

INTERVIEW I

DATE: December 9, 1971

INTERVIEWEE: ELMER B. STAATS

INTERVIEWER: T. H. BAKER

PLACE: Washington, D.C.

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B: This is the interview with Elmer B. Staats, who is the comptroller general of the United States. If I may give a little bit of your background, sir; you were born in Kansas and educated at McPherson College and the University of Kansas, including a doctorate from the latter. After a turn as a Fellow of the Brookings Institution, you joined the Bureau of the Budget. Except for a year in the mid-fifties as research director of Marshall Field, you were with the Bureau of the Budget until you took your present job, the last years as deputy director, and in 1966 you were appointed comptroller general. Have I left out anything?

S: I might make a couple of corrections in that: my doctorate actually is from the University of Minnesota, my master's from Kansas. I came to Washington initially as a Brookings Fellow to finish up my dissertation for my doctoral program, and that's how I happened to come to Washington. I'd been associated with a nonprofit management consulting firm in Chicago for about a year and planned to go back. In the meantime, the head of the company became assistant director of the Budget Bureau, which at that time was in the Treasury Department. So he invited me to join the Budget Bureau

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instead of going back to Chicago. The other minor correction would be that for five years, late 1953 to 1958, I was asked by President Eisenhower to be the executive director of the Operations Coordinating Board of the National Security Council, which was a new board. The purpose of it was to try to coordinate overseas operations of the federal government.

B: Were you formally disassociated from the Bureau of the Budget in those years?

S: I had been appointed deputy director of the Budget Bureau by President Truman in 1950 and had decided to go to Marshall Field and Company at the invitation of the president of the company, who had been a consultant to the Budget Bureau during World War II. I'd been there actually a little less than a year when I was asked to head up this new board. The history of that was I had had a major part in setting up the arrangements under the National Security Council, under President Truman, entitled the Psychological Strategy Board, a forerunner of the Operations Coordinating Board.

B: Then in the Eisenhower years you were executive officer of the coordinating board of the National Security Council?

S: That's right, and this extended until 1958, when I was asked to come back to the Budget Bureau.

B: As deputy director?

S: Initially as assistant director, then three months later as deputy director. But the deputy post was planned in my coming back. I stayed on in this job after President Kennedy was made president and then continued on when Johnson succeeded to that

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position.

B: I might insert here for the record, for anyone using this, you have done similar interviews for the Truman, Eisenhower and Kennedy oral history programs, too.

S: Yes.

B: During those years, did you have any contact with Mr. Johnson while he was in Congress?

S: I had had some contact with him while he was a senator, and later when he became majority leader, and then still later on as vice president.

B: What sort of activity would that have been, sir?

S: This involved a number of different matters. He was interested, of course, in the space program. He was chairman of the Space Council, which brought him into the subject of the Supersonic Transport and the whole space program. But he was also interested in quite a number of the programs. Sometimes we visited with him in connection with visits to President Kennedy, sometimes separately. But he was also much interested in the field of water resources development, I suppose because of his background in the Southwest. I'd had a long background of interest in this field. So I had seen a good deal of him and knew him fairly well before he became president.

B: Did you work well with him in those days, on the water resources, for example?

S: Yes, I think so. I don't recall anything other than a most pleasant relationship with him.

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B: While he was vice president, was he active with the administration in the type of planning that the Bureau of the Budget would have been involved in?

S: On those matters in which he had some official responsibility, particularly with the space program. He had worked, of course, closely with Senator Kerr, having been in the Senate with him. Senator Kerr was chairman of the space committee. And I think this may have had something to do with his suggestion to President Kennedy that he might head up the Space Council. We had been doing a review, as a matter of fact, at the request of President-elect Kennedy, before he became President, of the work of the Space Council. There had been a suggestion made to him that that Council might not be necessary, or it might be just as well to discontinue it. But I think President Kennedy was of the view that Vice President Johnson could be helpful in the space program by becoming chairman of the Space Council.

B: Was it your recommendation that the Space Council be continued?

S: I think his decision was made, quite honestly, before we made our recommendation to him.

B: I was wondering if there was any possibility that one factor for continuing it might have been to give Vice President Johnson something to do?

S: Well, there has been, you know, particularly in recent administrations, a question of what is the role of the vice president. There has also been the concern expressed in many quarters that

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the vice president was not sufficiently involved, so that if he ever had to succeed to the presidency that he ought to have as much background and as much exposure to problems as you can reasonably give a vice president. I think both of these factors played a part in, perhaps, this decision.

B: Did you have any other dealings with Mr. Johnson as vice president, other than the space program?

S: There were a whole series of matters in which we dealt with him on specific matters, where President Kennedy asked us to talk with him, get his advice, get his reaction, that sort of thing.

B: Would these generally be in certain areas, or just miscellaneous things?

S: Oh, it would be miscellaneous things, particularly those things which might have sensitivity in the Congress. I think it was important for anybody to realize that during this period--and this point was discussed a good deal at this time, but I haven't heard so much made of the point in more recent years--Kennedy really had very little experience in the Senate. He hadn't been a senator too long, and a good deal of the time he'd been senator he'd been active outside. Some people would say he was running for president most of the time he was in the Senate. So he felt really quite uneasy on many of these legislative matters as to where he stood in the Congress and he, therefore, I think, relied fairly heavily on Johnson to give him advice and sometimes see him through on these issues.

