to pay duty.

M: Well, then the limit was lowered to $100 from $500?

J: That's correct.

M: When was this?

J: I believe it was in 1965.

M: It was a result of that act passed in 1965?

J: That's correct. Now, there have been other recommendations that we have made, but they haven't as yet been enacted into law and maybe they will not be. But we did make some recommendations this year for a further reduction in the exemptions which Congress didn't see fit to pass.

M: Is that $100 limit wholesale or retail?

J: At the present time, it's retail.

M: I see. Did you get lots of protest?

J: Yes, we had a great deal of correspondence on that particular one and more so on the elimination of exemption on articles which do not accompany the passenger. This caused more trouble than even the reduction itself.

M: Now, the tourist could mail home--

J: Previously, he could mail home--

M: Was this without limit?

J: Well, within his exemption. If his exemption is $500, he could, say, bring $100 of it with him and have the balance shipped or mailed or however he wanted to do it. This, of course, was a convenience for anyone traveling by air particularly, but this had a very--this was another great deterrent in reducing the purchases of tourists abroad.

M: So the tourist then could bring in only what he could carry within the limit of $100?

J: Yes.

M: What kind of protests did you get on that?

J: Well, most of them were from--well, initially, the protests were based on the fact that we had changed the rules of the game in the middle of the game, you might say, because those who went abroad after the--or may have gone abroad before the change and came back after the change felt that they had been cheated in some way by the reduction of the exemption. However, the timing was such that most of the tourists had returned by the time it became effective; that is, the big mass of summer tourists had returned.

M: Did these regulations go into effect then in the fall?

J: They went into effect in the fall.

M: I see.

J: But we had a great deal of correspondence, not only--. We still are getting it, as a matter of fact, on the articles to follow provision, although it has been out for three years. Either people haven't heard of it, or they hope it's not going to apply to them.

M: Well, did it help any with the balance of payments?

J: I think it did. I think it definitely had a substantial effect on the expenditures of tourists for the reason I said, I mean, because of this psychological feeling that if they had $500, they'd spend $500; if it's $100, they'd spend $100.

M: Now, the other side of this coin, of course, is to encourage foreigners to tour in America.

J: That's correct.

M: Did you do anything at that time to encourage foreign travel?

J: Well, this, of course, was before the one-stop or accelerated inspection was put in. We did conduct a campaign particularly at New York where the greatest volume of traffic is. We spent a great deal of time on training

the inspectors in being pleasant and courteous to the arriving passengers. Unfortunately, the traveling public has the impression that the customs inspector, or inspector for any of the agencies, is some kind of an ogre. We did put a great deal of emphasis on this and I think it paid off, because we have had far fewer complaints since we did this than we were getting before. As you know, anyone working under pressure, they're inclined to be a little abrupt because they want to get through with whatever they're doing so they can get on to the next one, and this is equally true of any inspector. When they see a long line of people waiting to be processed, they don't spend as much perhaps in the ordinary courtesies as the person who's being processed thinks that they should. We placed a great deal of emphasis on courtesy and the proper handling of passengers, and I believe it has been effective, because we do not get the complaints that we used to get.

M: Have you had an increase in foreigners traveling in America?

J: I believe this last summer--I can't give you any statistics on this because we don't keep that, we don't make that differentiation--but from what I have heard from the Immigration Service who does keep that kind of statistics, this is true. We have had more travel this summer.

M: In the planning of this bill that was passed in 1965 to ease the balance of payments which included the lowering of the exemption and so forth, did you play any role in the planning of this bill or the writing of it?

J: No, I did not personally. The drafting of the bill was done primarily in Treasury, although we furnished the ideas in the actual drafting, partly here, partly in our Chief Counsel's office, but primarily in Treasury.

M: Then when the President was faced with this problem, I suppose he would contact these various departments and ask for ideas and suggestions.

J: Sure.

M: And this would come down to your level?

J: That's right.

