

INTERVIEWEE: Lawrence McQuade

INTERVIEWER: Paige Mulhollan

DATE : January 15, 1969

Mc: You just want the top of my head, now, no planned remarks?

M: That's right, that's right. Let me make sure the machine is recording over there--when they hire historians to do this, they don't hire technicians, and I live in terror of coming home with a blank tape--which I haven't yet done!

Let's begin by identifying you as Lawrence McQuade, and your current position is Assistant Secretary of Commerce for Domestic and International Business, which position you have held since--well actually formally since August of 1967, and you were acting--

Mc: Starting February 1.

M: Right. Now you've been in the Commerce Department, however, for the entire period of Mr. Johnson's presidency.

Mc: I came over here in November, 1963, and about first week or two I was here, President Kennedy was assassinated.

M: So you've been here almost the exact length of Mr. Johnson's tenure--in this department. Did you ever have occasion to have contact with Mr. Johnson prior to the time you came over here, either in your capacity with the Defense Department or any other capacity?

Mc: No. I'd never talked with him directly. I had seen him from a distance and that's all.

M: And you came over here so late in the Kennedy Administration that you didn't really get an opportunity to be here during the Kennedy time so that you're a little late to make a comparison between the two.

Mc: That is right.

M: Does the man who is President make a difference in a department this size? Is there a personal stamp that a President puts on it?

Mc: It makes a huge difference in my view. And I don't really know this directly. President Kennedy and most of the people in his Administration had a very low regard for the Commerce Department and tended to fill this department up with people who needed to have jobs for political purposes rather than picking them for quality of professional capability. Now, this is to overstate the case because there certainly are capable people in the department, and were then, but I think President Johnson has been more interested in the Commerce Department and has been more interested in building bridges to the business community and, ergo, has a great interest in the Commerce Department. Third, I think that when he came into office, President Johnson was much more conscious of the value of the continuing public servant, the civil servant than any other--well I don't know other Presidents--he was extraordinarily conscious of this. And the array of appointments he's made has included a high number of them--this is general knowledge.

M: Career people from within the Department?

Mc: And I think he's done nice little things. For example, I used to be the Assistant to the Secretary. In that job President Park of Korea, for example, would come here and he would ask us to send thirty of our regular civil servant people over. It gave us a chance to take a set of people who'd been in the government fifteen-twenty-thirty years and had never been to the White House. They could go over and shake the President's hand and participate in the welcoming ceremony. It was one of those small things whereby the President jazzed up the morale of the people in this category of the government. I consider this to be one of the great contributions that he made to making the government

a little more exciting during his tenure--that all the lesser multitude had a greater feeling that the President cared about them--not just his appointees--and it spreads, because the one fellow who goes, tells--a hundred people learn about that--and it may seem very small but I've just seen the excitement.

M: That's interesting. It does make that big a difference to the people who've been there--just to have been over at the White House.

Mc: It's fantastic. Let me just give you one or two more anecdotes.

President Johnson came over to attend a staff meeting with Secretary Conner when I was here. You can imagine the way the halls were all abuzz, you know, that The President of the United States came to the Commerce Department--which is certainly not the most prestigious department in the government--came here and sat in on our staff meeting. Conner had just become Secretary and he picked up the phone and called Secretary Hodges--his predecessor in North Carolina and jazzed back and forth. Then had everybody in the staff just giving you know, the staff to report--the appearance was supposed to be a typical staff meeting, but in practice we all had two to three minutes in a very terse way trying to say what we were doing and how it fit into the President's program. But fantastic impact on the morale and the sense of involvement in national policy.

I think that here are maybe two examples--I think there are others. I believe he came over here once to award the prize for our Commerce Department art exhibit for the employees. I didn't happen to be there so I can't record that. But in any event the point is that these expressions of interest by a President, and by Lyndon Johnson in this case, had a tremendously favorable impact on the Department in the sense of involvement in my view. If I can be excused from talking too

long, the main purpose which brings me to the government, and I think a significant purpose for most people who work in this department and in others, is that sense of involvement in the course of the great affairs of the U.S. government and of the world. And to the extent that you feel a direct nexus with the President or an ability to touch somebody who's touched the President, for those sorts of things you get that sensation.

M: I think that's fairly common throughout. It seems so small that, as you say, it apparently has an affect. Why, with his interest in the Commerce Department, has there been such a problem with the number of Secretaries during Mr. Johnson's Presidency? Has he had four now, total?

Mc: Luther Hodges, who had been here for four years and basically served out his time. Then he had--I think by--I'm now recording a little "hear say"--but I believe Governor Hodges had submitted his resignation and was ready to go but he was startled--here's a case where the President fell short in being thoughtful.

M: That was my next question, so go ahead. Discuss that. That was one of the things that has shown up in all of the works on Mr. Johnson thus far, highly critical of the handling of the Hodges resignation. Anything you know about it would be helpful in straightening it out.

Mc: Well, all I know is that those of us in his entourage, and I was not one eligible to be called in at that time because I was a deputy rather than an assistant secretary or a member of Hodges' staff, but the atmosphere here at least was that Hodges had no advance notice, and he was told that the President was going to announce his successor rather abruptly I think, on the day. And he said, "No you don't, not until I tell my staff." And there was a hastily assembled meeting of

his staff. Now I don't want to be held tightly to the exact account, but I know that this is the reverse that I was talking about before-- sort of a staggering blow to the people here, because you want the President to treat your boss with dignity. However you measure out Luther Hodges as Secretary, he was our boss and willy-nilly this is the place where we live and work and we want to be as proud as we can. We just want the President to treat him with respect. But that was an unfortunate event, and others can tell you more concrete details, but I know that that's the mood.

When Conner came on board, I think there was an inevitable evolution in the attitudes. Our first reaction was a little bit of resentment, I think, perhaps unfair, but part of it I think is just any changeover, but part of it may have been a feeling that the President had mistreated Luther Hodges, who's a nice man even though there are great disputes over whether he's the most talented guy who ever had the job. We all seized onto a footnote in the CED report on trade policy in which Conner was dissenting and urging a more pragmatic course than the liberal trade policy, I recall, at the time. At least in my part of the building a great concern that Conner might turn out to be a protectionist person which would be a rather marked change in what had been an attempt to shift the general attitude of the department away from being narrow-minded and domestically oriented and protectionist toward being a sensible participant in the interdepartmental trade policy activities. So, I would say Conner adhered to his pragmatic position in that footnote throughout his tenure in the Department without changing the basic liberal direction being applied on the bulk of the international trade issues. But at least at that particular time people seized on that and the newspaper columnists, Evans and Novak started calling everybody in the intermediate sections of the Department and got together a cut-up piece, which they do so very

well. Just enough truth so you can't call them liars but in order to get an angle and be gimmicky they really are dishonest in tone but not in words.

M: That's a good way of putting it, I suspect.

Mc: But you want to know the four. The first one is natural attrition, four years. The second one is Jack Conner. He came for two years. That was his formal commitment. I don't think that he really enjoyed being in the government, and we could perhaps talk about why not in time, but he had his two years. He served his two years and left. I remember his waving his acceptance letter. I never saw a man happier than Jack Conner the day he--

M: Like getting out of the army.

Mc: That's absolutely right. You couldn't be more right. The third fellow was Sandy Trowbridge. Conner left just after the State of the Union Message, the thing we saw yesterday. One of the issues in there was the proposal for a merger of the Department of Labor and the Department of Commerce, something we also ought to comment on later. That really stirred up the situation, so that no man in his right mind would be willing to join President Johnson's cabinet when they had that. So they appointed Sandy Trowbridge on an interim basis, and he went on for about six months or so. Well really I guess from February 1 until August because I couldn't be appointed Assistant until he left the job. Meanwhile, he was Assistant Secretary but Acting Secretary, so that's the time period. Then you've got Sandy was there more or less on sufferance. According to my standard he had not been treated very well by the President, I might say, but nevertheless, somewhere along the line the President became fond of him. I know just before he got his appointment they flew up to New England to talk to Governors and

businessmen. Sandy's utter conversance with the textile import program and his obvious skill and attraction to the business men and the governors, I think, was perhaps the decisive thing in the President's seeing, My God, this fellow is a tremendous asset to me. So I believe Sandy told me that coming back on that plane that the President said, "Well, I'd like to appoint you to be my Secretary of Commerce." My guess is, though I can't confirm it, that he tried to get other people to do it, but because of the uncertainty over the labor-commerce merger that was not possible and perhaps--but in any event, he took Sandy on. Then I think afterwards he found Sandy was one of his most attractive public images with the Johnson Administration--young, handsome, intelligent and they sent him on vast speaking tours. I attribute that kind of a drain on him as one of the reasons for him leaving, which is health. He's had his problems with his heart. The intake of blood wasn't enough for the demand upon his heart. So he didn't have a heart attack per se, but anyhow he left for health. Then we had a period of interregnum which Howard Samuels had been made Undersecretary was, defacto, the acting secretary for many, many months.

M: But never named acting secretary, was he.

Mc: Never named. Then C. R. Smith was named. C. R. was an old pal of the President's and came as he said, "just wanted to help my old friend Lyndon out." So I think you can account for most of the turn-over fairly reasonably. The only one which might have special interest is why Secretary Conner chose to use his two years and then go. I would like to make one other comment on this while we're at it that it has a terrible affect upon the Department.

M: You anticipate all my questions. This was my next question down.

Mc: Because we gear ourselves up, and we move our personnel around and we

focus our time and attention on the things which our chief is most interested in. There is a tremendous beacon-like quality out of the Secretaries, especially if he chooses to use it. My problem is that secretaries of commerce have not been as successful as I wished they had been in focusing the Department, giving it a purpose, choosing their priorities, communicating this, and let us gear up and we can do the job. I believe this department's deficiencies start with internal management problems and it is well within our capabilities to increase the effectiveness of our Department by twenty-five or thirty percent without acquiring one additional area of jurisdiction--simply by doing what we now do more successfully.

M: Without significant budgetary impact, too?

Mc: If you will give me a little bit of hyperbole I'll say "yes." In my area I know there can be fantastic increment if we would reorganize in certain ways, if the Secretary would commit himself, choose and commit, express that commitment effectively to us and let us regear to it. By us, I mean everybody. So that during the course of this time there was a series of successive different focuses. When Howard Samuels was in charge the whole God-damned department was being turned around to getting jobs for the hard-core unemployed. And we were doing it! I was digging people out of my staff, people who's main occupation was something utterly unrelated, and we were modeling an outfit to do something. Then Howard moved over to the Small Business Administration and we gave him ten people who really had something to do with Negro entrepreneurship and we put the other people back in their old slots and we went back to try to figure out what C. R. Smith wanted done. But it really takes time to organize and hire people and we can only hire in terms of attrition in some areas in civil service. So we had quite a serious

problem, lacking continuity of leadership and continuity of concepts.

There was some degree of continuity under Jack Conner. The predominant issues at the time really absorbed enormous amount of his time, the maritime administration and all those terrible problems nobody will ever solve, in my view. The creation of the Department of Transportation which is a major congressional type thing which involved enormous amount of Secretary Conner's time; the balance of payments program, the voluntary balance of payments program, which he conceived and between Andy Brimmer and myself, we kind of--

M: The other name there--

Mc: Andrew Brimmer. He's a governor of the Federal Reserve Board now.

He was the Assistant Secretary for Economic Affairs. So I think Conner's time was really caught up in those three central issues. Now there may be some other issues which--bringing off ESSA, that phenomenon came to fruition while Conner was here, although Herb Holloman had been working on it for several years under Hodges. So I think that the themes of his administration would lie probably in those four areas maybe one or two others. But because he was so full of those, he perhaps fell short of doing some things that I would like to see done by a Secretary. Maybe I'm criticizing because he doesn't do what I want, but he did do some specific things that are identifiable and had he had more time--I tried very hard to get him to make the choices I wanted, but I never sold him. But I think Conner did. Now Sandy Trowbridge would have been fantastically successful if he'd had more time in some dimensions of the job, but not in all, because he was here long enough and learned the business the hard way at one of the lower levels so that he, when he got up to the top slot, he really knew what he was talking about about at least one major segment of the Department. In many ways he was, for his short

time, maybe the best of the leaders because of that. Now he had deficiencies. He was not an American business mogul, so things that C. R. Smith can do or Jack Conner can do, Sandy Trowbridge could not. He was not a pal of the President's, so C. R. Smith can do things Sandy Trowbridge cannot. He was thirty-eight years old. So that things a guy fifty could do, he could not do. So there are a whole lot of things which limited him. I think Sandy was not--still has much to learn--how to be a skillful manager. He has the same problem that I have as an ex-lawyer, an intense desire to go over every piece of paper myself, you know, and an inability quite to release the chores to the lower echelons--very hard to learn. Jack Conner and I used to talk about it. He learned it. He started out as a lawyer, but he eventually learned that you've got to let some people do things their way.

