

INTERVIEW I

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INTERVIEWEE: CHARLES L. SCHULTZE
INTERVIEWER: DAVID McCOMB
PLACE: Dr. Schultze's office in Brookings Institution,
Washington, D.C.

Tape 1 of 2

M: This is an interview with Dr. Charles L. Schultze who is a senior fellow at Brookings Institution.

First of all, I would like to know something about your background, where you were born, when, where did you get your education?

S: I was born in Alexandria, Virginia. B.A. and M.A. in Georgetown University in Washington.

M: Major in?

S: Majored in economics, M.A. in 1950, Ph.D. much later, ten years later at the University of Maryland, gotten part-time while working at the Council of Economic Advisers.

M: And your Ph.D. also in economics?

S: In economics, right. I spent most of my working life in government with various government agencies, but primarily a long stretch from 1952 through 1958 as a staff member with the Council of Economic Advisers. I left in 1958 to go to Indiana University as lecturer and then associate professor in economics. I came

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back to this area in 1961 as professor of economics at the University of Maryland, in September, 1962, went to the Bureau of Budget as assistant director. I stayed as assistant director through January, 1965 and left to go back to the University of Maryland. In June of 1965 I became director of the Budget and stayed there until roughly February 1, 1968, came then to Brookings Institution and also teach on a part-time basis at the University of Maryland.

M: How did you happen to go to work for the Council of Economic Advisers back in 1952?

S: Well, I had been working for about a year with the Office of Price Stabilization during the Korean War and one of the staff members on the Council of Economic Advisers was closely involved in and kept some supervision over the economic affairs of the Office of Price Stabilization. I met him and he in turn, after about a year, suggested that I come to the council. So I was a year at the Office of Price Stabilization, and then came over to the council. Actually, a little more precisely what happened, I was there for a year, the last year of the Truman Administration. When the Eisenhower Administration came in, with very few exceptions, all of the staff of the council were let go. I then spent a year with a private trade association and came back to the council. So to be precise I didn't have an uninterrupted stretch at the council.

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M: What kind of work did you do with the council?

S: Well, it varied since I was there for so long. I started out kind of as a junior man Friday on a lot of things, ended up primarily concerned with matters of prices and inflation, but worked more generally in areas of forecasting overall economic outlook, concentrating heavily on prices, wages, inflation, this sort of problem.

M: Compared to the Kennedy-Johnson Administration, can you give me some idea how much Eisenhower paid attention to the council?

S: That's very hard to tell for two reasons. In the first place, at least for me personally, maybe to give you a little bit of an idea which admittedly is word of mouth, I got a different view of the government process under Kennedy-Johnson for two reasons: a) I was at a substantially higher position and you get a different outlook on life than you get from a worm's-eye view. And secondly, it turned out, I think this is fair to say, that the staff on the Council of Economic Advisers during the Kennedy-Johnson era were more fully a part of policy formulation as staff. By that I mean they tended to know more of what was going on whereas at least the impression I got was during the Eisenhower years under the two chairmen of the council at that time, the staff was more likely to be in the dark about the precise policy recommendation of their superiors and how they were treated in the administration and exactly who struck John and who was arguing for what. I think the staff in later years were

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more likely to know what was going on than the staff in earlier years. So while you got some idea of what was going on, it was fairly difficult to know exactly what all the inner struggles were for a staff member in the earlier years.

M: You're also perhaps in a position to answer a general question. In the sixties there was a great deal of talk about the so-called new economics applied to government.

S: Right.

M: Is the new economics really new in government, compared to the old one?

S: Well, it is enough new in matter of degree to make it fair to say it's probably new in matter of kind. It wasn't a 180 degree transition. I think there are two points one could make with respect to this. First, I would say that, at least as far as the Council of Economic Advisers was concerned, in the Eisenhower Administration it was heavily concerned with business cycles and economic stability in the economy. By that I mean that once the economy had been through a recession and started to turn up again, the earlier council would tend to think that this was in and of itself kind of a sign of success, that you were moving up. In other words, success was gauged as to whether you are moving up or moving down, whereas in the later council, you were more likely to gauge the economy by comparing where it was, whether moving up or down, with where it ought to be at some kind of full

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employment growth target.

Now, for example, both in 1959 and to a lesser extent in 1955, both years in which the economy was recovering from a prior recession, major arguments were used against any kind of stimulating economic policy on grounds that while we are already recovering, we don't need it. Whereas, one of the major hallmarks of the Kennedy-Johnson era, particularly the earlier Kennedy years when you were coming up from a recession, was that even if you were moving up, if it didn't look as if you were going to get to full employment you still might need stimulating economic policy. So the criteria for judging success was somewhat more ambitious in the latter period. That's one difference, judging the economy against full employment rather than judging it simply in terms of the direction of movement. And it is not an absolute distinction, but kind of a flavor.

Second proposition is, one, that it was just easier in the Kennedy-Johnson years to conduct an intelligent debate about fiscal policy from a national standpoint. I mean, there was a lot of educational work done and less of a tendency to consider a deficit, per se, bad. [There was] more sophistication, it seemed to me, in general discussions. Now I don't particularly attribute this to a lack of sophistication on the part of the economic advisers of President Eisenhower, but rather there was a lot more educational work done in the Kennedy-Johnson Administration on this, so you could conduct a better public

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debate and not feel like some sort of a leper in terms of talking of budget deficits when necessary. And secondly, with respect to economic policy the members of the Kennedy-Johnson Administration who were not on the Council of Economic Advisers tended to be certainly more liberal and somewhat more professional in their attitudes towards overall economic policy.

So the new economics was really a combination of the first point about the criterion you use, and, secondly, it isn't so much that new economics was quite that new, but it was much more a part of the general philosophy of the administration, rather than simply being something that a few of the professional men on the Council of Economic Advisers were peddling.

M: How was it that you came back to the Bureau of the Budget in 1962?

S: Let's see if I can recollect this exactly. I was at Indiana University when the Kennedy Administration came in. Dave Bell became budget director. My recollection is, although I didn't know Bell personally at the time, he was a good friend of two other people at Indiana, and he passed the word that he would like an assistant director from one of the three of us. This was Bob Turner, who actually became an assistant director; John Lewis, who later became a member of the Council of Economic Advisers and then later head of the AID mission in India, and myself. And so Turner, Lewis and I sat down and agreed Turner ought to have it first, and he went down as assistant director from January 1961 through September 1962. He decided he wanted to go back to

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Indiana and asked me to come as his--he and Dave Bell asked me to come as his successor.

M: Did you ever record for the Kennedy oral history project a tape?

S: I did not. No, I did not.

M: Well, if you had then we might be able to skip through some things. I wanted to clear up that point.

S: As you can see, I was there when Kennedy was there for a year and two months.

M: Was the so-called Troika operating by that time?

S: Yes. It started very early in the Kennedy Administration. I don't know the exact time, but it was operating full-blown, and both its informal and formal parts were going when I got there.

M: Did you get in on the operation of the Troika?

S: Yes, when I was at the bureau as assistant director, one of my chief responsibilities was [being] the bureau's. what we call second level representative, on the Troika. The Troika was a threefold institution in two different ways. First, it had three agencies: Council of Economic Advisers, Budget Bureau, and Treasury. But secondly, it had three levels: a staff level, which continually met; a second level at the assistant secretary, assistant budget director, member of the council level; and thirdly, the principals--secretary, budget director, and chairman. And I was the second level bureau representative.

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M: Did you work or did you specialize in a certain area, such as the domestic economy?

S: Yes. All the way through when I was assistant director, it was in the domestic area. Now in the Budget Bureau, the assistant directors normally--things have changed a little bit--do not have line responsibility, so that what really happens is that each assistant director takes a general area and within that will specialize in part according to need and in part according to his own tastes, taking on projects. I happened to be interested in a number of areas and spent a lot of time on those, but there is no division of the bureau's work into so many segments over each of which stands an assistant director. That is not the way it is done.

M: Did you work on that tax cut proposal?

S: Yes. I am trying to recall. As you may remember, there was a lot of debate within the administration at an earlier period--by earlier period I mean in 1961 and 1962--on whether there should be a tax cut at that time. And my general recollection is that about the summer of 1962, just before I got there, President Kennedy had finally decided on the one hand not to go for a tax cut in 1962, at least except for the investment credit. But I think by maybe the mid-summer or late summer, certainly by early fall, it had been agreed that in 1963 the administration would submit not a temporary tax cut, but a permanent long term tax cut cum reform. I can't give the exact time of that decision, but my recollection is that it

was more or less accepted within the inner circles of the administration by the summer of 1962 that there would be such a proposal in 1963.

M: Did you have any contact with the Hill about this?

S: No, I did not at that stage, not on this matter. I had no contact with the Hill.

M: There has been a great deal said about Heller and others, in effect, educating John F. Kennedy and later Lyndon Johnson about economic policy. Is there any truth in that?

S: As far as I know there is a good bit of truth in it. You know, the term educate in some sense, when you are talking of a president, sounds condescending and the education primarily came, I certainly know in the case of Lyndon Johnson, not in anybody attempting to lay out formal principles, but in hour after hour of discussion on specific policy matters. Walter Heller, with respect to Kennedy, did a good bit of it in that way. In addition, I think there was an awful lot that went into that Yale speech of Kennedy's in 1962, I think it was. This was a combination, simultaneously almost, of getting to the President on the one hand and simultaneously having the President get to the nation with some important basic principles and precepts. In the case of Lyndon Johnson, I don't recall any. There was no such Yale-type speech around which to write something like this, but there was a continuing process of discussion and of mutual education.