M: And you would provide ideas that would go up through the Secretary of the Treasury?

J: Correct. Exactly.

M: Was it out of your department that the ideas came for lowering exemptions?

J: Yes, very definitely. We submitted a lot of back-up material on it of estimates of the effect that--and things of that nature.

M: Do you recall how this was done? Did you call meetings of your personnel to ask for suggestions, or what did you do?

J: Yes, and we had--I don't know, it must have been literally dozens of meetings on this subject both here in Customs and also in Treasury before we wrapped it up.

M: Then you would send your report on?

J: Yes, that's right. And we made sample spot checks in New York to determine the savings that would result from reducing the exemption, and I think they turned out to be fairly accurate, although they were just real almost guesses off the top of your head, but they were educated guesses.

M: Did you get any Congressional opposition to this particular law?

J: Yes, there was quite a bit of it. However, the situation was such that the Congress went along even though there were lots of complaints from individuals.

M: Focusing mainly on the exemption?

J: Yes, exactly. Of course, the agencies, such as the Association of Travel Agents and the airlines and transportation companies generally weren't too happy with the idea because they felt, and probably to some degree they

were right, that the amount of the exemption was a stimulating factor in foreign travel. So they objected quite strenuously to the proposal, and this was reflected in individual members of Congress.

M: Of course, if you did restrict foreign travel, this would help the balance of payments?

J: Very definitely, although I don't believe that the effect was very great in that area because as you know school teachers and others who have constituted a good portion of the traveling public usually plan these trips well in advance so that they know that year after next they're going to make the European trip and the reduction of the exemption, I don't believe, affected many of them from taking the trips they had planned.

M: Did you get people argue that this was a hindrance to the American's right to travel?

J: Yes, I remember receiving several letters along that line. This was a restrictive measure in that respect.

M: From what you say, Americans still did travel.

J: Yes, they did.

M: Even though they couldn't spend as much or would not spend as much.

J: Would not spend as much. Some of them may have spent more on other things than they would have on purchases to bring back; they may have extended their trip a little longer, but I think generally--I know the effect, as far as the balance of payments problem was concerned--it was affected.

M: Was there a threat or an attempt to lower the exemption even more in the past year or so?

J: This past year? It was proposed to reduce it to $10 and eventually--this was to be a temporary measure which would have been effective only until June 30, 1969. At that time the exemption would have gone up to $50.

Now, this was submitted to Congress, but as I said, it did not make it.

M: Was the problem still the same--still a balance of payments?

J: Still was the balance of payments problem. And, of course, I think one reason why the legislation didn't pass was that the balance of payments position improved after the legislation had been submitted, so that there wasn't as much pressure perhaps as there had been. That much of a reduction, apparently a majority of the Congress at least didn't find palatable. They felt, I guess, that there'd be too many complaints from their constituents--doubtless they had a point there.

M: Not a very popular measure then?

J: No. Although I think at the time it was proposed it was needed.

M: Would you suppose then that if the need came in the future that such a law might pass?

J: I think it might, depending on what the economic conditions were at the time. Incidentally, in this area there is--the OECD has proposed a standard exemption of $50 for all countries; perhaps this may become a standard in the future at $100, I don't know--it's just a guess.

M: Would you explain that a little bit more? I don't understand exactly what you're saying about this.

J: Well, the OECD, the Organization for Economic Development, which is an international organization of which the United States is a member, has proposed a standard exemption of the equivalent of $50 to be used by all countries who grant exemptions to their citizens who return from abroad. In other words, if you're a Canadian citizen and returning to Canada, you'd have a $50 exemption.

M: This would be a world exemption?

J: That's the proposal.

M: What's the advantage of this?

J: Well, the only advantage would be that you have a great deal of variation now; some countries grant no exemptions; some grant fairly liberal ones; the United States generally has been more liberal than other countries in this regard. There is a feeling that this is the kind of thing that there should be international standards on so that we won't have one country giving different treatment to their citizens in another country, but this is the only basis for it.