M: How do you get to be an ex-lawyer? You can't get out of that guild, can you?

Mc: Stop practicing for more than five years, I think.

M: And then you're out?

Mc: I think you're officially in but I--

M: I thought that was a kind of permanent thing once you got in you were in there.

Mc: That's right. I'm sure I could go back to it.

M: What about the relations of the Commerce Department within the congeries of other Departments? When you have so many secretaries coming and going does it cripple the Department's operation because the other department's get a leg up on you at the White House, for example. You can't argue your position as well because the Secretary's always new and coming and going? Is that a factor here?

Mc: Well, a huge amount hinges on the Secretary, but that's not the only thing that happens. And I believe that you can either win or loose ground by changing secretaries. When you are C. R. Smith, you have been, you know, for twenty or thirty years a pal of President Johnson, and Mrs. Johnson just loves him and he's funny and can talk to him in Texas terms, and so forth. C. R. Smith has added to our power with the President enormously. He's not particularly familiar with the whole interdepartmental system. Probably for that reason we haven't adjusted to him yet. We find it awkward because we're still playing the game the way everybody else plays it, and Smith sometimes leaves us without a champion in the forums which lots of decisions are made. They just don't get up to the President.

M: Below Presidential level.

Mc: But moving from Hodges to Conner. I think Conner in the last analysis never quite hit it off with the President in a fully effective way. Moving to Trowbridge, of course, he had an up-hill battle to get even recognized by the President, and then once recognized then he became sort of a darling you know. The President in his mecurial way--at least as I see it from a distance. I mean, he ended up--but one has the feeling he couldn't tell the President something in the same way as a Secretary Rusk could tell the President. In other words, the President probably thought Sandy was a fine young man. You've been a fine young man and I've been a fine young man and I don't know how seriously you or I take ourselves at those points. The guy you're talking to tends to weigh your youth along with everything else. So I guess the point I'm making here is that I don't think there's any set answer.

If a guy comes in who is tough and really admired--you see, in the balance of payments business for example, we really don't know what

to do. Fiddling with all the accounts and so forth. The best thing is to get the business man to export more and to add on the plus side--and the question is, "How in the hell do you get them to do it?" Well, Jack Conner could get into a forum and did, and argued in favor of a voluntary program for controlling balance of payments flows. Get a couple hundred bigger firms to act voluntarily and you could do a useful job. Trowbridge couldn't have carried that off because when he tried to tell them what business would do, lots of other people felt they were equally knowledgeable about businessmen. They would get their advice on what business would do by talking to their pal, David Rockefeller and Henry Ford and so forth. Sandy could talk to them because of his office but nevertheless he wouldn't have carried it. C. R. Smith could carry it. Luther Hodges, I think, basically alienated himself, as I understand it, from the traditional moguls of the business community and he ended up on the trip that I took with him to Central America, for example, bringing really--I wouldn't want it to be written down in a book--third level businessmen. People who were successful and attractive people, but really were not the people who could move America, like the President of GE and so forth.

M: It was during Hodges time that once again the business of the Advisory Council severed its connections with the Commerce Department. Then they reconstituted themselves as what--simply the Business Council? Has that breach been healed in the consequent years?

Mc: Well it will never again be a Commerce Department--cozy Commerce Department outfit. But Conner was a member of the Business Council and C. R. Smith was a member of the Business Council. But it's a new institution outside this Department's umbrella since the break by Hodges. Jack Burke had his offices over here as Executive Secretary but moved out then. The Council will continue to serve all of the government, I think

they probably find it more congenial, in the last analysis, to do it this way, so I think our relationships with them will always be pretty good. They'll be better when one of their members is also Secretary of Commerce, but they will no longer be an institution serving and supporting and giving the Commerce Department the extra "umph" because they're now readily available to the Treasury Department and HEW and anybody else in the government who wants to call upon them.

Now what I don't know--I wasn't here--but I wouldn't be at all surprised if President Kennedy didn't tell Luther Hodges to get them out of this building. I don't know. Some people would say, "Why should you enshrine one segment of the business community when you're supposed to be serving all the nation."

M: But they are the ones you talk about as being the first level of business moguls here.

Mc: That's right. General Electric, Jersey Standard--although I don't think anybody from Jersey's on the Business Council--General Motors. You know, once you go down that list you've finally gotten, you've got an enormous part of the GNP already, an even bigger portion of our exports, so that those are the people who by managerial decisions can, if a few of them get together, have a big impact upon the economy of the United States. They can also affect social policy if they really set forward as I said before, as in the National Alliance for Business, to try and get the hard core unemployed on the payroll. They're the employers, and they would have an enormous capability to have a major impact by managerial decisions. So if you can get in a room a hundred of those guys and you have a skill that causes them collectively to set forth on a particular national problem, depending on the problem, you may be able to accomplish something without statute solely by persuasion. That's what

Jack Conner sold to the President and the Cabinet committee on the balance of payments, when he sold the voluntary balance of payments program.

M: The President's got a reputation for acting peculiarly sometimes in connection with appointments, circumstances, and so on. Where there any peculiar circumstances to your appointment? And how did that happen?

Mc: Well, the peculiarity I think doesn't rest with me. Its that when Conner left, he took Assistant Secretary Holloman for Science and Technology, and Assistant Secretary Trowbridge with him to the White House to see the President. There was no Under Secretary at that time. He said, "In my absence you should appoint one of these two men to be the Acting Secretary." You'll have to get this story, somebody will know it, Trowbridge or Holloman, I'm sure. I was not there, and my understanding was that Sandy Trowbridge got the edge because he was the businessman whereas Holloman was a sort of scientific type. Whether there were additional considerations, I do not know, but in any event, in spite of his youth, Sandy got that job. And I believe he said at that time, or shortly thereafter, that one of the conditions of taking the job is that I'd like to have Larry McQuade be the Assistant Secretary to replace me in my job. That's how Sandy told it to me, roughly, so I immediately became acting and then I couldn't take this job officially until Sandy left it, because this was his official job. And when he got his appointment from the President then I got confirmed with no problems.

M: Did you have any direct contact with the President at that time?

Mc: No.

M: Did he ever make any effort to give you any direct instructions, I mean direct from him to you, or from his office to you, without going

through the Secretary as what he wanted you to do and how he expected you to proceed?

Mc: He did not. I had to go over and see Marvin Watson, on what was then played up in the newspapers as a harangue and Marvin--this is all, I take it candor is called for here, right? But anyhow, Marvin first made me wait for a God-damned long time. I guess he was with the President. He finally came bumbling in from the President's office, and that sort of seemed an inadequate excuse to me. Then he was quite gracious but the point he wanted to make was they wanted to have people in office who were loyal to Lyndon Johnson and the only remark I especially remember is he said, "These God-damned guys from the Kennedy regime who sit around in Georgetown and who make snotty remarks about the President," that's more or less a direct quote. I think a sensitivity to political loyalty was on Marvin's mind. But he was gracious. I think most people, all super-grades had to go over to see him and I think most people kind of laughed at their interviews, at least, the ones that I know. But in any event I really had no problem because I feel the loyalty is to your chief, whoever it is. I didn't have any problem with that area, but I thought it was sort of amusing.

M: Have you had any experience with reality or lack of reality in this alleged Georgetown group of Kennedy people who gossiped maliciously about the President. Did that group exist?

Mc: Yes.

M: How was it affective?

Mc: Well, they are the people who came here excited about Kennedy. I suppose I would count myself among them. But nothing was ever going to be the same and I believe their capacity to adjust and say, "Well,

Johnson's the President"-- I suppose my big *raison d'être* of being here is that I'm fascinated by the role that the government plays in history, making America, making the world a situation and so forth. I want to be involved and I am. Involved is the key word and you can delude yourself as to whether you make any difference, but anyhow I'm involved. And it's a period of adjustment because Kennedy was a magnificent leader but some of them just never could adjust. That's one set.

Another set quit and went out and practiced law and worked to get Bobby Kennedy elected, or whatever their motives were. Those people I figure are entitled to carp because they, at least, had the integrity of leaving. Then there's the set of people who hung on because they enjoyed their prestige and their big cars and the pleasures of the government, but who would moan. They would say what a lousy guy Lyndon Johnson was, what an oaf. I think more people centered on his personal-- you know whether he picked his nose than on what his policy and choices were. Then, of course, this is exacerbated by the press because many of them are in the Georgetown set. In fact, my current wife is a member of the press and covered the White House for Life Magazine. She happens to be a good friend of the President's but that brings you into contact with a lot of the White House people. And the White House press by and large is--when they're not writing their stories, they are telling tales about these idiosyncracies of the President. She's probably worthy of an interview in her own right.

M: I was going to say, I'll put her on the list.

Mc: In fact, she spent fantastic parts of time with the President including up at Camp David one night. They started talking about midnight and got through at 8:00 a.m. in the morning.

M: Just with the press and the President?

Mc: About four or five people of which Cissy was one. That kind of thing.

And she has many more personal vignettes about the President than I have. I don't think we've mentioned many, but I have maybe a few more of them.

M: Were there any important members of what is sometimes called the opinion makers, people in the press, important pundits who were really part of the Georgetown clique?

Mc: I don't know about the clique. Yes, it's very clear that a very large proportion of the press--now I don't talk to Joe Alsop for example or Walter Lippmann who finally left us. But you would talk to Sandy Vanocurs who is perhaps reasonably well known, and you would talk to John Chancellor, but I don't happen to remember him particularly being of this kind except that he--. There are many people who are reasonably well known of that sort. Douglas Kiker, whom I've met and don't particularly like but bellows away in a loud-mouthed way--but I mean he--

M: Joseph Kraft is usually recorded as being in that group.

Mc: Well, yeah, on the other hand I--he's in the social set. There's one of the qualities about "Georgetown set" of which I attribute as just a little bit like Dick (?). There still some element of having left college recently! In other words, the transition to the staidness that you might find in Scarsdale has yet to take place. Scarsdale is the place, Babbitt's home town. But in any event this line between the sophomore and the mature--there's an overlapping curve there. But I do think there's a fair amount of the working press, you know, in and out of that. Most of them in my view have a combination of admiration and annoyance with the President which manifests itself in the kind of cut-up stories you're referring to.

M: Well the point is whether or not Mr. Johnson's preoccupation with this

was an imaginary condition or not. It was not an imaginary condition.

Mc: No, I think it's real life.

M: Once you got into this position over here, have there ever been the famous Johnson phone calls, which are supposed to go to all levels of all departments at unexpected times?

Mc: I don't believe that. I never got them. Part of it is because--now the Commerce Department is, I must say, the kinds of things we do are--I don't think he pays much attention to the middle echelon. He might do that in the Department of State. I think probably so. It's very often if you want to get the right answer you get it pretty quick from Bill Bundy, whether or not you get it from--ask the Secretary and he may have to go find out, and call you back, so to speak. Johnson has the system of, you know, special assistants, and he's more likely to call one of them.

M: What is your line? Do you have any line to the White House staff, any contacts with Califano's operation, for example, or any of the staff members?

Mc: It's varied a great deal in my time. For a while there I went every week to a meeting in Califano's office on price stability and used to deal quite a bit with Califano. Now I don't find that I do that at all. I think Smith has seen his office as gathering all the White House contacts into him. I still talk to Ernie Goldstein about foreign trade, I still talk to DeVier Pearson quite a bit about a whole host--of matters, that would include foreign trade, a big issue over a proposed oil refinery in Machiasport, Maine, and battles over the textile program and those sorts of things. Occasionally, I talk to Harry McPherson. But Califano and Smith have kind of ended up talking to each other. It used to be Califano would call either one of us but now that's sort of slipped off.