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B: Some others have said that in spite of Mr. Johnson's acknowledged expertise in congressional matters that once you are vice president. once you are not really there day by day, that your expertise may still be there, but your influence is limited considerably.

S: I think, as a generalization, this is probably true. I'm not sure this applied to Johnson, however.

B: I was going to ask you if you think it did, if he were able by informally talking to congressmen and so on to really carry influence.

S: Oh yes, yes. Of course, when he became president he was in a different role vis-a-vis the Congress. But it became very clear that his experience in the Congress played a major part in his whole approach to the job of being president.

B: During his vice presidential years, when he was helping the Bureau of the Budget with congressional relations, would that include such things as suggesting ways to shape certain budget items to have the most impact on individual congressmen?

S: Not to shape different items; it was mostly in terms of the legislative program. See, you have to understand that the budget was also the focal point for holding together the President's legislative program, and the reason for that is that a legislative program had to get itself translated into budgetary terms. All of the substantive legislative proposals were included in the budget. That's the vehicle the president has had since 1949, for submitting to Congress the dollar costs of his legislative program.

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This meant that the budget really had to at least get some fix on the legislative program of the President before the budget came out. It was mostly in this area that we had our contact with the vice president.

B: Do you recall your reaction to the assassination? Did you come to the office immediately, or something like that?

S: Oh, well, yes. Yes, very much so. We were actually working on the budget, the defense budget, that afternoon over in Secretary McNamara's office. We had just been working for about fifteen minutes when the news came through. This involved a number of people on the White House staff as well as Kermit Gordon, who was Budget Director, and myself, and members of our staff. There was Jerry Wiesner, who was the science advisor, and McGeorge Bundy, and there was Ross Gilpatric, and McNamara, and several others on the staff of the White House in the Office of Science and Technology and the Defense Department. We had been to the White House on Wednesday night to a reception and had a good visit with the President, and of course had seen how well he looked and all of that. So like everybody else, it was a terrific shock to me. The thing that, of course, was crucial about it was that we were right in the middle of budgetary decisions, and we were involved in a program which was primarily the program of President Kennedy. We were operating on a time schedule which really couldn't be altered very much. So this was really a very critical period as far as the new President was concerned. He had to make up his mind on a whole series of issues.

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B: The indication is that that had to be done immediately. Did you or Gordon see the President, the then-President Johnson?

S: We had a meeting on the budget the night of the funeral which also involved the tax program. The meeting was called for ten-thirty; we actually started, I guess, about eleven-thirty and ended up about a quarter to one. But the reason for the meeting was that we had sent word to Johnson of the importance of meeting the legislative schedule, because otherwise we'd have to ask Congress for a delay in the submission of the budget program and the economic message. The most critical thing at that point in time was the tax program.

B: This is the tax reduction bill which had been in Congress?

S: The tax reduction bill, right. The budget had gone up, stood at that time [at] over a hundred billion dollars, around a hundred and one, a hundred and two billion dollars.

B: It was 102.2, I believe.

S: Yes, in that neighborhood. And I recall the Secretary of the Treasury and the Under Secretary and others on the Council of Economic Advisors and Kermit Gordon and myself were present at this meeting. The question was one of whether or not we should trim the budget back further, or whether to go ahead with something on the order of a hundred and one to two billion dollar range. It was President Johnson's view that if we pressed ahead, and particularly what he thought might be the political reaction to a budget which for the first time exceeded a hundred billion dollars, that it might adversely affect the prospects of getting the tax

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reduction bill through.

B: Especially since there would have been a deficit of something like about nine billion, I believe.

S: I believe that was about right. The trade-off, as he saw it, was a legislative trade-off. I recall specifically a remark he made to Walter Heller, who was being pretty vociferous on the need to sustain the budget at approximately the level at which it had been cast, [which] was that if he persisted [he] ran the risk of losing the tax reduction bill. From the point of view of the economic impact, he was raising with Heller the question of which would have the greater impact. Of course Heller had to agree with the President that the more immediate impact would come through a tax reduction bill, rather than sustaining the difference between maybe three or four billion dollars on the spending side.

B: Was Heller the only man arguing for continuing the one hundred plus budget?

S: I think so. Although Kermit Gordon I think supported the higher level, but not to the extent that Walter Heller did. But, as the evening went on, Heller realized that the President's leanings were such that there wasn't too much point in his persisting on his point of view. As it turned out, the President, of course, was absolutely right.

B: In that moment of taking command, was there any doubt or uncertainty on the part of Mr. Johnson? Did he give the impression that he knew exactly what he was doing?

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S: The doubt was whether we could actually make the kind of budget reductions which were necessary to bring it down to the level that he was talking about, as to its impact on individual programs.

This was where we were able to help him a great deal by giving him the alternatives, you see, as to the kinds of things that might be done to bring the budget down. We went to work then, and before we were through we were down to 97.9 or 97.8.

B: Was that as low as the President had originally wanted? Had he offered--?

S: Oh, he was willing to settle initially for around ninety-nine.

B: Anything below that--

S: Anything below that magic hundred billion dollar figure. But we went to work in a whole series of areas, and we were able to come up with a package of possibilities that brought the expenditure figure down.

