INTERVIEW II

DATE: April 10, 1969

INTERVIEWEE: CHARLES L. SCHULTZE

INTERVIEWER: DAVID McCOMB

PLACE: Dr. Schultze's office at Brookings Institution, Washington, D.C.

Tape 1 of 2

M: Let me ask you, to start off with, about the credit crunch of 1966 and various items and legislation involved with that. Apparently there was passed in mid-1965 an excise tax reduction. Is that correct?

S: That's right, yes. My memory is somewhat faulty, but there was an excise tax reduction which provided for a staged reduction of excises over a number of years.

M: Were you involved in that?

S: Moderately, yes. Not, again, heavily because the basic policy on that had been made in effect while I was out of the bureau in the early part of 1965.

M: Well, then this excise tax reduction was apparently postponed in March of 1966?

S: Yes, I'm trying to remember. That's right. In March of 1966 there were a number of pieces of tax legislation, including, if I recall correctly, an acceleration of payments on corporate and I

think maybe individual taxes, just a payment acceleration, and in addition, I think I'm right on this, the postponement of some of the excises.

M: Apparently the economy was heating up at that time, is that right?

S: Well, yes. All of this really gets into the beginning of the whole Vietnam War impact on the economy and you really can't break these things apart. By that I mean the period from late 1965 all the way through 1968 and even beyond, but I mean particularly through 1968, when the surcharge was finally passed, it was intimately bound up with the impact of the Vietnam War on the economy.

M: Well, we might talk about Vietnam then.

S: Yes, I think it is very hard to discuss this without going into the Vietnam end of it because that dominated so many things, both substantively, tactically, and strategically.

M: Now when you took over as director, Vietnam had really not hit the budget.

S: No, the only thing--again, I am fairly sure I am right--in May of 1965 just before I came in, there were, in terms of the defense budget at least, relatively minor supplemental appropriation requests, primarily I think for military assistance to the South Vietnamese and some economic aid. I think the total came to something less than a billion dollars. That was the first, if I recall correctly, kind of explicit Vietnam supplemental. In July of 1965 of

course is when we began really to commit troops in sizeable amounts.

M: I might interject here. You took over as director in June?

S: In June of 1965, that is correct.

M: You were recommended by Kermit Gordon?

S: Kermit Gordon, that's right. Now there are a lot of different people involved in this story, and they all felt different parts of the elephant. I found from talking to people that it is very difficult to piece the story together of exactly what considerations dominated the recommendations that were or were not made, and so I start with a warning that I also only felt part of the elephant. Now I am guessing on the shape of other parts, but let me tell it as I see it, as I remember it.

I would say that through the summer and in possibly to the early fall of 1965 it was still the general economic opinion, not really having any appreciation of what the expenditure requirements on Vietnam were going to be, that the economy in 1966 would continue to move ahead relatively nicely without inflationary surge, that the previously passed excise tax reduction had been a good idea. And I would say probably up through maybe October I don't have a feeling that anybody was beginning to be worried about too much pressure on the economy. Then starting with the annual exercise we always do in getting ready for the budget in terms of taking a look ahead at the economy, estimating revenues, estimating the shape of the forces operating in the economy, by early December

I think, there were some of us, Chairman [Gardner] Ackley of CEA, perhaps to a lesser extent myself, beginning to get just a bit worried that we could have too much of a good thing.

In turn, this hinged in part upon what kind of a projection one made on federal budget expenditures in Vietnam. The estimates we were originally dealing with were in the fiscal year 1967, the budget for which would go up in January of 1966, that spending on Vietnam would be something in the neighborhood of ten billion dollars a year. It turns out that number one, if you put that into your forecast, the economy would have moved ahead fairly well, and the probability of having too much of a good thing wasn't terribly high. Sometime in December, if my memory is correct, we got a figure on expected increases in private plant and equipment expenditures which was much higher than we had thought. Again Chairman Ackley, to a lesser extent I and, I think I'm correct, to an even far lesser extent Secretary of the Treasury [Henry] Fowler, as I remember--particularly Ackley and me, I guess--felt that this might be going too far, and we began to raise warning signals that it might be necessary to ask for a tax increase.

But there was no consensus on this and we weren't sure, and the memos generally tended to be phrased--the ones that went to the President--in terms of, with the old estimate of plant and equipment expenditures and ten billion dollars on Vietnam, things would be just about right economically; with the new plant and equipment

expenditure estimate which is higher, you begin to get a little worried that things will get overheated. Finally, if the estimates in Vietnam go higher than that, clearly they'll get overheated. Now this was kind of the general tone, particularly again from Ackley which, if my recollection is correct, I tended to support. However, there was substantial reluctance on the part of just about anybody else to think in terms of asking for major tax increases for all sorts of reasons which I will try to come back to in another context. In the meantime, sometime in December, December 5, if I remember right, without significant prior warning the Federal Reserve raised the re-discount rate.

M: You hadn't discussed this with FRS or the Quadriad or anything like that?

S: To the best of my recollection we had not. And I'm almost positive, I'm virtually certain this came as a surprise to everybody. There may have been a few hours notice or maybe the night before notice, this sort of thing.

M: But it wasn't a joint decision?

S: No, it was not a joint decision, and the point was that we had not yet made firm our decisions on the budget. Once the Fed acted the administration in turn reacted very hostilely on grounds that,"You should have waited until we decided what we were going to do on the budget, because it doesn't make sense to operate monetary policy without a foreknowledge of what the budget was going to be, since this would help determine the shape of the

economy." Now, in all candor, my own feeling is if the Fed had not acted, we still would not have come forward with a tax increase recommendation. In other words, since the Fed is active that will cool the economy off, maybe it will cool off too much, and this forecloses our hand, leaving the impression that we might have decided otherwise had the Fed waited and made a joint decision. As I say, in my view probably we wouldn't, but nobody ever knows.

M: Right.

S: The general feeling I got, however, was [that] nobody really was willing, the President, Secretary Fowler in particular, to push for a tax increase at the time. The budget then went up. There had been a kind of an administration explosion at the Fed and then a little bit of a love feast down at the Ranch where Bill Martin came down and everybody made up, and we were going to cooperate a lot more in the future, and Martin gave the reasons why he acted as he did, and so on and so forth.

The budget goes up. The budget did recommend, as I indicated, some acceleration of payments on corporate taxes, and I think maybe on private, I know on corporate. The wisdom of that in hindsight is questionable, because it didn't really raise tax rates, it simply accelerated the speed at which they were collected, and in the context of the Fed having tightened up probably really meant that simply corporations borrowed more in order to pay their taxes earlier. They had to arrange their finances differently.

[It] probably put more pressure on the money market, but didn't do much in cooling off the economy.

M: Is the strategy here of accelerating the taxes to get more money currently to support Vietnam?

S: Well, yes. I would say at that stage it was, quite frankly, a retrogressioning strategy. By that I mean that you look more to the accounting balance in the budget rather than at the economic impact, speeding up the collection of taxes. In other words, getting taxes you would have collected next year in this year makes the budget look better, [but] probably does not slow the economy down much, which is presumably what you want to do if you're afraid of inflation. In the normal circumstance it wouldn't have been a bad move, but in combination with the Fed's action it just may have put corporations more into the money market to borrow for that advance payment and may have helped tighten up a little bit. It was not one of the more sophisticated decisions of an economic policy, although it wasn't an important one either way. Now the timing gets, in my own memory, relatively fuzzy. But the whole problem from about February through the end of that year hinged very heavily around how much is Vietnam going to cost, how much are we going to exceed our estimate, and what kind of pressure will this put on the economy?

M: This is through 1966?

S: That's correct. The budget goes up and you don't worry about the estimates for maybe a month or so, and then you begin

worrying whether they are right or not, so maybe February, maybe March. The economy continued to boom along. The plant and equipment expenditure early estimate of a big boom in plant and equipment was confirmed by later estimates. [There were] various periodic memos written from the council in particular, indicating this, expressing a little bit more concern. But the decision had been made not to go for tax increase, fundamental. The only document I remember seeing that I have seen since is one by Chairman Ackley where, I am not quite sure it flatly recommends a tax increase, but it comes darn close to it. And I'm fairly sure at that time I supported him verbally, and I'm not sure of the position of the other actors. But again, if my recollection is pretty clear, both the President and Secretary Fowler at that time did not think it was warranted. But it never came to kind of a head-to-head showdown because neither Ackley nor I were quite that certain.

Now, in terms of the Vietnam budget here is what happened. There are a combination of things. First, quite correctly I think, Secretary McNamara, who had spent by that time five years trying to get the military spending mechanism kind of organized and structured along the lines that "you don't get a dime that you can't show requirements for," was not willing to submit a budget which explicitly provided--now this gets tricky--money in fiscal 1967 to buy the long lead time items needed to fight the war if it continued in 1968. His argument was, "I don't know what kind of troops the North

Vietnamese were to pour into South Vietnam, therefore, if we do have to continue fighting this war through 1968, I haven't the vaguest idea of what level it is going to have to be fought at, and I'm not going to give the Joint Chiefs a blank check. Therefore, I am going to wait until we get a much better idea of where their troops strength levels off at, or at least until the last minute before I start putting in supplementary budget request, because I want to back them up with specific requirements. I don't want to blow up this whole machine I have gotten and simply let them start writing blank checks again." He was under tremendous pressure at the time simply to open all the flood gates and ammunition, you name it, on grounds of, "We're in a war now." Now it turns out there was no shortage, as far as I know, of anything except a few minor items. But the basic budgetary and planning discipline he wanted to maintain.