M: Do you find the White House staff that Mr. Johnson had during his Presidency to have been generally helpful in the sense that they really expedited things that were important, or have there been obstruction to getting your story or your point across.

Mc: I think they're essential. I don't always like everything that they do, and sometimes I verge from annoyance to outright anger, but you couldn't live without them. You can't call up the President. Who's going to rattle the box when the Commerce Department, the Labor Department, the Agricultural Department and the Treasury Department want to do one thing and the special trade representative and the State Department want to do another on an export problem. Are you going to vote four to two. You can't do that. You are supposed to do what's right, not what the majority says, so you need to have somebody in the White House sit you all in a room, make your pitch and argue back and forth and ultimately either the truth emerges, or that assistant arbitrates, or that assistant takes the capsulized thing up and the President arbitrates.

The issue, I suppose, several issues here--but one issue is whether it is appropriate for an assistant to the President to arbitrate an issue among Cabinet officers, or even among sub-Cabinet officers? In other words, everybody expects to be overruled--the President certainly has the authority to decide those issues. You suspect quite often that these assistants make decisions without conferring with the President, and you're not really free to challenge them except in the extraordinary case. In other words, you're always free as a Cabinet officer to say, "Well, I'm going to take this up to the President personally," and the President will see you. But you aren't very smart if you do that on every issue where you have disagreements.

The guys at the White House are in a position on many issues to make the decisions for the nation. The nation elected the President and they confirmed the Cabinet officers and they confirmed the sub-Cabinet officers and those are the people they had something to say something about. But you get in this awkward position where the deciding voice is an obscure person. They may be very well known in one sense, but they're basically obscure and unelected. Now you can say, "I'm sure the answer to that is that he acts in the name of the President," and for a whole lot of issues I think that's quite a good answer. There's another segment of cases where he wouldn't act unless he knew the President either had told him or he just knew the President so well that that was the right answer. And then there's that intermediate category not quite important enough for Secretary Fowler or somebody to stomp in and see the President, but still an important issue. Then there's a degree of resentment. On the other hand, the best of them winnow out the issues and generally you sense the consensus and you never have to have a vote. But then it comes down to there's irreconcilable conflict like I had last week, each of us prepares a terse memo and in this case Devier Pearson carries it to the President and says, "Decide one way or the other." I don't know whether he rewrites our memos, but I'm confident that Devier whom I hold in very high esteem, got the President's decision. Now we lost, but that doesn't bother me at all.

M: Because you knew your side was told and it got to the responsible place to get the decision.

Mc: I had a proper hearing and when we couldn't agree the--we felt we'd given our best device and we will abide by whatever is decided. But we felt real good about that one, even though we lost. But that's not always the case.

M: You have, do you think, generally gotten a fair hearing, even though you may have lost? There's never been any sense of not getting a chance to tell your story?

Mc: Oh certainly there has been, but we live in the real world with people who want to win. If they want to win they don't invite you to the meetings if they don't think you're going to vote with them. It's a very--now it really turns--here's where the integrity of the guys at the White House really counts. I believe utterly the integrity of this particular guy, DeVier Pearson. He will get all the relevant people and will not make decisions without them and if by any chance anyone is omitted it's done in good faith. But I don't think that's always the case by any matter of means. Indeed, you do get left out. In fact that is a basic ploy in inner-departmental government. It doesn't occur just at the White House, it occurs everywhere. People get decisions or you ask the President to sign off on a piece of paper without it being available to other agencies to comment. Another technique which is common is that they'll prepare a piece of paper and they'll get all the Cabinet officers over there and the people who know something about it are the assistant secretaries or their juniors. The Cabinet officer says well that sounds good to me and they say we've got to get it out by 2:00 o'clock and they may or may not come back and find all the real meaning of this particular ploy.

M: And then it's too late.

Mc: I mean, I forget whether I had this office then but at Punta del Este the President made a speech. In that speech he said the United States would be willing to go along with preferential tariffs for the less developed countries provided that all of the developed countries agreed to grant them. This was a major change in the commercial policy of the

United States because we were in effect, giving up the most-favored nation--which has been an intrinsic element. Now maybe it was a good thing, I don't want to argue that, but the point is that the change was put together by Tony Soloman, the Assistant Secretary of State for Economic Affairs, and rushed through in a way which really never let it be a governmental decision. Now Tony will tell you that that's not true because so and so and so and so and so and so agreed to it. He may be technically right, but in the sense of allowing that issue to get the kind of a vetting which it deserves you're going to make a major change in the national policy on an issue which has been our policy since 1934 or before. It just didn't get it. Now Tony may also say--besides the President didn't want anything to leak. Under the guise of not letting things leak stupid things have [happened]. The Bay of Pigs is an obvious example. Now, as I say, maybe that's the right answer, but once the President said it, the rest of us could grumble but then we had to set ourselves to the task of how do you function now? This is now a national policy, because President Johnson said it. Now I don't know all the ins and outs that's right, but I know that there's a deep feeling of resentment and that people I know, Bill Roth, for example, I'm assuming you know all these characters--

M: If I don't I'll ask you to spell the last names.

Mc: Roth, he's the special trade representative.

M: Right.

Mc: He's the office in charge of negotiating--

M: If I don't get one I'll stop you because the transcriber will come after me.

Mc: He negotiated the Kennedy Round and so forth, but I just believe in my belly, although I don't know Bill's ever said it, that he, among

others, is not anxious to run as fast as the State Department has run with this policy. First has come a proposal from the President of the United States and then you find the writ of the President is extended and extended and extended and you get locked in by unauthorized extensions by lesser officials--you object to going this far and you suddenly find, "Well, we can't do that because Undersecretary Rostow made this statement to the OECD three weeks ago." You find mechanics of success in this government don't necessarily include allowing all of your colleagues to get in on the decision. You've got to decide what you want and lock high echelon people into statements which lock the United States and then you have the United States honor to put on one end of the scale against what's right, at least as the other people see it. That's maybe one example but the point I'm trying to make here is being involved in meetings is so high in importance, so that you have a chance to have your say before something is locked up.

Now the Commerce Department has a special problem here because if you took the Department when I came here, I think there would be a very heavy presumption that we were primarily a resource agency. We provide data and all those sorts of things, and I don't believe many people expected us to be an important participant in the policy process. Of course, my whole commitment is to the policy process. My own personal preference. I was rather staggered when I got here to find after my experience in defense this huge institutional conception which I had to buck up against.

Now I've overstated the case, I mean, but I believe in the last five years there's been a decided upgrading in our participation. However, our reputation trails behind our performance and we still have that problem. Maurice Stans is going to have it. I personally, expect

that he's going to be a very good Secretary, but getting in on the right meetings is important because that's the moment you're going to have your say. Key decisions are made on the basis of what people know at the time. You can have one really inelegant result from limiting participation--somebody will scratch down a few figures about what the trade consequences are of giving the Japanese, such-and-such a tariff cut, and there's nobody with better data. You may decide the question right there. In that sense the Commerce Department can gain a useful policy role—at least I've sought always to earn our way to such a role by having better information, by working hard so we'll know something about the subject and make a contribution.

Then again you've got to be at the meeting and I think many of us feel cut out of some things we'd like to be in. For example, you make all these speeches about the interrelationship of trade and monetary policy. Now, the Commerce Department and Bill Roth are always in on trade policy, but in spite of all the public speeches about that interrelations you make trade policy, like they did over in Bonn on the last monetary crisis, nobody would have thought of asking either Roth or me or our department or his what we thought. However, if you look at the agreement, it finally worked out that what happened is that the Germans promised to make an adjustment on their trade front in order to avoid an adjustment on the monetary front. Instead of revaluing the mark, which is what we would have preferred, what they did is they changed the incidents of border taxes which is a revaluation on the trade accounts. I believe an act of that consequence in the trade policy area where I think the Commerce Department is clearly a major participant, is something which we clearly should have been involved in, but nobody would have thought of asking us and nobody did think of asking us, and nobody thought of asking Mr. Roth, the chief trade negotiator for the

U.S. government, and the guy who's supposed to pull the policy makers together, be the chairman of the Trade Policy Committee, and so forth. So these things happen to people and sometimes consciously.

M: It sounds like a lot of it depends on perhaps who you know. If you know somebody at the point of decision, they're going to make sure you're in on it. In other words the personal network becomes more important than the institutional network.

Mc: This is very important indeed, but it is not decisive. They may leave you out because they know you!

M: Well, yes, it works both ways, I can see.

Mc: But I do think that it is very important to know the people and I said to earn your way, which is my meaning that you should become accustomed to the idea that when you come to a meeting you're prepared and you have something to say which is interesting and useful and over time it becomes natural to include you. This is what I mean when I say the Commerce Department, at least in my area, has tended to move up in its performance. I say "my area," I don't mean the one I run. But I mean we have managed to get what I consider to be a very high quality group of young people, deputy assistant secretary level. We have some higher quality people at the top levels of our civil service. As a result, we, I think have come a very long way from the first day I walked in this building. For example, my deputy for trade policy was a vice-president of the First Boston Corporation and how he's a partner with Kuhn Loeb. But he really knew a lot about this and he could bring something to the financial question of export credit and the Export-Import bank and AID and so forth. People included him in because they wanted to know what he had to say.

M: This is a little bit irrelevant to Lyndon Johnson but it's not irrelevant

to the government now or anything, and you being in a good position to answer it and make some kind of insights on it, you recall the article that Richard Rovere did several years ago called, "The American Establishment?" Is there in spite of his facetiousness pretty much to this? People coming out of the same background? You, after all, were a B.A. Yale, went through Oxford, through Harvard, through Sullivan and Cromwell. This seems to be a rather general, typical type of background into high government position. Is there a kind of common bond here that might be called an establishment of this kind?

Mc: I think the middle echelon, semi-professional types tend to be drawn very heavily from the law school and the Ivy League tradition. I think that's probably not too bad. You see, part of it's what do you want to be, and my view of being the establishment is by definition--and I'm not sure I'm following Richard Rovere--my view of the definition of the establishment is the people who have something to say about what happens in the country. That's the establishment. I spent my life trying to become a member because I want to have something to say. As far as I'm concerned if Mark Rudd wants to have something to say what he may say it in vocabulary of denouncing the establishment, but what he's really saying is I Mark Rudd want to be a member of the establishment because I want to have some impact upon the course America takes. They can be populists. They can come in with Jackson. Or they can be ivy-league lawyers. It doesn't really matter. My definition of the establishment is that. The drive for that role is quite often found among this group of people and they do talk to each other. The Council on Foreign Relations, and all that business, is an opportunity for people who have this interest to get together. But it's certainly not exclusive and the real tests are capability--you really want to be

here because I think what people want and want badly makes a big difference. Third I think its the ability to get the break. This is where you may get a disproportionate share, because these are the people who have skills, have by tradition and interest, and they know each other, but the establishment scatters all over the country--

M: It doesn't produce a homogeneity that biases the government in any one direction at any given time? If all the people that you call the middle echelon levels in the departments are ivy league lawyers, or all of them are Populists, or all of them are any one thing, isn't that likely to determine in advance the direction the government goes?

Mc: Well, I think that there maybe something to that. On the other hand, it seems to me that the mavericks are maybe the most important people, because it's like, you know, it's like the sauce that makes the dish taste good. Wilber Cohen for example, I don't know whether he's Ivy League. I don't know what his tradition is at all, but in any event he's a bouncy fellow with great capabilities who ended up Secretary at HEW and very highly regarded. I think that of the guys that barge in, who really care and have talent and desire to get some place the most impressive are those who are iconoclastic. He'd perk you up. You have the force of the Senate establishment which I think has different roots and the House establishment which has different roots, so I think you have competing forces in molding national policy and to a large extent maybe this is a deficiency. Guys like me come in and I have suggested how easy it was for me in terms of my professional activity to switch from President Kennedy to President Johnson. Their estimate of the job is almost a technocratic skill brought to bear. The real decisive voice whether we're going to have a campaign against consumerism or against mistreatment of the consumer, that tone is set by the President, and he

picks Betty Furness as the polemicist and he accepts bills which are, you know, truth-in-packaging, truth-in-lending, automobile safety and so forth. I think that there's enough diversity so I'm not too worried about this in this sense. Maybe it's a conservative instinct to have a central keel. That's the way Americans ought to go and its people who are tugging at the margin who really make the future of America, and maybe these guys, unless they're talking to the margin they're holding the boat steady while somebody else is at the tiller. So I'm not troubled by it. I think it lends itself to oratory and magazine articles and sociology but I think on the whole, it doesn't trouble me.