I am reminded of a classic story that Walter Heller tells about Kennedy with respect to that Yale speech. About a year after the Yale speech had been given, Heller went to Kennedy with a proposal to make another such speech, a fundamental economic speech written in the myth-shattering sort of tradition, and Kennedy made the point, "Well, hell, I just made one of those speeches a year ago." And Heller's point was, "Yes, but you know that was a year ago and the economists are dissatisfied that you haven't yet come up with a tax cut and it would really help with the economics profession if you would give such a speech." Kennedy is reputed to have turned to Walter and said, "Walter, the problem with you damned economists is once you're bought, you don't stay bought."

M: Did you have anything to do with the steel price rise?

S: No, I did not. My predecessor at the bureau, Kermit Gordon, while he was at the council was heavily involved, but I was not.

M: This might well be council work, but did you get involved in setting up any of the guidelines or anything of that nature?

S: No, except in reviewing some of the documents. I did some consulting for the council before I came into the bureau and was peripherally involved in that, and then at a later stage involved a little more than peripherally, but not much more in terms of refinements and modifications and so on and so forth.

M: Were you required during the Kennedy years to have some contact

with congressmen on economic policy?

S: I did very little of that. The only one I remember was, let's see, during the Johnson years. As assistant budget director I had not very much contact with the Congress except on one or two specialized areas. I did not carry the ball in trying to sell any of this. I was up, it seems to me, on testimony once when Kermit Gordon, for reasons at the moment I don't remember, couldn't make it. I had relatively sporadic contacts with individual congressmen, but was not really involved heavily in selling that program.

M: How about with the departments, the executive departments, such as HEW?

S: Again you are going back to the Kennedy years?

M: Yes, in the Kennedy years.

S: Do you mean with respect to the tax cut or with respect to matters in general?

M: Matters in general.

S: Oh, sure. As assistant budget director you do a lot of the negotiating on either budgetary matters or program matters and/or new legislation. For example, the Appalachia program.

M: Right.

S: I got heavily involved in that. The EDA program, the economic development, depressed areas, agriculture, transportation, those areas, yes.

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M: This is kind of a shadowy area at least as far as the lay public is concerned, since you never know exactly what the Bureau of the Budget is doing behind the scenes. In the operations, say, on the Appalachian area development that you were in on--

S: Right.

M: --how did this evolve?

S: Let me first warn any reader or listener that I tend to have a poor memory for details, so I will try to do the best I can.

M: Let me say, if it will make you feel better, that any researcher will also have written documents to support this.

S: Right. I don't honestly remember the initial start, say, of the Appalachia. It came obviously out of Kennedy's trip through the West Virginia and the Appalachian Regional Commission, I think it was called. Franklin Roosevelt, Jr. was the head of it, then I think either assistant or under secretary of commerce. And in effect they came up with a report and set of recommendations for an Appalachian Regional Commission.

M: Were you working with them all along?

S: I think when I came in it was already well under way, but it wasn't long after I came in that I began to work with them. Essentially, to cut through a lot of detail, that commission's recommendations were turned into legislative proposals. At some stages of it, since a number of different agencies and programs were involved--Highways, Agriculture, Interior, and so on,

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Corps of Engineers--there were, I remember, large meetings in the White House chaired by [Theodore] Sorensen on trying to boil this thing down into some kind of a program, and then a number of much smaller meetings, primarily between Lee White, then a White House assistant, Roosevelt, and his assistant John Sweeney, who later became federal co-chairman for Appalachia, and myself. An awful lot of it was really decided in those meetings. The nature of the highway program, for example, in Appalachia was decided at those smaller meetings. Some of this got to be fairly-- what is the word I want?--tough sessions in terms of how large a separate authority should the commission have.

The bureau itself has its own institutional biases, primarily in the direction of maintaining the power of the presidency. All through the time I was assistant director and director there was a running set of negotiations, if you will, between the bureau on the one hand and both Appalachia and the later regional commissions with respect to the status of the federal representatives on those commissions and the relationship to the President, as to who would supervise them, what role would they play relative to the President, what kind of supervision would be exercised. The regional commission approach has very many merits. It also poses relatively sticky problems for maintaining presidential authority because of the relatively independent status of the federal representatives on the commission. As things turned out I think it worked out fairly

well, but there was an evolving set of negotiations both in setting up Appalachia and the other regional commissions, on how this ought to be done. The bureau kind of tended to play to some extent the s.o.b. in this case, in part trying to protect the presidential power.

M: Were you also concerned about budgetary matters?

S: Yes. Yes.

M: How much money is spent, or what?

S: Well, a combination. Let's see. I mean, there tended to be kind of a philosophical, almost, controversy between the Appalachia people and the bureau in the early stages in which the bureau tended to play down the importance of bricks and mortar and play up the importance of investments in education and training. As a consequence, both for budgetary reasons, but also I think for reasons of emphasis, we did have a good bit of back and forth as to how big that highway program ought to be, which was the big building part of this. It is hard for me to sort out at the moment how much this was a budgetary problem and how much it was a kind of a difference in emphasis on what was more important, investment in roads or investment in, say, training and education. And I'm not sure I can now sort out the. . . .

M: This statement about protecting the power of the President is intriguing. If they set up a regional director, you mentioned that this would diminish the power of the President.

S: Well, it takes a little bit longer explanation because another thread has to be brought in, or several threads. The Appalachian regional approach very heavily involved new substantive legislative authorities with separate special budgets for Appalachia, whose spending in turn would be allocated and determined by a commission composed of the governors and a federal representative. At the same time as later commissions were set up, the Bureau of the Budget fought heavily to have those commissions not become a lobby for new, separate special legislation, but a means for planning, coordinating, and channeling existing federal investment in the area. That is one set of strings. Second set of considerations: the senators and congressmen from the states involved wanted the federal co-chairmen, as the name is called, for each of these regions to be independent of any existing federal agency, and, for example, gave those federal co-chairmen assistant secretary rank and status. Now it is quite natural to understand why they would want this. On the other hand, if you look at it now from the bureau's standpoint it meant that independent of any federal agency, they were really independent of everybody, because it is clear the President is not going to be able to supervise the activities of what, in the grand scale of things, are four or five or six, relatively, guys low down the totem pole in this vast federal bureaucracy. And so, in effect, they are independent.

Now, Appalachia, as the initial one, was separate enough and special enough that this didn't really pose a problem. But

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as it came to be duplicated in other areas, on one hand you had the precedent of Appalachia's regional co-chairmen being independent and no other region wanting therefore to accept supervision by a cabinet officer, and the bureau at the same time looking down the road at the real proliferation of these, hopefully with real power--hopefully, I say--to force coordination among federal departments in the use of federal investments in these area, but at the same time not wanting to give them real power unless it were subject to some kind of meaningful control.

Now what finally evolved was a process by which, Appalachia always being a little special, the federal co-chairmen were made subject to the Secretary of Commerce. And we finally negotiated out a deal where the Secretary of Commerce would have a special assistant for regional affairs. The problem with this, quite frankly, is that when we were originally doing this, the then existing Secretary of Commerce couldn't have cared less about economic development programs, which made it very difficult. So that even though I think the bureau had the right case from the point of view of governmental structure and presidential authority, admittedly we had a fairly weak case in terms of the actual personalities involved, because of course the people, congressmen and senators representing the region, didn't want the regional co-chairmen to be subject to someone who wouldn't

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fight for their program in terms of appropriations and authority and everything else. So at the time I was at the bureau, this whole business of regional development, regional organization was a five year developing, continuing controversy. When I say controversy, I don't mean necessarily bitter, but just continuing, as to how that would evolve and develop.

M: Did you have much contact with Lyndon Johnson as vice president at this time?

S: No, only once. That was on a meeting I shall never forget in which President Kennedy has asked the then Vice President to head up a committee to take a look at whether or not the federal government should support the development of a supersonic transport, and the Vice President at the time ran that first meeting. Kermit Gordon as director of the budget was representing the bureau; I was there with him. That was a fairly sticky meeting because the Vice President clearly was gung-ho to get the SST moving, and Kermit Gordon was pretty skeptical, and the Vice President was pretty adamant and it got to be fairly sticky.

M: Why did the Vice President want this program?

S: I don't know. I honestly don't know. I'll guess, but admittedly it is a guess, because I don't know the background, that it was, for a vice president, a relatively unique assignment in the sense that it wasn't a coordinating assignment to handle civil rights problems or, as later came about with Humphrey, to deal with the mayors.

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This was a specific program with an assignment almost of an administrative, operational nature, you know, "Pull it together. Get me a recommendation on a specific program." And hence, I suspect that the Vice President wanted to produce, and producing probably meant not producing a document which said, "Well, there are a lot of problems, we ought to study it more," which I think happened to be the case. But nevertheless, the obvious way to produce is to get a document laid on the President's desk saying, "I have gotten all of the agencies to agree. Here is what we are going to do, and here is how to go about it." I think it was a challenge. Now there may have been other things, and I am guessing on this, but it was a little different from what vice presidents normally are given to handle.