Therefore, the point of all this is that he submitted a budget for fiscal 1967 which assumed for purposes of the budget alone that the war would be over at the end of 1967, which meant that sometime in fiscal 1967 when it became clear that you were going to have to fight longer, you had to provide in 1967 for money to buy this stuff to fight in 1968. That meant that if the war went on everybody was on notice, although nobody in the early stages paid much attention to it, that this budget was understated simply on technical grounds, but understated by an amount nobody knew. Secondly, not only, as it turned out later, was it understated on that account,

that you weren't providing in 1967 the lead-time items, but the level in intensity of combat and the number of troops requested by the generals and finally supplied, in effect by administration decision, escalated a lot more rapidly than anybody had thought. So on both of those accounts, the fiscal 1967 Vietnam budget turned out in the end to be ten to twelve billion higher than originally forecast. The first reason for it: technically you could say we knew in advance because we knew the kind of budget McNamara put in, but we didn't know how much that end of the war assumption meant. The second part nobody could have figured. I mean, nobody could really estimate.

Now, my dates and my numbers are only approximate, but sometime in maybe March or April it began to be clear the war would cost at least four or five billion more. By May or June, a better estimate would be six or seven billion more. By maybe August/September, nine or ten billion more, and finally as you got all the way around to November/December when we were making up the next year's budget, I think that finally our estimates came out about ten or twelve billion more. Now it seems to me the legitimate criticism from a straight economic standpoint is that at some stage, probably in the early spring, we should have devised some means of making a rough estimate of additional costs--indicate that we weren't really going to ask for appropriations for that amount yet because the requirements weren't pinned down. But for purposes of economic policy we had to have taxes to cover at least that much

more or maybe even a little extra.

I recall explicitly in May writing a memorandum to the President strongly urging a tax increase on grounds that even if our estimates of Vietnam now were too high, that the risks were much more in terms of inflation than that we would ask for and get too much, that on the balance of risks, all the evidence was that we should go ahead. Chairman Ackley had expressed that earlier. However, no public admission was made at any stage of how much more the war would cost. There were no official estimates. So all of this went back and forth all during that period.

M: Each time they accelerated, did they come to you and say, "Now, we are going to have to commit so many troops, and it is going to cost so much money, what can we do about it?"

S: No, it wasn't that neat and orderly. A lot of this was not only additional troops, but the fact that aircraft attrition was a little bit higher, and that was something you'd make a new estimate maybe every month on. Ammunition consumption was a little higher. It was a gradual revision of this production schedule, of that production schedule, a few more troops here, a few more troops there. And what I was getting through my staff, primarily, who were in constant contact with the defense people, and my contacts with Secretary McNamara, were kind of continually revised estimates, admittedly even on their part horseback guesses because you're still guessing ahead.

M: Did you ever get the feeling through this period that things were

getting sort of out of control? Things are accelerating on different points, more troops here, more planes.

S: No, not really.

M: You could see what was happening?

S: Well, we always tended to underestimate it, so in that sense, yes. You have got to remember, however, during the Korean War, for example, we submitted forty-five billion dollars worth of supplementals, much more than we submitted during the Vietnam War. This is natural in wars; they go up. The difference here was that, for all kind of reasons, we weren't willing to admit it. It wasn't so much it was out of control any more, it seems to me, than any other war is under control. You always tend, initially, to kind of underestimate. All sorts of supplementals went up in Vietnam but they kind of went up regularly. The real problem here was, for all sorts of reasons, an unwillingness to admit publicly the war was going to cost a lot more than this, which meant you would have had a hard time going up to the Hill and justifying a tax increase without admitting this, both substantially and, of course, politically. Because obviously the whole game of the Republicans, naturally, would have been, "Why the devil should we give you these extra taxes when you won't tell us how much more the war is going to cost?" So all during this period you get this.

Now, come early summer, it became clear that we had to do something. It became even clearer as this monetary crunch began to hit us, as the Fed's actions in trying to hold the economy down through monetary policy--

M: This is the summer of 1966?

S: Summer of 1966, and all these Vietnam estimates through the year are all involved in it. Summer of 1966, as the Fed was gradually tightening up, they didn't realize the sharp consequences of their actions, nor did we, at least fully, realize how tough this crunch was. At the same time we began to realize clearly, I mean everybody, "We are going to have to do something." Therefore, what evolved was a package in which the primary one [thing done] was suspending the investment credit. Since we had no additional new estimates to give out on Vietnam--nobody was going to give any new estimates out on Vietnam--the primary justification for this was to tighten up with fiscal policy and take the load off monetary policy, allowing the Fed to ease up. In other words, it wasn't so much an anti-inflation package as a redistribution of the burden of who is going to fight inflation, that we ought to do somewhat more with the budget, and somewhat less with monetary policy, not to get a net, additional pressure downward on the economy, because nobody was admitting Vietnam was costing that much, but so that we wouldn't have to do the job solely through monetary policy.

If you go back through the testimony you will find that the key, not the sole, but the key emphasis laid in Secretary Fowler's testimony, for example, was on the business of shifting the burden of keeping a stable economy, and so on and so forth. Now in that narrow sense it worked, because a number of other actions were taken in the monetary area with respect to the issuance of certain types

of government securities, a whole batch of other things, which tended, in conjunction with the announcement of the package to suspend the investment credit and did ease that monetary crunch very quickly. So in the narrower sense, that package was successful. However, it again postponed, it seems to me, the basic problem of a fundamental tax increase to handle the fundamentally higher level of Vietnam expenditures.

M: And this came the next year then?

S: The proposal then came the next year. And it gets even trickier. Now let me go back and reflect for a moment.

M: Okay.

S: Can you turn it off?

M: Yes.

S: Now, as I indicated, while we did kind of get at the immediate problem of the monetary crunch with the package of fiscal actions, we did not at the time come up soon enough and with sufficient Vietnam justification to pass the tax increase that we eventually did propose and then waited a year and a half to get. Now, of course things are always easier from hindsight, but it seems to me the following things were involved, as I interpret, and I don't know what weights to put on the various things: first, President Johnson indicated a number of times subsequently that he had asked large groups of business leaders, he had taken soundings in the Congress and nobody wanted a tax increase. And that's correct, on the face of it. It was exacerbated by the fact that it was one of

these very temporary little uncertainties and lulls in the economy as I remember in March or April, which don't mean a darn thing unless you watch every little wiggle on the chart, but did tend to damp down a few people's enthusiasm for taking any kind of action.

Again, in my own view, however, it was not really a fair test of what business and congressional reaction might have been with a hard sell and with a revised estimate of Vietnam expenditures. So if you said to people, "We're sticking to our ten billion cost in Vietnam, admittedly it may go up, but we are sticking with our cost--do you want a tax increase, do you think one is needed?"--you get one answer. If you said, "It is quite possible Vietnam expenditures will be significantly up. We think that possibility is very high, so high that we must take action which we can later reverse if we have to," you might get another reaction. So, the fact that both the business community and the Congress clearly were not willing to buy a tax increase at the time is quite correct. But it is only a partial answer to the criticisms, because with a different set of facts and some persuasion otherwise, they might have been willing to do it. So, that's one aspect.

M: It would have been better to do it?

S: In my view it clearly would have been better to do it then. Let me come back into the economics of this a little later. I admit I feel much more strongly about this from hindsight than I did from foresight. I felt we should have one, but clearly hindsight

always makes you more certain of relatively tentatively held positions. You know what I mean.

M: Right.

S: Second point: it has always been my view that deep down inside and intuitively, Johnson recognized the problem of fighting a limited war. While in the later stages of his presidency his problem was with the "peaceniks," and I suspect he may always have known that would be his case, at that time his problem was the other side, the hawks who wanted to bomb Haiphong, bomb Hanoi, mine Haiphong harbor, even do an actual invasion of North Vietnam, all of these things. The problem was with the hawks. I think historically it is probably true that in any kind of a popular democracy it's easy as the devil to sell an all-out war. You whip up sentiment; you play on hate; you wave the flag; unconditional surrender, nothing is too good for our boys, this whole business. And it was no problem at all in turning a nation on into an uncontrolled war. But it is difficult as the devil to get them to fight a limited war for limited objectives with limited means.

Now, I have always maintained that if in early 1966 the President had,if anything,over-estimated the costs of Vietnam, wanted to take the chance of whipping the American people up for symbolic purposes, even slapping on wage and price controls and the whole paraphernalia of a war economy, he would have had, for a time, massive acceptance and at the same time risked here the danger of blowing that war up into something far beyond anything else.

Hence behind--I suspect intuitively more than explicitly thought out--a lot of his caution in doing all the things that go with a full blown war on the economic side: not going for a tax increase, playing down the size of the conflict rather than playing it up, while on the other hand it led to, I think, substantial economic mistakes, it is just possible it may have been the kind of thing which kept the hawks from getting control and getting public sentiment so far on the other side that it might have been very difficult to control the war. That's one interpretation anyway.

Now, as it turns out, having tried to go this limited route, and when there was no success in any measurable sense, then the other reaction took over. But it seems to me this is just an indication of an old truth that since Napoleon and mass armies and people's wars, it's just hard as the devil to fight limited wars for limited objectives, and this is exactly what he ran into. And this is, I think, way deep down inside, one of the reasons that he kept holding down all the public symbols of how big the war was. [As for] his refusal to ask for a tax increase, the only way he could have gotten a tax increase was not on economic grounds, in the purely narrow, forecasting sense, but as a way to finance this big war. That's part of it.

There is another part clearly which comes in, that he also didn't want to sacrifice his domestic programs, which were just getting started, and his legislative. Going for a tax increase, he knew was going to require compensating budget reductions that

Congress would have subtracted from him. [It] would have meant that a lot of legislative programs he had on the Hill on the domestic side would not have passed. It would have been a perfect excuse for the conservatives to say, "Well, we're in a war economy. These are all great, but let's postpone them." So that's another reason why, in effect, the whole emphasis was on playing down the cost of the war, not going for an economic program which would have meant admitting the inflationary problems and the size of the war and everything else.