M: I threw that question in today because frequently and the reason is, that so frequently in these interviews so far, it's been somebody was a classmate of somebody else somewhere or married to somebody else's daughter, sister, aunt, or something or other. It's very striking in putting it together how much interconnection there is. So I think it's important.

Mc: I consider myself as earning my way into the establishment.

M: Well, you have the right credentials at least from the academic side.

Mc: By the way I define it I consider that an honorable activity.

Mc: I didn't mean to imply that it wasn't. We haven't said anything at all yet about the actual policies of your particular portion of the Commerce Department here. If you don't mind we'll turn to that. As I understand your particular function, at least through one of your agencies your one point that you might call contact between the so-called military industrial complex in that you render advice as to what governmental decisions effect would be on business. It seems to me important to find out during the Johnson Administration particularly what impact

advice on commercial implications has had on such policies as defense procurement, for example.

Mc: We have in this department the authority under the Defense Production Act to allocate scarce materials. When we had the copper strike for example, basically this department managed copper supplies to the United States, to make sure that the military needs were met. That lasted for eight months as you will recall. We have experts on copper. We knew where all the stockpiles of copper were across the country. We could keep it here under the Export Control Act and we could require company A to deliver to company B. We had a great authority to cause things to happen. We can force it. Now and again people refuse and have got to pay the penalty I think. We also have the Export Control Act under my jurisdiction and if anybody who wants to send a computer to Soviet Union they've got to get my permission, so to speak.

M: Directly what I was thinking about, for example, if there's a depressed area in the economy, geographically perhaps, and whether or not a particular contract of great size is awarded in that area or in another area becomes an issue.

Mc: I don't think that my section of the Department really has an impact on that. I think the way that happens--if it happens--and I happen to believe it does, but I don't know--is that people know how to campaign. It's an ad hoc pressure act. Now the campaign might be mounted by Ross Davis over in Economic Development Administration. He might do it or the people in OEO, or HUD or anyplace. We have affected that only in this regard--for a while there when Sandy Trowbridge came into office, and later Howard Samuels came on board, along with Jim Gaither of Joe Califano's staff, helped put together something called the--which was

supposed to be a one-stop shopping center for people who would provide jobs for the hardcore unemployed. The idea was if we could get people to agree to hire so many of the hardcore unemployed that we would give them the benefit of the Manpower Development Training Act, that we would perhaps get them contracts with the Department of Defense, perhaps they could get facilities from the GSA, OEO and HUD and HEW. All these agencies, so scattered, we were going to give the businessman an opportunity if he would undertake this to help the hardcore unemployed problem and have access by coming here to one funnel to the whole array of resources of the U.S. government which might bear on his business decision. That point in time, with the President's backing--Tom Morris of Defense used to come over and join in these interdepartmental groups where we tried to make this thing work institutionally. That particular activity came and it was a big exciting thing but it got caught up in this switch. First, Secretary Trowbridge was in charge and then he got sick. Howard Samuels didn't agree with that program, but we had Mr. Zish (?) from a company out in California who was borrowed for this purpose. They had some uneasy relationship there, then Zish went. Then Samuels got set on what he thought was right and meanwhile I was pulling my staff apart, pulling it up there to help them and then it dribbled down. It all ended up being mad, the National Alliance of Business, which as I said before, was conceived and organized here and spun off to be an independent and free of the Commerce Department, although we still add a large amount of support to it and have a close relationship to it.

M: Well there's that. There's also the charges that have been made and some of the investigations on the TFX business, that contract there was given to save the company that was in trouble, a major company in

an important area. Would that be in the bailiwick of your division here?

Mc: It wouldn't come to us because that sort of a thing would probably be handled--oh take American Motors and their effort to get special tax exemptions and special treatment. That kind of thing is done with Senators up on the Hill, direct representations to the Secretary and people who go see Joe Califano and Secretary Fowler. That would be the kind of thing you wouldn't want to leak. Here's where the instinct of secrecy and you know. Here's the government at its worst in my view--people trying to fiddle up a deal to accomplish something and they all playing it close to the vest and don't tell anybody. But the pressures would mount and finally a decision would be made. The extent to which it's crammed down the throat of the Defense Department by "the political realities" either expressed through the White House or just with all the heat that comes from the Hill. Here really is the government at its worst where you seek to distort the integrity of the decision by its pressures. Now you could it seems to me in logical terms, come to a reasonable conclusion if you wanted to do this, because it's a better accounting policy. They say it usually happens that if you make it for that reason, you are doing it in a room full of very loud noise. I've been through this--am going through some of this sort right now on this foreign trade zone in Maine, where--

M: Just generally.

Mc: But, in any event, the New England people are raising hell because we don't give them a foreign trade zone and they are fearful that Hickie won't give them an oil import quota. They'd like to get it through in time to have Udall act because they think that Udall will give it to

them. Tomorrow morning at 10:00 I am to hold a meeting on this subject upon which Secretary Smith has excused himself from acting. The most important character in this decision, therefore, is me. They're going to come into this room and we're going to have to decide whether we act on the foreign trade zone application and if so, how. If we act with integrity, which is my aim, I feel deeply the only way to be safe is to act exactly on the merits. We have the problem that it'll be hard for the public to believe that it wasn't just a net out of the push and pull of New England versus the oil interests. And sometimes I find in my own self just sort of battered by the push and pull and oratory and so forth that I wonder myself what is—you know—my notion of what's right. It's obscured by the fire. I think I'm pretty clear in my mind, as a matter of fact, but just the psychological process is confusing. Sometimes you end up in an un-real world where what is a simple ethical question kind of gets lost in balancing off Senator X versus Congressman Y versus the White House staff.

M: I was going to say, does the White House come down on an issue like this with some guidance?

Mc: Usually. They don't want the public to know, but they almost invariably are. That statement is something which may seem to the Johnson Administration to be a scandal, of Smith excusing himself under charges of having acted in behalf of the oil interests. Well, I know that Smith is acting in everything he did out of the purest of motives, but it doesn't look that way.

M: Sometimes that's more important--

Mc: And I really feel sorry--well this one I don't think is big--but I just really feel sorry for C.R. because he's suffering because he did what he thought was right. Now there was an element of ineptitude here on

December 13, but nevertheless in a way, I think I'm ready to leave now, just partly because I think a few years without the high noise level will be a rejuvenating experience.

M: We're coming to a time you said you had to leave.

Mc: I haven't told you any of my stories about Lyndon Johnson.

M: I definitely want to get a chance to talk to you again. What is your situation going to be on the time before you leave Washington this time?

Mc: How long are you going to be here?

M: We're here for three years. And I can come to you wherever you are after you come back from your vacation too. In other words, it's not the next three days or never proposition, because we're going to be traveling all over the country. Particularly if you're in a metropolitan center like Chicago, we will be there at one time or another, I am certain.

Mc: Well, in fact my circumstances are, I propose to leave one week from tomorrow on holiday. I'll come back mid-February and start to work on February seventeenth in Chicago. I would suspect that at the moment I'm in the middle of it and it might be more--

M: I was thinking that these last few days are going to be hectic, I expect.

Mc: They're going to be hectic, on the other hand if you want my recollections, the immediacy--I would probably--when I get to Chicago it may seem like an abstract distant activity. I don't know.

M: Will you still have an office over here next week?

Mc: I don't think they're going to throw me out in the sense--

M: They are throwing us out. Out of the Executive Office Building. I'm not sure what our circumstances--I'm trying to think of a place where we might be able to meet.

Mc: Well, they haven't named a successor and I believe that I will probably use this office or have access to this office during the first couple of days of next week.

M: If it's convenient early next week I'm free both Monday and Tuesday.

Mc: Well, let's make it Tuesday because I've got to go to Chicago on Monday. And I don't think you can get into this building on Monday because of the inauguration.

INTERVIEWEE: Lawrence McQuade (tape #2)

INTERVIEWER: Paige Mulhollan

M: You have a long list here--this last page. These are apparently personal episodes, so why don't we take those?

Mc: All right. But you thought the general format of the way we went about it last time was--

M: Oh, that's fine. You mentioned a couple--a Moyers meeting, an initial meeting on the balance of payments program.

Mc: I think I have the Moyers--here we are. There's no limitation on the classification, is that right?

M: No, that's right. You can classify it anyway you want to.

Mc: Well, I was just thinking in terms of talking to you.

M: We have White House clearance, so anything is presumably okay. Even our transcribers have to have White House clearances.

Mc: I should hope so. It's really kind of interesting, because the President walked in and talked for so long--

M: Your recollections would probably be adequate.

MC: No. Absolutely not. These are the things I am going to turn into the library. Here it is, I think, but it's all spelled out clean.

M: Well, if it's in documents, other than any impressions you had and so on and general account of it, there's no reason to duplicate what's written down if you're going to turn that over to an official depository somewhere.

Mc: "Give some credit to the Republicans. We want a high stepping, fast moving government, with vision, compassion, and results. I like free enterprise so much that I want everybody to have it, not just the Duponts, the McNamaras and the Johnsons."

M: This was Johnson speaking?

Mc: Yeah. This was a big effort to get us to tell the story of the Johnson Administration and the country more effectively. It's funny, I remember it made a big impression upon me at the time. "This country is not going to become a battalion of sterile ants." Well, let's just go.

M: Okay. This is the order that you have. Labor-Commerce merger which you mentioned last time that you wanted to say something about. Why don't we start with that.

Mc: I think the important thing about this is that it probably in logical terms made some sense, and he articulated that in the documents so I won't talk about that. But I know that Wirtz and Conner were very unhappy that the broad economic policy decisions were made without the benefit of them being involved all the way through. They tended to be brought in on an episodic basis and really called in so that they could run off and talk labor and business into accepting a decision which had been made without their involvement.

M: Made over at the White House, then?

Mc: Yeah. They'd have Ackley and Schultz and the Secretary of the Treasury, and possibly Bill Martin. Then they would decide to do something and would call Wirtz and Conner and say, "Bill, go tell George Meany to do what we've just decided," or "Jack, go get the Business Council together and tell them to do what we've decided," and they thought this was just an impossible task. They decided to set up the President's Advisory Committee on Labor-Management Policy which had flourished under Jack Kennedy, because Kennedy came in and personally sat through the meetings to give and take with the highest level people of labor and industry and the public. There were twenty-one members, two of whom are Cabinet officers. They decided to rejuvenate this and it's a chairmanship which

alternates between Secretary of Commerce and Secretary of Labor. I think it started out with Bill Wirtz and the two of them got to working very close together. The wage price guideposts of course was one of the main issues in which they were sort of told to go tell the labor unions not to ask for an increase or go tell management not to raise its prices. I think both of them did a lot of thinking about it and I know that there was a very secret committee over at the White House which was to look at government reorganization, and I accompanied Conner when he made his presentation to this group. I included Secretary McNamara and some outsiders. It was really a serious effort to try and regroup the government.

M: With White House staff people included on that committee? Like Califano and his people?

Mc: I think they may, I don't remember all the ingredients. They got a young fellow who was quite competent--professor of government or something--to--it'll be in the records someplace. In any event, when Conner made his presentation, he in effect said that this would be a sensible thing to regroup the two departments, regroup the functions which are in the departments--not simply a merger, a merger is sort of a misnomer. But I think it was Conner's expressed judgment that this was a long-range objective because it would be politically impossible to implement it in a short while. Then to our dismay, at least I'm speaking for everybody with the possible exception of Conner, at the State of the Union Message that year, the President announced that he was proposing a new cabinet level department which would involve bringing together both the functions of Labor and Commerce. If it would have worked out it would have had other things in and out. But Sandy Trowbridge, who had this job, was utterly astonished I know,

and I was astonished, and anyhow that's sort of the genesis of the thing. People worked very hard to try to get the thing going in an intelligent way--makes sense because the constituency aspect of the two departments in many ways--well, you see, the Commerce Department, being regarded as a constituency department, hurt our effectiveness. The Labor Department I'm not so sure. They have more unity. Their client is AFL-CIO.