M: I have heard about that meeting, that the Vice President sort of went around the table asking for opinions. Is that correct?

S: That's correct, and at one stage the Vice President had pulled out of his pocket a set of conclusions he wanted the meeting to come to, and I say he was kind of bang, bang, bang, "Let's get this meeting done with." When he came around to Kermit, here was a question of kind of throwing a stink bomb into the meeting, and it got a little sticky. To be honest with you, I don't remember much about the substance of it. I think the particular one that raised the problem was what the relative roles of business and government should be, and in particular how tough we should be on negotiating business contributions before we would even go ahead.

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In other words, it was like a poker game, how tough do you want to call them, and maybe will they call you in terms of not putting it up, and in the end that's what a lot of it hinged on. How much could the government get out of the manufacturers as their contribution before they got to the point where they just wouldn't participate, and neither side quite knew what the other's final reservation price was. I mean this is one of the things that was very important, as to what kind of negotiating posture we would have and whether or not we should write a piece of legislation which would simply say, in effect, "We won't go into it unless the companies put up x amount."

M: Did you have any other connection with Lyndon Johnson either while he was vice president or before then?

S: Let me make sure of my answer.

M: Had you met him before?

S: I had not met him before I came to the bureau. Honestly at the moment, I'm not sure whether I had met him before that particular meeting. In any event, I had no formal business contacts with him.

M: Well, then John F. Kennedy was killed and before I get to that point, were you in on anything else in the Kennedy years that might well be spoken about?

S: Oh, yes, let's see.

M: We talked about Appalachia.

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S: Yes, Agriculture. Now it's hard to say anything. This was a continuing process. What had happened, before I got to the bureau several executive decisions had been made under the Price Support Program which turned out after the fact to have had the effect either of significantly raising prices or of significantly raising the budget, and the magnitude of both effects had been surprising. As a consequence, as I understand it, Walter Heller and Dave Bell got the President to send a memo or a directive to the Department of Agriculture saying that no actions would be taken with respect to price supports or related matters without first having them run by the council and the Budget Bureau for a check, and any disagreements either settled, or brought to the President's attention before this step was taken. This in turn, as you can imagine, led to a series of meetings, conferences, problems, showdowns between Agriculture on the one hand, and the council and budget on the other, almost natural enemies in this sense, simply because all of them, doing the job they were supposed to do, had different outlooks on life.

I was involved in this, including several sessions with Kennedy, where these were discussed, in one case I recall with a group of congressmen; I forget the issue. I do recall about two months before the assassination, however, one particular decision was made with respect to a price support program in which I was representing the bureau, [when] for political reasons the President,

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I am fairly sure reluctantly, went along with a measure which would either raise prices or substantially add to the budget. And at the end of the meeting I remember saying to him, "Mr. President, there goes half a billion dollars." And his answer was, in effect, "Damn it, wait until the second term. I will shake this place up like it has never been shook up before."

So we did get involved in Agriculture. Transportation, this Northeast corridor, high speed train, we got involved in that as it developed.

M: Let me interject something. That statement by Kennedy would seem to indicate that he was upset by Agriculture on the whole.

S: In a sense. My view in life is--and every president is because it drains the heck out of his resources on the one hand, and he normally finds that all the political chips are stacked against him on the other to do anything about it. In this particular case, Kennedy on the one hand was quite aware of what the substantive matters were, but he was also aware that 1964 wasn't very far off. Every president runs into this problem. My interpretation of his comment was one that I am sure a lot of presidents have thought, "I won't have to worry about this once I get into my second term." And what little I know about history indicates to me that once you get into your second term you start to think about other things which have the same effect.

M: You were also involved in the development of transportation. Incidentally, was there any thought about that time for starting

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a Department of Transportation?

S: Well, although I can't pin it down, I am sure there had been proposals made sporadically in the past for setting up a Department of Transportation, but the first really formal, well-worked out pitch in this direction that I recall came out of one of the task forces set up in 1964, which would be after this. Now, anybody doing any research in this area ought to check Kennedy's 1962 message to the Congress on transportation and its background. I don't recall that that message recommended a department, but somewhere in the background of the discussions which went on before I got there, there may have been some talk about it. I don't remember. But the first time it really came up was out of a task force recommendation in 1964.

M: Well, you said you got into some transportation programs.

S: Yes, various--for example, the so-called Northeast corridor project, which has now resulted in this high speed train from Washington to New York, was inaugurated in the sense of discussions about it and the federal government's involvement in it [began] in 1963, I believe, Senator [Claiborne] Pell of Rhode Island being a moving force. At some stage we got in Dick Dilworth from Philadelphia as, I think I'm right, a consultant, probably to the White House, pulling together some recommendations.

M: Is that spelled D-I-L-L-W-O-R-T-H? [Correct spelling is Dilworth]

S: Yes, Richard Dilworth, who had been mayor of Philadelphia. And

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again the bureau got involved in what kind of a legislation should we make, and so on and so forth. This took, again I don't know the details, but a good bit of negotiating, and I think in the end of 1963 we finally went up with some legislation. I don't remember the details.

M: In the books written about this period there is a general conclusion that Kennedy was relatively unsuccessful at legislation compared to Lyndon Johnson. Is this true?

S: Well, I think you just have to count and you can see that. That's clear. Now--

M: The question is why?

S: Yes, yes, and here I am not sure I am competent to answer. I think, how does one evaluate this? In effect, you can look at the--what was it?--the 89th Congress, particularly the first session, was just the flood gates opening. There were probably a lot of reasons for this, but clearly one of them was just the massive victory in 1964. Given the same kind of an electoral majority and congressional majority, I don't know how Kennedy would have done. I still suspect he would not have done as well as Johnson, because he didn't quite have the sense of how to do it that Johnson did. In particular one facet of this was kind of never let up. You know, don't assume anything; make sure every possible weapon is brought to bear on getting that legislation passed; keep everybody involved; don't let them slacken, which grew I think out of, I'm guessing, but it grew out of Johnson's years

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in Congress, in which you don't count your chickens before they've hatched. Don't let up; bring a lot of manpower to bear on the problem; use every avenue you know to contact different people. Kennedy was by no means an amateur at this, but his great background, really, in politics had not been in the Senate, but in presidential elections, in organizing for that sort of thing, whereas Johnson had been much more in the Congress. So even under the same conditions, certainly for the first year or so, I suspect Kennedy would not have done as well as Johnson in getting that legislation.

M: All right, is there anything else in the Kennedy years that you might want to talk about?

S: Now, let me see.

M: Appalachia you talked about, the high speed transportation.

S: I am sure there are, but let's see what is worth mentioning.

No, I guess that's it. One general characteristic which attracted me to Kennedy, in one sense--it really isn't terribly relevant but it is just pleasant--is that he used to like, to some extent at least, to split the politics from the substance. [He] enjoyed a debate about the substance, but then could just as easily turn around and coldly look at the politics and say, in effect, "we can or we can't do it," depending on which way it went. But I have a general impression, not having had that much contact with the man, that his mind did tend to work that way. You look at the substance, and then you turn over to the political possibilities. This happens to appeal to the academic mind. It doesn't particularly

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make it an effective way to do things, but it was an academically pleasing way to go about things. Whereas in the case of President Johnson, even though in many cases his decisions either would have been the same or in some cases better, the consideration of the two tended to flow along simultaneously in the discussion and in the considerations. And to a neat, as I say, academic type of mind, that's a little less rewarding although perhaps, a more effective way of doing things.

M: In the preparation of a budget you must have been deeply involved every year. Is that correct?

S: Yes.

M: And your involvement in this would be negotiating with the departments, working out amounts, checking figures, and so forth, or what?

S: Well, now it depends. Are you talking as assistant director, or is this director?

M: As assistant director.

S: Yes, as assistant director, as a general proposition you are more likely to get involved in quite specific either small or large projects or issues rather than, for example, being responsible for negotiating the, say, Agriculture Department budget. An assistant director normally will not get involved in that, but there will be very specific parts of it, or the budget for a particular project, or the program changes which will go with a budget change in a particular area. So that while, yes, as

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assistant director one would get involved in negotiating budgets with a department, that it would be more in terms of very defined specific items that you had been specializing in. Whereas the actual working out of that department's budget comes about through another process, which leads up to the director through the professional civil servants. Now, the assistant directors get heavily involved in all of that, but they're not signing off, even tentatively, on the departments' budgets before it goes to the director.

M: In working out the annual budget, is this also a supervisory tool?

S: Oh, yes, yes, this is ultimately--

M: You are in effect reviewing programs?

S: Sure. Yes. To the extent that you do a good job. Only a certain portion of the darned budget can you cover well. But in any event, to the extent that you do a good job, precisely what you are supposed to be doing is making budget allocations on the basis of what works and what doesn't work, or in the context of linking up budget increases with program improvements, in the context of using the budgetary power as a weapon to get program changes and improvements. And of course without that a lot of the bureau's power would disappear, even when it's never used. A lot of what the bureau does is not really budgetary. A very large part of its work is in oversight, supervision, presidential eyes and ears, and all of this, but behind that that is a means of making it effective, lies that

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crucial budgetary power.

M: Well, is it fair to say that the bureau is the President's chief supervisory agency over the departments?