Now of these motives, the last one, making sure that your domestic programs got through, was more on the surface. The first one, kind of an intuitive feeling of how one tries to keep a war limited was much more, it seems to me, below the surface and maybe never articulated. I never heard it articulated. It's my own articulation, just trying to get a feel, because I felt at the time that the hawk problem was worse than the dove problem at this point, although later, clearly it was not. Now all of these things lie behind the delay--

M: Right.

S: --first, in admitting the true cost of the Vietnam War, and b) in going for a significant enough tax increase to do something about it. Then the irony of it is that when we did go for the tax increase in January of 1967, because the economy had boomed so much in 1966 there was a temporary big accumulation of inventory. And during most of 1967, while we were running off those inventories, there

was a slack, very temporary slack, which all of the forecasters who were any good said was only going to be temporary. We thought it was going to last for six months; it lasted for about nine months. And all during 1967, therefore, that made it very difficult now to get the tax on economic grounds because you just couldn't show that the current economy, as opposed to a forecasted economy once the lull was over. . . . You couldn't show that it was up. The rate of price increase leveled off, inventory investment dropped precipitously, and I think the Council of Economic Advisors did an excellent job of forecasting it--one of the few times I have seen a good forecast where not only you call what is now happening, but you call a turning point, a reversal of trend nine months out or six months out. They were three months early.

That's why, you may recall, we submitted the tax increase in January, but first then said it should only be effective in July and, as a matter of fact, then delayed it. So even during the best of circumstances it couldn't have been effected until September/October, because I don't think the message went up until August. No, I take that back. I don't know when the message went up in 1967, but it was some time in the summer. Am I right? No, I take that back, I'm getting the two years confused. I no longer remember, but I am clear that the final message that went up to the Congress carrying out what the January budget of 1967 recommended was quite late.

So that you had a whole set of complex circumstances. In the early stages, when we should have gone for the tax increase, for all

the reasons I have indicated, we didn't. When we finally came around to "fessing up" on the true cost of the Vietnam War and coming up with a tax increase, you were in that temporary lull so that you couldn't get it, which then delayed it over until the next session.

M: Did Congress just not understand the economic forecast?

S: Well, there were a couple of things behind that. Yes. One, "understand" is a hard way to put it. I would say it is hard to get the Congress to take a positive action on the basis of a forecast that the tone of the economy is going to change. Now they might be perfectly willing to take a positive action if you were in an inflation and forecast that it would continue, that isn't hard to see. But when you are in a lull and saying it is going to turn into an inflation but you ask for a tax increase, "Give us a tax increase on the faith of the forecast," that is hard to do, number one.

Number two, Wilbur Mills was particularly incensed because in August of 1966we had come up and asked for the investment credit to be suspended, and during the lull in March of 1967, only six months later, we asked for it to be reinstated. He was going way back to 1962 when the investment credit was first put in and had been sold as a permanent device, and he was quite proud of how well it had worked, and it took quite a wrench to convince him to suspend it. Then all of a sudden the economy cools off for a while and you come right back in and ask for it to be reinstated.

He felt that he had been made to look like a fool. He felt these forecasters had been dead wrong, and that made him even more reluctant to accept the view, "You need a tax increase because the forecasters say by the end of this year you will have turned around and be in inflation again." So there was a whole comedy--not comedy of errors, it's too serious to be called a comedy--but a whole set of complicated circumstances explaining this period.

M: During the acceleration of the Vietnam War, did you get any memos from Johnson saying something to the effect, "Cut down on these other programs provided. . . ."

S: Oh, God, all the time. At least once a week. No, I exaggerate. In the first place, it was fairly clear at all stages in this, no matter what you went up to the Ways and Means Committee for, they wanted some expenditure reductions before they'd give it to you. By this time there was so much of this that I can't separate one incident from the other. There were two big ones. One in--let me make sure I get my timing right--in 1966, calendar 1966, when we were in the middle of the 1967 budget, the 1967 fiscal year.

M: Right.

S: In order to get that investment credit through we had to, in effect, work out a deal with the Appropriations Committee, in a quite formal sense, to cut back government contracts. There was a formula. As a matter of fact, it was a formula worked out on cutting them back in which we worked it out and the Appropriations Committee

passed it. There was a greaty rivalry between the Appropriations Committees and the Ways and Means Committee, the Ways and Means Committee insisting on an overall cut, the Appropriations Committee feeling that that was their jurisdiction and if anybody was going to cut they ought to say where it was going to be cut. So I got heavily in the middle of that battle, and we finally worked something out roughly acceptable to both sides. Again in 1967 we. . . . Is my timing right? What I have been telling you actually was 1967 applying to the 1968 budget. In 1968, to get the surcharge through, as you remember, they put the expenditure limitation on, so I'm a year out of phase on this.

During all of this period you had the problem of a lot of new social legislation which had been passed in 1964, even more in 1965, some in 1966, at very little cost in the early years. Now to mean anything at all, [the cost would be] beginning to grow. And of course the difficult part, in that kind of a circumstance, about trying to restrain and cut back and hold down is that it is always easier to cut back and hold down the growth of new programs, however how high a priority, than it is to take old, long established programs and cut them back. This was the fundamental dilemma that the President was in.

Gradually, and during all these incidents I have described, we had to take all kind of steps to tighten up on fiscal policy, accelerating corporate taxes, investment credit suspension, excise tax reduction suspension, and finally the surcharge, all these sorts

of things. At each one of them, the Congress extracted a price. We would have had to do it anyway in cutting back expenditures. But as I say, you run into this kind of an inevitable political law that the new, rapidly growing programs which may have the highest priority have to be held back because both technically and politically it is almost impossible to do much on older programs. Several problems: one, in one budget we actually submitted a list of eight or nine significant cutbacks in older programs. I don't think a one of them survived. The Congress refused to go along with any of them. One of them was to do something with a particular milk program, and one of the greatest economizers in the Senate, for a hundred and three days running had an article in the Congressional Record attacking us on this particular one and yet every other day he was out telling us to cut expenditures. Second point, it is technically difficult in a hurry to cut back--

M: Who was that?

S: Proxmire.

M: Proxmire?

S: Bill Proxmire. The milk program was nonsense; I can understand it, but not a hundred and three days running.

Next problem was the technical problem. Let's take the Corps of Engineers, all the pork barrel stuff. The dollars that go into new projects which are starting, which are fairly easy to postpone, are peanuts out of a billion dollar budget a year, maybe 35 to 40 million. Now, less than 1 per cent goes towards new projects and all the rest is on ongoing work. Well,

from an economic, engineering and political standpoint, it is awfully hard to leave a dam half built. Now you get into World War II you could do it. I mean you just cut it out. But for something like Vietnam, just to leave all over the country stuff half built, terribly adds to your costs of the final project when you finally do get it done, and becomes politically almost insuperable. So we would nickel-and-dime it to death. You would make them wait a month between letting a new contract, or you would tell them to go slow on putting the power house in. But technically it is just difficult.

Or like grants to states for hospital construction. Whether you want to cut it or not, I mean if you do try to cut it, you find that, by God, appropriations which were made two years ago have now gone through all kind of negotiation, and the plans have been let, and the local community has bought the land. It turns out that if you want to slow that program down your results will only be two or three years out, because you can't get a community which has let a bond issue, bought the land, and all of a sudden tell them--I mean, technically you could tell them--"You can't do it." So therefore, what you have got to do is stop it way back at the original stage of making the commitments to the community, and that's money that won't be spent for two or three years. So you act like the devil, tough, and it is three years out when you see it.

M: Is this what happened to the parks program? The Interior Department

would find some park land they wanted to buy and this would be approved, but the money not appropriated?

S: Oh, there is a special problem in the case of parks, and my description may not be precisely accurate. But it runs roughly like this: first, you have got to get it authorized; then you have to get the money to buy it. Well, very often it will be authorized by one set of committees. I mean, committees will report it out and Congress will authorize it. But depending on budget availability it may be two, three, four, five, six years before you appropriate money to buy it. In the meantime, every land speculator in the country --

M: Right.

S: --is making a killing, a big killing on it. Now, even in the midst of the Vietnam war there, we proposed, and only got part of it through, kind of a special fund to go in and buy some of this up in a hurry, to beat that land price issue. But again here is an anomaly. Good economic sense would say what you need to do here is spend money in a hurry and close the lag between what has been authorized and what's been appropriated, and from now on keep up to date so you don't have that time lag where the speculators can get into it. As the Budget Director, I could recognize that on the one hand. On the other hand, you're there faced with the Congress and the President and everybody down on your neck for every nickel trying to hold down expenditures. You didn't dare go up with a hundred million dollars--I'm guessing at what the number would be,

but it would probably be at least that, probably much more--in order to get the land that was backlogged up that people knew you were eventually going to buy and were speculating on. So it ended up we did very little of it. We did some. We got it started.

M: So you just had to put up with the speculations on it?

S: Yes. Here is where long-term objectives were overridden by short-term objectives, same thing in the Corps of Engineers. In order to slow down, we nickel-and-dimed them to death on stretching projects out, but it always meant you ended up paying more for the entire project. You save money this year, but it cost you money five years out in the future. And again it is a dilemma. In the Vietnam-type situation where you are just faced with trying to keep it from going out, you do sacrifice long-term objectives for short-term. And there is no way to get around that until you get away from so much emphasis on an annual budget and so much emphasis on trying to control the smaller changes in expenditures. You do so much damage trying to get that last billion dollars out. A kind of longer-term budget and less fluctuations in this business of up and down would be probably very helpful.

M: Now was this sort of pressure, this nickel-and-dime saving and holding down new programs, this went all the way through the domestic program?

