

INTERVIEWEE: ALEXANDER TROWBRIDGE (Tape #1)

INTERVIEWER: PAIGE E. MULHOLLAN

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M: Let's begin by simply identifying you. You are Alexander Trowbridge and so far as your government service is concerned under President Johnson, you were first Assistant Secretary of Commerce for Domestic and International Business and subsequently you were first Acting Secretary of Commerce; and then Secretary of Commerce during most of 1967 and into early 1968.

T: That's correct.

M: I suppose as good a place as any to begin, because of your background, is with the method by which people of your type were recruited into the government. You were with Standard Oil--is that correct?

T: That's correct. I was operating in the Caribbean area with Standard Oil Company of New Jersey's affiliate called [ESSOSA] and specifically called the Esso Standard Oil Company of Puerto Rico. During 1964 in the month of March or April, I was sent by Jersey to a Brookings Institution seminar in Washington. It was a group of business executives spending a week talking with and meeting government executives and learning about the three main branches of the federal government and how they interacted. During that session one of our speakers was Franklin Roosevelt Jr. whom I had worked for in a summer job in 1950 when I was in college. And I talked with Frank at the luncheon where he addressed this Brookings group--

M: He was the Under Secretary of Commerce?

T: He then was Under Secretary of Commerce; and he said, "You know, some day you ought to get into the government."

And I said, "Well, maybe some day I will, but I'm very happy in the oil business, thank you," and he said:

"Well, would you object if I were to put your resume into the hands of John Macy, who is the Chairman of the Civil Service Commission and is the major talent scout for the White House?"

And I said, "Sure, I'd be very flattered if you did so, but I don't expect anything to come out of it nor do I necessarily want anything to come out of it because of my very happy position in the oil business"; and leaving Puerto Rico to go to Washington is not always regarded as major intelligence. But still he said, "Fine, I'll put it in."

And nothing indeed did happen for well over a year--almost a year. In early February of 1965 I was in my office in San Juan and the phone rang and it was John Macy. His question--Would I be interested in public service.

My answer, "I don't know. What do you have in mind?"

He said, "Come to Washington, and we'll talk about it." I did, with the knowledge of the Jersey people, and they suggested that I go ahead and go up and talk but not commit myself and let them know what transpired.

I went to Washington and talked with Macy on the phone. He said, "Please go see Mr. John Connor--he has just taken over as Secretary of Commerce and having seen your resume, he has asked to talk with you."

I went to see Jack Connor and had never met him before, nor had I met Macy. But about forty-five minutes after I had walked in, I walked out, saying, "Mr. Secretary, the only thing I do know is how much I don't know about what you've just suggested."

M: Connor had just become Secretary of Commerce--several months?

T: Connor had taken the job on about January 15 or 20, 1965. This was, I think, the 16th of February so it was just a month later.

M: He was still assembling his original staff?

T: He was taking on his original staff. At that point, Tom Wyman was the Acting Assistant Secretary for Domestic and International Business, having been in that spot since the previous fall when Luther Hodges asked him to take it on. He was not confirmed by the Senate, and Secretary Connor wanted to have some people of his own choosing.

He offered the job to me, and I thought about it for a relatively short period of time and said "Yes." It was a job which encompassed many things in which I was interested and a good portion of my own experience, having worked for about ten years in overseas business--two years in domestic operations and ten overseas, including some activity in Puerto Rico, which was subject to U.S. legal jurisdiction. And an interest in government, public service, from the past; and an opportunity which at the age of thirty-five I didn't think I'd probably get again; so I figured it was worth resigning from Jersey even though this meant some financial loss and taking a fling at it, assuming that this would be maybe two years, maybe three, but not intending to make a career out of it nor thinking that it would go much further than that.

M: Did it involve any White House contact at that time at all?

T: No, the only contact was following my talk with Jack Connor. I then went to the White House, and Mr. Macy was there. I met him for the first time, talked with him about my conversation with Connor. He said, "Fine," and said, "Would there be any conflict of interest problem? What would you like to do?" and I said, "Well, if I had my complete freedom of choice, I'd just as soon take a leave of absence from Jersey Standard."

And he said, "No, I don't think that's possible. We'd have to have a complete break, but we would like to know about any problems you might have

through personal holdings and so forth;" and at that point he sent me over to talk with one of the lawyers in the Department of Justice--to discuss the problem with him. I did so, and there didn't seem to be any problem. And at that point, Macy said, "Well, if John Connor recommends this, fine. I'll support it and we'll let you know." This had to be the President's decision, of course.