B: I gather Mr. Johnson was pretty much directly involved in that process?

S: Oh yes, yes. We spent many, many hours during the day and during the night in meeting after meeting. One thing that came into play here very noticeably was the fact that on some of the areas where budgetary reductions in our opinion were feasible were also politically very difficult. Here's where his background in the Senate paid off in a very handsome way. To be sure, he was able to get cooperation from Congress in part because he was, you know, thrown into the presidency in a very precipitous way and at a very crucial time. I'm sure this played a part. But [there was] also

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the fact that he was able to call them on the phone and talk to them on a first name basis and suggest to them maybe how they might deal with their political problems in making budget reductions and in some cases deferrals. In some cases they were not real program changes, but rather deferrals. So that this was quite a lesson to some of us who had not really worked in the legislative branch.

B: Did that include things [such as], you would propose that, "This project can get 10 per cent less," and President Johnson would say, "No, it can't, because that's Senator 'X's' project"?

S: Oh no, no. He was all for the reductions. I don't recall that there were very many vetoes that we got purely on political grounds. He didn't hesitate to march up--his phone system came in handy, and he would get the agency head on the phone, or he'd get the key committee chairman on the phone, or sometimes he'd get us on the circuit. So we went to work, and we took out about close to five billion dollars of expenditures in our budget in a period of, oh, a couple of weeks.

B: I don't know if you've seen President Johnson's memoirs, The Vantage Point, but he says that, "I worked as hard on that budget as I've ever worked on anything." Do you think, by the way, that had the assassination not intervened would President Kennedy's budget for the coming year have been the one hundred plus figure?

S: I don't think there's any question about it. Now, whether he would've gotten the tax bill through or not gotten the

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tax bill through is hard to say. But it was President Johnson's firm conclusion that you couldn't get the tax bill through without some rather substantial reductions in the budget. This is one of those things you couldn't, on a hindsight basis, prove, but as it turned out President Johnson got the tax reduction bill through.

I think we have to assume that his strategy was the correct one.

B: I gather there was never any question of letting the tax bill go, or changing it and keeping the higher budgetary figure?

S: I don't think so; I don't recall that there was.

B: I had not heard of any, but apparently he was insistent on getting the tax reduction bill through.

S: Of that approximate magnitude, right.

B: Did you find in that kind of exposure to Mr. Johnson that he was knowledgeable in finance and budgetary matters, as well as in the legislative and political aspects of it?

S: Of course having been in the Senate as long as he had, he'd been exposed to budgetary problems, not from the point of view of formulating the budget, but from the point of view of how the Congress reacts and responds to budgetary decisions. But he was quite willing to roll up his sleeves and go to work and do some of the dirty digging that anybody has to do in putting the budget together.

B: Did you find yourself in a kind of teaching position?

S: I think the principal overall recollection I would have is that he was quite willing to have people tell him what the hard facts were on

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these things, even though they might not necessarily sound good from a political point of view. He was convinced that the budget at that point in time and the tax bill were central to the accomplishment of his overall program. The only other recollection I have is that throughout all this period of review of the budget he was, you might say, soft on educational programs. He told us a number of times that he felt this was one area that he would like to have his name associated with in terms of leadership --the education programs.

B: This was right from the beginning--

S: Right from the very beginning.

B: --1963 and early 1964, that education programs had a favored position?

S: Yes.

B: Did a similar sort of activity go on in each of the subsequent administrative budgets? Obviously they would not be quite so frenzied under those circumstances, but did he get--

S: It came through in a more pronounced way, I think, in the first budget, because, you know, he'd obviously been thinking about it. It was on his mind. I don't think there was any change. One thing we were able to do, I think it was his second budget, which we had not been able to do before was to add up all of the programs that supported education, irrespective of which agency they appeared in in the budget, in the form of a special analysis appendix to the budget. So that you could see what the total

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level of effort was for federal support of education. Now, this was our suggestion to him, and obviously he reacted well to the idea. This is still carried in the budget.

B: Were there any other areas in which he showed that kind of special interest, space, still, for example, or anything else?

S: He was of course responsible for part of the space program. We didn't try to pull out the pieces of the space program. It really wasn't necessary, because virtually all of it was in NASA, plus some in the Defense Department, but mostly what was labelled the "space program" was in NASA. The OEO, the poverty programs, was another area, of course, that we spent a lot of time on. I've forgotten who labelled the program "The War on Poverty," but in any event it was his program. He'd been NYA director in Texas during the period of the thirties, and he felt he had a little more of a grasp of what was significant about this kind of an effort, which had to be state and local effort in large part. So that what we did there again was to try to focus on a government-wide basis of what government was doing in the area of dealing with the problems of poverty, to be sure that the program was not just an OEO program but rather a government-wide program. I think the first time we added it all up, the programs to deal with the problems of low income people, it added up to around twenty two billion dollars, as contrasted with between two to three billion for the OEO itself.

B: Were there personally any areas or programs in which if you needed something trimmed you could trim there without the President

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getting too upset?

S: You mean in terms of . . .

B: Were there any programs in the federal government that he didn't particularly favor, that it was known were areas where trimming could be done without bothering the President too much.