S: Well, even within this we did our darndest to exercise priorities. If you look at what actually ended up happening to budgets for education and health, they did go up really significantly. However,

quite frankly there were so many new programs that even though in the aggregate expenditures on this went up significantly, no one program really got funded the way it should have to do the kind of good it was supposed to do. You ended up, instead of having--these are arbitrary numbers--but, say, fifteen new programs, each adequately funded, you had forty-five, each one-third adequately funded. So you were again faced with a flood of new legislation that came along in 1964, 1965, and 1966. And while we did put substantial additional sums in, it turns out there was so much new legislation that, with the pressure of Vietnam on, very few of them could be adequately funded. In fact, probably none of them.

M: Would you say then, from your point of view as director of the budget, that Johnson tried to do just too much?

S: Well, yes and no. Up to the time he got full-scale into Vietnam, probably not too much, in the sense that if you had had the twenty odd billion dollars--the true cost of Vietnam--that most of this you could have financed fairly adequately. But you get into 1966 and it is a nice question. Now there are two ways you can look at it. One, from a shorter-term view, clearly we did too many new things and not enough in each one. Conversely, and what you've got to remember is you have a situation now in which the federal government has the legislative authority and the precedent to do <u>almost</u>--not quite, there are a few areas that are lacking--but almost anything you can fund, in the sense that if, given cessation of hostilities in Vietnam, the legislative ground work has been laid.

If you saved yourself, and you did it in a period where you had this forward thrust, you may never get such a period again for awhile. The price you paid was: first, in the early years of many of these programs, because they were inadequately funded, they have been much less effective than they should be; b) they paid the price of some inflation.

In the long run, from the standpoint of a historian in looking back twenty-five years from now, he may say that the gains were well worth the costs. Looked at just from the straight economic and immediate effectiveness standpoint, it was a sloppy, chaotic, under-funded set of operations. But you took advantage of a big victory over Goldwater, of an initial awareness of the community that you have got to do something in the areas of poverty and education and pollution control, and it may be hard to put that combination of circumstances together again. So, in one sense, Johnson laid the groundwork for years of progress at an immediate cost, and far be it from me to say that the benefits weren't greater than the costs. It is just frustrating as the devil. You get annoyed and mad and frustrated and disgusted at how chaotic and sloppy some of it was, precisely because you're laying Vietnam on top of it and trying to nickel-and-dime these programs. But in the long run maybe it will work.

M: Well, let me throw out a few specific pieces of legislation that you may have been involved in: the Elementary and Secondary Education Act of 1965. Now you had worked on the task force. . . .

S: No, I had not worked on that task force. Going back to an earlier discussion on another tape, I had been involved in the initial setting up of all those 1964 task forces. But this particular task force I didn't work on.

M: You didn't work on it at all?

S: This is the one that John Gardner and Bill Cannon from the bureau really put together.

M: Well, then did you get in on the legislation?

S: Very little. No, very little. I say very little--none that I remember.

M: How about the various pollution acts, such as the Air Quality Act in 1967 or the Water Quality Act in 1965?

S: Well, the one I particularly remember was the--I don't know what the title was--but the Water Quality Act of 1967, which was a major revision of the 1965 act. That one turned out to be a major problem along the following lines. In 1966 we put together a task force on improving the whole pollution control, and to over-simplify a terribly complex situation, there were three kind of things that were particularly at issue, three kind of problems. First, you can't do much in pollution unless you treat it on a river basin basis. You can't do it community by community because upstream communities pollute downstream users, and so on, and tied in with that, you can't do much in the long run unless you can get some mechanism for getting a basin-wide system of charges to pay for it. You can't ask the upstream community to pay for the treatment plants

that benefit the downstream community. The idea here was to have, just like you have a state-wide tax system, some kind of charges for this that were set, and that once the federal government contributed towards building the plants, that the communities would then maintain them through the charges. The charges would build up the funds to replace them and improve them and operate them. That was an attempt to get a river basin approach.

Secondly, the existing law provided grants for water pollution treatment to states, in effect--in effect, I say, not by law--but the states could set the priorities of who got the money. They could determine which community got it. Now this meant that you simply had, in each state, state politics as to who got it, and [as state politics often operate] it is much better to give five small, inefficient pollution plants to five communities than to have one big metropolitan-wide one, which may very often be more efficient. So you needed some means of getting better, again, river basin coordinated planning and allocation of those grants.

Third, you had the problem that precisely because the earlier law in my view--I'm exaggerating I guess, but in some sense there was a lot of boodle being handed out in large numbers of small boodle--was so written that large communities practically had no advantage whatsoever out of it. For example, there was something like a three to four million dollar limitation on the size of the federal grant to any community. St. Louis was considering, for example, something like a ninety-five million dollar treatment

plant, and the federal contribution of three million to that was peanuts. You can't enforce much in the way of quality standards or anything else if you are contributing only 3 to 5 per cent of the money. Now looking at all of these problems, the task force, led by a very bright young guy from the Council of Economic Advisers really who did the work on it--

M: Who was that?

S: A fellow named Paul McElroy [?], young fellow, did a magnificent job both as an economist and as a diplomat in bringing all sorts of bureaucrats together. [The task force] hammered out an approach in which the federal government, which had been making a 30 per cent grant to the cost of the facility, subject to this three or four million dollar limitation, would increase its grant share to a much higher ratio. And [this approach] would open up substantially the limitation on large cities in return for all sorts of requirements with respect to river basin planning, basin-wide user charges, things like this, to get at precisely the problems, as I say, use the federal money as bait to get real priorities in this and to get good planning, river basin-wide and so on. The bait would be lifting the 30 per cent up to 50, I think it was, and taking some of the limitation off the large communities.

We then hammered out what is always a compromise, but something which was pretty good going in this direction within the administration--not as tough as a lot of us would have liked. It got to the Congress, and what ultimately happened [was that] the Congress

lifted the restrictions but didn't put the requirements in. In turn, that meant that since Vietnam was around, and we couldn't fund it very much, you literally got a reduction in nationwide water pollution treatment construction because with those high grant ratios, with very few requirements attached compared to what we wanted and with the limits off the large communities, they weren't about to build any plants until they could get some of this federal money. They would just as soon wait a while until the money eased up. So the peculiar phenomenon was, you have got a liberalizing bill and not enough money to finance it, and even though there was more money than last year, the actual nationwide amount of construction went down because communities just held off. There were huge backlogs of applications.

M: Was there a political problem involved in local control? I mean rivers cut across state boundaries.

S: Yes, there is some of that, in fact, a good bit of it. There was that, there was the fact that, quite honestly, people like Muskie on the Hill--the approach we suggested would have required some waiting, in the sense it takes time to put this together--wanted to go ahead and build plants in the meantime, not wait. He said it would just be too slow a process if we wait for your well-planned approach, in effect. So that entered into it; the control business did. The states didn't want to give up, clearly, their control, of giving the priorities out. So a lot of things like this entered into it.

M: Was there any problem within the executive branch over who would control this, say, the Department of Interior versus the Department of Agriculture?

S: Yes, there was and I'm fuzzy on the timing. You may recall, we shifted the Water Pollution Control from HEW into Interior. There was all sorts of backing and hauling on that, but we finally got it through. One of the problems was we tried to extract a lot of concessions from Udall, [and] he'd be real tough in terms of these requirements if we gave it to him, of course, and, boy, he was going to be tough. But of course once he got it, he got subjected, quite naturally, to all the political pressures that HEW had been getting. And we waged a continuing battle, the bureau did, on how tough you get in terms of river basin-wide planning requirements, and so on and so forth, before you go ahead. There's good will on both sides. Those guys are there faced with a daily problem of backlog requests piling up, and we can't tell these people to hold off for two years until they get a plan, and so on. That was continuing.

Then there was a question of whether the bill coming out, both as it came out of each house and out of conference committee . . . . There were a lot of negotiations within the executive on what kind of attitude to take. It had been so watered down--do we or don't we threaten veto?--any number of meetings on this, which I can't completely reconstruct anymore, but basically the posture of the bureau, again, and the Council of Economic Advisers pushing hard for a tough administration stance, giving Vietnam and

everything else anyway: "We want a tough bill or no bill." And Interior saying, "No, I think we can get them around to toughening it up a little bit if you will just let us go." And it ends up with a weak bill and us not vetoing it because we didn't signal until too late. You can't veto a bill if you haven't signaled early. And whether the President would have in any event, I don't know. So we kind of lost that one. But that was a long, confused struggle, in which I think we went up with a pretty good bill originally.

There was one other issue in pollution which we never got anywhere on. That was the concept of effluent charges. One of the best ways to clean up pollution is not to treat it after it is there, but to find a means of forcing industries to change their internal processes so they don't pollute so much. The best way to do that is quite simple: you levy a charge on everybody, based on the amount of pollution they dump into the river, and, boy, there is nothing like that incentive to get them all of a sudden to finding new ways of doing things. For example the Fontana Plant in California where you have got to pay a high price for water, a steel plant, uses about sixteen-hundred gallons of water per ton of steel. The average in the U.S., where water is very cheap, is forty to fifty thousand gallons of water per ton of steel. So you can change your internal processes to do a lot less pollution if you've got a motive to do it.

Now, we could never get anywhere with that, both within the

administration and the Congress, because the pollution fanatics would say, "You're giving people a license to pollute if you charge," which of course is childish nonsense. But in any event, that was one claim. The other claim was, politically, "My God, it is just impossible to levy a charge on people for polluting." But you use the police power to try to enforce standards. Why fees are politically impossible and police enforcement is [possible], I don't know.

M: Do you have the same kind of problem in air pollution, too?