I did not meet the President. I had a last minute phone call trying to get me at the airplane at the National Airport the next afternoon, as I was leaving the city. Macy had asked the President whether he would want to see me and unfortunately I was getting on the plane when they were paging me in the airport. So I missed that opportunity to meet the President. But about five weeks later, I guess, after the FBI clearance and the other things had been taken care of, it was confirmed and I went to Washington in the middle of April.

M: You didn't mention any political considerations in there. Was there ever any question as to what your politics were or whether or not that would influence the appointment?

T: Not a one. I was never asked whether I had supported the Democratic Party or whether I was, in fact, a Democrat. I had in 1964 contributed to the Presidents Club on my own, believing that it was a very important election. When I talked with Macy, he didn't ask what my political affiliation was. I raised the question with him, whether or not membership in the Presidents Club was something which I should renew. In other words, is this an annual business? And he said, "Well, I don't know. I never knew that you were even a member of the Presidents Club, and I don't worry about those things. All I'm trying to do is find the right people."

I never raised the question again, nor was it raised with me. The President later on, at the point of asking whether I would take on the job as Secretary,

said, "By the way, what party do you belong to?" I told him that I was a life-long Democrat, but he never raised that as a requirement nor did anyone else.

M: There have been numerous public stories of the circumstances that led to your selection as first Acting Secretary, the alleged confrontation between you and the President and Mr. [Herbert] Holliman, in which some choice had to be made. Is this fairly accurate? Can you add some detail to that meeting?

T: The story that appeared in the New York Times by Eileen Shanahan was not accurate. The facts were as follows: In October-November of 1966, I went to Puerto Rico with Secretary Connor on a visit there which he made to speak to the Puerto Rico Chamber of Commerce and the Regional Export Expansion Council; and having lived in Puerto Rico, I went with Mr. and Mrs. Connor. And during that trip, I asked him about press comments and reports that he was soon to resign. He said he did not have any plans to resign, nothing definite at that point. He was close to two years in the government by that time, and he was not entirely sure how much longer he would stay, but when he made up his mind he'd try and let me know.

I told him that my feeling was that having been hired by him, my prime allegiance was to him. In fact, during that period, I think I had met the President twice and dealt with him only twice in terms of personal meetings, one of which was in a group meeting. The other was at a White House reception. And I was quite sure that if anyone took Secretary Connor's place, they, in turn, would want to have their own people. So I told him that I would probably leave the government if he did. That's why I was interested in his plans.

The rumors from the point of view of the press continued. They built up in early January, and one of the events which was of course important at that point was the decision to include in the State of the Nation address (I

think on January 9th) the decision to merge the departments of Commerce and Labor. Secretary Connor had been in on that decision, but from what he told me he was first alerted to it about four days before the State of the Nation message. And he gave his opinion in favor of the idea.

M: He favored the merger?

T: Yes, he did. He recommended approval. Secretary [Willard] Wirtz did too. Secretary Wirtz checked with George Meany, and George Meany said he would support the idea.

M: That's pretty high level approval before announcement.

T: Well, that was when it was in the formulative stage. I remember I was at home watching the President on television that night, and just before the broadcast, the phone rang and a reporter from the Wall Street Journal called and said, "What do you think of the merger?"

And I said, "What merger?"

He said, "The merger of the Departments of Commerce and Labor that the President is about to announce."

And I said, "You're out of your cotton-picking mind." But he had seen the advance text and was wondering about it, and it was illustrative of the very closely held nature of that decision. And indeed it was, I think, a pretty much last minute decision for inclusion that the President made.

But with that, again you began to get the rumors of Connor's resignation as a result of this. The New York Times carried several stories, and about the 16th of January or 17th of January I asked him again, "What's the substance of these things?"

And he said, "Well, there is substance to it. And, as a matter of fact, the President wants to see me this afternoon"--I guess this was the 16th of

January--"with Mr. Holleman. I have submitted my letter of resignation, and I have been asked by the President to come over and to recommend to him who should be my replacement. He has asked for the names of people within the Department." This was between Connor and me before going to the White House--Holliman was not there. "I plan to tell him that my recommendation is that you take the Acting Secretary's job and that Herb Holliman be Acting Under Secretary. What do you think of that?"

I really was absolutely dumbfounded, completely taken by surprise, and concerned in addition--about several things. Personally, because of some health problems that I had had about six or seven months earlier--whether this would be a problem, although I didn't feel necessarily there would be any additional strain. There's enough work to do in the Assistant Secretary slot.

M: I was going to say--there are just so many hours. You can't increase that.

T: I had doubts as to, after only two years in the Department, whether or not I was the one that was the best for that job. There are a lot of business executives across the country that had much bigger national reputations and prestige.