S: He put a lot of emphasis on cost reduction, personnel limitations, and what could be done to increase output. But these were mostly, you might say, management improvement type efforts. In part this was psychological, or political-psychological, or whatever you want to call it. But [it was] to try to instill an attitude of fiscal discipline into the executive branch. This business, you know, of turning off the lights and that sort of thing was mostly to try to dramatize that there are many ways in which you can save money in something as big as the federal government.

B: Did he think up himself the turning off the lights in the White House?

S: I think so. Yes.

B: Is that sort of thing an outgrowth of or related to Secretary McNamara's PPBS ideas?

S: No. PPB, that didn't come into the picture, actually, as far as he was concerned, until about 1965. There had been quite a lot of ballyhoo, you know, about planning, programming, and budgeting in the Pentagon. Charles Hitch, who was the assistant secretary comptroller of the Defense Department, had done a good deal of work on this while he was on the Rand Corporation. The Defense Department gave a lot

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of publicity to what they were trying to do by way of systems analysis and cost effectiveness on weapons systems. We suggested to President Johnson in 1965 that there were some things here which had promise, were good for the Defense Department. There was no reason why the same principles couldn't be good for any agency of the government. So he asked us to put together a program for him that he could announce publicly, and this was done in 1965, just about a year before I came to this office.

So PPBS got a great deal of publicity as a result of the executive order which he issued and the subsequent directives which came from the Bureau of the Budget. But the PPBS was never known in precisely those terms in the Pentagon. You know, cost effectiveness was the word. But the PPBS system, as it came to be known, as a system grew out of the directives the President issued in 1965.

B: Was it effective, by the way?

S: You'd have to say yes in pretty qualified terms, I think. It was effective in terms of putting a lot of spotlight on output rather than input, you might say--how many people, how much material and equipment and so forth. It put the focus on what the government was doing rather than in terms of things the government consumes. It put a lot of the emphasis on consideration of alternatives rather than simply going in with a recommendation. When you consider alternatives you've got to look at not only what you're doing, whether it's right, but also how else you might do it. So the idea

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was to create some self-examination in the agencies, and to require the agencies to in a sense start from zero base on their budget and then come in with their prediction. The third piece of it was an effort to try to project not for one year but for five years the cost growth in programs. Here again part of the purpose of it was to say, "If you're going to start something, you ought to know what the cost of accretions is going to be, not in the fiscal year in which you started, but in the years beyond."

So these are the three elements of it: one is this question of choice of alternatives; one is the question of emphasizing the program output or program effects; and the third was this longer term look at cost of growth. There was nothing new particularly about the idea of five year cost analysis. We'd been doing this in the Budget Bureau internally for many years. Congress had, back many years before in the forties in fact, asked each agency to project five years ahead on the cost of programs and increased personnel as a result of loopholing, which had been observed mostly in the breach rather than in the observance. But the thing that was new was to try to tie these three things together.

B: The presidential impetus behind it must have helped a good deal, too. About that time, too, the escalation began in Vietnam. Obviously, that had a serious impact on the budgeting, but could you see in the budgeting process more and more involvement in Vietnam?

S: Oh, yes. [Yes, yes.] We saw the budgetary effects of it. I assume

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that like any other unhappy situation the expectation was always that the matter could be closed out, and therefore you tried to minimize the outlays in the budget and to utilize what you had, for example, trying to use inventories rather than new procurement. That meant you postponed some things that you could get along without which otherwise you would put in the budget--modernization, new weapons systems, and so forth. So that you had this year to year process of trying to minimize the cost of the budget. I think we all realized at some point in time these would have to be put back in the budget.

B: I was just going to say, I may be misunderstanding, but that really sounds directly opposite of what you were just saying about the long-range five year planning and so on.

S: Yes. I think you would be quite correct. It is not contrary to what, you know, you might say McNamara and Hitch and others were talking about on cost effectiveness as applied to any individual weapons system. But what you are saying is quite correct insofar as the defense budget as a whole is concerned, in terms of the new starts on weapons systems, for example.

B: My guess would be the repercussions would show up still in the future.

S: They're showing up right now.

B: Did anyone at that time sit down with absolute realism or cynicism and say, "Why don't we operate on the assumption that the Vietnam War is going to last ten years and plan accordingly"?

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S: Well, I wouldn't say . . .

B: Even beyond being offered as an alternative?

S: I wouldn't say it didn't happen, but I don't recall this kind of discussion taking place in the process of putting a budget together. It was really not considered in any serious way, as far as the budget process was concerned.

B: Was Mr. Johnson directly involved in that? That is, did you get word from him in person or otherwise that, "Let's try to hold the line on defense so we can continue in education, the war on poverty, et cetera"?

S: Well, it worked in a little different way. The President had some overall budget totals that he was trying to achieve in terms of economic policy and in terms of getting his legislative program through Congress. The budget process means that you, in a sense, strike trial balances at different levels. Then you go through and these add up to a total, and then you go back to him in relation to the total: "Are you prepared to go with this total?" We usually had recommendations on that, but if not then, "Where are the areas we can make some adjustments?" Rather than attempting to go down through and specify to McNamara the specific programs that he felt should be deleted, he would ask him to see what he could do to bring the total down, you know, within a range or an approximate figure, or get as close to a figure as you could possibly get it. He left it up pretty much to the Joint Chiefs and to McNamara to say how they felt this could be achieved.