M: This brings to mind a question. Did you get any foreign protest over this exemption lowering?

J: We did, particularly from the Caribbean area and places like the Netherlands Antilles, and all of the Jamaica and Bermuda Chambers of Commerce particularly were quite upset by it, and even more upset by the restrictions on the amount of liquor that could be brought back, which was another reduction that occurred that previously in the past had been permitted to bring in within his exemption a gallon of liquor tax and duty free; but this was reduced to one quart per adult. And the liquor dealers in some of these areas were quite upset by this.

M: So you lowered the actual amount on certain items?

J: Just on liquor.

M: Just on liquor?

J: However, this did have an effect; I mean, it reduced the--

M: Why did the Caribbean nations protest so much?

J: Because--take Bermuda, for example. There was a great deal of traffic there of what you might call overnight or just cruise ships going in there for a day and then taking off. One of their big selling points was that you could get a so-called five-pack of liquor tax and duty free for very

nominal amounts compared to what it would cost if you were buying it on the market in New York where most of these tourists were from. So because of the fact that this had been in effect for so long, a good many years, there had developed a real local industry in selling this so that when the amount was reduced they saw that these liquor stores, a good many of them, would have to go out of business and this did actually occur in some of the areas. This is why the protest was so strong on this. Take a little place like Bermuda, you have maybe a dozen liquor stores who are located down near the harbor where the cruise ships come in. As a result of all of this change, maybe half of them had to go out of business. This has an effect on the local economy.

M: Did you get protests from Europe?

J: Not so much from Europe. As a matter of fact, I don't recall any, but from the Caribbean area we got a lot.

M: The one-stop inspection, the aiding of foreign visitors, in part at least seems to be a drive for greater efficiency as well as for balance of payments difficulties. There also apparently in this drive for greater efficiency in the Customs Service was a major reorganization--

J: This is correct.

M: --which took place from, I guess, starting about 1963 and coming on up.

J: The original survey on which the reorganization was based was started in the spring of 1963.

M: Who conducted that survey?

J: Well, this was done under the leadership of James Stover who was then head of the Office of Management Analysis in Treasury. It was done at the request of former Commissioner Nichols and Assistant Secretary James A. Reed--former Assistant Secretary.

M: Why did they do this?

J: Well, this goes back a ways. There had been earlier a group called the O'Connell Committee which had surveyed the baggage handling problems, primarily by sea but also by air.

M: Was this named after a man?

J: Yes. Joseph O'Connell, who was the chairman of that group.

M: And he surveyed baggage?

J: Yes. Baggage. Their primary interest was in the handling of baggage by vessel rather than by air, although they did include both in terms of their study, and it was limited to the activities of Customs and did not include the other agencies that were involved.

M: Was he interested in standard containers?

J: No, this was more in the method Customs used in processing of passengers' baggage. It was concerned with passengers' baggage only.

M: And from this O'Connell report--

J: They made a number of recommendations, some of which were adopted, but in the report it appeared that Customs was getting a little hide-bound and needed some changes. So as a result of that, Commissioner Nichols and Assistant Secretary Reed asked the Secretary of the Treasury to establish a working group to survey Customs and come up with recommendations for its reorganization. This group was headed by Mr. Stover; it had membership from the Bureau of Customs as well as from Treasury, and they made a very extensive survey in depth. The recommendations they made were reviewed by an advisory committee of which I was a member along with a number of other people from various parts of government, including the Bureau of the Budget. And practically all of the recommendations which were made were modified to some degree, but in the end almost all of them have been adopted and

put into effect. The major change was eliminating the some fifty-three political appointees in Customs and the collectors in Customs and reducing the number of districts and reorganizing bureau headquarters in the field completely.

M: What was the problem before this? Did you have a number of field offices all reporting directly to Washington?