But I said, "All right, if you make your recommendation and this is in answer to his request, fine!"

He went in to see the President before--when we got over there, Herb Holliman and I stayed out and Connor went in to see the President and made the recommendation that I be asked to do the Acting Secretary's job. Holliman and I were then brought into the President's office, and the President said, "I'm very sorry to receive Jack Connor's resignation. It's going to be a big loss. We have worked well together. We've got this proposition now for a merged department. He has supported it, and he knows that he leaves government

with my thanks and blessing and so forth. And, Mr. Trowbridge, I'd like you to take on the Acting Secretary's job. And, Mr. Holliman, I'd like you to take on the Acting Under Secretary's job."

There was no flipping of the coin; there was no asking who wanted what. The decision was clear. The decision was the President's on Connor's recommendation, and the New York Times story to the effect that the President asked us what we'd like to do was not it. He made up his own mind. He had worked with Holliman to certainly a greater extent than I had. This was, as I recall, the third--maybe the fourth time that I had ever seen the President. He asked about my health; I told him I thought I could do it; but I would like to talk with the doctor and get reassurance on that. The President was very solicitous on this point because of his own similar health problems and cited them.

When I went and saw the doctor, I said, "Look, this is what has happened. Do you have any objection to my doing this? Do you think there would be any problem on a health basis?"

He said, "It all depends on your attitude and if you want to do it and the President wants you to do it and you feel like it, do it!"

So I said, "All right."

M: Did he indicate then that it would be an acting position for an extended length of time?

T: Well, at that point, he said, "I don't know how you gentlemen want to work this. There are two alternatives. Do it on an acting basis; or if you want, I'll send your names up to the Senate for confirmation. Let me know how you feel about this."

Well, we went back to the department. And between Connor and Holliman and me, given those two options we felt that it was important for continuity,

for authority within the department, and for the negotiation that was inevitably going to come over this merger, to have Senate confirmation of the two appointments. We verbally said this to Joe Califano, and I drafted up a memorandum to the President outlining the recommendation. That was late in the afternoon that day. The next day, or perhaps the day after--I can't recall the time--it was made pretty clear by Joe Califano that the President preferred the acting route, the reason being that if he, having urged the merger, then reappointed or appointed a new permanent Secretary, he was being inconsistent. But if he put in an Acting Secretary, this was at least consistent with his proposal on the merger. So we never submitted that memorandum. We were told that it would be, in effect, not welcome because the decision was made.

I, having been to the doctor, went back to see the President and told him that I would take on the acting duties; and Herb Holleman was then--this must have been the 17th--Herb Holleman was set for the Acting Under Secretary. On the 18th, the White House announced Connor's departure and our appointments, on the acting basis.

What was it--January 31st that Secretary Connor left, and I took over February 1st of 1967. Herb Holliman stayed on as Acting Under Secretary. He was an active one. He really was not anxious to stay on indefinitely as Acting Under Secretary, and I'm not sure was all that anxious to stay on as a permanent Under Secretary. Given the length of time he had already served in government and given some other alternatives which he had before him, and given the fact, I think in all honesty, that he had to swallow a little bit of pride in the process of working for me--having been in the Department longer than me and being older than me and so forth.

But we worked well together, and Herb really put the question to the President along about June--May or June--when the President's decision on the permanent

appointment was made.

Herb said, "I have an alternative." And he had the University of Oklahoma job. "I will do what you wish, Mr. President, and if you wish me to stay, I'll do so."

The President asked me whether I wanted Herb as Under Secretary, and I said, "No." I thought it would be better to start with my own team.

M: This was after you knew you were going to be appointed--

T: This was after I had been asked by the President to take it on a permanent basis. So that's the story of that.

M: How bad does it hurt to be "acting"? You mentioned the negotiations with other Departments--does it hurt pretty bad to be an acting official rather than a permanent one?

T: You're in a much weaker position. There's no question. You attend Cabinet meetings; you have all the perquisites. But there's an element of doubt both in the Congress, within the organization--the Department, and with your colleagues in the government that--"Is he making a decision today which will still be around three months from now?" So that it does put you in a bit of a bind.

I found real cooperation from Bill Wirtz and from Califano and the White House staff. There was no problem really on that score, but there was always this psychological question mark.

M: Was it simply the fact that the idea of the merger was dead by that time that determined--?

T: Well, the idea was really very alive for as long as we could keep it alive.