S: Yes, particularly in the domestic area. Much less so, for all sorts of reasons, in the military-foreign affairs area, although it is to a lesser extent true there also. And secondly, supervisory isn't quite the word; maybe it's a combination supervisory eyes and ears and kind of general staff. It just so happens, you know, the White House staff isn't that large.

M: Right.

S: On the other hand, he can look to the bureau for, say, three hundred professionals, most of whom have spent a good bit of time digging into one program or the other, and hence he can call on the director for, hopefully at least, relatively independent advice when two agencies are in controversy, or when he wants to make sure he is not getting biased advice and the like. It's that fact of having three hundred staff members who for budgetary and other reasons are, in any event, digging into agencies and agency programs. They know where the bodies are buried and so on, and he can turn to the bureau for it. It isn't quite supervision because you have to be fairly careful that cabinet officers don't get the impression the Budget Director is in any sense coming between them and the President. So supervision is a little strong, but a kind of independent staff check is maybe a better word.

M: The budget then is a major tool in this whole area of responsibility?

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S: Yes, either explicit or implicit.

M: At the time of Kennedy's death apparently you were deep in that forthcoming budget and working out the details of it.

S: Right.

M: What was your role at this time?

S: Well, just about what I've described. It was not one which had to do with any kind of overall budgetary function, but it was being involved in all sorts of matters that were then ongoing with respect to programs and budgets, and so on and so forth. You will recall at the time the big tax cut had not yet passed.

M: Right.

S: And of course this was the big central concern, and in turn this fed back on the budget because it was fairly clear that only if the budget were held within certain limits were you likely to get that tax bill passed. Then this is where a lot of the concern went, trying to hold the budget down to a level which . . .

M: What's magic about a hundred billion dollars?

S: Oh, nothing, but, you know, why is 99.5--it turned out to be much lower than that--but in any event why is 99.5 better than 100.2? It is not at all, but, you know, it's that symbolism and this was important. Quite frankly, we would have had a hell of a time getting the budget up to a hundred billion as it finally turned out, in part because that year, if you look back at the numbers, Bob McNamara's cost reduction stuff was finally beginning to pay off,

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and all of a sudden that year, after a number of years of increase, the expenditures in Defense dropped, I think, about three billion. That's after the fact. We weren't sure it was going to drop that far. In fact, we didn't predict it dropping that far. So it didn't look as easy at the time we were trying to keep it under a hundred as it looked after. But, as I say, as it turned out we would have had a hard time getting it up above a hundred even though the President was able to really make a nice point out of the fact that we were holding it below a hundred.

M: I understand that Kermit Gordon went into intensive sessions with Lyndon Johnson immediately after the assassination.

S: Right.

M: Did you have anything to do with that?

S: No, not directly. You know, back-up, but I was not involved in any of the meetings. [He met with] Kermit Gordon and usually, although not always, Elmer Staats, who was the then deputy director. The day after the assassination, Kermit sent a memo to Johnson, a very brief memo saying the bureau can do--I don't remember it exactly--but either three or four things for you: one, budget; two, management; three, general staff work and oversight. I guess really that's it. I mean, you have got three hundred guys here who can do this for you, particularly coming in as a new president, and you are going to immediately be faced with this tax cum budget problem. And the President immediately picked that up.

I don't know the details, but either through his own prior

contacts with the Hill working for Kennedy on getting a tax bill through, [or] later conversations, it became immediately clear to him: first, the tax cut was very important--Heller and Gordon and a lot of people had been working on that--and secondly, however, the only way to get it through was to come in with a tight budget. Now at what stage you've got to come in under a hundred was explicitly formulated by Harry Byrd and some of the other people, I don't know. But it soon became clear to the President that he couldn't do the one without the other, and in turn this led him into these intensive sessions with Gordon in going through agency by agency. Not only that, [but] when he first came in, interestingly enough, I have the impression from talking with Gordon and my own knowledge in a few areas that the President was quite willing to take on a lot of sacred cows. I remember one crack. It was a question of cutting out a couple of atomic reactors at Hanford out in Washington. They weren't needed; they were turning out plutonium we didn't need. It was coming out of our ears, and there was a lot of pitch by the congressional interests involved to keep them going. And I remember Gordon reporting to me that the President at one stage said, "By God, I am not going to make the Atomic Energy Commission a WPA." And there were a number of things like that. He was willing to take on the sacred cows, particularly in those early sessions.

M: This gets us into the Johnson years.

S: Right.

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(Interruption)

M: Well, then Johnson becomes president, and a number of new ideas come forth, mainly out of those 1964 task forces.

S: Right.

M: Were you in on the task forces?

S: Yes.

M: In which ones?

S: Well, there's no use in my going through the background of the task forces is there, how they were set up and all this business?

M: Well, there is--

S: Have you pretty well been through that?

M: Well, I have information on that but every viewpoint is worthwhile.

S: Well, then again, mine is maybe faulty and can be obviously checked elsewhere. Really, Kermit Gordon, Walter Heller, and Bill Moyers-- which of the three first I don't know; it may have been Kermit but I'm not sure--sometime in maybe early summer, again I'm fuzzy on time, of 1964, looking toward both the campaign and probably more importantly the great likelihood even at the time of the President being re-elected, and the need for a Johnson program, and the fact, finally, we had the tax cut through so kind of you could assume for the moment the overall economy would be moving well and therefore we wanted to go now look at the program, began to think about how you organize for this. Secondly, faced with the historical experience that if you simply asked the agencies of the federal government for

their suggestions as to legislation, which had been a typical procedure--kind of government by selection and veto power, where they bubble up and the White House picks and chooses--[they] decided that this time it would be much better to exercise a direct and heavy White House initiative rather than just getting what bubbled up. Because what bubbled up tended to be relatively marginal, you know, either marginal improvements in programs or something people have been trying to get for twenty years, and they keep pushing it forward each year, this sort of thing. How do you take a whole fresh look at it?

[They] decided that we ought to think about doing it through the task force route. I recall one evening sometime, I think, in either late spring or early summer, a major session at the bureau with Gordon, Heller, very probably the other council members, Moyers, myself, maybe four or five other people including some White House people, in effect deciding on the task force approach, tentatively laying out the areas we wanted to hit. Then different people participated and were involved, but gradually working out over the next several weeks a list of areas, a charter, getting names and so on.

As it ended up, I got heavily involved in one which at that time didn't turn out much. It was an income maintenance task force, but [I was] peripherally involved in a lot of them. The most successful one--well, there were two good ones, particularly. There were a lot of good ones, but two in particular, I remember. One was the education one out of which came the Elementary and Secondary Education Act and this one in turn owed, I think, its success to two people, John Gardner and

a Budget Bureau staff member named Bill Cannon--

M: C-A-N-N-O-N?

S: C-A-N-N-O-N, who is now vice president or some high rank at the University of Chicago--both of whom really ended up putting together a package which was fairly close to the ultimate legislation, primarily of a nature which got around the parochial school issue and attracted all kind of support which in prior suggestions in legislative proposals had been at each other's throat. And that was the key on that one.

The second one was a task force headed up by Don Price, Harvard, in which Kermit Gordon himself spent a lot of time. Wait, was it headed up by Price or was it headed up by Gene Foley? It was headed up by Price, but Gene Foley was very active. Gene Foley at the time, was at Commerce, then went as head of SBA. But, in any event, this was the one on government organization, which came up with a number of suggestions. I don't think any of them were actually used that year, but it became a good background. A lot of stuff came out of it for later years. The Department of Transportation was really laid out in that task force report, for example, and it became a good document for a lot of improvements that were carried on in later stages.

There were other good task forces, but those were the two I remember as being particularly good. The thing I want to stress about that [is] it started something which, like a lot of reforms, eventually was overdone. Nevertheless, it started, I think for the first time, a real heavy White House involvement in initiating legislative proposals, initiating a legislative program, as opposed to, kind of as I said

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earlier, government by veto and selection of what bubbles up from below. And this was all to the good. Now, in later years it got a little extreme. Nevertheless, the basic thrust I think was good then.

M: Yes. The task force idea itself was not completely new, was it? Hadn't there been special committees and so forth?

S: Oh, sure, but you remember the key thing [was] that it was not just a task force--

M: Right.

S: --but looking across the board, breaking the whole area of domestic economic policy up into meaningful chunks and assigning a task force to each.

M: Yes. The comprehensive nature--

S: That's right. I haven't done enough research to say it was unique, but I think it was.

M: Is it also significant that in those task forces they brought in a lot of outside people?

S: Well, this is the point. Yes, very heavily outside people. In later years it varied substantially. By that I mean we continued the same process every year thereafter, as a matter of fact, to some extent formalized it. But my own view is that first set of task forces, as a group, was the best. There were a few specific ones later on which turned out to do very good work, but as a general overview I would say that first group was the best. The

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ones later, many of them then tended, for example, to be just in-house task forces, but not all of them. But there was a long process that developed each year. For example, in 1965 I remember before I came back into the bureau I did this. Several of us took on the chore in 1965, 1966 and I guess in 1967, of doing a preliminary preparation job for the new set of task forces by spending two to three weeks in reviewing earlier task force recommendations which had not been accepted, looking at ideas that were kicking around and drawing up a document, in the later years primarily for Califano, which kind of laid out the major areas yet to be hit and some of the major ideas to be examined in each area. Then we would present to Califano a menu and a suggested organizational breakdown out of which we would then go ahead and appoint task forces.