J: Directly to Washington. That's correct. Now, we wound up with nine regions and a reduced number of districts who report to the regions, not directly to Washington, so that we have the nine regions performing what used to be performed here largely.

M: As I recall, when that bill first came out, there was a suggestion for six regions rather than nine.

J: That's correct.

M: What happened?

J: The important thing, we felt, was to get the reorganization plan adopted. And in anything like this, there is always a certain amount of give and take.

M: Well, your position was one of efficiency?

J: That's right. From the standpoint of efficiency, I felt then and I feel now that six regions, or perhaps even five, would have been preferable to what we finally wound up with. But I also felt that if we had to have nine regions, that would be better than to see that the plan not be adopted. And I think it came down to that in the end--that if we hadn't agreed to the nine regions, the plan would have been disapproved.

M: So, your position was one of efficiency, but then you ran into a political problem with Congress?

J: This is correct. Exactly.

M: I understand that Albert Thomas was upset because Houston--

J: He was very, very, very upset. He spoke very eloquently against it, and I happened to be present when he did. Through very careful handling it was not disapproved by either the House or the Senate, although there was quite strong opposition to it in both places.

M: My understanding is that this bill was so structured that it would go into effect unless Congress protested?

J: That's exactly it. Under our reorganization plan it goes into effect within ninety days unless Congress in that period disapproves it.

M: And then the protest of people like Albert Thomas would be one of Congress taking action to reject this plan?

J: That's it.

M: Well, what made people like Albert Thomas change his mind?

J: Well, I don't think he changed his mind, but he did get Houston as the headquarters for a region.

M: Of course, that's his home district.

J: That's correct. So, I think that that relieved the opposition there, and I could name you the others, but I don't know that it would serve any purpose for this record. But this was the situation why we--.

There were other reasons, not all of them political in that sense. For example, we had proposed one region for the Pacific Coast, and this brought forth very vocal and very strong representations on the part of the Chamber of Commerce and the transportation industry of Los Angeles. Under the original proposal the headquarters for the Pacific Coast would have been in San Francisco. After considering this at some length, Secretary Dillon reached the conclusion that there was good justification for breaking the Pacific Coast into two, and I think he was probably right.

As things have turned out, I think it would have been much too difficult geographically to have handled everything from San Francisco.

M: Well, in the settlement of this issue, did you personally have to negotiate with these Congressmen, or was this handled through the President?

J: Handled primarily--well, a lot of it was done through the President and--

M: Did you have to attend hearings or--

J: Yes, I attended all the hearings both in the House and the Senate. This took some time. As a matter of fact, during the interim Secretary Dillon resigned and Secretary Fowler replaced him.

M: So then you had, in effect, a primary responsibility toward this reorganization?

J: Well, I wouldn't say it was primary, but I think I had a good deal to do with it, together with a lot of other people. The Congressional Relations Office in Treasury, for example, had a great deal to do with this. Mr. Bowman who is now an Assistant Secretary was then the Assistant for Congressional Relations, and his staff--Mr. Spillman--a lot of people had a part in this. I can't name them all because there were so many.

M: I've also heard that originally the idea was to go into effect over a three-year span of time, and that you had some role in changing this and speeding it up.

J: Well, I did. Actually, the original proposal was to do it over a five-year period, and this was reduced to three; after I saw a few problems I thought we'd have, why we--actually, the first region we established in November, and the last region in June of the following year so that we really compressed it into--

M: When was this? November of 1965 or '66?

J: This was in November of '65 that the first region was put into effect.

M: And it was June of the following year--

J: It was June of the following year. Of course, the interim period was one of planning and really trying out experimentally here and there on how to do it. We actually put in the first region November 1st of '65, and the final region which was in New York we put in June 1, '66.

M: So you moved very quickly then.

J: We did. And I think it's probably just as well that we did; otherwise, we might have had a lot more problems than we did have.

M: You mean if you had not put it in so quickly, you'd have had problems?