We mustered quite a task force, Herb Holleman being very active in this, between the Bureau of the Budget and Labor and Commerce and the White House, and really put together a proposal which was more by far than just merging the two

Departments--it was the creation of a new one, the bases for which were the two old ones. But we were going to recommend anyway substantial shifting of various activities and consolidation in this new Department, and the name was to be the Department of Economic Affairs--at least this was the recommendation.

I think the death knoll was when George Meany discovered that he had set out in one direction and his troops weren't following.

M: I was going to ask what real pressure came against it.

T: Labor killed it. And George Meany found that he was not leading but indeed he had nobody behind him. So he scurried around in the exact opposite direction and got back out in front of his troops, because they were against the idea.

Business opinion was not by any means as unanimous. I would guess that the business people that I talked to, and I presented it to the N.A.M., the Chamber of Commerce, the Business Council, and one and assorted business leaders across the country by phone. And in characterizing their general reaction, I would say that it was about 60-40 against.

M: Against?

T: Yes. But Labor was 95 to 5 against. Finally, we found this being reflected in Congress and we were up on the Hill seeing all of the key committee chairmen and minority people in the key committees and describing what our thinking was. We just found that labor had been there before us and they had been very, very adamant in saying, "Look, we're against this, we don't want anything to do with it." And the questions which the Congressmen and the Senators had reflected this.

So we wondered really how to try and muster some blue ribbon support for it, or at least how to get the thing decided. And the recommendation that

Bill Wirtz and I put forward was that we present it formally to the President's Labor Management Advisory Committee. We did this in--it must have been early or mid-April, I would guess--maybe late April. And we worked very hard in pulling together a very fine visual presentation of how all of this would work and organization charts. Dim the lights and--

M: Training aids?

T: We had all the training aids. God, we had George Meany, Henry Ford and Edgar Kaiser--you name them, they were big names. It's a very, very impressive committee of business, labor, and academic public members. The first comment after the meeting after the lights went on was, "Well, we could do without the high school art work," which was, I think, fairly indicative.

And the meeting was dominated by the antis [against] in the form of the labor leaders. Edgar Kaiser was for it; Henry Ford said, "Well, maybe"; Bev [William Beverly] Murphy was against it; two or three of the public members--Meridith Wilson, Howard Johnson of M.I.T., felt that it was good. But the labor voice was unanimous and vehement, and in view of that the general consensus was that it just wouldn't fly as an idea. It wouldn't get through the Congress. And that they, as a committee, not only would not endorse it but would recommend to the President that he shelve it.

M: What about the bureaucracies? You haven't mentioned them--

T: Well, it was interesting. We had an awful lot of people working on this thing, and there was a lot of darned good thinking and a lot of positive effort to make it work. And again, going back to the creation of something new rather than just how do we fit all this monster together. We really were thinking in terms of a major foreign economic policy organization with the Customs Bureau, with the Special Trade Representatives office, with the Bureau of

International Commerce, with parts of the Treasury, and activities in Foreign Assets Control--consolidation, and one centralized policy organization and line organization. We were thinking of the Bureau of Labor Statistics and the Office of Business Economics and the Census, and putting the data gathering apparatus together.

What we were trying to build was not necessarily a new empire, but it sure was a new Department. It was feasible from an organization point of view; where it really got hung up was the question: "Who's going to run it, and how do we, Labor, or how do we, Business, maintain a sense of being represented in the highest councils of government?"

And we played with all kinds of ideas. An Under Secretary for Labor and an Under Secretary for Business--well, what's the difference if that's the case? And it really got hung on that, particularly with labor organizations.

M: How about the other Departments? The Commerce Department is not represented on the Council of Economic Advisors--what did they think about it? Or what did the State Department think about it?

T: Well, in all honesty, there was a probability of a fairly good sand-bagging operation if the President had decided to go through with it. Because the Bureau of the Budget was ready and willing to look at this kind of consolidation and recommend it to the President. His political judgment never got called into it. He might have said that the constituencies behind the various elements in government would have objected and shot it down if we'd asked for all of this centralized power, but we really never got to that crunch period of the other Departments getting their toes obviously stuck and stomped upon and hollering, Congressional reaction and the rest of it. It would have been a serious battle. But at least on the drawing board, it got put together; but it never got far enough for the President to look at it.

After that meeting of the Labor-Management Advisory Committee, we just walked right across the street, went into the Cabinet room, and I was chairman-- it was a rotating chairmanship on an annual basis--and I was chairman. And I said, "Mr. President, this group has been asked to, as you know, look at this proposition. We have presented to them the form of what the new organization would look like and what the problems are and what the prospects for success are; we've asked for their support, and they've been unable to agree on support and, indeed, the only thing they can really agree on and what they now say to you is, "This is a premature idea, we can't support it, we doubt that Congress will pass it, and we recommend that you shelve it."