S: Yes, [with] air pollution, insofar as I got involved in it, I remember two major problems. Oh, one final bit on the water pollution, kind of an interesting little byplay. Every year, of course, once you've started to get local, state, and federal standards for pollution, it turns out, of course, that the federal government's own establishments were violating the standards. The Defense Department would come over, for example, with--I don't remember the numbers anymore--an eighty million dollar budget request, just in one year, to bring its stuff up to standards. So here the bureau is really faced with a problem. What we finally did was work out a system whereby we collected from the entire federal government on certain criteria, set a priority, categories of installations, and roughly speaking you'd fund the first category and maybe half of the second the first year, and so on down the line in an attempt to. . . . But we got hoist on our own petard a little bit.

On air pollution, two problems I remember--there were a lot of others involved--two I remember in particular. One was the whole problem with standards for federal establishments with respect primarily to the sulphur content of their pollution emissions. This brought us head on against the coal industry, and, to some extent, against the oil industry, but primarily it was against coal. The bureau was involved in this. I personally didn't handle it; the Deputy Director and some of the top assistants did. I think they finally worked out a fairly reasonable approach, but it was a long, complicated hassle where the bureau was very closely involved, in this case a little unusual, in doing an awful lot of the dickering with the industry in bringing the various government agencies and the industry together. While I didn't handle it personally and didn't go to the meetings personally, Elmer Staats for a while, and then I think Sam Hughes, the deputy director, was heavily involved in this. And, as I say, I think we finally worked out a relatively reasonable approach to it. Their problem, of course, was that you set the standards too high on the federal and, they figured, the coal industry, they'd immediately be adopted by localities, and a very large percentage of the coal being mined wouldn't meet those standards, and so on and so forth.

M: You also got involved in beautification?

S: Yes. One other problem on pollution was--the big one there was the research; it was scattered all over the government. It turned out to be a very difficult problem, and nobody was running it very well.

I don't think it was ever satisfactorily solved. The only thing that is going to solve it is to pull a lot of it together in one place and put a real top-flight guy as a research director, because it tended to go out in thousands of little research grants. I exaggerate a little, but we found it was a major problem within the government on organizing. The Bureau of Mines has a lot of research on coal, gasification of coal, which in turn works back into. . . . The Public Health Service has some, and I think there were some others going on somewhere else.

On beautification, the main contact I had was being beat over the head everytime I went before the Ways and Means Committee by the Republicans on "Do we really need this to win the war?" and so on and so forth. And while beautification got held back like everything else, it sure didn't get cut out. My main recollection of beautification is not the substance of the program, or any problems really with the substance, or even the budget amounts we put into it; it was simply a fact of it being a beautiful political thing to beat me over the head with at least once a month. I'd go up there and, you know, what do you say? You can't say, with a straight face, that, "Yes, beautification is so important that we've got to do it this year." You look silly saying that when you have been telling them how, and testifying on the surcharge and inflation and economizing. On the other hand, you couldn't tell them you are going to cut it out, I mean it was so important. You didn't dare say, "Yes, I will cut it out," for all sorts of obvious reasons.

M: The stories written about this, the books and so forth, indicate this was an act that Lyndon Johnson wanted for Lady Bird. This was Mrs. Johnson's act--

S: Oh, yes.

M: --and this was something he was going to do for his lady. Is that essentially correct?

S: Yes. I think it overstates it, but sure there is a large part of that in there, and she was heavily involved in the whole business. My recollection is that a lot of the meetings on beautification she attended. So I think it probably is an exaggeration to say it was kind of his bill for Lady Bird as the sole business, but there was sure a large part of that in there.

M: Are there any other enactments that stand out in your mind as impressive during your period as director?

S: There probably are, if I had time to think about it.

M: Are there any bills that you had to go fight for that you really disagreed with?

S: No, I can't say that I remember any. The main problems I would have in that area, kind of feeling uncomfortable in testifying, were all during 1966, whenever you were testifying on the budget and it came to discussion of Vietnam war costs, where it was just flat, "We're going to admit that they are probably going to go up, but we are not going to give any other estimate than the one we had last January." That was the most difficult and embarrassing and everything else to hold that line. We were willing to admit, "They are

likely to go up; they are very probably going to go up, but we just won't give you an estimate." And you can imagine a sharp questioner on that: "You mean, you are the budget director and you don't have any idea--you don't know? Will it be five hundred thousand dollars or twenty billion dollars? You have no idea which it is going to be closer to?" You know, that sort of thing. And, of course, you did. But even though I could truthfully say, "We don't have an exact estimate," that is evading the question. That was terribly embarrassing. That's number one.

Number two, this is probably nothing to do with the Johnson Administration as such, or any other administration, but at least I found it to be exceedingly difficult as a budget director to deal with the Ways and Means Committee during a period in which you are trying to get a tax increase out of them, because the whole aura of the thing is that almost any government spending is bad. You are up there to get a tax increase, and you can't really let yourself go in giving them a lecture on the fact that the public needs public goods as well as private goods, because this in turn endangers some Republican votes that you really need to get the thing through. And unlike being able to go up as the Secretary of HEW and really fight for an education bill, "this is the greatest thing in the world" and all this, you're always fending and dancing because you haven't got the Democrats with you and you can't win it on a party vote, and therefore you can't really attack the nineteenth century concepts of some of the people at

least, because they might be willing to vote for you to lick inflation and you want to join them on that. Hence you're always cast in the role of kind of a reluctant bride, "Well, these are good programs, but admittedly we are doing everything we can to make sure spending doesn't increase very much on them." It is this sort of an attitude. But again, that is not a specific bill that you are testifying on you don't like. It's just an attitude you are forced into during a period like the Vietnam War when you are trying to get a concession out of the Ways and Means Committee that you can't use an honest estimate of spending to justify.

M: Do you have any impressions about the ability of Wilbur Mills?

S: Oh, he is an exceedingly capable guy, but a real sphinx. I would be dishonest if I said I really understood the man. He is clearly capable. I think he knows what he is going after, although it may be in part that his clear, real abilities are given even greater public impression by the sphinx-like approach to life. You never know what he is figuring. There are some marvelous stories. I will tell one, tales out of school, I guess. In 1967, we were fighting for the surcharge, and there was during that period, you may recall, a real long period in which the President and Mills weren't talking to each other. One of the things the President wanted was Mills to call him; he didn't want to call Mills.

At the same time there happened to be some question, I don't remember the substance of it anymore, but it had to do with some Agriculture Department rules, regulations, and so on, on milk and

milk prices. Wilbur Mills was very interested in milk prices. Apparently, I didn't realize it until I got there, he has some interest in his constituency and maybe elsewhere, I don't know, in milk. The industry had proposed some change which Orville Freeman had estimated to cost some amount of money, let me say a hundred and fifty million a year it would have cost--I'm not sure that 's the right one. But I got a call from Wilbur Mills during this period telling me what a great thing it would be to go ahead with this change. He just didn't believe those numbers of Orville Freeman's, and he knew some guy way down the line in Agriculture who really made up the estimates. That guy thought they had been juggled. He didn't think that Orville Freeman was giving out the right estimates, which, of course, clearly is a standard case of guys in the bureaucracy going around behind the backs of their secretary. So, would I look into it?

I immediately called the President and said, "You have got an opportunity here, and I'll look into this." But his point was, "Well, why don't you leave it with Wilbur that you can't do anything about it, and the only way he'll get anything done about this is to call me about milk," figuring then he'll get around to the surcharge. So I checked into it, and it turns out that Freeman's estimate may have been a little bit high but not enough to make much difference. So I called Wilbur back and I said, "I'm sorry, Wilbur, I have looked into this and as far as I can tell those estimates are right. They may be shaded a little high, but knock

20 per cent off and it is still too much money for me as budget director, in good conscience, to recommend during a period when everybody knows we have got to hold down expenditures." He had been on me for that. The guy is so clever, because I said, "Look, you have got to go above my head to get anything done on this. I hate to say it to you, but you've got to." And of course he saw the game immediately, and his immediate comment: "Well," he said, "if you insist that these numbers are right, far be it from me to insist on those added expenditures." Boom. He hangs up, knowing that the pressure was coming from a lot more places than him, and he wasn't about to get euchred into that kind of a phone call. He is a very, very capable and clever guy in knowing what he is doing and where he is going.

Let me just intersperse one more incident, absolutely no relation to what we have been talking about, but it is one of the funnier incidents of my career. This has to do with the AEC budget and a meeting between the President, Glenn Seaborg, chairman of the AEC commission, and myself at the Ranch on the 1968 budget, probably. We had the practice of taking to the President on budget matters a document pretty well compressed down, in which we would give him the basic overall numbers, kind of a past history to see where the agency had been going, and then a very short thumbnail description just to lead into a discussion of two kinds of things: first, issues on which the agency head and the budget director could not agree that needed presidential decision. And in many agencies

you'd finally work all those out and you wouldn't have any left, but with AEC you always did. And then secondly, to make sure that the President knew what was going on, any major issues where there had been agreement between the two parties but the President ought to know about it.

So, in this particular case, there were maybe four issues that we still disagreed on. There were maybe five issues in which, after painful negotiation, I had gotten Seaborg to agree on, coming out our way, but I put them all on the line. We get down there and for several reasons, one being the fact that Seaborg was a Nobel Prize winner, not only did he win the four issues in disagreement, he proceeds to open up the five issues that I euchred him into settling on and gets those decided in his favor, getting their agreement reversed. Then, in addition, he just mentions to the President he is going to Australia, was going to say something about this that or the other thing, and the President said, "While you are there, why don't you go up to Thailand?" He said, "You know, in Southeast Asia one of the things we can do which everybody would like is get some sort of cooperation on scientific matters in some of these underdeveloped countries. You can give them a little help on small things. Why don't you go up there?" And Seaborg says, "Well, Mr. President, it's going to be difficult. My airlines schedule is such that it's going to be hard to work in." "Airline schedule? My God, man, wait a minute!" [The President] punches a button, Pentagon button. "Bob, you must have

a 707 around. I want it fixed up for Glenn." "Now, Glenn," he said, "take your family. You must have some people that have been working awfully hard at that commission who would find this a great adventure. Bring them along."