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- B: Did Defense in its portion of the budget, the overall budget, generally stick to the goal that [Johnson set]?
- S: Yes. I wouldn't offer anything critical of the Defense Department in that respect. But I do think what happened was that some of these items were items that, obviously, at some point in time were going to have to be put back in the budget--running down inventories in Korea and Germany, foregoing training and readiness measures which we were taking a risk on to some degree. The question really was, was it an acceptable risk under the circumstances?
- B: Many of these measures I assume you refer to were stocks in hand.
- S: Stocks and training and exercising the fleet and that sort of thing.
- B: I see, operational kind of cost. You'd kind of guess that in a circumstance like that research and development might be one of the first casualties. Would that be correct?
- S: Well, inventories were the first casualties. Training I would say was a casualty. Taking a little more experienced troops and command personnel out of places like Europe and Korea and moving them into Vietnam, replacing them with the less experienced troops, cutting down your table of organization, percentage of manning. So these were all things that were done. In part you might say [we were] improvising ways of tightening up the figure, hopefully, and I suppose in some expectation that the thing in Vietnam would be closed out and this would not seriously affect our defense posture. But we know now that we have had to do a lot to restore some of this.

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B: At the same time, in the broader picture of the whole impact of the Vietnam War on the economy, was the Budget Bureau ever asked to address itself to the question of wage and price control, freezes, that kind of thing?

S: Not wage and price controls as such. There was a good deal of debate as to the need for new taxes, as you probably recall, in 1965. A big element here was the Vietnam cost. Now the space program and the Vietnam program were both major elements in the growth of the budget during the Johnson period. There was a lag here. Because programs were being expanded and new contracts were being let, and the expenditures did not always keep pace with the actual costs incurred in those two programs. The budget reflects cash disbursements from the Treasury; in other words, checks paid after bills had been rendered and there has been review of that. Contractors had incurred substantial costs which had not yet been reflected in the budget.

So we had in 1964 and 1965 a great deal of discussion as to whether or not these figures were high enough. The President and Secretary of the Treasury wanted to keep this budget as low as they possibly could. This became a major policy issue. Now, as it turned out, you know, the tax increase did not go through. There was some feeling in the Congress at the time that there was a deliberate withholding of information, and the budget in fact, in 1965, would have been five billion dollars higher than it was if there had been a true reflection of incurred costs as

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these two programs, the space program and the Vietnam build-up, were taking place.

B: Is it correct to infer that that was, in a sense, deliberate, that it could just as easily have been presented as forecasting actual disbursements?

S: I think that there was certainly a gap in understanding. I would be very careful to say that it was understanding rather than necessarily communication. Certainly I don't think the Ways and Means Committee understood that the cost-growth that was taking place in these two programs was as substantial as it was.

B: I was going to say, there may have been a misunderstanding of the amount involved.

S: Well, you know, it's a question of how--

B: Would it be fair to say that during the Johnson years the power of the Bureau of the Budget within the federal government increased, compared to previous presidents?

S: I think the Bureau of the Budget power is only as great as the confidence any president has in the personnel of the Bureau, the kind of advice that he gets from the Bureau. It's peculiarly a presidential institution. The Bureau was moved out of the Treasury Department in 1939, where it was when I joined it a short time before it became part of the Executive Office of the President. The fact that it was moved out was a recognition that the Budget Bureau was more of an arm of the president than it was an arm of the Treasury.

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As it's happened, there've been some budget directors, I won't name names, who haven't really carried as much weight with the President as others. I think in the times that I have served there, for the most part, the Bureau has played a very key role. But the Bureau has to be a staff arm of the president and can't function in any effective way on its own. It shouldn't, for that matter. But the first budget director that I served under was Harold Smith, under President Roosevelt. Then there were a succession of others who had a very close relationship with President Truman. I was away for five years during the early part of the Eisenhower Administration from the Bureau. But Stans had a very effective relationship when I came back in '58. He had a very effective relationship with President Eisenhower. And then David Bell, Kermit Gordon, Charlie Schultze and I worked with, and I think had quite effective relationships with President Kennedy and President Johnson.

The answer to your question overall is, yes, that there has been a growth, both in terms of scope of responsibilities and in the advisory role that the budget director has played. This is partly because of the growth of the government, partly because of the increased complexity of the government, and partly the need to have a presidential spokesman in this field to testify before committees in Congress. The budget director can testify, whereas White House staff can not. These have all played a part in it. At the same time you have had a proliferation of additional agencies

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in the Executive Office of the President--Office of Science and Technology, the science advisor, the Council of Economic Advisors, special representatives for trade negotiations, now an Office of Telecommunications Policy. There have been a number of different accretions to the Executive Office of the President.

B: You get the impression, however, that in all those groups the director of the Bureau of the Budget has a considerable input.

S: You can't alter the fact that anyone who is concerned with money, how that money is to be spent and the rate in which [it is] to be spent, [constitutes] a very key element in presidential decision making.

B: I'm sure this is a minor point: is it traditional or statutory that the Bureau of the Budget members do testify before Congress and White House staff members don't, although technically they're both members of the executive?