M: That's the end of it then, I'm sure.

T: The President said, you know, he listened to Bev Murphy, George Meany and a couple of others who seconded what I said and he said, "Okay, it's shelved. Now, can you guys figure out how to get a handle on prices and wages?"

M: Go on to another subject--

T: Right. He took it very quickly and very easily and I was quite surprised, because I thought he was going to be--you know, the pride of authorship was pretty strong there. He had decided to put it in at the last moment for, I think, the surprise value as much as anything else. And when it got shot down, he was very philosophical about it.

M: He was fighting a lost cause.

T: He was very realistic. Indeed, he was realistic; but I thought he'd be, you know, a little bit more combative.

M: As Secretary then, after you had been confirmed that summer, how much personal contact is there between a Cabinet officer and the President?

T: This varies a great deal. Obviously, the Secretary of State and the Secretary of Defense and the Secretary of the Treasury had a very, very strong and--ten

times a week, five times a week, fifteen times a week, I don't know, meetings, conversations on the phone, back and forth on many, many items.

My own contact with the President was not as extensive by any means as all that. I suppose on the average I saw him once a week, maybe once every ten days, conversed on the phone maybe that often. A lot of my contact was subject to the way in which the White House staff operated, and the way he used the White House staff. He, of course, used it as a buffer in a way, as a thrasher-out mechanism for a lot of the problems so that when he entered the scene a lot of the discussion and the pros and cons and everything else had been hashed over.

I was in the White House very often, and it was usually with Joe Califano or Harry McPherson or Ernie Goldstein or one of the guys on whatever the given problem was. It was usually with Bill Wirtz or with Gardner Ackley or with Joe Fowler or others who worried about economic policy, but the President would come into those meetings and listen and go around the table and ask for advice. But in terms of personal meetings with him, they were generally at my request if I had a major series of policy issues I wanted his advice on or things to tell him. And, of course, this had to fit into his schedule which was a crushing one, anyway.

M: Did you ever feel that the way he used the staff was a barrier that was unfortunate?

T: Sometimes, yes.

M: Access was not as free as you might have preferred it to be?

T: Yes, sometimes.

M: Was that his instruction, or was this the staff maybe exceeding the instructions?

T: It was hard to determine. I think the staff inevitably became protective. He was such a bear for work that he would tend to overextend his appointments--he

was always running late anyway; and they had to obviously figure that there would be an overage there and they had to leave time for schedules so they weren't too tight. They didn't want to overload the President. And indeed, on the other hand, I think this method by which he used the White House Staff to thrash out a lot of the problems meant that he knew that somebody was taking care of them and he could spend some time on other things.

One thing that you were never sure of--I wouldn't say "never," but you always wondered whether or not what you were getting in terms of an interpretation of the President's wishes were indeed accurate reflections of that fact. You know, he'd push the squawk box and Califano would be off like a deer through the forest; then he'd come rushing back with notes and he'd say, "Well, now, the President wants this...this...this...." "Well, did the President know about that?" "I don't know, he just told me this was what he wants." "Did anybody warn him about that consequence?" "I don't have time to answer you. He wants the answer in two hours."

He's a real driver--there's no question. And the staff was made up of highly capable guys, but by the time that I was working at that level the staff was generally a very young staff. I've got nothing against young guys--I think they're great--but you had a group of men who were very much awed by the office of the Presidency and by the power of the Presidency, as well they might be, and they hadn't built up the personal relationship that I imagine Bill Moyers had or Walter Jenkins had, or others, who could just because they worked with the man for so long say to him: "Now, just hold the phone. Stop, look, and listen before we jump. There are other factors, or let's get this guy in to talk about this before you tell him to go jump off the cliff."

I think that there was, on the part of Joe Califano and Larry Levinson, DeVier Pierson, and many of these fellows who had come into the White House

and worked for the President fresh, without too much background--Harry McPherson was not this way.

M: Harry had been with him--

T: Harry had been with him on the Hill, and I always had the feeling that Harry was like Bill Moyers in terms of really willing to say no, even when the pressure was particularly high.

But be that as it may, you never were sure through this second party relationship that this was what the President really wanted or whether indeed he had the full story as you might see it.

M: Did they go around you on occasion as well? Did they jump channels down to your subordinate levels?

T: No. Well, not without making sure that I knew. If they went direct to Ross Davis or Larry McQuade or somebody else, I would find out about it, usually at their request. They would try to get in touch with me or they just knew that I was tied up on something else and they wanted to get something done, so they'd say, "Ross, tell the Secretary that we've talked." They were good about that.