J: That's right.

M: What kind of problems would you have had?

J: Well, I think you would have--we did it so rapidly that the opposition to change it didn't develop as strongly as they otherwise would. I think if we'd done it over a three or five-year period, we'd still not be out of the woods. As it was, we did it in this short period of time and although we had to modify some of the changes we made as we went along, we got it in and I think that if we hadn't done it, we might have had a lot of trouble.

M: You'd have had opposition from the local people and Congress and all down the line?

J: Exactly. That's right.

M: Did it save us some money?

J: I don't know that it saved us any money as such. This is something that's pretty hard to say, but I think that if we had not done it, it would have cost a lot more to operate than it now does.

M: What was the significance of eliminating the '53 appointees?

J: Well, the main reason why they were a problem was that they broke the continuity. In other words, these were people that the job would change with the change of the Administration, or they were appointed for four-year

terms so that they could be replaced at the end of four years. They were on the wrong side of the fence politically, and some of them were sufficiently strong politically that they were rather difficult to--supervise, you know what I mean.

M: So that they, in effect, created management problems?

J: They did, very definitely.

M: And by eliminating them, you had a better managerial control over the Service?

J: That's correct.

M: Also in this same drive for efficiency that you've been going through apparently, I understand that the Customs Service had done some work with an automatic data processing system. What is this?

J: Yes, at the present time it's limited primarily to accounting functions; that is, to the recording of the receipts and expenditures. However, it's being expanded into other areas as we can get the equipment we need for it. We have a program underway now where we're asking for proposals for a study to determine how our--what you might call our returns--should be processed. And I think that in the next year or two, we'll have--I don't suppose we can ever become quite as automated as the Internal Revenue Service is, but I think that we'll be in that direction.

M: It's mainly in your accounting function?

J: That's correct, yes.

M: Does this interest in automatic data processing come from the Treasury Department as such, or is this part of a--

J: Well, the original interest in this, I think, was by a fellow who was formerly in charge of our administrative work. He has since retired, but he became very much interested in this and took the initiative in getting it started.

M: Have you done any kind of work to improve or to make more efficient inspection of vessels coming into port?

J: No, not to any great extent. Of course, we are facing a revolution on this through the development of containers which require a different type of handling than we have used for the normal cargo ship of the past. Here we have some really very difficult international problems as to how these containers should be handled. The United States has subscribed to some inventions which are involved in the handling of the containers, and probably will become involved in others, but this has revolutionized shipping, and I foresee that the future will probably make very drastic changes in the way we operate in handling cargo. We haven't made any tremendous changes yet, but I think that we will in the very near future.

M: Would you explain to me in perhaps more elementary terms the problem that these containers give you?

J: Well, we have no real problem on containers where they--well, let me explain what a container is. A container in essence is nothing more nor less than a mobil freight car that can be changed from being hauled on a flatbed railroad car to be hauled by a truck and tractor arrangement, or almost any other means of transportation that you can provide. Some of them have their own wheels; most of them do not. The international trade overseas is limited to the type of container that can be lifted off the vessel by crane and placed either in a container yard, which is a term that's used, or a place directly on the tractor and hauled away.

M: Is this an outgrowth of the piggy-back and the ...?

J: Exactly. It's the same thing; it's just exactly the same as you see here, and of course you have--. One of the first to do this type of thing was the Sea-Land Company between the United States and Puerto Rico, and lots

of lines in the Pacific between the West Coast and Hawaii. But this is now an international trade and it's growing, not only because if makes it easier to move the cargo after it arrives at the port of destination, but it eliminates or decreases the chances of pilferage or breakage or other types of loss.

M: I suppose you use these containers for all sorts of--

J: Yes, they're used for everything except liquid cargo. That day may come; it's not impossible. Liquid chemicals, for example, would be shipped by--

M: Now, for you in the Customs Service, where is the problem on it?