It's like Santa Claus! This was right before Christmas, just like Santa Claus. The only thing I could figure was it was a major problem on where to locate a big 250 million dollar accelerator, and everybody in the country had been trying to get it. And the AEC, with some coaching, but the AEC had done a darn good job, I think, in finally getting a decision made without getting everybody and his brother on the President's neck. The President was terribly appreciative of this, because he had just practically foreseen massive problems. But he was like Santa Claus. Dear God! Okay.

M: Well, now, was Lyndon Johnson a fairly hard man to work for, or easy to work for?

S: Well, both.

M: You have had some prior experience with presidents.

S: Not close. Yes, I had some with Kennedy, but not close, and when I was at the council under Eisenhower I had really a worm's-eye view. So I don't really have a comparable period of comparison. But first, he was an exceedingly complex man. He was hard to work for. Not in the sense that I personally experienced any of the reputed, hair-raising chewing-out.

M: You were never subject to his temper?

S: I was never subject to, you know, a real chewing out, to use that

phrase. Sure, occasionally he did obviously get annoyed, irritated, and let it be seen, but you expect that with any guy. On the other hand, he was terribly demanding.

M: Let me ask, is his reputation for chewing out people, particularly those on the White House staff, well-founded?

S: I'd say it is well-founded but exaggerated. He did to the best of my knowledge. He never did to me. But I think you have also got to remember, generally speaking, he was more likely to do it with somebody he felt close to; he was less likely to do it with somebody he didn't. I think also to a small extent, although he would be the first to deny it . . . . For example, he treated Gardner Ackley and me, who I think dealt with him as closely as most of his personal staff, not as closely as Califano, but as closely as most of his staff--somewhat differently , in part, quite frankly, and of course he would deny it, [because] we were professors. Secondly, we both presumably had no compunction at jumping back out to being professors again. And while Johnson does not have the reputation of particularly kowtowing or bowing to intellectuals or professors per se that Kennedy had the reputation of surrounding himself with, nevertheless Johnson did have, I think, deep down inside some kind of a little bit of awe. Not awe, that would be too strong a word, but he would go a little easy.

M: But at least respect.

S: A little easy, yes. So in any event, [there were] no indications to me of real

temper tantrums or rages or anything like that, but, you know, clear indications of irritation, dissatisfaction with something or someone, which does not bother me.

But what was more difficult was [the way] that he was on two things: one, very demanding in terms of having something on his desk by eight o'clock the next morning, which would require getting fifteen staff members out of bed and doing it. You didn't really need to have it on his desk at eight in the morning. And I suspect, also, that this got exaggerated by being in some cases passed through his immediate assistants who exaggerated the deadline. But the deadline problem was serious. Serious is too [strong]; it was irritating. Not so much to me personally, because I was only going to be there a certain number of years. So you worked sixteen, eighteen hours in a day, so what? You're not going to be there that long. But to get career staff, who spend their lives at it [to do this]--I don't think he quite realized what he might be doing, particularly to the Budget Bureau and council staff. The council staff also tend to come and go, because they are close to him, they got a lot of this. You can keep it up for three or four years, but you can't expect thirty year old guys to do it all the time.

Second problem was the leak problem. He was super-sensitive to controlling just what was said, when. And it meant any time you talked to a reporter or anytime you gave a speech, you were always kind of looking over your shoulder because he was so

terribly sensitive to exactly what was said, when, and how, and should it have come out this way or shouldn't it. You could never tell in advance exactly how it ought to be played, so that they made that set of relationships [difficult.]

M: You couldn't tell precisely what his reaction would be.

S: That's right. That's right. On the other hand the difficulty of that was that very often he would call up and want you to say something, not realizing that if you have been holding off reporters at arms' length and dancing with them, and then all of a sudden you call up and are great buddy-buddy and want to tell them something--you know, they're no dopes--they know you are planting a story. And they are not likely to treat it anything like the way they would if you had been leveling with them. I don't mean you had been lying to them before, but if you had been treating them much closer. It was a very difficult game to play, how to deal with the press when, on the one hand, you were trying to watch every word you said, and all of a sudden, the next week you would be turning around and trying to buddy-buddy up and unloading stuff.

Again, in terms of the fate of the nation that's obviously not all that important, but in terms of kind of personal tension and relationship you're always looking at the . . . . And it was not only that; it turns out that the President would tend, naturally, to hold the department head responsible for anything that fairly obviously came out of his department, or that might have come out

of three departments, one of which was his. So you were always looking at the morning paper, scared to death that some guy on your staff had let an indiscretion go, or that some guy in another agency did that might have looked like you had. There was always this tension.

M: Was there ever a specific incident of a leak?

S: I'm sure there were.

M: But nothing major?

S: I never really had so much of a problem with leaks in the sense of kind of letting an explicit piece of information go early, or letting a piece of information go, but rather it was the tone of the comment, exactly what was said, that sort of thing. It wasn't the flat, blatant leak that, "President Johnson is preparing to issue a report or send up legislation on so-and-so." It wasn't quite that so much as the content of the comment, "High government sources are quoted today as saying that inflation is a serious problem," or you know.

M: Did you find that he understood budgetary problems? Did he understand what you were doing in other words?

S: Basically, yes. Let me think about this. There were two or three things: one, it <u>was</u> hard to get him to take a long-run view of the budget implications of anything. You know, "Can't you get this program in? It will only cost fifty million the first year, don't bother me about the rest." He didn't say it in that exact sense, but the longer term consequences were sometimes hard to sell.

I think, though, that one other technical point was kind of amusing. When Kermit Gordon first went there, the first real go-round he had with the President on the budget, the President's first budget, was coming in at a low enough number to sell the 1964 tax cut. Now, you might say there are two stages to the budget process: one, the Congress appropriates the money, and secondly, it then gradually gets spent. The President, having dealt on the Hill, had always dealt in appropriations, that's what the Congress passes. [He] didn't know anything and couldn't care less about expenditures, but, of course, expenditures are what go into make up the deficit money. It was an expenditure ceiling, in effect, he had to come in under. So Kermit would go over with his budgetary stuff, emphasizing holding expenditures down because that was not the year of a lot of new programs, and the President kept coming back to appropriations. He didn't want to talk about expenditures; he wanted to talk about appropriations. That's what counts, appropriations. So Kermit proceeded to go back and get the fellows to dig up prior headlines on the budgets every year, pointing out that in all the headlines nobody every paid any attention to appropriations, it was all expenditures and that what counted was expenditures.

Well, unfortunately the President really learned that lesson. He learned it too well. Because in subsequent years when at least part of the problem in budget decisions was, "Do you go, or do you not go

for an expansion in this program with major appropriations?" But [there was] hardly any expenditure consequences in the first year. And so, naturally, I began to come over with the decisions in terms of appropriations, "Here is what this new program is going to cost." He used to throw all those out and to keep insisting that he wanted expenditure figures, and I kept trying to tell him, "Well, you look at the expenditure figures in this particular set of circumstances and it isn't going to tell you what you're doing." Now, there are other occasions when you have to concentrate on expenditures, so that technical problem of expenditures and appropriations are always a problem. He really, deep down, understood it I think. But it did cause a problem. Basically, he understood the problem and the process.

M: He understood the accounting, just the mechanics of the accounting?

S: Oh, no. Well, he understood it as much as he had to, and when a very specific problem would come up he would learn it. He got to the point where he could recite as well as I could, when he needed to, that you can cut appropriations,but it won't affect expenditures right away. And he began to give lessons to the press on that. The basics he understood; the detailed accounting he didn't have to. There was no use burdening him with it. The really detailed stuff, hell, I'm sure there is a lot of detailed stuff in that budget accounting I don't understand.

Tape 2 of 2

M: Let me ask you this. Did you ever have any trouble getting decisions from Lyndon Johnson? Did he delay? Did he postpone?

S: No, I would say the best way to characterize that . . . . The only time you had trouble getting decisions was when he quite deliberately didn't want to make a decision. In other words, you didn't have trouble getting decisions because he was a natural procrastinator. In some cases, for his own perfectly good and sufficient reasons, he didn't want to make a decision. On balance, however, at least I found that if you learned the technique of writing the memo right so you came to the point and didn't wander all over the place and made it crystal clear what you wanted . . . . I'd send stuff in--it really used to amaze me--at nine thirty, ten o'clock at night--

M: For the night reading?

S: For the night reading, and I would say eight times out of ten I would have an answer the next morning. You would very often set it up so all he had to do was check, or give him four options, or four options plus "call me in the morning." And one way or the other, I would say, I didn't keep a count, but I bet eight out of ten times it would be done. There would be occasions where he just wouldn't make them, but for good and sufficient reason: he didn't want to make them.

M: That was a decision not to make a decision.

S: That's right. Yes. So I didn't find that when he wanted to there was any trouble getting a decision. Sometimes you might not like it, but, boy, you got it. I also found that if you weren't greedy, in the sense of trying to push too hard, if you could give him a good case and if he possibly could, he would go along.

M: Could you argue with him?

S: Yes. I never had that trouble. As a matter of fact, in many meetings it was fairly clear I think if you knew the man, that he was making statements and appearing to take positions he probably didn't really hold, precisely to draw out arguments. I don't mean this was a constant practice, but I'm fairly sure, as I look back, that there were a number of times in which he was deliberately trying to draw forth arguments. Now this meant that if you were afraid of him saying, "That is a God damned silly idea," then shut your mouth, you couldn't argue with him. But you had to know the man didn't mean anything. And my own view was he thought more of you if you did argue. Now once he made a decision, quite rightly he didn't brook any opposition.