M: What about ideas for programs? Did they solicit those from below, or did they pretty much insist that they come down from above?

T: They wanted them channeled through the Secretary to the White House staff to the President. And there's always that filtration there in the White House staff; but there was no bypassing that I felt, or at least that I was bothered by, down into the Department.

M: What about imposing programs on the Department from above--from the White House staff?

T: That was plentiful, yes. The President wants this done, period.

M: As simple as that?

T: As simple as that. Sometimes you knew why and could understand why. Other times, you said, "It's not the wisest course." Joe Califano or somebody else would say, "Well, this is what he wants, and he wants it tomorrow."

M: No time to argue about it?

T: No, not much. Sometimes you really got very frustrated by that White House staff relationship. This was, you know the power of being close to the President was such that it really challenged and indeed supplemented, I think, much of the Cabinet stature. This was not necessarily true in the foreign affairs field where you had that Tuesday lunch group that had the ready access. And indeed where Walt Rostow, I think, had a particular relationship worked out with Secretaries Rusk and McNamara; but Califano, on the domestic side, was a good deal more ready to speak for the President and to relay to the President without encouraging the direct contact.

M: You partly anticipated this. I was driving toward the position of the Cabinet, and particularly Cabinet meetings. Were these mostly cosmetic as opposed to really taking some kind of substantive policy action?

T: There was very little substantive policy action taken that I can recall in any of them. They were basically informational meetings. We almost always opened up with a discussion of the Congressional situation, the position of the legislative program. Larry O'Brien would summarize the President's items, or each Cabinet officer would give a very quick report on where the main items in the appropriations and program were that were under his responsibility. The President would use the meetings to say, "Look, I want you to get out across the country and explain Viet Nam," or, "I want you to be in better contact with the governors," or, "I want the Cabinet to be more alert to the Congressional wishes."

As an example, he'd take the Congressional Record every morning, and he had it read by 7:30, I think. He was on the phone saying, "Have you seen what Senator so-and-so said? If not, read it and get up there and calm him down." This was a constant preoccupation with him, and [he was] always pressuring the Departments to (a) maintain good liaison; (b) thank those who were in support of and argue against those who were "agin," and supply speeches and statements and all kinds of things to friends on given issues. And that whole Bob Hardesty effort, which was one you probably heard of, was a major piece of work which we geared up our people to support.

Viet Nam was, of course, a constant factor and generally it was not a discussion of pros and cons, but a discussion of what the situation was with Rusk and McNamara reporting on the latest status. Very rarely, in honesty, very rarely would the Cabinet meeting become a time at which a Cabinet officer would say, "Mr. President, I think we're on the wrong track."

M: Did that happen?

T: I think I can recall Bill Wirtz doing it once and John Gardner doing it once.

M: I've heard both those names mentioned as those who felt that way.

T: Yes.

M: You mentioned kind of casually, by way of an example--I want to make sure that you meant what you said there. He did say on several occasions something to the effect that you ought to get out and help sell the Viet Nam policy across the country?

T: Explain it, yes.

M: Because I have heard from some people the complaint that he didn't do enough of this. But he did make an effort with the Cabinet?

T: Very much so, and it was always a difficult thing. I remember Orville Freeman, particularly, would say, "Look, we've got to get out there and sell it, but

we don't live with it closely enough to know all the answers. Every time I go to a campus the Professor of Far Eastern history has got me wrapped around his finger because he can talk about the Geneva agreements and all of these historical details, and I don't know enough about it. I haven't lived with it that much."

This was a dilemma that a lot of the Cabinet members felt, that in the course of their busy time Viet Nam was obviously a big and important factor, but they weren't specifically working on it or indeed on many of its downstream ramifications. We were all constrained by the budgetary factors that resulted from it, we were of course terribly concerned by some of the urban problems that were coming up at the same time; but in terms of living with the policy formation, it was not something we had that direct a dealing with so it was difficult to go out and get into debates. We could make speeches, we could make statements; but getting into debates was another question.

M: It's over your head real quick in technical detail.

T: It could. And really risk a certain amount of real trouble if you had said the wrong thing.

M: What about interdepartmental disputes that got serious, inter-Cabinet level disputes that got serious? How were those resolved between, say, Commerce and Labor or Commerce and Treasury or Commerce and Agriculture, or whatever?

T: Well, several mechanisms. One, the direct confrontation and the two men--the two Secretaries--talking it out, and we had a number of those. The usual was the Interagency Committee structure--I guess probably the Balance of Payments Committee was the biggest and most regular ongoing activity of--

M: Did you sit on that while you were Assistant Secretary?