M: They have more voting clout too.

Mc: That's right, whereas business is diffused. In any event, that's sort of the birth side, and the death side is Conner left office and Sandy Trowbridge took over as we discussed last time. Sandy's assignment for the President was to get this thing through, so to speak, or at least stir up the businessmen to accept it. And he did a yeomanlike job, and one of the techniques was to--I think opposition began to build up and, if I recall rightly, there was a feeling, "Well, maybe we ought to get it a little bit off our backs; let's put it into the Advisory Committee on Labor Management Policy." So we called such a meeting for the purpose of discussing this. It's a little uncertain in my mind whether this was putting it in a pocket where it could get lost and not be as troublesome as it had turned out to be or whether there was a genuine wish to get the prestige of these people involved so that the proposal could move forward to become effective. As in these sorts of things, I suspect that there were varying motivations. Maybe Califano felt one thing and the President felt another, Trowbridge something else, and Wirtz--. In any event, the idea was to present it here and we put together a presentation which was not very smart, I think. It was treated by this committee as sort of a put-up or shut-up deal, as if they said, "Did you really want our advice, you don't come

here with anything worked out in its degree of detail." As I recall, George Meany comes to these meetings, generally sits profoundly silent for awhile, and then kind of pronounces something. He said, "Well, if you want to know how Labor feels about it, we're agin' it."

M: Simple as that!

Mc: I felt there was a fair amount of discussion, mostly people sticking on the procedural point that if you really want to know how to reorganize the government to do a better job at running the economic side, ask us the question instead of asking us to accept your answer.

We then went from the Executive Office Building over to the Cabinet Room where Jack Conner or Bill Wirtz summed up the results of the meeting for the President. The President looked a little bit grey-- I don't know what else he was dealing with that day--sort of listened and maybe asked a perfunctory question or two and then sort of didn't say, as I recall, flatly, "Well, that's the end of that." But he said, "Well, maybe we'd better not push this in light of the advice I have received from this committee." You know, that could be a kind of a staged deal, where if the President is thereafter excused because he has the prestigious committee as the excuse for not going forward. On the other hand, it's my guess that the idea having come out dramatically and those who care about this thing--which isn't a very big segment of the public--having expressed themselves vigorously, the President may have already known that it was politically improvident to push this.

I think very few people said it was unwise, you know, as a matter of intellectual organization. The thought was that the labor union people in particular would not understand and would think that they were being cheated out of their rightful voice in the government.

I think in the business community that there was a much more mixed reaction, partly because businessmen are better oriented toward organization. That's part of their game, organization and efficiency. They would be more sympathetic to that idea, partly because the business community is very diffused and it doesn't have the impact the labor community does. I mean, the organized labor has all the impact and unorganized labor can be ignored, though not completely. And partly I think the loss of the Commerce Department as a "voice of business in government"--a term I hate! In any event, loss of that would not be deemed by the American business community as a profound blow, because the Commerce Department has so many imperfections in its ability to be effective in the government, whereas I think the Labor folk would consider loss of the Labor Department quite a bit more important to them.

But in any event, Trowbridge--you have to play a little bit of a sacrificial lamb in this government, and he had to. That was his job, to go out and fight hard for this, and he really did. I detected, I think, Bill Wirtz backing away, a little bit earlier than Sandy. I don't know whether it cost him anything by way, you know, of the confidence of the business community. My guess is not. I'll bet it cost him just zero.

M: But that was the end of it then? The President decided to back off. It didn't go any further?

Mc: That was the end of it. But it's an interesting touch.

M: Yes, right.

Mc: The effort to regroup the government--

M: And the technique used, if it was a technique, of pulling back your chestnuts when they're starting to get warm is an interesting insight too.

Mc: Yes.

M: The wage and price guidelines that the President tried so hard to hold a couple of years ago has been I guess increasingly pushed away from as time goes on. Does that involve the Commerce Department importantly?

Mc: Yeah. I think the bulk of this story's been told so I won't bother to tell it, but the things which are unique, I think, are that the President's annual economic report when the wage-price guideposts originally were articulated--what's his name, the fellow from Minnesota--

M: Heller--Walter Heller?

Mc: Walter Heller was head of CEA and that annual economic report contained a very good articulation. If you back read all the articulations of the wage price guide, the first one was the best one. It made the economically analytical point that the available piece of the national economic pie which could be split was the productivity increment. If your wages and prices rise faster than that, you don't get any more to split up, you just get higher money incomes but not higher real incomes. The idea was if you could hold the average to productivity or less of wage increases and hold prices stable or reduce them again, on the average we would all be a lot better off, and there would be a stabilized price structure and the economy would grow and so forth-- That was pretty good.

Now what happened, where we went wrong, the President and others began to apply the 3.2 percent--as it then was, the estimated productivity increase--as if that were a rigid formula for particular cases. And the great aluminum situation which I can't--it's all spelled out in Fortune I suppose, but there were two or three major sort of confrontation-type things. Now Conner was not about to, you know, apply the screws and threaten to use--or my phrase would be misuse--the federal government power to force people to abide by what was essentially price control. I think Wirtz must have felt that it was impossible

for him to be effective if he tried to do that. So you had the position where it ended up that McNamara would call in the aluminum producers and give them the word. My view of Mr. McNamara seems less constrained by a principle which is important to me and which is important to Jack Conner--maybe because we're both lawyers--that the powers you get in the government for one purpose, are not to be used for another.

M: Now he was threatening use of the contract privileges or the stockpiles for various things?

Mc: Basically procurement.

M: Procurement.

Mc: I believe that the stockpiling thing has also been used as a threat.

M: Now that was one of the subjects I had down to go into, too.

Mc: Now I'm not really close enough. I just get a little bit through a filter in this particular instance. What I don't get through a filter is the clarity of Jack Conner's principle, which was that it was wrong to take a power, like the procurement power or the stockpile power, or some other thing which was given by the Congress in a duly constituted legal way to the Administration and use that as a stick to carry out another power which is not sanctioned by the proper constitutional processess--in other words, price controls. Mr. McNamara unwillingly I know now, did execute that policy. I know that people like Joe Califano seem utterly insensitive to that argument. I think the President in his anxiety to do what was right, perhaps because he wasn't a lawyer, tended to--you know, like a little kid, sort of reaching for the toy he wants. Not so for some of the others.

I have a feeling that this was a deficiency which troubles me and Conner would not cooperate. I think he cooperated in sort of a persuasive way--here, there and the other place--but would never carry

the bludgeon because of this. My respect and honor for Conner went up enormously through this particular period, because he had the integrity not to do this. And it cost him very heavily in my view in his relationships with the President and with the White House. Guys like Joe Califano will say, "Oh, those guys over at Commerce"--we will be thought to be not cooperative, and to be narrow minded and fighting just for the business interests and so forth. I can see how they see it. You know, it's important to stabilize the economy and we could all agree with that and that these fellows are--if major industries raised their prices--I'm sure Bill Wirtz would say the same thing on that.

M: The bludgeons that you're talking about as being used as improper are tried only to one side of the wage price guidelines. You can't use that kind of bludgeon on the wage side can you?

Mc: Well, although in theory it works out, in balance, it doesn't. But the point is the White House was willing to use all powers of the federal government to persuade industries to hold the price line--as they looked at it, it was an honest effort, and we really ought to do everything we can. I don't mean to impugn their motives. But I am, I suppose, impugning their judgement on something which--as it looked to me and to Secretary Conner--overlooked the procedural aspect which was so important. It was just not right to act that way.

Now I hope I haven't dramatized this--

M: Well, no--

Mc: That's a very important thing.

M: Do you suppose the President or do you have anyway of knowing what the President's view in all of this was? Did he just say to Califano maybe you know, "Stabilize the economy; don't let those so-and sos raise the price," and then turn it over to him or McNamara and not worry too much about the procedure. In other words, is this a procedure that was adopted somewhere below the President?

Mc: I don't think so. The President is a very vital guy and his notion is to pick up the phone. He's Mr. Telephone. He might pick up the phone to Henry Ford and say "Henry, you can't do this." And he would call upon their patriotism. I think that's one thing. The other thing is to say, "Listen, if you guys do this we're going to--in the first place we're not going to buy from you anymore and in the second place we're going to dump stockpile and cut the price to shambles," and so forth. Now I don't know whether it was said in so many words, because I wasn't in the room--or whether when you get called by the man who's in charge of stockpiles and he talks to you about prices or something, you can leave the inference without saying the words. I don't really know. Somebody who was there could articulate that, but that was, I believe, in philosophical terms an important question for a democratic government--and in personal terms I believe a great credit to Conner even though I understand the motivation of those that wanted to go the other way.

This all ties back into trying to get an effective guidepost. We had months, maybe a year and a quarter's worth of discussions, pretty much on a monthly basis in this President's Labor Management Advisory Committee. I have notes almost verbatim of all those somewhere. So I think that that's well recorded.

There's just one vignette which I thought was fun. After one of these meetings which we had thought over this issue, they had dinner at the White House, downstairs in the Mess. It wasn't a fancy meal. The President, while he didn't eat with us, came in and chatted for a few minutes and made a little talk. There were two important things there. First, the President left. I guess this was just about three weeks after Bill Martin had raised the interest rates and there was a

big to-do. Let's see, this was Thursday or Friday evening, but he said, "Now, Bill, I'm going away for the weekend and I don't want you to raise the price of money while I'm away." Great laughter--

M: Yes, but great seriousness, too, I expect.

Mc: Because we would bet in this struggle--I mean Conner and I would bet--that Gardner Ackley favored a tax increase at the time--although he's so honorable it's never been articulated--that he did not agree with the President and I believe maybe some others, deeply felt we ought to have the tax increase in 1966--

M: 1966, right.

Mc: You know this sort of mounts on your belly if you happen to be as Conner was then, urging a course which was not adopted. I believe retrospectively that failure to raise taxes was a big mistake.

M: You mean not to submit a tax increase?

Mc: Not to submit a tax increase then. But in any event that was what was involved and Martin felt compelled to raise the interest rate, in spite of a generally populist view, which I think the President and Secretary Fowler and many people tend to hold, which is keeping interest rates down as part of fair play.

M: What about price controls? Were they seriously considered at any point?

Mc: No. People like Gardner Ackley and a good number of people in the government had the searing experience of the Korean War where they were price controllers. I believe that some surreptitious work was done on the thing, but I don't really believe it was serious--but the word serious entitles me to say "no."

M: Right.

Mc: I believe at one time we had some powers, probably OEP type powers, to do that and I've heard about but do not directly know about some

looking at what you could do. But I don't believe--

M: It never reached an important stage of consideration?

Mc: Very deep feelings against it by the people who had that past experience and they were people of importance in today's government.

On the wage guideposts, here I think that Jerry Pollack and Bill Shaw, who were two of our Assistant Secretaries--or assistant secretary and deputy assistant secretary--reacted to something which Conner sent over which I think was one of the best articulations and finally found its way to perhaps Gardner Ackley's last CEA report in large measure. I think we finally hit a mean here. They are a valuable phenomenon when the economy's approximately in balance, and where by calling on somebody's sense of the national interest to just restrain himself, but not threatening to shoot him with something if he doesn't that you may be able to avoid unnecessary triggering of upward spirals. So I believe it's a useful tool if used within the proper context. I think you could probably get a vote for that with our, you know, this Labor Management Advisory committee. I pick on that because, you know, it has seven of the major union leaders, George Meany, Walter Reuther and so forth, and seven major industrial leaders, and five of the major non-partisan types. Now, I think that that's a pretty good sounding board, perhaps a little bit liberal on the business side, but a pretty good sounding board of the major elements of the people who can affect this thing. So I think these people did a useful thing in helping unseat the notion of a single number becoming an idee fixe for particular settlements. That was maybe the sin into which we fell after the first articulation. Maybe I'm talking too much about this thing.