J: The problem with us is where you get into what might be the equivalent of a less than carload lot. If you have a container that is uniform, in other words, you have one container which contains nothing but Scotch whiskey, there's no particular problem. But if you have a container which may have shipments of miscellaneous merchandise to maybe a dozen different ultimate consignees in the same container, this means that we must arrange some way to have this container opened and unloaded to the extent that we can determine what the contents actually are. Now, this is done now in what are called container yards. On the West Coast there isn't any particular problem, but on the East Coast--and this is one of the bases for the current labor difficulties--the stevedores have not agreed to handle containers unless they are--. As I understand it, I don't know all the details of this and probably shouldn't be commenting on it, but apparently one of the problems of the East is that the stevedores want to unload the container on the dock and then if it's going to be moved to the container yard, then they want to reload it and so forth and so on.

M: So you've gotten into labor difficulty too as well as inspection difficulty.

J: No, we haven't, but the transportation companies have this problem. No

doubt it will be resolved because I think that the use of containers is so much more efficient that it's bound to come.

M: Is your service running into any difficulty with the dumping of foreign goods?

J: Well, yes, we have had a great many complaints of dumping. Our function in this is to analyze the information that we can gather either from domestic sources confirmed by our own people who are stationed abroad and get this information and determine whether there is a violation of the Anti-Dumping Act.

M: We have international agreements about dumping, is that correct?

J: Well, there is an international agreement as to what constitutes dumping.

M: Is it difficult to determine, then, what is actually dumped goods and what is not?

J: Well, yes it is. It isn't as easy as it might seem because the laws are written with words, and what the words mean is always open to interpretation. It's not an exact mathematical formula that you can use to reach this determination. We've had a lot of complaints on dumping, and we also have recently had a great many complaints that certain countries are paying rebates on the exportation of certain merchandise. This makes them subject to countervailing duties which is another problem we have within our scope. This seems to be growing along with dumping. These things go in cycles and we are in a cycle now where we're getting a lot of complaints. I suppose it's based because of competition more than anything else.

M: Do these problems like dumping and problems in countervailing duties--do these problems affect the President in his international relations?

J: Well, they're bound to. This is something you can't avoid. Accusations of dumping are resented by most countries. Some countries are

extremely sensitive in this area, so that even though we may never make a finding of dumping or we may never issue a countervailing duty order, the fact that the matter is under investigation even can be a problem in international affairs because--Japan, for example, is extremely sensitive on this point, and likewise Italy. In regard to both of these countries we do have many complaints.

M: You might explain to me how a countervailing duty would work.

J: Well, for example, we'll say that there's a grant paid on exportation from X country of 1¢ on each pen of this type.

M: That would be a bounty or a subsidy by the government of--

J: So if we confirm this after investigation, we would assess a countervailing duty of 1¢ on that pen.

M: And the purpose of this is to--

J: Is to equalize any effect that this rebate might have on the competition of this pen with one made in the United States. That's the purpose of that.

M: I see. This might get into some difficulties.

J: It does. It gets into horrible difficulties to be perfectly frank. I mean, this is one of the toughest things we have. Dumping complaints and complaints of countervailing duty are without doubt--

M: I would suppose that if you investigated and found a subsidy going on and imposed a countervailing duty that this might cause difficulty with a foreign country.

J: It very often would because they are very apt to do something in retaliation against American products going into that country. I mean, this is a two-way street. We're not exactly invulnerable in some areas where--you can have another chicken war or something like that going on--

M: Is there any incident of this nature involving the President that you can tell me about?

J: I don't know of any that he has become directly involved in, but it certainly is a factor in our relations with foreign countries.

M: Well, that's all the questions I have. I appreciate your taking the time to talk to me.

J: I hope that what I've had to say has been of some help in your program.

M: I think it has.

J: I can't think of anything else to add, but should I do so I'll be glad to be in touch with you.

M: Well, thank you very much.

J: Thank you.

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By Lester D. Johnson

to the

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