T: No, I didn't. Andy [Andrew F.] Brimmer, who was Assistant Secretary for Economic Affairs, sat on the sub-Cabinet level balance of payments thing, and then

Secretary Connor went to the Balance of Payments Committee itself. When I was acting, Bill Shaw, who had taken Brimmer's place, continued in that role; but I got Larry McQuade and one of his deputies named Mark Feer much more involved with Bill Shaw on a co-equal basis and whenever the rules of the game which were--I don't know who set them, but you know, they'd say principals only, so you couldn't send more than one person--but when Bill Shaw went, he knew what Larry McQuade's position was on given items, and indeed a lot of things that we offered to the Balance of Payments Committee were out of the Domestic and International Business side of things.

But that committee mechanism is sometimes a great equalizer in terms of watering down things.

M: Is that what happens rather than-- ?

T: Sometimes, yes. You know, you'd get some hair-brain scheme, not all of which were hair-brained, but there was a constant questioning of the voluntary nature of our capital investment program. And there were a number of people within the White House and the Bureau of the Budget, particularly, and the State Department, who just felt that you couldn't trust the business community to really do it, and you had to have mandatory control. Every time you got that kind of statement made our hackles would go up, and we'd fight like hell, and we'd try and get Treasury to support us and generally they would. You never could tell about Secretary McNamara. He would and he wouldn't, depending on what the issue was. But it was a matter of trying to get support prior to the meeting so that you didn't go in when you knew something was on the agenda and you knew it was going to get attacked and you knew generally what the line of attack was going to be, so you had your ducks in a row and you had others primed to help argue it out. The balance of payments thing was probably the most constant policy-formulation and argument issue that I was involved in.

M: Did they ever get up to the President?

T: Oh, yes.

M: Irreconcilable ones that just couldn't be compromised?

T: Yes, we had several issues of that kind. For instance, the Kennedy round, when the deadline on June 30 of 1967 of the Kennedy round came along. We were up all night long and all day long the last few days, working on the final negotiating stance. In Geneva, you know, they stopped the clock and they went on and on and on. It was a very traumatic time and in some ways very frustrating, because so much was done under such pressure with such long range consequences by a lot of people who were really not that well prepared for it. But that one got to the Cabinet, and we had a good tough meeting with the President about the 25th of June, I guess, at which point I just said I didn't think we were getting a good deal out of it. Our position at that point looked very, very shaky, and we had promised when we set forth in the Kennedy round that we would get a balanced agreement, we would get as much as we gave away, and the way things were going I didn't think we were going to achieve that status. And if that were indeed the case by the end of the month, I was going to recommend we didn't sign. Bill Wirtz was of a like mind although he wasn't quite as strong as I was. And indeed at that meeting, Jim Reynolds represented Labor. State and Francis Bator of the White House staff and others, of course, were very strong in saying, you know, "The loss of initiative in the trade liberalization front is the most important thing in jeopardy here, and we've got to come out with some sort of an agreement."

The President, by and large, listened to everything, did not make a decision, intimated that he expected to be able to, in all honesty, fulfill or say that we had fulfilled our promise of equal agreement. And I had the impression that

he was sort of putting the bee on State to prove it. But when it came down to the final crunch on the 30th, we all were satisfied adequately that we had gained that status, and it was a unanimous recommendation that he do approve it.

M: But you did get heard?

T: Very much so. I had a chance to be heard and at that meeting, particularly, it was elbows on the table and sleeves up. Nobody was afraid or reticent to speak out.

M: What about relations with the Budget Bureau and the Council of Economic Advisors-- do they usurp Commerce business or determine Commerce policy sometimes by their decisions?

T: Sure. The Budget Bureau does, obviously with the power of the purse and the power of government organization decisions. The Council of Economic Advisors' role was a different one. They had no line responsibility over our inputs to the economic analysis question or policy question, but by being, again, at the President's elbow and by being one of the triad, so-called, the chairman had a very predominant voice in economic policy.

M: Shouldn't that be a quadriad with the Commerce Secretary a part of it?

T: Well, this has always been the contention of most Secretaries of Commerce, and I agreed. Jack Connor was very frustrated over that exclusion. I felt the exclusion too, but I didn't make as much fuss about it as Jack did. And I think for that reason, and by the contrast of that, I think perhaps I got included a little bit more than he did. It's an interesting phenomenon because--

M: The wheel that squeaks doesn't get oiled in that case.

T: Yes. I think that a lot of meetings were called, and I was asked to join them because I didn't publicly complain about being excluded. Jack had done that.