M: He didn't like you coming back to him after the decision was made?

S: Not after the decision was made. Although even there, there were times when I felt it important enough to do it. But what I mean by making a decision, I guess once the wheels had been set in motion so that it was administration policy and couldn't be changed, he didn't want you sniping at it or trying to drag your

heels on it, and I don't blame him. He would make a decision, but if it was still time before the wheels were turning, you could come back at him. I wouldn't do it very often. But I found you could argue with him and even though he argued some cases fairly loudly and in fairly colorful langauge, so long as you realized that that didn't mean that he was going to throw you out the door if you kept on going, you could keep on going and often turn him around.

M: He also has a reputation for being a rather crude man in his manner of speaking. Is there any truth to this?

S: Yes, although I have heard some fairly hair-raising tales about President Kennedy, too. But, sure, that is true.

M: Was it offensive? I mean did it bother you?

S: No, it didn't bother me. I spent three years in the infantry. No, it didn't bother me. I don't remember him ever using language, which he did, in places or circumstances where you would tend to be embarrassed.

M: Where it would be in poor taste.

S: For example, obviously he was not the kind of guy who was going to get up before a large group, even off the record, and do this, or with women present. Once in a while you might cringe a little bit, but not really. It is a matter of taste, and he didn't really use it to excess. You know, you get some people who will just load their langauge with expletives. He could turn it on and off. And you wouldn't get in a cabinet meeting and hear him doing it.

Oh, he might occasionally throw something out. But you get three or four guys around in a room, and if he got excited about something, he could really let go. But on balance I didn't find it particularly disturbing or anything else. Just like anything else with the man, he could damn well control it when he wanted to.

M: Did he have lots of energy, physical energy?

S: More than any man I have ever met. Unbelievable. I couldn't keep up. Unbelievable. Not only that, he relaxed in ways that would tire me. I recall in one particular case after two or three harrowing weeks, one Saturday morning he called up and said, "Lady Bird and I are getting a group to go down the river on"--which was it, the Sequoia? I guess it was--"the yacht. Would you and your wife like to come?" So we go down the river on the Sequoia. It's primarily a fairly hectic afternoon; he's talking government and politics all the time. Finally they showed a movie coming back, and I think he watched it for about five minutes. He couldn't stand sitting still that long and was out talking politics again, in the broader sense. And I mean, when I say politics, you know, government, something to do with the job. You go down to the Ranch with him, and, my God, he tours the Ranch. He, as you know, has radio communications with just about every vehicle on the place, and he's constantly in motion to "Get that fence fixed." "Fix up that." "That grass is dry over there." "The deer feeding stations are running out." Just constantly in motion, whatever he does. I never met a man with that much energy.

M: Speaking of the telephone, did he use the telephone with you regularly?

S: Oh, yes. I may have mentioned earlier, absolutely. Again, if you have some sense in not abusing a privilege, [there was] never a problem in calling him up and getting him right away.

M: You could get through to him if you had to?

S: Oh, like that [snaps fingers]. Again, barring a meeting of the National Security Council or something like that, nine out of ten times I would pick up the phone and if he was in town, I would get him, or at the Ranch I would get him. If he was travelling somewhere, it might take a little longer.

M: Did you have trouble deciding what decisions the President ought to make and what decisions you ought to make? How do you know when to take a problem to the President?

S: Well, I don't know. I never thought about trying to generalize that. It's kind of an art. The only thing I would tend very often to do, which is kind of a little bit of cowardice, I guess, on anything, any decision I would make that I wasn't quite sure, I'd make it and then let him know about it. I'm not sure I can generalize on how one knows what decision to make and not to make. You have to get a feel for that. I probably leaned over backwards, simply, and maybe [sent him] a one-paragraph note indicating that I had made it, which--

M: To make sure that he knew what was going on?

S: Well, to be sure he knew what was going on, and to give him a chance--you see, I didn't ask him to make it, so he didn't have to worry about making it--but at least to give him a chance, if he really didn't want it, to let me know. In a sense, that puts more responsibility on him really than it probably ought. I don't mean every little decision, I didn't do that, but any area where I thought he would be interested, I would kind of let him know. Now that got to be very, very difficult in the case of the final budget, because there were thousands upon thousands of decisions, and there it's an art in knowing what he is interested in. By that I mean all the big ones he ought to know about.

M: Such as defense spending?

S: Well, you name it. You got to any agency, in any year in the budget, there are four or five decisions that he ought to know about. There are then any number of areas that he had a personal interest in and even though they weren't really important decisions you kind of figured you ought to let him know what you are doing.

M: Anything with a political--

S: Well, sure, when you get down to Corps of Engineer projects, you go over them one by one, which is a fascinating experience, absolutely fascinating. One year, as a matter of fact, when we had to put only a small number on, I had a hard time getting him to put any in simply because he didn't like any of them. You know, "That stinker, he never voted right in his life. Why should he have this project?" Interestingly enough for a politician, the problem in that year was

not to get him to cut the normal forty new projects down to eight or nine, but to get him to take any of the eight or nine, which for political reasons I thought you had to have--at least a symbolic number. But this is kind of an art. For example, he, for all kind of reasons, always was a little bit sensitive to how much you were putting into the Internal Revenue Service. Partly because when he was at Austin he had often seen what he thought at least was a lot of wasted time, guys hanging around the Coke machine all the time. So every year I always made sure he saw what we were doing on Internal Revenue Service, just because he happened to have that personal experience and was a little bit sensitive to this.

M: He had a reputation for being a master in legislative matters, dealing with Congress, for instance. Is this well founded?

S: Yes, to the best of my knowledge it is. Which doesn't mean that he was always a hundred per cent accurate in his evaluation of it. But on balance, yes, he clearly was. In part because of a technique he had which he used not just with the Congress, but everywhere else: he never let up. If he wanted something done, and you'd come back and tell him, "Mr. President, it can't be done," he wouldn't take that for an answer the first time, the second time, the third time, the fourth time. Maybe the fifth time. And usually it turned out that he was right. Now, not all of the time, but maybe 60, 70 per cent of the time. "You can't do it, there is no way to do it." "Damn it, don't tell me that. What am I paying you for? You go back and find a way to do it." You would come back

and say, "We checked it again and it can't be done." And he kept pushing, and very often if you pushed hard enough, you could find a way, and that was his secret in the Congress. He didn't give up. That was only part of it. And the same way in administration. You push people hard enough, it is tough on the people, I don't mean unpleasantly push them, but just keep telling them there must be a way , and, lo and behold, in more than half of the cases, there was.

M: Did you have any difficulty working with the White House staff?

S: On balance, no. Potentially there was a problem between Califano and his large, well,for the White House staff, he had a stable of young guys and the bureau. On balance, there wasn't a major problem, partly because Califano and I got along well together and on many things tended to think alike, and that made it a lot easier. There were a lot of petty problems with respect, first, to his staff laying what I thought were often just too many requirements on mine. They'd want too much, and I had the problem of holding an institution together. This tended to be a problem, but I don't really think I would call it a major problem, just kind of something you had to watch and be careful about.

I'd handle it various ways. There were times when there were some members of the White House staff who tended to become a little bit lobbyists for particular departments or particular programs, kind of a lobbyist in the White House for that department, but again that wasn't any real problem. I did have problems occasionally with

Marvin Watson, but not on earthshaking matters--petty matters of detail of administering the White House and the Executive Office, occasionally on a few political problems. But, again, nothing I would call of major seriousness.

M: Did you ever have a problem, a conflict with a member of the White House staff that had to be settled by the President?

S: I can immediately start by saying yes, even though at the moment I can't put my fingers on it. Now if you mean kind of personal conflict in terms of authority as to who is going to do what, no, in terms of substantive matters, plenty. Now let me make sure of that answer before I let it go. Again in the area of kind of the administration of the Executive Office, who got what offices and all this sort of thing, I may have occasionally had a few things between me and Marvin that had to go to the President. I can't put my finger on it, but I have some vague recollections of various administrative stuff where we. . . . But again, that was not anything major.

M: Yes. Are there any major faults that you see in Lyndon Johnson as a chief executive?

S: Well, yes. One comes to mind. I felt there was a significant problem in him not dealing face to face with many of his cabinet officers on matters of their programs' substance, in discussing with John Gardner, for example, what are you going to do in the long term for the federal government's education program, or its health program, these matters which are really <u>their</u> substance.

That's what they live for. Now he was concerned about these matters but tended far too much to deal with them through staff, through me, through others, and the cabinet officer might have very little chance, if any chance, of seeing him alone or with just a few people on these matters. He might see them very heavily on other matters--appointments, problems of, say, civil rights enforcement, specific ad hoc matters--but to sit down with Gardner or Wirtz or other people on kind of long term government policy, face to face, there was far too little of that and far too much indirect dealing through White House staff, task forces, etc., which made it very difficult for them to get a feel for what the President really wanted, and made it very difficult, paradoxically, for the staff to deal with them, because there was a problem of security, personal security, in their relationships with the President.

I often felt that literally paradoxically, because he dealt through the staff too much he tended to make it more difficult for the staff. Rather than giving them a chance to arrogate power, he made their relationships much more touchy. There were a number of cases where this was clearly true. Hence I think more face to face meetings in small groups or alone would have helped. Some cabinet members knew how to handle that. I felt, for example, Orville Freeman, somehow, I don't know what the technique was, got a lot more of this than other cabinet officers did because he knew how to do it. Now then you ask me exactly what it was, I don't know.

M: Well, on the other side of the coin, are there any major virtues in

Lyndon Johnson as chief executive? We have touched on some of them--his decision making, handling the Congress, and so forth.

S: Energy. I am convinced that, first, you cannot be a good president without a lot of energy. It is impossible to sit back in an ivory tower and make the big decisions.