M: So the task force in general was a very effective tool for ideas?

S: Yes. Quite frankly, I think finally it got overdone. You don't have to be comprehensive every year. The task force idea basically is a very good one, but 1964, 1965, 1966, 1967, I wasn't there, but also I suspect 1968 to a much lesser extent, you know, a practically comprehensive set of task forces every year finally got you to the point where you are replowing the same ground in many cases. But the basic concept is good.

M: There is an old cliché that says a camel looks like something put together by a committee.

S: Yes.

M: Now in the case of these task forces, such as this education task

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force which you worked intimately with, these would come out with seemingly well-balanced recommendations. How can you do that when there is this idea that committee work involves an awkward conglomerate of ideas?

S: Well, there is going to be a committee job in which you are balancing interests.

M: Did you have majority and minority reports?

S: Generally, no. I am fumbling for a couple of criteria for setting up a task force. Generally, when it is a balancing of interests and primarily a committee on which, for example, various government departments are there to represent their own interests, you'll get a lowest common denominator. There are the exceptional occasions where you know darn well what you want to do, and a task force simply becomes a means of dragooning people into accepting it, so that does occasionally work. But where you can get a task force primarily composed of outside people who don't have too many axes to grind sprinkled with some realists from inside, in which everybody has got some common sense, that they're not about to propose revolutionizing the world, is where you normally will get your better ideas. It is explicitly designed not to be representational. But, also, you pick people with kind of a combination of, hopefully, objectivity, intelligence and realism. You get, as I say, for example, a Don Price from Harvard. Well, he knows what the world is like and he is not about to come out with useless windmill-tilting. It is the blend of, as I say, intelligence, objectivity and realism which helps.

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Then sometimes, also, you get a situation where an idea's time has come and all it needs is somebody to come up with the key to unlock it. I think aid to education was that case. What it needed was not, on the one hand, a balancing of all these different interests so you'd get a watered-down report, but the Gardner-Cannon bit was really the particular way of designing the program to unlock that parochial school issue, to unlock the federal control problem, and come up with a very ingeniously worked out set of programs which could attract all those forces. So there was a kind of political ingenuity really. I don't think there was anything new. There were no major new educational ideas incorporated in that, but it was the political breakthrough of, as I say, unlocking these keys, and it was an idea whose time had come anyway.

I don't know whether I can generalize any more about it, but some of those task forces worked and some didn't, and I think the kind of things I have said tend to be what made them work and what made others not work.

M: Did you, after you got into the Johnson years, work then in getting that tax cut through in the Congress in 1964?

S: Again, you may recall, it was passed while I was still assistant director. No, basically no. I did testify once before the Joint Economic Committee on it. I don't even remember the occasion or why I was testifying instead of Kermit Gordon. He may have been sick or something.

M: Did you work on the Medicare program?

S: No. No, I did not.

M: Did you get in on the formation of OEO?

S: Yes, heavily. Let me back up, and maybe some of this is repetition.

I would say the basic germ of this came probably from two places, maybe others. One, in 1963 with the tax bill submitted and with some hope of its passage, Walter Heller then was looking for new worlds to conquer and quite clearly saw the point that, hopefully we had got the economy on the road to full employment for the economy as a whole. Well, now, where is the next big area of economic need? He started it that way. Clearly, it's the pockets of poverty in the midst of what is hopefully affluence. And he got to the President saying, "Look, the next logical step in this, since we have gone after the aggregate economy, is to find ways of going after the pockets of poverty, not in the depressed area sense of rural areas which you can bypass, or not solely them, but rather just poor people who full employment will help in part but won't fully cure." That's one. I suspect Michael Harrington's book on poverty got a lot of stir. Kennedy had read it, and it impressed him, and finally, Kennedy's own, as I had mentioned earlier, trips through West Virginia and some of the other poverty areas [had impressed him]. I also think there was just the beginnings, at least, of the recognition on the part of the civil rights people that legal remedies were not going to be enough, just the beginning glimmerings of that. All of these came

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together, but I think it was Walter Heller who probably first put the idea in Kennedy's head.

Then, that having been done, I don't remember all the background, but a lot of ideas [were] kicking around, staff task forces and the like, not outside task forces. And finally, either just before or just after--no, it was after the assassination at some stage. Yes, because I remember the stuff they used to carry over to President Johnson at the time--President Johnson also agreed with this approach and agreed that he was going to seize hold of this and would have some kind of a legislative program relating to the problem of poverty. Again, three of us: Bill Cannon, whom I mentioned earlier; Bill Capron, who was an assistant budget director at the time--no, I am sorry--a member of the staff of the Council of Economic Advisers at the time, who is now here at Brookings, and I, interestingly enough, wrote about a thirty-five page draft poverty message for the President in a number of sessions after winnowing through a lot of suggestions from agencies. Walter Heller, I think, had run this interagency task force and suggestions had come in, all kinds.

M: Do you actually ask for suggestions?

S: Yes.

M: You send out a memo?

S: Heller--I'm almost sure I'm right--had run this task force. I don't know whether he had sent out a memo or what it was, but there had been a group working on putting together a legislative program on poverty, "What do you do?" and all sorts of suggestions had come

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through. We just had stacks of them from the various agencies.

M: And you would send these out to agencies and Health, Education, and Welfare?

S: That's right.

M: Anybody that might have an interest in it?

S: Well, yes. That's where I am a little fuzzy because I got into the act about halfway through.

M: I see, but the ideas were coming in?

S: That's right. Full of different ideas and propositions. By some route that I don't remember, the three of us in effect, two of us from the bureau and one from CEA, finally put it all together and got something out of it, and we wrote a poverty message. Just about the time we finished it there were different ideas and primarily, interestingly enough, the whole thrust of this message was the community action program. That was the big thrust. It did not have Job Corps, Neighborhood Youth Corps, all the rest.

M: But the idea for community action was in your report?

S: It was in here, gotten in turn from the Ford Foundation's program in several cities where they had done--New Haven was a case in point. I remember we had a meeting with Gil Vasocer [?] and some of the Ford Foundation people at an earlier stage in this, and Cannon was very heavily impressed with this.

We also had the problem--you may recall at the time, this was also the year in which, if I remember right, we had this budget squeeze

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to keep below a hundred billion, so we had to write something which wasn't going to take much dough the first year anyway. We were also terribly impressed by the fact that there was a heck of a lot of things going on and no way of pulling them together. You had public housing; you had manpower training programs already going; you had welfare already going; you had public health; you had children's clinics, all of this, and we were terribly impressed by testimony from everybody that it was just uncoordinated, not used. There were a lot of things you wanted to do where you only needed a little bit more money, but the laws wouldn't allow you to spend them except in certain rigid ways. So you needed what we used to call glue money. And out of this came, as I say, a kind of a thirty-five page document.

Sometime just about simultaneous with this the President appointed Sarge Shriver. Sarge collected around him a crew of people from both in and out of government, very bright guys, you know the background I'm sure. And quite properly, he didn't want to go up with a program that had been dreamed up when he wasn't there. I would say the major thing Sarge did, initially, while he kept this basic community action thrust, he then argued that, "This is long-term if it is going to work. I need some short term pay-offs; I need something much more visible." This is, at least as we initially conceived it, primarily a role of planning, coordination, pulling stuff together, and the local participation bit, but didn't have either big money or big operating, easily identifiable operating [costs.]

So out of this then grew Sarge's point in which he picked up what was floating around the Hill in various forms, the Job Corps. I think Hubert Humphrey had a bill on for a conservation corps type-- put that together into the Job Corps [and] they added the Neighborhood Youth Corps for kids in the city who live at home and work. To appease other areas, they added some, if you'll pardon the expression, agricultural loan programs, all sorts of things like this, and picked up bits and pieces and put them together and that became the poverty program.

As a matter of fact, you know, we had got into a problem. We were trying to, quite frankly, push hard on the community action as the key part of it. Sarge was perfectly acceptable to this except he didn't want it as the central part. He wanted to get a more comprehensive program. I forget the date by which that was finally put together with Sarge and his group. I don't know when we sent it up. It may have been April or something like that, I forget the time. But that's what I remember of it.

M: Did you struggle with the problem of organization on a local level in relation to the federal government? I mean how do you organize something, to pull together a bunch of programs and make contact?

S: Well, the idea of this was to--first, we never solved that. You start out by saying that problem has never been solved, not only with relation to poverty, but with relation to a lot of other things of the federal government in the city. I think there are ways to solve it, but in any event it hasn't [been done.]

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M: Yes.

S: These are relatively, almost, untouched fields. We tried all kind of different solutions.

M: You thought about this?

S: Oh, God, yes. The idea here was originally to give, interestingly enough, if I remember it correctly, first the mayor a charter and some glue money. Now by that I mean some money where he could attract the stuff in. You know, "Here, I have got the dough to fill your program out." You can't do certain things under the terms of the regular federal grant-in-aid. But put this into a comprehensive package, and I've got a grant of twenty million bucks that we can fill in the cracks and everything else here. And, secondly, the community participation, which I am somewhat fuzzy on, but in the early stages this, as I remember, was a combination of two things. It was literally getting community participation, but quite frankly my recollection of that was this was participation not control except in areas where we were darn sure that--some of the areas of the South--the establishment wouldn't let you set up anything. Therefore the law was written so that as a matter of fact you could have non-governmental organizations running it.