M: No, not at all. You have the Dominican Republican down there. I confess I have no idea what--

Mc: I do not remember the date but I know that Secretary Conner had gotten together a group of businessmen to be his advisory committee on the balance of payments--to help formulate and implement the voluntary balance of payments program. We had an appointment, that group, Conner and me going along, with the President. We arrived over at the White House, I think at 4 o'clock or something like that, and--maybe it was 3--. We waited, waited, and waited. We must have waited an hour and twenty or thirty minutes. Finally the President came in. He was all wound up and he gave sort of passionate speech. You just sensed the marvelous energy of this man. You'd see him on TV and you really missed the freshness and excitement of Lyndon B. Johnson, but here he was at his peak. I still feel a little bit thrilled right now to remember it. He started talking about the world as he sees it and the big problems he has to face, and he said, "You guys have got to get out there and you've got to give me some help on this balance of payments." But all these businessmen, I know, were just as thrilled as I was. And that's quite a stunt, because a lot of them are--by all, I mean--it's not very many. But anyhow, the point is they're not the kind of people you could overwhelm because they've been in the big world and played a big role for a long time. I believe that that was the first thing he did after making the decision on the telephone to send the marines into the Dominican Republic--

M: Did he mention this decision at the time?

Mc: He did mention it. I don't remember the degree of detail, but I believe it was in the paper that morning. We all knew that was an issue, the decision to invade, I believe, it was pin-pointed to the minute--something in the newspaper the next day or the day after and I realized that what we had gotten was the pent up energy of a man who

had really grabbed hold of his guts!

He didn't have, in spite of the post facto looks at the DR decision, he didn't have all the data. He knew there were things he'd like to know in addition but the crisis seemed to be there, so he made that decision. He came in and outpoured for twenty minutes or so, which was quite a bit of time, all of his problems, including the Dominican Republic and how could he handle the problems when he was eaten away by the economic threat of the balance of payments and, "that's where you guys come in." Then there was a little bit of a dialogue, as there is. It just is a memorable occasion for me and I think for everybody in that room. Maybe because to be president or head of Mobil Oil or General Electric or--these were all the people around the room--and no matter how big your decisions are you're still awe-struck by the enormity of the Presidency of the United States. And in telling, maybe it doesn't sound like such a big thing--

M: No, no. That's the kind of thing we're after. You've mentioned on several different occasions, several different subjects, the general balance of payments controversy, and you have it down there too, I wonder maybe if you can go through that from the initial meeting. I assume that was the time the Commerce Department was pushing the voluntary program which originally was bought by the White House apparently--and then what happened to that and how you were pushed later into a mandatory--

Mc: Again, that's a well-told tale. I think maybe I've got all my books here with every document. I might just give them to the Library.

M: I hope you will.

Mc: I don't know what I'll do with them, but they're really quite a good piece if you ever want to go look at our part of it. As I recall at

the end of 1964 the Secretary of the Treasury, I think it was still Dillon then--

M: Yes, it would be.

Mc: Began to participate in a series of rather intensive meetings. The balance of payments was suddenly being pronounced a crisis, and Dick Holton, who was the Assistant Secretary for economic affairs-- was our representative. I guess he was going out of office and Hodges was about to leave, and so forth. But anyhow this crisis was coming up and they wanted to do a variety of things. I can't cite all the detail but it rather horrified me. They were going to limit the American businessmen's freedom to invest overseas and a number of other things.

Well, when Conner came on board in February 1, 1965, I believe, that was the first thing he found he was right in the middle of, this balance of payments issue and it looked like they were going to go to mandatory controls on direct investment. His first--I guess, singular-- accomplishment was to carry the day in that forum and converted from something that would be mandatory in one form or another to a voluntary program. He asserted, and as we discussed last time, he could persuade people that businessmen would respond to a voluntary program. This was the course adopted. When I talk about the first meeting, somewhere in here I think I have some notes about my reaction to that meeting. Because the President called, as I recall whatever it was, maybe a hundred or something like that, of the leading businessmen of the United States, heads of the major corporations, together at this meeting.

M: When you say--don't let me get you off the subject but when you--you've made that statement a couple of times, how does he do that? Does he just call them up and say, "Come down to Washington sometime tomorrow

or the next day."

Mc: I sent telegrams to them all--

M: And they come at that kind of an invitation on a moments notice as busy as they are? That's interesting.

Mc: Here we find it, as I said, "I went to the White House to hear the President give a rousing pep-talk to the three hundred odd first line business leaders. I sat right behind him. My foot was bumping into his chair. I could have made Hubert Humphrey president! Somehow Johnson really got to the assemblage. 'If you guys don't help, Doug Dillon's going to make me do awful things. Save me and free enterprise from that'." The sense of patriotism was high and our voluntary program may work," I said. At 4 p.m. Conner had a session here in the Commerce and I said, "It was great to see Roger Blough lost in the crowd!" Because I used to think Roger Blough was a big man, you know. Somebody told me there were fifty-seven private planes at the National Airport that afternoon, and with all these guys flying in you could hardly get into town.

M: Like an inauguration.

Mc: Well, in any event, the only thing that I wanted to make was this colorful thing, and that had it in--I don't know which room they call it in the White House--they had all these three hundred people in a semi-circle. Each of the Cabinet officers got up and said something about what their part was and then the businessmen came over here, and the bankers went over with Fed, and they went over the actual things

Perhaps one of the important things is Jack Conner consulted seriously and open-mindedly--we had conceived our program one way, but after we talked to these executives and met with our small advisory group, Conner made changes following the odd-ball principle that advisory groups are to be used--sometimes their advice is to be taken! Usually they are treated by the government in

a condescending fashion, or often they're treated as simply window dressing, but here was a real case where in a give-and-take of what would make it work, we adopted a good part of the suggestions. I guess, maybe that's what I want to record, some of the stimulation and excitement.

M: Was the White House staff strong for mandatory controls at that time?

Mc: I'm not close enough to say. I think when we finally got to the mandatory--maybe take the other end of the stick. We went to mandatory controls January 1, 1968. All along, people like Francis Bator or Ed Fried--it comes back to the same thing I was talking about before in wage-price controls. There's a forest full of people who don't believe that the systems going to work unless everything is done under their control. In other words the free enterprise system, the theory, and all the interplay somehow works out right. But it's very difficult. Anyhow there's a whole set of people, and I used to get very deeply angry at them because they felt that unless they personally made these decisions, that you couldn't really trust this decentralized system to work. And so all along people kept insisting the real problem was capital flow and we needed a tax which will impede it--although there are lots of arguments against that. The IET was considered. It has severe technical problems--you couldn't use it. The other routine would be the mandatory programs and so forth, and there was this running drum fire all along the line. While Conner was here that was defeatable.

Trowbridge came in and, of course, he had less clout than Conner. Conner was skillful in using his advisory committee. He thought he could get his moguls in and that would push aside this force pushing in the other direction. I think on the whole Secretary Fowler was

was caught in the middle but preferred to do the voluntary things if it could work. What was most important to him was to have something that would work. I remember the Saturday before Christmas sitting in Sandy Trowbridge's office in shirt sleeves talking over this problem. In 1967 we'd had this terrible breach in the balance of payments which is all articulated a billion times. We had fought for a voluntary program and we thought we could save 500 million dollars that way, but the decision by the Cabinet committee and, I think, by the President-- I think it was a little bit rigged against Sandy--was that we must save a billion dollars. And we talked maybe for twenty minutes or so and finally the net of that conversation was the decision that if you want to save a billion dollars, you could not do it by the voluntary means, unless you fell into this problem, which I discussed earlier, of misusing the government powers to force cooperation. We thought that that would be inequitable and wrong to coerce people by this ad hoc way. The thing about whether you had something to coerce them with and so forth--that you could achieve more equity if you save a billion dollars--in fact the only way you could do it would be this mandatory thing. Bill Shaw was the chief representative in the balance of payments at this period, and I don't know all the ins and outs, but the popular belief here is that Ernie Goldstein and Ed Fried and Francis Bator were the people who were pushing hardest for mandatory controls over capital outflow. We got some sympathy at the Treasury, although in the last crunch, I think, the Treasury's preference would be to save the billion dollars rather than to save the voluntary technique.

M: It wasn't a matter of your voluntary program failing. It did succeed in saving what you anticipated it would save.

Mc: It could save up some amount of money, roughly 300 million dollars, but it couldn't save more than that. We thought it might be pushed to 500 million, but you were straining the edges of it. It's a good technique for a saving of some number, but beyond that number it's not effective, because you put unhandleable burdens on corporate management. It's easier for them to comply with the law and explain that to their shareholders and so forth than it is for them to volunteer. They can only volunteer to distort their normal business decisions up to some incremental amount.

M: Particularly if some other firm is not complying because it's voluntary, and presumably then profiting from the restraint--

Mc: Some guys are mavericks and say "up you." Excuse me.

M: That's all right. We can edit that out or leave it in. And then, you've already gone through the change which came around January 1, 1968.

Mc: So the point I'm trying to make, there was a decision made in our minds that Saturday and Trowbridge implemented it, I think, the next day or the day after so the Commerce Department agreed to a mandatory program. We voluntarily agreed to a mandatory program.

Then, I think, finally we were thrown the bundle. I was put in charge Friday afternoon before New Year's, and we just pulled the really first rate people out from all over the government, forced them to work all weekend long, including two terrific guys from the SEC, and so forth, and I don't believe it leaked. We worked all the way through the New Year's weekend. I think Tuesday was the 1st, if I remember, maybe Monday was the 1st. The President made his announcement on Monday, and Tuesday morning when we opened the doors of the Commerce Department we were ready to act. And the Direct Investment Control Program--

M: This is the genesis of the Office of Foreign Direct Investment?

Mc: That's right. And I recall when I got up Tuesday morning I had Bruce Nichols from Davis-Polk, a New York law firm, and an old classmate of mine, on the phone and he said, "I have eight people sitting in my office in Amsterdam and ready to pass a check and your programs come up; what do I do?" We were in the position to deal with those cases, which I considered to be quite a-- the rules were all written and aside from this small group--the cabal, I would almost put it. Tony Soloman, I think, was also a gung ho type for it along with--that group really hadn't been bedded and organized and so forth. But before the weekend was over I got out of that business because Bill Shaw was leaving--

Mc: Yeah. And I had my regular job, so he took over until his departure while I did other things.

One other point here is that there was a big question as to where to put it. Some people thought it ought to go to the Treasury, other people felt that if you put it in the Commerce Department it would be more tolerable to the American business community. We had a meeting with all the relevant top level officials of the Commerce Department. And at that meeting Sandy--it was in Bill Shaw's office--asked what attitude the Department should take, as to where it should go. And at that meeting, I was the only person who wanted to put it in the Commerce Department. Everybody else wanted to put it somewhere else.

My reason is very simple. I want the Commerce Department to become more significant in the policy making process, and I think the only way you can get there is--well, one of the important ways is to have programatic responsibility for things that affect people. Then they come to you and you have a tool for power. I made that argument somewhat more articulately than I just have now, but everybody voted against it. I

think the decision was finally made at the White House that the prevailing benefit would be to moderate criticism somewhat by putting it here. You see it was under the Trading-with-the-enemy Act that you have this power, and that was the decision.

Now one other point which is kind of interesting. Joe Fowler knew for a long time, or believed for a long time, that he had the power to impose mandatory controls without legislative action. I was under the belief, and I believe most people were, that you could only get mandatory control by going through the legislative process. We also believed it not possible to get the Congress to enact it because some American business would be able to prevent that. It was at a Cabinet committee of the balance of payments--the date of which I do not remember--in which somebody inadvertantly I believe, mentioned that he had this power. I believe Ernie Goldstein, who's one of the President's assistants, perked up his ears. I don't believe Fowler really meant that to get out.

Once the White House, Tony Soloman and gung-ho people for direct controls heard that, I think the dye was basically cast. From then on there was this, at least over in this building, you feel as if these guys would have meetings without inviting us, because they knew we would oppose and were afraid we might be successful. The deep intrigue which goes on in the government to get your policy point advanced was at work. Here was a set of people, at least it seemed to us--me at least--who were plotting as to how they could mobilize the forces of the government to force an adoption of the Direct Investment Control Program. And I--here's where the fact that the Commerce Department really has so few chips--not enough really in the poker game of making policy. The rest of the agencies and White House assistants really had the power, not Commerce [Department]. Once you get the

White House assistants--the President--how the hell can he judge these things? He doesn't know a lot of the quality and integrity of the people who advise him? You sort of sense this game over mandatory controls was lost but you didn't know how you were going to lose it because of the set of characters involved--and they need not be top echelon people--medium level people.