M: Sheer physical stamina?

S: That's right. You have got to know enough about the details of what is going on to do it well. He may have overdone it. But clearly the area of getting a feel for what's going on through a myriad of sources and paying attention to it, he did more than almost any man I can think of. Two, as a concomitant of that was the business of being able to get decisions when he wanted to make them. Three, the characteristic I mentioned earlier of having a pretty good intuitive feel of what you could and couldn't do and not letting up until you got it done. It is often easy for subordinates to say it can't be done because it lightens their load. And he had a sense that sometimes didn't make it pleasant, but nevertheless you've got to do it. Just keep after it. Now sometimes it would get pushed too far and solutions would come out that really weren't any good, but on balance it was a good tactic.

On a broader, philosophical plane, it's very hard for me to evaluate the man fully because he was terribly complex in the area of his general outlook on life. But it is clear he sincerely, deeply, fundamentally believed in--how do I say this?--the basic concept of providing opportunities. Or put another way

to oversimplify it, he was all for doing a lot of things for the deserving poor. Of course one of our major problems was what do you do about the undeserving poor. And that he was much less sympathetic about. So one of the characteristics of the Johnson Administration, and [there are] all sorts of paradoxes, [is that] on the one hand, you might say he is the last New Dealer--New Dealer in the sense that he would do anything to feed kids, or for kids, number one, for children, and for old folks. They can't help themselves. So anybody that can't help themselves, really can't help themselves, "By God, we'll do for them." Food, education, Social Security, this. Same way in his emphasis in AID: feed them, educate them, make them well, [give them] opportunities for jobs. On civil rights in terms of clearing away the legal obstacles he was also sincere, clearly and deeply, although realistic.

At the same time, however, you get into the much more complex problem of a redistribution of political power, and the relationship of the Negro in the ghetto to the established political machine, and the fact, right or wrong, that the black community, Mexican-American community felt that the established mechanism channels wouldn't do it. They wanted extra political channels through community action programs, community organizations, picketing--forget the violence, I'm not talking about violence, but even within the limits of peaceful--this he found much more difficult to accept. He found much more difficult to accept say a broadened

welfare program, particularly where it was broadened to cover those who might be doing something for themselves. So that if you really look at it, children, old folks, food, education, good health, removing civil rights barriers, anything to open up opportunities and to help those who could not help themselves through the established channels of political structure, he was sincerely, deeply, passionately devoted to, deep down inside, no matter what he said on occasion when he would get disgusted about a particular program.

On the other side, I would say the very modern generation and its problems of the structure of political power and the very tricky question of who it is who can help themselves and who can't and how much do institutions play at this and the very subtle sorts of things, it was much more difficult for him to accept. Even though, as a matter of fact, when the chips were down it was his administration that introduced, particularly through the Community Action Program, new mechanisms extrapolitical, and unleashed a lot of new forces going not to substantive programs, but to reshaping political power. And this was much, much more difficult for him to accept. A Mayor Daley would come in and complain about the Community Action Program, and he was intuitively and basically on Mayor Daley's side, on grounds, trying to express it his way, I guess, "Here's a good mayor who is trying to do something for his community. Why can't these people operate and gain power politically?" I think that explains part of his complex reaction, this combination

of passionate conviction on one hand, but a deep devotion to the existing political structure and order on the other hand.

M: Did it surprise you when he chose not to run?

S: Oh, yes. Dear God, it did. Yes. You know, two incidents with three points, some of which you will probably pick up elsewhere. First, hearsay: I have been told on pretty good authority by some guys in the White House that within the prior week there were people from the Johnson staff out in California trying to set up, outside the party, a typical Citizens for Johnson Association. And they came back with terribly discouraging news which may have had a part in his decision, but [this] also indicate[s] that apparently he wasn't sure up to the last minute. Number two, at least once, and maybe several times in 1967, he passed off comments in my presence like, "By God, I'm not about to do this again," or "I've had it. I see no reason why I should run again." But I passed it off, and I still think correctly, as simply a passing comment.

I had lunch with Jim Webb, head of NASA, either just before the turn of the year or just after the turn of the year, and Jim was deeply shaken. He had had a session with him in which he came away with the view that the President wasn't going to run again. And I passed that off, and I still think correctly, as simply one strand of thought which was overwhelmed by the other side. Finally, from everything I gather--well, it is not that I gather; it's pretty clearly known--the last part of that speech wasn't decided on, much less written, till very late in the game. So my own view is

that while there was a strand in his thought, certainly all during 1967 in this direction, that I think it was something he made up his mind on very late.

M: Well, then when did you resign?

S: The day the budget went to the Congress in 1968, which was something like the end of January. I had made the agreement with him, oh, approximately the end of the prior summer.

M: This was going to be it?

S: Yes. That's right.

M: Were you able to depart without any difficulty?

S: Yes, absolutely none. There was a minor stupid flap that the newspapers caused, because when he announced it he did not at the same time release a thank you type letter, which was a very gracious letter, and he didn't want the newspapers trying to make something out of this fact. But, as a matter of fact, there was absolutely no bad feeling or anything else.

M: And then from that position you came here to Brookings. And you came as a senior fellow?

S: Senior fellow. I teach the equivalent of one full day at the University of Maryland. But I am here a senior fellow.

M: And here at Brookings you are doing what kind of work? You produced that book for one thing.

S: Yes. A book on politics and economics of budget.

M: Is that the title?

S: The title is The Politics and Economics of Public Spending. The cover, you will note, is in red and black, mainly red, which is

good for any budget director, at least given my deficits. Which reminds me of another incident I will tell you in a minute just as a sidelight. I'm doing a book on subsidy programs, primarily subsidies which seem to transfer income from the poor to the rich, and spending a lot of time on the military budget, the size of it, the fact that we have got very poor decision-making processes, I think, now for deciding some of the basic elements that go into the military budget.

M: Are you working as a consultant then with the government?

S: I have done some, not regularly. Well, I take it back, I am chairman of an outfit called the Health Insurance Benefits Advisory Committee, which is the chief advisory committee to the government on Medicare, composed of about eighteen doctors plus me. Mainly, they wanted the chairman not to be a medic. I chaired for Secretary [Robert] Finch the task force on Head Start, what to do with it, these kinds of ad hoc sorts of things.

M: You were going to say something about--

S: Oh, just a side incident. I spoke about the red and the black, and my deficits. I recall an incident with the President along the following lines. He has a fund called a Special Projects Fund appropriated to the White House for his use for special purposes. It is only about a million and a half dollars. Some of it is used regularly to run the White House because the White House budget itself isn't large enough. It's, by the way, just as a side matter, criminal that the president of a country this large literally has

no more than a million and a half dollars that he can use for special things, because all sorts of things come up, like the Kerner Commission. I must have spent 10 per cent of my time as budget director during the last six months I was there trying to find money for the Kerner Commission. There was just literally no way to run it, because you couldn't get money. Everything is tied down in appropriations. In any event, the incident, I think, was in the early stages of OEO before the legislation went up, how do you get money to put the task force together and get some kind of planning done? So Elmer Staats and my deputy apparently suggested to Shriver, I guess it was, that they ask the President for the use of a couple of hundred thousand dollars out of his Special Projects Fund. The President blew up. He didn't want anybody to know about that Special Projects Fund. And his comment to Elmer was, "Look," he says, "I don't fool around in your budget and that runs into hundreds of billions. You leave my budget alone."

M: Well, now, I have exhausted the questions I had for you. Is there anything else you wish to make a statement about?

S: Turn it off for a second, just give me a minute to think.

(Interruption)

You've asked off and on about the nature of the man personally and his faults and qualities as a president. One other item, which is fairly generally well-known, but let me simply add to it. While at times he could be terribly difficult with his staff, he could on the other hand turn around and in ways which didn't bring him any

kind of gain, in the sense he clearly wasn't doing it for political or other reasons, he could be exceedingly kind or do things that all of a sudden would surprise you. Go out of his way to do something for you.

M: Give me an example.

S: Oh, you know, just when you . . . little things. But when you've been beat down and have taken a hell of a beating before a committee, or you had done something he didn't like, and he may have been irritable, the next day all of a sudden he would turn around and call you up and say, "By the way, I was talking to so-and-so, and he went out of his way to tell me what a tremendous job you did before the committee the other day, and I just wanted to thank you." One case I heard of where a guy had some monetary problems and his kids were sick, and all of a sudden the hospital bill gets paid by a friend. The friend is Lyndon B. Johnson. You know, very personal sorts of things. He would go out of his way to tell your wife, "I realize that you don't see your husband much, and I just wanted to tell you how much I appreciate what he's doing, and while it's rough on you, it's helping the country." These sorts of things with nobody else listening, so he wasn't gaining anything in terms of people thinking what a great guy he was. But he would turn around and be very warm and nice, sometimes a day after he had been particularly difficult. And it helped a lot.

M: Well, I wish to thank you for your time.

[End of Tape 2 of 2 and Interview II]

GENERAL SERVICES ADMINISTRATION
NATIONAL ARCHIVES AND RECORDS SERVICE
LYNDON BAINES JOHNSON LIBRARY

Legal Agreement pertaining to the Oral History Interviews of Charles L. Schultze

In accordance with the provisions of Chapter 21 of Title 44, United States Code and subject to the terms and conditions hereinafter set forth, I, Charles L. Schultze of Stanford, California do hereby give, donate and convey to the United States of America all my rights, title and interest in the tape recordings and transcripts of personal interviews conducted on March 28, 1969 and April 10, 1969 in Washington, D.C., and prepared for deposit in the Lyndon Baines Johnson Library.

This assignment is subject to the following terms and conditions:

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

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

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

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

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

Charles L Schultze
Donor

Oct 25 1982
Date

Robert M. Warner
Archivist of the United States

November 15, 1982
Date