Now, as it turned out, in the whole process of community action the separateness of the community group, the fact that it is separate from the local establishment, became much more dominating, at least as I remember it, than the early concept where there was participation, but still thinking heavily in areas where [it] was

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possible [to] work through the local political authority. But the law [was] clearly written to allow you to have separate groups primarily when, as I say, we were thinking of the South. Now, as it turned out that became much more dominant.

M: You are thinking of terms of using the mayor as your principal man of authority and responsibility?

S: Yes, but with the requirement that he in turn involve the community, literally bring onto the board representatives of the poor. But nevertheless we thought of this as still under the mayor's central control. However, with the clear understanding that in some cases that wouldn't be possible.

M: Apparently this same sort of problem has come up in HUD programs such as Model Cities.

S: Yes, that's right.

M: What can be done to solve the problem?

S: Well, I think there are some things that can be done to help it. In the first place, I think you've got to face up to the fact that there is no such thing as a federal government outside of Washington. There are fifty different independent baronies. (Interruption) To oversimplify it, you have got to do two things, I think, both of which would be terribly difficult: one, put a representative of the Executive Office of the President out in the field, having regional structure for the federal government.

M: Can you protect the power of the presidency this way?

S: Yes, because it would--that's the point--I think it would come

directly up either to a separate office or through the bureau, in which these guys--you know, it depends on the institution you put them in, but their whole design in life would precisely be protecting the power of the President, because they would report right in through his executive office and not be independent. In other words, he would not appoint one guy for each region each independently reporting right to him. You've got to put him into an institution--

M: I see.

S: --to protect him. I think that could be done. Secondly, regional budgets. By that I mean there is no reason why you couldn't--with some trouble, but with today's computers you could do it--make it possible for a mayor, for example, to have laid out in front of him, in effect, "Here are the grant-in-aid and investment projects that we are planning for your community for the coming year. Up to some amount you may trade them off. You may give up a marginal flood control project for a hospital. You may elect to put 20 per cent more in this program and take 10 per cent out of that, so long as you stay within the total." So a combination of somebody out there to mediate, to reserve budget funds.

One of the problems with Model Cities is a large part of that program depends upon grants-in-aid coming in from other communities. The budgets for each of those programs is made up nationally on a functional basis, and may or may not fit the local circumstance. So I personally think you'll never get around this problem, you'll just go on generating--you know, the poverty program was supposed to do

it. Model Cities; HUD has some kind of so-called convener authority. Agriculture is supposed to be taking the lead out in the rural areas, but they and HUD get in conflict over Until you get somebody who represents the presidency, you can't quite issue orders, but [you] can at least get them together and say, "I want a decision by 'X' date or I am taking it back to Washington."

Secondly, having some kind of a regional budget so the local [authority], the mayor, the governor--you would have to split this up depending on who it is--could pick and choose within some limits. Then you might be able to do it. But simply having individual agencies trying to coordinate other agencies who are their peers won't work, particularly when you have many agencies in which the agency itself doesn't have anybody who can make a decision. The individual bureaus directly report to Washington and can bypass a relatively weak agency regional representative. Now we have played with all sorts of easy ways around this and that has led, I wouldn't say to chaos, but at least it sure doesn't work very well.

Now, the problem with this, of course, is that you immediately begin to cut that very important link between congressional subcommittees and operating bureaus once you do this. Congressional subcommittees, ranking members, staff, everybody else, help run the agency because they have got these contacts with the bureaus in Washington who make all the decisions. Now, put those decisions out

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into the field and let the mayor and the governor have a voice in whether the flood control project goes in or not, or whether they want a hospital rather than this, and you immediately run into terrible problems with your substantive committees. Because the public works subcommittee, the last thing they want is some mayor pulling that project out and taking a hospital instead. So while I think I know what ought to be done, I'll be damned if I know how to get that.

M: Well, you went through all of this problem then in the formation of OEO?

S: Yes. Well, we didn't foresee all the problems involved. We didn't foresee, for example, that OEO, if it were to become an operating agency, could not exercise a coordinating role because they couldn't speak for the President when they were in competition with other agencies. So OEO always had that problem of trying to do two things at once which were self-contradictory: operate programs and get bigger budgets and more power to itself, which is natural, and at the same time represent the President in coordinating. They were just another agency.

M: Are you still in agreement in retrospect with the idea of community action, in the coordinating aspect of it?

S: Yes.

M: Do you think it is still a good idea?

S: I think it is still a good idea. I think it has to have super-imposed

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on top of it a counterpart representing the President, because you've got to pull them together. In the first place Poverty can't pull it together itself. It can do the planning; it can get community participation, but it can't coerce other bureaucracies. Secondly, so long as it is an operating unit itself and the community action program is OEO, the mere fact of labelling that Executive Office of the President, which OEO is technically, is meaningless. It never operated--I mean, nobody ever really considered it in the Executive Office, even though the law says it is. But simply by sticking an operating agency in the table of organization in the Executive Office doesn't really mean it is a presidential outfit.

The additional fact that we should have realized is that if you are going to go with this community participation route, and if you then go further, as OEO did, and lean even further in that direction than we first thought, in terms of making it almost local neighborhood control, you are going to generate terrible political flak, and you cannot have that kind of operating agency also be staff to the President, because you are putting too much heat directly on the President. You know, I can't make an omelet without breaking eggs. And if you are going to go this route, you can't put it immediately into the White House, because then you subject the President directly to, dear God, every local controversy in the country. He is immediately in. And that's another of OEO's

problems, that inevitably--when McNamara closed bases the thing was set up so, by God, McNamara was stinker. It turns out now OEO is the stinker. And that's the way it worked. You can't expect to have that kind of an operation directly run as a staff thing to the President. No president can stand it. So there was another problem we didn't really foresee.

M: Maybe in the run of the interview we ought to get you promoted to director, which came in 1965.

S: June of 1965, yes.

M: Kermit Gordon apparently chose to leave, and according to the newspaper accounts, at least, there was some question whether he might become treasury secretary. But nonetheless he chose to leave both the bureau and the Treasury--

S: Right.

M: --and came to Brookings. Then you are moved up.

S: Right.

M: What were the circumstances of that? Were you called in and asked to take this job?

S: Kermit called me in and said, "I want to propose you to the President as my successor. Will you take it?" I said, "Yes." He did. Sometime later he called me in to meet the President, whom I never really dealt with. And I figured, "This will be a half an hour, an hour." The President said, "How are you? Will you take the job?" "Yes." "Good. Glad to have you. Next appointment." Still I don't understand this. He had a tremendous

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faith in Gordon. That's the reason. He really thought Gordon had done a tremendous job for him, and I think that was really it. That was a funny experience which I never quite will understand, except the only way I can explain it is that the fact that he did have a lot of faith in Gordon. So, in any event, I started in June.

M: It is also in this period of time that the President ordered the PPBS throughout the executive branch and apparently you had a great deal to do with that.

S: Yes.

M: In fact, I've heard that you were in the process of writing a book, or that you had written a book.

S: Just got it.

M: Just came out?

S: Just came out.

M: Very good. Congratulations. So I don't know what is in the book, because I haven't had a chance to read it, but I would assume this is an analysis of the system in the government.

S: Well, what it really is. . . .

M: A tool, or what?

S: The title tells you, it's The Politics and Economics of Public Spending, namely, what are the respective roles of the two ways of making decisions. One, the analytical process where presumably you look at objectives and carefully specify them and look at the most effective means of getting them. That's the way the logician and

public expenditure expert would look at it. Two, the process of bargaining, advocacy, negotiation, compromise, interest group representation by which decisions are made. Query: are the two oil and water? Can they fit together? How does this PPB systematic approach to life fit with political reality? Can it; does it? That is what it attempts to do.

M: Do you go into your book with examples of how it applied to government?

S: Yes. I do. I try to sprinkle it with examples of different aspects of it. One interesting story on PPB is that originally we had intended to apply this on a pilot basis to a number of parts of a number of different agencies and not to make it comprehensive. Right after I got on board there were some people who were trying to get the President to have drafted some kind of national policy document which would lay out goals for the American nation ten years ahead, quantitative goals, and then set policy in that direction. And, we, we namely being some of us in the bureau and some other people in the White House, were afraid that this would tend to be just terribly dangerous, the old fought through, over-ambitious, unsupportable goals, and hence went to the President saying, "Look, we have got a system we are going to try out on a pilot basis, which is in part directed precisely towards analyzing and carefully establishing objectives." As a substitute for this other proposal, we proposed to go comprehensive on this and set it up for all agencies. So in effect that is the reason that PPB came

in as it did, as a directive to all agencies to establish it, rather than the gradualistic pilot approach we were going to try at first. It was a counter ploy to another idea which. . . .

M: Was the President receptive to this idea?

S: Yes. In part, he was receptive because essentially it was an adaptation to the civilian side of what McNamara had done in the Pentagon. The President was terribly impressed with that. I think more than anything else that's what [sold him on it.] He didn't know me that well. The details and techniques of it he wasn't familiar with, except he knew that this was the basic approach McNamara tried and he was very satisfied with those results. And I think more than anything else that's what sold him on it.