S: There's nothing in law which governs this. It's custom and tradition that members of the White House staff do not testify, on the grounds that they are so closely attached with the president that they cannot divorce themselves from the president. Now to be sure, this is part fiction, but nevertheless it's the reality of history. The one exception I can think of to that was inadvertent. When Landis was on the White House staff during the early part of the Kennedy Administration, without knowledge of the President, he testified on suggestions for reorganization of regulatory agencies. But once it was reported that was the end of that. I think this is probably sound principle.

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B: I think so, too. But I was thinking that perhaps the fiction is that the director of the Bureau of the Budget is not that close to the president.

S: Yes, it is. Yes. To be sure, when the director of the Budget goes before Congress to testify it's perfectly obvious to everybody that he, on any matter other than a fairly routine matter, is there as a spokesman for the president. The same thing is true of the director of the Office of Science and Technology. So that this is one way that the Congress can, you might say, be critical of the president without being critical of the president.

B: As you say, it is a legal fiction that everybody understands.

S: And it's one way in which the Budget director to some degree can say, "Well, you know, this is the Budget director's position." There's an element of insulation here which is probably healthy in a separation of powers concept of government.

B: I gather Mr. Johnson got along well with and trusted Gordon and Schultze as his budget directors.

S: Yes. I think we had not only a very good relationship with the President but also with the White House staff.

B: I was going to ask you who on the White House staff would have been the Bureau of the Budget's major contacts in the Johnson years?

S: Well, I guess you might just have to say all of them. Bill Moyers--

B: Each within their area?

S: Yes. It depends on what area. Larry O'Brien, we got into It really depended on what area you happened to be dealing with at a particular point of time. Or whoever he might say, you know, "Go talk to so and so." And I'd say in a majority of the meetings we had with

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the President on budgetary or legislative program matters, he'd have others there from the White House staff. So this was not an exclusive thing, and there was plenty of give and take. Here's a [picture of a] meeting up here on getting budget guidelines; there's Charlie Schultze, and here's Joe Califano, and here's Bill Moyers. We were there to talk to him about--this was in the spring--what some of the totals might seem to add up to for the following year, based on economic projections, based on the program that had been enacted in the Congress that would grow in that following year, and against the revenue figures that we had been able to get from the Treasury.

B: For the people who will be reading this in the future, we've just been referring to one of the pictures on the wall, sir.

S: We were getting a little homemade philosophy there.

B: Toward the latter part of the Johnson Administration, you get the impression that Joe Califano was doing a good deal of the--

S: Well, he took over Bill Moyers' job. You see, in that job called special counsel to the President, the first person really to hold that job actually was back in FDR's days I guess, when Ben Cohen was in that job. But then it took on a little different flavor when President Truman came into office and Clark Clifford was in the job. This became the spot which for the President was a speech writing job, the job that looked at enrolled bills, gave advice on veto or signing, on major presidential policy pronouncements. They tended to aggregate around the special counsel to the President, to be sure [because of] his personality, partly maybe by accident. But then when Clifford left, Charlie Murphy moved into that spot, and essentially the same role was played by Jerry Persons and then later by Jerry Morgan in the Eisenhower Administration, and David Kendall.

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Then during the Kennedy Administration you had Ted Sorensen in that role, and Ted stayed on for a while with Johnson. Then when he left Bill Moyers was moved into that spot, and when Bill Moyers left Joe Califano moved into that spot.

B: On this kind of occasion in the picture, you said you were getting a little homey philosophy. What sort of homey philosophy would you be exposed to on that sort of occasion?

S: I suppose it covered quite a few subjects, but I think in that case we were probably talking about the Poverty Program or the Defense Program. I've forgotten exactly what the issue was.

B: Is that the picture over there, with all of you sitting down and what looks to be a very tall Lyndon Johnson standing up waving his arms over you?

S: That picture got a lot of publicity around the country, Newsweek and a number of other magazines, because it was so typical of meetings we would have in the White House.

B: What were the circumstances of your appointment as comptroller general and head of the General Accounting Office? Did you get surprised? Did you have an inkling that you were being considered?

S: He had talked to me on a couple of occasions about what I would like to do. He had suggested on different occasions two agency head suggestions, and I guess he could see I was not terribly enthusiastic about it. I simply indicated to him that I thought I could be more useful to him and to the government where I was.

B: Do you care to mention what those were, sir?

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S: Oh, I think I'd probably better not. In any event, they were fairly key jobs in the government. But he had said he would like to see me be an agency head at some point in time, and I said, "Well, let nature take its course." But I was quite happy really with the job in the Budget, because there were so many things you can do there, constructive things that you can get in motion, things that you can do to improve operations of government. I thought that I had had a reasonably good success in that respect, so I wasn't really too anxious to move. I knew he wasn't really trying to move me, but at the same time, I think he was appreciative of what we had done.

B: Was the directorship of the Bureau of the Budget ever suggested?

S: No, it was not. I think probably that he was of the view that the budget director in that period should be a name economist. I think this was the word that was used. But I had not really pressed him for that, because it didn't make that much difference. In any event, he asked me one day--this job had been open for some time--what I would think about taking this job. So I told him that it was really up to him, that I was not anxious to move, and that I was happy doing what I was. But in this case, if he felt that this was a spot I could make the greatest contribution in I would leave it up to him. He said, "Well, you think about it and come back and let me know." I never told him one way or the other what my conclusion was, because I wanted it to be his decision. If he decided against it, that was all right; if he decided for it, that was all right too.