But in any event, I remember that session now. "What's that?" said Mr. Goldstein when Secretary Fowler let slip that the President had authority under the Trading with the Enemy Act to impose mandatory controls. Then the idea was out. I think that's an interesting little vignette.

M: Right. Has it worked as its proponents said it would. The business community--have they had the anger that you anticipated they might have?

Mc: I think the business community really took it very well, as a matter of fact. I am astonished at how well they took it given the inconvenience it caused. Now, there are several important things. First the rules as sort of roughed out by the cabal were made on kind of a simple assumption that all business functions like a normal manufacturing outfit. The simplicity of the thing underestimated the complexity of international business. The oil companies just aren't that way and the construction companies just aren't that way. You know "what is a capital outflow?" is a complicated question.

So the first thing we found was the simple set of rules, in addition to being wrong here and there, were inadequate to the task and we had to solve the problem by special exceptions and by gradually making the rules more and more complicated. So now it is really a complicated set of rules. It has worked to save the money. Part of the reason is that the interest rates switched in funny ways, and the American interest rate is so high that in some ways the need to borrow

abroad isn't such a bad thing. That's been the principal instrument in making it work. It will be very helpful to the balance of payments. In fact, we're likely to do a lot better than our goal because of factors which are perhaps not our program, but additional business factors have affected the world that way.

It's a terrible tangle of rules and regulations. I think Chuck Fierro, a marvelous man we hired to run the program from the Chase Bank, has done a marvelous job and perhaps has reset it a little bit so there's a way to work yourself out of it if you want to. I assume the new administration will. But it's been a fantastic experience for me.

You see you put your finger in in a small way, and you sort of ask people to hold back and then you have a programmatic system for holding back. Even our voluntary program took on a little more rigid aspect after the first year, much to the distress of Fred Borch of GE and others who felt that, "You're beginning to get rigid about details, and cutting down on management's ability to do the best thing for you, even in balance of payments terms." You move--it's hard to keep your fingers out of the pie once you get one finger in because you decide to control outflows. Well, the first thing you find is you can't. That's no help unless you also control the rate at which people send money back--because just like a Caterpillar Tractor brings back over 400 million dollars a year. Well, if they left that over in Europe, left that overseas, they have all the money they need and they can be a bank for the rest of their lives. So you've got to force them to bring it back in the same proportions they used to, right. Then you find that some people do this, that, and the other thing. Pretty soon in order to really cause to happen, the very simple idea you want

to have happen, you have to have the most fantastic collection of rules, and the federal government actions are like pushing your finger in the balloon. You can't compensate for that. There's no way. You end up in this great mire and I suspect that Fierro has set up a system which will allow us to work our way out of it over a couple of years' time. I believe that is what you might hope for, but you only want to do that if you can do it without screwing up the balance of payments.

M: Let's switch over to the trade policy, which includes several things, east-west trade as well as other kind. You've got down on a couple of these lists Czechoslovakia, for example. Again, I'm in the dark as to what you had in mind there, but I think that is a policy that Mr. Johnson has publicly committed himself to--East-West Trade, increased trade with the East European bloc on numerous occasions. He sent a bill up to Congress that's been languishing there ever since. Are there circumstances of this that you were involved in?

Mc: I don't know whether it's really big enough to be interesting to history. There have been a couple of battles, one over computers, which are quite important if you're in the trade control business. One of them is what we would do about the proposed sale by G.E.-Bull, French company with American interests of course, to Czechoslovakia of the ability to produce a particular computer. This one we fought and fought and fought. I think one of my few, at least, intermediate triumphs against Tony Soloman occurred during the course of this thing, where I believe the Commerce Department provided the leadership to carry the day at one of his Economic Defense Advisory Committee meetings. But he got back at me, or this victory, by causing the senior interdepartmental group to meet. He made some statements which appeared to be factual but were not factual at that time. And they led to a conclusion

which ultimately--. We finally came to this conclusion on the French transaction that we would vote against it, be on the record against it. But we knew that the French were going to do it anyway and we told them we hoped they wouldn't do it but if they did do it we would not use our unilateral controls to deny them those things which were absolutely necessary in making their transaction work. You may say that's an inconsistent position, and it sort of is. On the other hand, it's a better position to me than to vote for it. I just couldn't bring myself to vote for it.

M: Commerce department--

Mc: This is the U. S. government. This ended up being how the U. S. government voted in COCOM?

M: But originally the Commerce Department was strongly against the transaction and the State Department was for it?

Mc: The State Department, I don't think was for it. They just said, "Look we can't do anything about it. The French are going to do it anyway. If you either pose an objection you will bust up COCOM. You will exacerbate our relations with De Gaulle in a number of other ways and that effort to be extra-territorial is just not going to work. This is going to be so costly as not to be worth it and on balance we would favor not interposing an objection in COCOM." And I think Defense and ourselves were very deeply opposed to letting production technology go. Well, anyhow we had that case, and that's dated in my memory a little bit. And then we've had recently the French--in fact this is in the process now--the French are alleged to have signed up a deal with Rumania to provide ability to produce computers. We're sending a team to France this coming week, I think, to try and talk them out of it.

The British want to compete with that and they want to sell their technology to produce a fairly high-quality computer to the Soviet Union. And we are deeply opposed to that. The Defense Department is deeply opposed to that and the Czechoslovakia thing. We had a meeting with the British. They sent over a high-level team and they said, "Look, basically, we want to do this, but we want to do it with your blessing." And we asked the high-level British team--the names have faded in my mind--we said, our Defense Department tells us this is a very serious strategically harmful act and they conceded that their Defense Department agreed with our Defense Department but that their Cabinet had met and had decided as a political and commercial matter they wanted to go through with the transaction. Part of it is that the assessment of the strategic threat from the Soviet Union is often the touchstone of how deeply you feel on these issues and I don't think the British held it very high.

Then Czechoslovakia occurred. The invasion occurred almost within a couple of weeks or maybe less. In light of that I think the British sort of moved back from their position and that sort of staved off that particular situation. We all sort of clipped off for a few days and traded authorizations. Now we've all slipped back into talking about the old standard. I got my one complimentary letter from Gene Lipscomb, Congressman Lipscomb. It said, "Finally you've done something good, Mr. McQuade, you've cut off all trade to Eastern European countries. And I think you should never start it again."

M: Is the trade with Eastern Europe commercially important really?

Mc: No. It's a couple hundred million dollars but for a particular company it could be quite important. But there's about 6 billion dollars--
you're talking about trade with all the West. For us it's a couple

hundred million dollars. So it's not very important in those terms of United States balance of payments. They want bilateral trading. They want to sell about the same that they buy. They do, so we don't have any balance of payments gain. We do get important strategic materials. We get platinum and we get chrome, which because of the boycott of Rhodesia we can't get chrome. We're pretty much dependent on the Soviet Union for a big share of our chrome supply, because of the Rhodesian thing. It's interesting. They've jacked the price way up on it--made Union Carbide very unhappy and so forth.

M: Has the White House pushed the Commerce Department strongly on the development of East-West trade during the Johnson Administration?

Mc: They made a bridge building speech in October, 1966, and at that time we had already put together a list of four hundred items to be taken off, so that was the occasion for taking them off. I think we've been evolutionary and worked continuously toward slimming the list. We've had some trade promotion events in Eastern Europe, some of which have not been very successful, but we have done this in the interest of supporting that phenomenon. They just wanted to go one speck more. We have since, not so long ago, like within a week or two, the Secretary of Defense sent a letter to the President urging that the U.S. government intercede at the highest levels to talk the French out of this action, talk the British out of competing with the French for Rumania and ultimately selling production technology to Eastern Europe, and that ended up in a meeting chaired by Secretary Rusk over in the State Department.

Rusk--it's interesting--he really acted like he was the decider and it was marvelous to see the rest of us sort of fall in. We carried this great debate with Defense and myself--C.R. Smith and

Clifford, Walt Rostow, Don Hornig--maybe he had twelve people--but in this give-and-take back-and-forth, I think we ultimately came to the conclusion to try, but not at Presidential level, to just cut these things off. But it's interesting to see Rusk there. This was shortly after all the stories about how Rusk and Clifford were at their breech, but there was no sign of that here. He sort of listened and we all made our pitch and arguments. Paul Nitze was there, and so after it was over, Rusk said, "All right, why don't we do this?" You know, that's the way meetings end--and I felt his primacy at that juncture rather more strongly. All Cabinet officers are not equal is the sense.

M: Yes. That's interesting.

Mc: And it lasted for a God-damned long time, I was surprised. And Walt Rostow was among the best participants, I thought. He didn't say very many things, he asked, you know, critical questions. He's, I believe, he's more maligned than he deserves. I was quite impressed with him.

M: You mentioned the bridge-building speech, has the Commerce Department lobbied that bill in Congress at all under instructions?

Mc: When it was submitted we pushed for it. But then it was not submitted the next succeeding year in 196--

M: [196]7, I guess.

Mc: And the climate for submitting it had deteriorated--when Czechoslovakia occurred in 1968. I suppose the occasion for submitting it is the beginning of a Congress and that's a two year cycle--

M: Right.

Mc: But I spent lots and lots of time up on the Hill on this subject and you get shot at from both sides. And that bill could not go through, especially with Czechoslovakia in our history. I just doubt that it

will go through. It's probably a good thing to have. It should go through, but I don't think it's likely to go through. It's a costly thing, because we went through the Ex-Im Bank Bill and they put impediments on that, which had the effect of denying the ability to finance transactions with Eastern Europe. If Congress will do that, they're not about to pass the East-West Trade Bill. Just shrug their shoulders, that's about all.

But in practice, we're slimming the trade controls at quite a good pace. I think it's under-appreciated how much that's been done. An important phenomenon that's occurring is the decline of COCOM--its very close to being on the ropes. Czechoslovakia, I think has rejuvenated it, and it will survive for a few more years probably, directly because of Czechoslovakia. And the only other thought I have on that is that meeting I mentioned where I felt that Tony Solomon had given some inaccurate data as though it were the facts of life. He was asserting that there are no controls over technology in international COCOM system. The big chiefs decided that we do something on the basis of that, take the initiative. We sent the cable over and the word came back from virtually every other member of COCOM that all of them think we do have controls over technology, and it made Tony look quite silly, I think. But as the consciousness of the threat of the East declines and the urgency of the British balance of payments rises and the maverick notions which General De Gaulle pursues--I'll get his title eventually.

M: He has all those I think!

Mc: And in a way, most of the other nations in part feel, what can they do about strategic balance? They feel a little bit helpless and why not lean to the buck, you know.

So that the COCOM thing, I think, might have died just from

people escaping it had it not been for Czechoslovakia. But that event has rejuvenated it. I think it will not survive for awhile. We made some interesting changes in our meeting in March which will tend to make it of continuing usefulness to both international cooperation and trade controls.

M: You just finished deciding last week the matter of the foreign trade zones in connection with Maine.

Mc: Before we go into that, let me say one other--two other things. First there was an event, I just got the papers, where there was supposed to be an epidemic going on in Communist China. The State Department got me on the phone, I think Bob Barnett, who was Deputy Assistant Secretary for the Far East. They asked us to--and we did--call in the chief executives, all these high-level policy officials in the major drug companies. We told them at a meeting right down in that conference room, that--I told them, I said, "Look, this epidemic is something which concerns us. We don't think that they have enough vaccine and other medicines to deal with it. We are afraid that it will spill over into Southeast Asia and be very troublesome in deed. We think the Chinese would--we'd like to have it available to them to get these various drugs," and I read off a list of things which were appropriate for the particular epidemic. "We know that they would reject any U.S. government approach to do this, but we think that conceivably they might be willing to purchase through the private routes. We would urge and ask you to take the initiative with the purchasing missions. They have one in London and Tokyo, or even make sales in places like Hong Kong, which in practice can only mean a transaction with the Communist Chinese." We got all these guys in this room, maybe fifteen or eighteen, and I said, "We will, if you get such an order. I will see that you get a permit under our trade controls.