M: Well, rather than go into a detailed discussion of PPBS we might refer readers to your book.

S: That's right, I agree.

M: Which I assume is published by Brookings, is that right?

S: Yes.

M: And in 1969?

S: Yes.

M: Now there were a series of organizations which came out, reorganizations you might say, which from the information I have you were probably involved in, such as the formation of HUD, formation of the Department of Transportation, and also in the Maritime Administration.

S: Oh, yes.

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- M: So we might take those as a category, and since HUD was first, I might ask you about your role in that.
- S: Practically none, because HUD was well underway when I got there. Testimony had been given on the Hill; hearings were in process. I went up and testified once immediately after I became director. The only basic controversy that I recall that I was involved in was the very important political one of how independent would the Federal Housing Administration be within this new department, the builders and mortgage bankers plumbing heavily for a highly independent housing commissioner? Would the bureau in its traditional role, push hard that all responsibilities be vested in the secretary?

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- M: We were talking about the formation of HUD.
- S: As I say, on HUD my involvement was really peripheral except on that one issue and in the fairly late stages. If my memory were better I would tell you that precise compromise we came out with, but I don't remember.
- M: Speaking about HUD, they seemed to have had a number of difficulties, as mentioned earlier, with application of Model Cities, and HUD apparently has not operated too efficiently. At least I have heard this. Is this true? As a department?
- S: Well, it is, yes and no, in a sense that the old line outfits in

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HUD tended to be terribly cumbersome, took a terrible amount of red tape and a long time to get applications reviewed and accepted or rejected, particularly with respect to anything involving major building--public housing, urban renewal, urban mass transit, and the like. There has been a substantial improvement in that, still a long way to go, but a substantial improvement in that in terms of the efficiency and speed with which you can get things done, in part due, I think, to the efforts of a lot of people, but a guy named Dwight Ink, who was the administrative assistant secretary, the career type, [was] heavily responsible.

Secondly, I thought at least, and so did [Robert C.] Weaver and his top people, [there was] a terribly unresponsive attitude on the part of the Federal Housing Administration towards accepting what I'll call "ghetto risks," and changing their attitudes around to make them something more than simply a kind of a banker's attitude to life. That took one heck of a lot of doing, but there have been substantial improvements. They moved in a guy named Phil Brownstein, who is a really an old line bureaucrat from the housing program of the VA, to run this, and he read the tea leaves correctly and moved pretty heavily. But it was a long, slow process and there is still a long way to go. So, yes, you are right. It has been inefficient.

On the other hand, I think with all sorts of toil, travail and struggle they tended to speed it up some anyway. I know that President Johnson used to just get furious about the slowness with

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which they were operating. Now, in all honesty, there were occasions when we were fighting to try to get the surcharge through, when the bureau itself was occasionally laying on Weaver, delaying instructions. We just couldn't afford to get the money spent that fast. So there were very sporadic, particular occasions where, quite frankly, I guess we have to take some of the blame, although as a general proposition, we were working heavily with Ink to try to get the thing more efficient. Sometimes the two goals would come into conflict.

M: Well, is the idea of a Department of Housing and Urban Development sensible? Is it logical?

S: Oh, yes, I think so.

M: There ought to be a department?

S: Yes, there ought to be a Department of Housing. Whether it has all the right pieces, or there are some pieces in it that ought to be moved is another question, but basically, yes. We did move, you may remember, the urban mass transit over to Transportation, which was quite a

M: That must have been a painful sort of operation.

S: Yes, very painful and a very hard choice. I think it was the right one. You know, you are faced with a classic choice. One of the best things that could ever happen to the Department of Transportation is to give the secretary a counterweight to the traditional Bureau of Public Roads approach to life. So that the secretary then--

M: You'd better explain that to me.

- S: Clearly, one of the problems in any urban transportation scene is that the big money is there for highways, federal grant money--
- M: You are talking about the highway fund?
- S: Highway funds, run by the Bureau of Public Roads in the Department of Transportation, and one of the major struggles is, always, getting a balance between urban mass transit and highways both in terms of money, but more importantly, in terms of location of freeways, emphasis on freeways versus mass transit, and so on. Now, if you have a Transportation Department which has a Bureau of Public Roads, and another department has urban mass transit, then, with all the best will in the world, necessarily the secretary of transportation is going to be highway oriented when he deals with the cities. One way to help, literally, help the secretary of transportation is to give him, internally, a counter lobby to the Bureau of Public Roads lobby. As a matter of fact, it is a good principle of organization where you can do it, that if you can give a guy not just a number of different responsibilities, but some countervailing responsibilities, it helps him to be the President's man better. Because then he both has an excuse to take a more objective viewpoint, in other words, an excuse he can give his clients, and he literally has pressure brought to bear on him to be more objective in his tradeoffs. The other side of that, of course, that HUD would argue, is that you can't do urban planning without having transportation, and we ought to keep urban mass transit. On balance, I think the arguments to get a better balance in Transportation is a weightier argument than the need to leave urban mass

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transit in HUD because mass transit is so important to urban development. That was a hard decision, both politically and substantively, to make that choice, but I think the right choice was made.

M: Where was the choice made? Who made it?

S: I would say it was made ultimately by the President, but with heavy input in terms of final recommendation from Joe Califano and myself.

M: Now to follow that problem a little bit further, this, of course, came out of the formation of the Department of Transportation.

S: Right.

M: And you were in on putting the pieces together on that?

S: Right.

M: Now did you get involved early with the idea of urban mass transit? Did you get involved in that question before DOT was formed?

S: Yes. Clearly, in sending up the bill we had to decide what to do with urban mass transit. We decided to leave it where it was, but at the same time, if my recollection is correct, made all sorts of promises to the Congress--it may have even been written into the law as a matter of fact--that we would conduct a study and come up with a recommendation shortly. But we deliberately avoided raising that issue by moving it then. I don't remember the details, but I do know that we had to give hostages to fortune, in the sense of saying, "Yes, we will settle this problem, but give us a little more time."

M: Your role in the formation of DOT was mainly in talking to the

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various government agencies that would be involved in it, or did you go out and talk to, say, the airlines people?

S: Oh, some of them, a little of everything. We briefed various interest groups, spent a lot of time on the Hill. The bureau, once the President had sent the basic message forward--let me back up a minute, because my timing may be wrong. Once the decision was made to go ahead with it--now whether before or after we actually sent the message up, I am not sure--but we formed a working task force to draft the detailed legislation, to coordinate the testimony, to prepare back-up material. That task force was headed by Charlie Zwick, then an assistant budget director, bringing together all the agencies involved, trying to get a team approach to this so nobody would be up there cutting the other's throat, and at the same time trying to have a coordinated flow of material, background, presentation, and everything else. I don't remember exactly when that was formed, but once the decision was made to go it was done. In turn, I would say that Alan Boyd, then undersecretary of commerce for transportation, carried the major load in terms of congressional work. Califano did a lot. I did a good bit on some key issues. I did a good bit of the testifying on it.

M: You testified on the investment standards question, didn't you?

S: Well, the whole kit and caboodle, but that's where we got heavily involved and burned on, really burned. Everybody told me I shouldn't have done it, and they were right. In effect what happened, we wrote the investment standards section into the bill and as soon as

Senator McClellan and a few others saw it, those people who were very interested in keeping easy criteria for navigation projects in being, once they saw that, they used this as a hostage to hold the whole bill up.

Then it got to the point, a little bit like Vietnam, you couldn't get out, because once McClellan got on to this, he wouldn't let us withdraw that section. Rather, he rewrote it so that in the law which set up the Department of Transportation is, in effect, a section which says nobody, but nobody, may tighten up the standards for judging navigation projects. So, for the first time in law--as far as I know, if anybody wanted to test it it might be unconstitutional--but in law there is now a provision which in effect tells the President what criteria he may or may not use in recommending navigation projects. So we really got burned on that one, and all of my politically wise friends said, "I told you so." And they were right. We should never have attempted it. We tried to get the secretary having this investment right. That and the maritime were the two big--there were a lot of fights: that, maritime, and aviation, I'm sorry.

M: The urban mass transit never made it into the fight in Congress?

S: No.

M: You were able to foresee this as an interdepartmental conflict?

S: Right. It kept threatening to crop up, but we were always able to stall that off from becoming a major issue. But aviation,

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maritime, and the investment standards were the three big ones.

M: All right. What happened in aviation then?

S: Well, the key problem in aviation was the extent to which-- basically it came down to the extent to which authority should be lodged in the secretary versus authority lodged in the aviation administrator under the secretary. That was one aspect of it. The second aspect of it was the extent to which the department and the secretary would have the primary role with respect to safety. Now there, it turns out, what we did was have a National Transportation Safety Board created, in effect, independent of the secretary, really to have investigatory functions primarily over major air crashes, but theoretically over the whole range.

M: Was this National Transportation Safety Board sort of a compromise?

S: No. We had originally set this up in the beginning. We realized if you are going to move from the CAB a function which is really irrelevant, I think, to a regulatory body, namely the investigatory function We wanted it in the department, but we realized from the beginning that this was enough of a judicial--it isn't quite judicial, but it approaches judicial enough so that we were perfectly willing and thought it perfectly reasonable to establish it quite separate from the secretary, although in the department for rations and quarters, the idea, however, being that they would work closely with the department in feeding back the results of specific investigations into general policy. And [we] broadened

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it from just investigating aviation accidents into the railroad and other areas. Now there was a lot of niff-naff back and forth with the Congress as to exactly how one guaranteed their statutory independence and so on and so forth.