But then one day I was flying to a conference up in Princeton,

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and he announced it while I was en route. I learned about it while I was there. But I think in hindsight that he had a better understanding of what this job was than I did. Because he had been in the Congress and had worked with this office a great deal and had a far better understanding, as a matter of fact, of the role which it plays than I had, because I had been so attuned to the presidency. I had testified a great deal before the Congress; I had done virtually all the testifying for the Bureau. So I had gotten to know Congress, I felt, quite well, but I had had very little, you might say, real inside information about how the Congress felt about the General Accounting Office or the comptroller general. So that I think I could quite honestly say that he had a better appreciation of how significant this job would be and what its opportunities were.

B: After you'd been here about a year, President Johnson suggested a general revision in the federal budgetary system, the Income Accounts Budget System, I think, if I have the terminology correct. Did you participate in planning that activity since it involved--

S: I think you're referring to the recommendations he made growing out of the Commission on Budget Concepts, and I was a member of that commission. The concept was an idea of having one single budget to reflect all of the government's operations, including the trust funds. There had been a great deal of confusion, in the press particularly, because you had a cash budget which excluded the trust funds-- the income from social security and veterans and civil service and so on--and you had the regular budget, which you might say is the

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administrative budget, as it came to be called. Then you had the loan accounts in the budget, things like import-export bank and the development loan program of the AID and so on. So that, in one year, for example, the press carried three different budget totals; therefore, three different budget deficit figures. There was increasing confusion and increasing feeling that something ought to be done.

B: Did the impetus come from Mr. Johnson? That was the purpose of establishing the Commission on Budget Concepts?

S: It came really out of the Budget Bureau, a recommendation to President Johnson. Fowler, as secretary of the treasury, fully concurred in the need for it. As you probably know, the chairman of the commission who was named was David Kennedy, who later became secretary of the treasury in this [the Nixon] Administration. The staff director was Bob Mayo, who later became budget director in this administration. Nobody had the slightest notion at that time that this would ever happen. It was a first-rate commission, very good people on it, and I think it was one of the best examples of a successful presidential commission. I'm not taking any credit for it, but I think it was a first-class job.

B: Have you had time to know if the new concept is effective?

S: President Johnson of course bought it, and the members of the Congress who served on that commission bought it. The unified budget, as it came to be known by having one budget instead of three, has had some criticism since on the grounds that we lumped in trust funds where the income to the trust funds exceeds the outgo.

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In other words, some people have charged that we are understating the size of the deficit because of that; that if the deficit reflected the full extent of the administrative budget, then we ought to exclude those items from the budget.

Tape 2 of 2

B: This is the second tape of the interview with Mr. Staats.

In those years you also had, and again this was after you were over here in the GAO, a presidential proposal for campaign financing from Treasury appropriations that you got involved in. As I recall you testified that it would be feasible for the GAO to monitor or audit such a proposal.

S: Yes, and this was in 1966. This proposal came out of the Senate Finance Committee. I suppose to be more precise about it, it came from the chairman of the Senate Finance Committee.

B: Who was that?

S: Russell Long, Senator Russell Long. President Johnson favored the idea.

B: This was instead-- There had been an earlier idea for a check-off system similar to the one that was debated, well, just this fall.

S: A whole series of variations on the idea, and in fact there had been, before I became comptroller general, an informal study group set up in the White House to look at this subject. But the immediate proposal that was developed was the check-off, and the responsibility for administering the fund was placed on the comptroller general.

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B: By "check-off," this is the income tax check-off?

S: The income tax check-off and a special fund being set up in the Treasury. Now the formula was somewhat different from the one that has just been enacted, but the details of the formula are less important than the fact that it contemplated that there would be a fund established in the Treasury which would be made available for the presidential campaign after the nominees were named. It provided for an advisory board to the comptroller general in carrying out his functions. The law had been signed by the President. I had actually named four members of the board, and we had had a meeting to name the other three members. The law contemplated that the four members would name three additional members, the four members being selected by myself from the nominees of the two parties. So that we'd had actually two meetings when the bill was put in suspension, the act rather was put in suspension. Now the bill that has just gone through as title 10 to the tax bill is in some ways very similar.

B: Did that go through?

S: Yes, it has gone through, but [it is] nonoperative until 1976. That was the compromise made in the conference.

B: Did you not have any qualms about getting your office, with its reputation for nonpartisanship, into that thicket?

S: I had a great many qualms about it and still do, as far as that's concerned. We have taken the view that we would prefer that this function be placed elsewhere.

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B: I believe you once suggested an outside group, although I'm not sure.

S: Yes. We had suggested a federal elections commission to be concerned not only with the administration of the presidential fund but also any limitations established by Congress on the amount of funds to be spent for any particular purpose, such as television, and for the disclosure responsibilities of any legislation. As you know, there is also pending in the Congress today another piece of legislation which would provide for the disclosure and for limitations. Now, the disclosure and limitations apply to congressional campaigns as well as presidential campaigns. So there are two different bills involved.