And meanwhile we'd like to know whatever reaction you might get from your initiatives." And I thought that was interesting. It turned out I don't believe we had a single case where we had to issue a license. We got interesting initiatives. Some of them got on the horn right away, but there was eventually a polemic I think about the United States government setting up some propaganda notion of epidemics in a country which is-- you know a land free, seraphically free from all those things because it's communist. I don't believe anybody got an interested answer, either in Tokyo or London, although I think they did get in and talk to one or two people. But I just thought that was an interesting little initiative.

Then there was another initiative which was proposed in the last two weeks. Now again, this is the kind of thing which is at least fairly secret and I don't know how you're going to pass it out of your tape, but in any event, the point is that Bob Barnett again came over and the Chinese had indicated that they would meet with the U.S. on February 20 in Warsaw. The State Department proposal was that they would like to go to that meeting having given a signal in advance of some switch--a little hint the U.S. is willing to switch its attitudes toward the Communist Chinese. They felt they could carry the negotiations off better if they did. The signal they wanted to do was adjust the trade controls--well, it really wasn't trade controls, it was foreign asset controls of the Treasury, in a minor respect so that overseas subsidiaries of U.S. companies could sell non-strategic goods to Communist China without any license. While it might seem small stated, it could take very large proportions in the eyes of the U.S. Congress. It probably would baffle the Soviets and baffle the Chinese, but they'd know we were trying to say something. I satisfied myself

and told my boys, Rauer Meyer, who heads the office of exports control, we were content that it doesn't really have any strategic meaning but it would be kind of a point of initiative with Chinese of some importance. Eventually we signed off, largely me, after forcing to rewrite the memo in some places. I think I'm a little skeptical about whether it will do what it's suppose to do, whether this is the right tactic, but that's the sort of thing that's State prerogative. But we would worry that they may undercut our other extraterritorial type controls, undercut them, and that it really isn't going to quite do what the American businessman wants. His overseas subsidiaries are better off than he is. There's a lot of trouble with it. But the initiative that was put up to the President in a memorandum which I signed off on for the Commerce Department with C. R. Smith's approval, of course, that we would make this change in a very quiet way which we feel confident would be noticed over there. Somehow people felt would not be noticed by the Congress. I don't know why. Run the risk and have a reasonable explanation for the Congress, which would not be the true explanation, but a reasonable one. Maybe we're trying to reduce the charges of extraterritoriality. And the idea was to put it up to the President, that after sounding out the leaders on the Hill and sounding out the new administration, could we do this act? And the thought was it would make the February 20 thing more productive. Now, I don't believe the act has been done and now the new administration is in power so I assume President Johnson decided he didn't want to do that.

M: He didn't specify?

Mc: I wasn't there. All I know is that when I last signed off here there was a memorandum which Katzenbach was urging the Secretary of State to give to the President. It may have been that they did the soundings

on the Hill and decided against it. Or it may have been the President decided he didn't even want to try, or perhaps Bill Rogers, the new incoming Secretary of State, decided he didn't want it.

M: It may still be sitting around over there?

Mc: But I think it's interesting that if you were historically looking at it, there was this effort to take an initiative. And both of them are interesting. They are state control problem--

M: They also compound some of the charges of rigidity over at the State Department in policy toward China that are common among the instant historians that are writing right now.

Now, do you want to go to foreign trade zones? I don't know what all can be said here. It seems to cause quite a lot of bitterness. I've heard Senator Muskie make a rather unhappy statement on television the other day, for example. This is a subject in which the President is accused of having direct personal interest. Did the White House get involved in this matter of the foreign trade zone that New England was seeking?

Mc: Again, I'm relying on the confidentiality of this. The answer is "yes." Smith took the posture that he was going to do what the law said. If it came out we were not suppose to, he was going to disapprove it. And he was in Texas to open a drive or something like that, and some reporter asked him what he was going to do, and he said, "Well, I'm going to decide in accordance with the statute and hope to do it by the end of the year." Then Smith and myself and Bartlett were asked to come over and visit Secretary Fowler on a number of issues.

M: Bartlett now is?

Mc: He's the Undersecretary of Commerce. Secretary Fowler and Undersecretary Barr and Assistant Secretary Joe Bowman were present at the meeting,

and we talked about this subject. Fowler made it clear that he thought it unwise to do this. He said, however, that he would not be personally involved in anything having to do with oil because of his past association as a lawyer so that the responsibility would lie with Under Secretary Barr and Assistant Secretary Bowman. And having duly said that he was not going--it was against his rules to influence the decision, he proceeded to tell us all exactly what he thought the decision ought to be, which was we shouldn't do it. He used the balance of payments as an example of how costly it would be for the balance of payments. Secretary Smith made the argument that we didn't think the balance of payments issue was really relevant, that we had to follow the statute and do what it said, and that's what he proposed to do. He earnestly hoped that this would be the standard used by the participating agencies, Army and Treasury. End of that conversation.

I was told by somebody--Joe Bartlett I think--that when he and Smith were over in the White House meeting with the President on some other subject, that the President said you better kind of hold that thing up, and leave it over to the next administration. We suspect without really knowing, that Secretary Fowler arranged for that to happen. We don't know, and maybe I'm maligning Joe Fowler, who is just a marvelous man, but that's what we suspect. Smith, I think he was in a very unhappy mood, felt that was wrong, and contemplated not doing it. But then I guess he decided, "Well I guess you've got to do what he said if you're to be a good soldier." It goes back to what I've said about eight times. It's tough. In an environment where you're an entity unto yourself and also subordinate. If you're in a company, the company speaks. But here you know, each of the Cabinet officers, so many people are something above and beyond being just minions of the President.

In any event Smith got the notion in his head that he wanted to make an announcement. If he wasn't going to carry out his earlier prognostication then he wanted to tell people. He felt that was fair. I never talked to Smith directly. Most of this I got through Bartlett. We put together this press release, making the announcement, I don't think most of us thought that making an announcement was very smart. If you wanted to accomplish the President's objective, it's well within our competence to do it by a simple process of being unable to meet the deadlines. In the first place, we tried like hell to live up to the December 31 deadline. I personally believe we never would have made it. Physically impossible. Second place, acting with complete straightforwardness--if we just worked five days a week we never would have gotten it done by January 20.

M: So it was possible to delay it without really obstructing--

Mc: In order to make the December 31 deadline, Norm Engleberg tells me that he started at 7 a.m. Christmas Day and worked through until 7 a.m. the next morning. That's what he said. The effort these guys put forward, which was above and beyond orderly processing, and we're shooting for December 15, for the examiners report, and we just never made it. We finally got it January 10. Even there the last period, Engleberg got it out toward the end of December to his counterparts up in Maine, one who is the Army Engineer and the other who is the customs man, and they had that period where they had to go over it. So in any event, if Smith had done nothing, if we'd all tried very hard, I don't think we would have gotten the thing along any faster than it went along.

Item number two, Smith, I think, is just a little bit like a guy who wants to run into battle with his shirt open, or something, get

killed. At least as reported to Bartlett, he didn't want to do just nothing: he wanted to suffer a sling or an arrow on behalf of the President. And among other things I was asked by Joe to write a potential press release. Well I wrote about one sentence. That was my notion. But no, that didn't sound complete enough, so that we then wrote something which said, the Foreign Trade Zones Committee had agreed to defer considerations in view of the far ranging policy implications. Well, that was the heart of the thing and that was a mistake. That was just dragging in by the heels something which was dead wrong. I made a speech the day before which made just the opposite point, that it's very important that we bear in mind that our responsibility was a limited one and that if they met the test they got the trade zone and that all this bosh about the oil import problem, that's a problem which they hired the Oil Import Administration to worry about, they didn't hire the Commerce Department to do it and it's silly for us to pretend that we're going to solve that question.

At Smith's direction this statement was put together. We had some wrangling back and forth. I said look we shouldn't specify the policy implications. I said, "Let's just make it a one-sentence item," then they said, "No, we've got to spell out the general circumstances." Sort of like a press story. Well, we did that, describing all the surrounding circumstances, the controversy and the suits and so forth. Now that led others to infer that the policy decisions referred to in paragraph one were the ones described in the controversy over the policy. I remember I said, "That's going to mislead people," and the decision went against me. We said, "Well no, that is merely descriptive of what is the background and that does not define the policy decisions which are referred to in paragraph one."

one." It may have been a clear distinction in the minds of the people around that table that day, but it certainly was not clear to anybody else who subsequently read the thing. It was a disastrous act.

Once before I'd seen Smith make a misjudgment of the identical character. I think he wanted to go on the record in a way in which he would sort of bear the burden of the world for the President or something, and against my advice then--it was a trade control matter--he had me go up and give a god-damn letter to Jake Javits and some other people to defend this action. I said, "Look, I want you to know about it because you're the boss, but I don't think we should do anything. We'll never really win. Mr. Mundt will say something and that will be the end of it." He insisted. He wanted to bear the white man's burden or something, so instead of having practically no noise, Jake Javits, having nothing else to do walked up, and insisted on introducing it into the record. Even that didn't make much noise. But the point was it could have been utterly quiet but there was his instinct, very well motivated and sincere. Secretary Smith wants to help the President and is prepared to bear the political brickbats for the President. Here were brickbats which need never have arisen!

And the same thing has happened in this case. So our effort since then has been to try and--in part it's all fake. The Secretary didn't know one god-damned thing about the trade zone or didn't at the time, and the guys down here don't know very much about it either. The people who do the work do it in a kind of orderly way. They are neither speeded up nor slowed down unless you sort of grab hold of them by the neck and tell them to do it. So I think the net of this is that he speeded up the process somewhat. Poor Engleberg nearly killed himself over Christmas Day. It's lucky he's not a Christian.

But I don't think the events would be much different if the Secretary had never issued that press release, except that we wouldn't have had Senator McIntyre's investigatory committee. We wouldn't have had Senator Muskie making all these speeches. We wouldn't have had Senator Kennedy on our neck, and we wouldn't have the hint that Smith might be bought by the oil industry, which is not true, I'm sure, you know in terms of the man. Now he has oil stock in that blind trust, I gather. But the point is all these sorts of things, to some at least, leave some cloud over a man who is really a man of great integrity. They have been stirred by an injudicious decision to say something and by an even more injudicious way of saying it.

In fact, I think the people from New England have got much more than they could reasonably expect in terms of speed there. It's moved along, I think, as fast or faster than almost any trade zone case that's ever come along. For example, the average time lapse from examiner's report to date of grant is five months. If you take everything from the day they passed the trade zone law to date. We've had the examiners report and within four days we had a meeting of the committee of alternates, which is the recommendatory body, and by the fifth day I called for a vote and cast my vote. I did it in an unusual way, by a letter. The main reason being that that was my last day in office. I am no longer an assistant secretary. I just thought well, "I'm ready to vote. I cannot vote and let it drift on, or I can vote." If I called a meeting, and I knew the Treasury was not satisfied with two or three points which I don't have any trouble with, if I called a meeting we'd just have a no action and that would be the end of the thing, and the people were sure about it--but if I voted in writing

and asked them to cast their votes in turn--I know the Army will vote yes, because I talked to him on the phone. He says he'd send it over, but he wouldn't vote over the weekend, he'd vote in the next business day. I don't know what Treasury's going to do. At least it gives them the freedom to vote whenever they feel that they've adequately worked through the problems that's bothering them.

Now to my distress Senator McIntyre promptly becomes aware of everything that goes on in the semi-judicial process. Once it becomes a public thing it just ends up with a divide-and-conquer thing, when you have the loud voice of the Hill. That's not a very good result. I think then on balance, New England is more exercised than facts warrant but that a good deal of their distress stems from our failure, primarily, in that particular press release, to make our case sensibly. I don't know where it'll go from now, but I think McIntyre's technique--I was up there talking to him January 3. I'm sure his technique is going to be to make it as tough for the outgoing people as he can so that the people who come in office will be under the maximum pressure and presumably he'll have the maximum hope that he can get this pushed through. Part of that is the Wally Hickie controversy--

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