M: Right.

S: And that was sometimes very hard to explain, the difference between policy on safety, FAA regulations and all that on the one hand, which we wanted all lodged in the secretary at policy level, and the judicial, investigatory functions which would be here. That got us into trouble, mainly trouble in explaining it, I think, rather than any real fundamental political problem.

The political problem came in--well, it wasn't just aviation, I guess; it was all the major areas--what power should be lodged in the highway administrator or the aviation administrator and so forth versus those lodged in the secretary. Again, the bureau has traditionally followed the traditional public administration line and been partly successful, that all powers ought to be lodged in the secretary and he in turn delegates them. You can't have subordinates who have statutory powers.

Now, it is easy to say and terribly hard to do. I would say we batted about .500 in the transportation bill. Without going into the details, the independent administrators are partly independent, but I think formally we did get the powers lodged in the secretary, even though the law undercuts some of that. That balance was very difficult, and I say we came out fairly well on it. On Section 7,

the investment standard, it was terrible. And the maritime one was really an irrelevant issue in the sense that it was a pawn in the struggle for a new, expanded maritime program. What happened was that it became a symbol, much more important than it really is, that, by God, we are not going to let you have that Maritime Administration in the Department of Transportation unless you agree to give us a big, new expanded maritime program.

M: And the people behind that being the ship builders?

S: Everybody, but primarily, no. Primarily, when the chips were down, it was Paul Hall, who is the Seafarers International Union president. He was the one who really swung his weight around, you know, flatly passing out the word that anybody who votes to put maritime in DOT gets funds cut off come the next election, etc., etc., etc.

M: When did you first realize you were going to have trouble with the labor unions over that? Do you remember?

S: Oh, two or three years. . . . Oh, on that particular one?

M: Before. . . ?

S: I had been heavily involved in maritime ever since I had been at the bureau. We hadn't mentioned that before. And by this time I knew it was a problem, although we never quite realized that maritime was going to be this symbol until somewhere well along in the game. I don't exactly know where, but it simply became a pawn in the struggle for something else. I don't know exactly when that was, but it was, I think, after it was sent up I am fairly sure.

M: The end result being that you had to leave maritime out?

S: As a matter of fact, we then had to fight bills making it a separate agency.

M: Yes?

S: Simultaneously.

M: There was a suggestion to make it independent?

S: Independent, that's right. That is the greediest lobby in the country.

M: Now you fought against that, reasons being what?

S: Well, we fought against it on several grounds. One, that you don't want to have the President confronted with an independent outfit [with] direct access to him which spends its life doing nothing but lobby for a given industry. We have some of that now, but most agencies have a blend of interests. And to have one sitting out there where the President gets the heat for turning them down, rather than some secretary who has got a lot of other departments and can say "I've got to balance my trade-offs in the budget." That's number one. It's just terrible for the President to have that. Number two, I admit it got also to be somewhat, "By God, if you characters are going to stop a meaningful reorganization and think you can blackmail us into etc., etc., etc., damned if you are going to get away with it." So I admit some of that "you can't blackmail me" sort of approach got into it. I personally feel very strongly about that one. Really, it isn't all that important that it go from Commerce to Transportation. It makes a lot of sense to go

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and everything else, but it's the symbol of what that would mean that makes it so important.

M: Did you have any trouble with the FAA?

S: No, I think once they realized the President was going to do it that at least [William F.] Bozo McKee, the then administrator, even though he wasn't terribly happy about it, played in a square, as far as I know, aboveboard game, no backbiting, no undercutting. I'm not sure that that's true completely of all his subordinates, but from everything I have heard and everything I've observed, I think you have to give him credit for playing the game well once the decision was made. Now, he wasn't terribly happy about it, but he played the game well.

M: Was there any thought about bringing in a regulatory agency, such as the whole CAB?

S: When I say "any thought," I mean, it's hard to say there was no thought, but if there was, it didn't last long. Now there was some thought of a simultaneous reorganization and consolidation of some of the regulatory agencies.

M: Sort of a department of regulatory agencies, in effect?

S: Well, no, but at least a transportation regulatory agency, put ICC and the Maritime Commission and the CAB together. Some talk of that, but it didn't last very long either. We figured it would simply jeopardize the department. (Interruption) Zwick will be a good source if you haven't talked to him, on this because he was intimately

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involved in all its details all the way through. I was, but he was really carrying the ball on that. I am trying to think of. . . . There were a lot of White House guns brought to bear on this one, too. Califano, for example, and O'Brien's crew spent a large amount of time on this.

M: Did the President keep after this?

S: Yes.

M: Keep the pressure on it?

S: Yes. He was very interested in this. It became also a symbol to him. He thought it was terribly important, and in addition, once it got there, it became a major symbol in terms of an administration not just getting up new programs, but also terribly interested in effective and efficient government.

M: Yes. Again the question, does the Department of Transportation make sense? Is it logical to have such a department?

S: Oh, yes. I mean this is one of the easiest ones to say yes, for several reasons, one of them being that here is a department which. . . . The components of this department are highly interrelated. Airport location doesn't make any sense except in combination with access.

M: Even the Coast Guard?

S: Oh, sure. The Coast Guard may be less important than some of the others, but, sure, the Coast Guard is an integral part of your whole transportation approach. I mean, what it does in terms of national security is just during a war, and most of what it does is involved

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in aids to navigation, search and rescue. It's tied in with maritime policy and everything else. It is probably less important in the long run than having roads and aviation and railroads together, but it's [also important.]

M: Incidentally, was the Coast Guard happy about coming to DOT?

S: I think once they got used to the idea, yes. [In the] first place, they were very good. Coast Guard has some good staff people. They do a good staff job. Secondly, it was quite a wrench because, of course, they had been in the Treasury since the foundation of the Republic. But once they got around that wrench and could see the advantages, it seems to me, of being associated with a department where they weren't just kind of a side issue--because the secretary of the treasury isn't going to fiddle with the Coast Guard, but they could get the attention of the secretary [of transportation]--they could see this is a way of getting a better investment program for them and their cutters and everything else. They could see getting much more attention from a cabinet level official. And once we sold them on that, they were very good.

M: Was the Treasury. . . .

S: They were unhappy. You know, it's nice to have a couple of planes to fly around in and cutters to go places in. But they were good soldiers. A lot of jokes went around, you know, telling [Henry] Fowler and [Joseph] Barr, "You're losing your free planes and Coast Guard cutters" and so on. So they didn't like it, but you know they

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didn't. . . .

M: But back to the original question. The Department of Transportation does make sense?

S: Yes. In the first place, it makes sense particularly if you can get a strong secretary. Boyd was a strong secretary and a good one. It makes sense in particular for the reason I mentioned earlier, in giving the President someone who has a balance of interests under him. So just from a straight political standpoint, it becomes then possible to balance out a little bit the one interest against the other, and you are more likely to be able to get a meaningful transportation investment program. Thirdly, from a planning standpoint it makes all kinds of sense. For example, sometime in the mid-seventies we are going to have to come through with another highway program because the existing one runs out then, the Interstate Highway Department. Well, as you begin to look at this, it is clear that you cannot design new legislation and a new program to be anything more than a continuation of the old one, whose purpose has really run out, unless you consider it in line with other forms of transportation.

M: Right.

S: So I think of all the ones we have done, this makes as much sense as anything.

M: One more question about this. You said that Alan Boyd was a good secretary.

S: Yes.

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M: Now in putting together a new department it would seem that you would have to have a secretary of exceptional caliber.

S: Right.

M: Now what makes Alan Boyd so good?

S: I would say Boyd was good for one key reason: he considered himself, first, the President's man; secondly, he considered his job in life not to represent clients, clientele groups. You know, in all honesty, really it's kind of the public interest and how do you balance these, but being realistic enough to know he's still got to represent these people. It's kind of a presidential approach to life. He is trying to do what makes sense for the country in terms of transportation, rather than just simply getting a bigger empire for this component or that component.

M: He's not simply a good manager though, is he?

S: No. As a matter of fact, technically, as a manager, I don't think he was that good. If you look at the kind of technical aspects of administration and how he staffed it, he was not one of the better secretaries, which was a weakness. But in the much more important areas of his approach to looking ahead at major transportation requirements, not to be swept off his feet by lobbying from below and outside for particular interests, being willing to balance them all. . . . For example, in aviation. It's easy to get swept off your feet by the aviation lobby saying, "If you don't give us everything we want, you are going to be responsible for the next plane crash." And don't think they don't do it. And Alan had a lot

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of guts and a lot of courage and a lot of good sense in handling this.

Now, as I say, in internal administration actually he wasn't as strong as a lot of guys are. He needed a lot more, I thought His relation with the Congress tended to get difficult at times, but that is inevitable if you are going to take the kind of attitude that he did. So I think he was a very good man. He did a very good job at that, and you do need a strong man. It makes a lot of sense to have a good, strong guy riding herd on these different forces.

M: Maybe we should break.

S: Yes, I guess we better break.

[End of Tape 2 of 2 and Interview I]

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