B: I was thinking, you get into those knotty problems about private fund-raising groups, and in what way with what candidate--

S: It's a terribly complicated matter, and it's not going to be easy at all, assuming of course that the law is ever allowed to be operative. But, for example, you have this kind of question: a limitation applies only to presidential campaigns, but still, the presidential candidate is supported by his national party. This includes research, speech making, and transportation arrangements and all of this, getting out the voters and entertainment, all of these things that go into a campaign. The problem that we would have would be to segregate the amount of money that is spent in behalf of the president and vice president as against how much is spent for the benefit of other people on the same slate.

B: I don't envy you that problem at all.

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S: It has to be somewhat arbitrary. The law says that when you are in doubt, then you charge it against the presidential fund. It also says if there is a citizens' committee or any other group which is acting in behalf of the presidential candidate, they are not charged against the fund unless the presidential candidate says in writing that they are acting in his behalf. If he doesn't do that, then they are free to raise the money, spend it, engage in political activities without regard to the limitations set out in the state.

B: Sir, you have another appointment in about ten minutes. Is there anything that we should have covered in this and have not, anything else that you would like to add into this?

S: I think this covers it quite well. I think the only other thing perhaps I would add is the importance of looking at the Executive Office of the President, including the Bureau of the Budget and now the Office of Management and the Budget, in the context of the President's own method of operation. This has gotten to be almost trite, but it is still very real that the White House staff and the institutional arms around the President have to be responsive to the way in which the president really functions. I was not an appointee of President Roosevelt, but I was an appointee of President Truman and each of his successors. The pattern of their operations is quite different; for example, the role of the Cabinet, the way he works with the National Security Council, the way he works with his executive office staff vis-a-vis the department heads. And it isn't

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truly an equation of people he knows and has confidence in and likes, but it's partly how he organizes his day's work.

I recall meeting with President-elect Kennedy down in Palm Beach right after the election. Ted Sorensen and Mike Feldman and Dave Bell and Dick Neustadt and I were there. All of a sudden he began to realize the range of things that he would have to deal with, because we took with us to the meeting a list of sixty-some issues which we had identified as things which would be on the agenda for the budget message, the economic message, and the State of the Union message so that we could get some reactions and agreement to go ahead and get some staff work done. And at the end of the meeting he said, "How in the world does a president organize his day? How can he manage his own operation in such a way that he can cover the range of things that you are talking about?" For the first time, it seems that he was aware that the presidency was more than just an individual. It has to be institutionalized to a very considerable degree.

B: Can you describe President Johnson's style in that kind of manner?

S: He didn't have quite the same problem, because he had been vice president. He had been around a lot of the meetings.

B: I mean on a day to day basis, his relationship with the Cabinet and the staff and all that.

S: Oh, yes. Of course, it was quite different from Kennedy's style of operations. President Johnson, for the first several months, for example, practically did all of his Hill relations himself. But later on, as he got to know Larry O'Brien better, he relied much

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more on O'Brien than he did in the beginning. Also his time demands grew.

But part of what I wanted to emphasize is that the size of the government is such and the complexity is such that there has to be institutionalized some of the things which the public may not be aware of, but nevertheless have to be built into presidential institutions, like the Council of Economic Advisors and the Bureau of the Budget. Continuity here is of considerable importance. We used to say that the staff of the Bureau ought to be politically sensible and politically aware but not politically active. They have to be the eyes, ears, and arms of the president. You don't realize this fully until you get a presidential transition. In the transition from Truman to Eisenhower we began to sense this. We worked out arrangements whereby we would try to prepare certain background materials, documents and so forth, for the incoming President, realizing that when he came in he had to change the budget, he had to send up his own legislative program, he had to appoint his key people. All of these things had to be done in order to insure continuity of government.

Then, when Eisenhower was leaving office he had been so pleased with what had been done in his taking office that he went one step further and designated General Persons to represent him, and Clark Clifford was designated by President-elect Kennedy as a team to work out the transition. Brookings Institution provided a kind of a neutral meeting ground, and a whole series of background documents were

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prepared under the leadership of the Budget Bureau. Arrangements were made whereby the incoming administration could come in and have office space, have access to personnel and documents. We briefed every one of the incoming Cabinet officers, some of them very extensively, built around these papers. The government's help was given to setting up task groups by the incoming administration. So by the time President Kennedy became president, a lot of this work was already set in motion. Then when Johnson left the office, he designated Charlie Murphy to work with the incoming administration. But I believe we have established here something of a presidential transition institution, you might call it.

B: It seems to have been. I think it probably is also established and at least certainly below the director himself the Bureau of the Budget is almost like the civil service. Of course that applies to your current position, too, doesn't it?

S: Well, I'm in a different role here, because I'm part of the legislative branch. But the main thing I wanted to emphasize was the importance of having institutionalized arms. The Domestic Council has some dangers in this respect, because those are obviously people who will have to leave. There won't be any question about it. The only people that will stay on the White House staff will probably be the secretarial staff and maybe a few people in the administrative communications staff, that sort of thing. Anybody that is concerned with policy or program will leave. But in the Budget Bureau and some of the other institutional arms around the president only the

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top people would leave, and it is important to have that kind of continuity and a professional staff to serve any president.

S: It's four o'clock now. I think we'd better quit. You have an appointment.

Thank you very much, sir.

[End of Tape 2 of 2 and End of Interview I]

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