He meant it. He was very frustrated by it. And I think he was honestly disappointed--I know he was honestly disappointed--because he had felt that the President was going to rely on him for a lot more broad gauge policy advice than in fact was the case. But you know the tradition is pretty hard to break. Here's Mr. Stans, who has now made a public statement to the effect that he's going to be included; but he's included in sort of a broad gauge and long range policy Cabinet committee.

M: He has been on both sides. He ought to know what it's going to be like.

T: I think so.

M: To turn to a little bit different topic, and I know you can't talk about business like it's a monolith, with a capital "B" in which all businessmen feel the same. Generally, did you get an impression of what Mr. Johnson's relationship was with businessmen as a group? Did he operate effectively with big businessmen?

T: Yes, he did. Well, you know he's a fantastically complicated individual with moods and with approaches that differ a great deal. In terms of his persuasive powers and his ability to explain and gain sympathy and support, he's first-rate with any group. And the business groups that he would invite for luncheons or for briefing sessions or to which he would go if they were having a meeting in Washington, it was always a very winning and, I think, persuasive performance. He went into most of them with the feeling, and I think correctly, that it was a hell of a lot easier to deal with the labor side of things because they were so much more disciplined and organized.

M: You can get a handle on--

T: Bill Wirtz really made two or three phone calls and he could speak for labor. George Meany, primarily, Walter Reuther for a little variety, and Lane Kirkland, who is really the senior policy adviser to George Meany in the AFL-CIO. But

if he could get those guys lined up, Bill could go to the White House and say, "Now, Labor will do this or that," and they would, except when George Meany make a mistake and went up without any troops.

But when the President, you know, said, "Get the business community lined up--" who the heck is the business community really? This was a difficult thing. In the tax increase, for instance, the tax surcharge question, I telephoned personally a hundred businessmen and asked for their reaction to a different set of facts and policy alternatives. And every day, I'd do my twelve to fifteen phone calls, if I could get hold of these people, and every evening I'd send a note over to the President, saying "Mr. So-and-So feels this way about it." And then I'd tally up--out of a hundred phone calls, 94 said "Yes, we need a tax increase," 6 said "No." An interesting exercise in this thing, and it was one of the first times that really that kind of polling of business opinion across the country had taken place. I think it, plus several other things we did in terms of regular meetings with various industries who came into the Commerce Department about every two weeks, I think this helped give them a sense of participation that their voice was getting heard, whether or not it was being followed was another question. But the President did listen and did cite these figures and did use the support where he could find it. He had some particular favorites, and he would call them himself.

M: Were these old buddies, or were these people who were favorites because of their position or because of some relations since he had been President?

T: They were old buddies, and they were people that he had particular respect for. A guy like Bev Murphy, who was the chairman of the Business Council and head of Campbell Soups. Bev just happens to be one of those tough, honest, straight-talking guys who says, "Mr. President, you're full of baloney," when he feels that way.

M: I come from a Campbell Soup company town--

T: Really? You know Bev Murphy, then. He's hard-nosed, and he's very straight, and the President likes him and respects him.

And he would call up Bev Murphy and say, "Bev, what do you think?"

That kind of person he would go direct to, and he'd get a feeling from. Sidney Weinberg was another.

M: With Goldman Sachs?

T: Right. Others, like Al Nickerson, who took over Bev's position as chairman of the Business Council, the President would call me and say, "Check with Nickerson and the others," this kind of thing. He didn't feel that he could go directly to him for reasons, I guess, of just not knowing him that well personally.

M: Did Mr. Johnson's, what the newspapers called his style--his provincial Texas background-- did this bother the sophisticated business leader appreciably?

T: No, I don't think so. I don't know. I never heard that, I never heard anybody criticize the President on the basis of his accent or his methodology. They, I think, if anything, were most critical of the use of very tough economic power when the crunch was on; and it was us d. In the price confrontations particularly. This hurt, and we did some things which we regretted later on.

M: We'll get back to some of those issues. What about the Business Council--this is the outfit that, when Luther Hodges was Secretary, was invited to leave more or less. What was the subsequent redevelopment of that?

T: Well, in truth, both parties, I think, came out of that stronger. The original group was called the Business Advisory Council. It was an advisory council to the Secretary of Commerce. It was made up of the same group, but it was really tied to the Secretary of Commerce. The dispute with Luther Hodges

centered about the question of membership and who had the right of veto, and when Hodges decided to really insist upon his prerogatives the Business Council said, "Well, we don't want to operate under this control, and we want to be independent. So we're going to dissolve as the Business Advisory Council and recreate ourselves as the Business Council, and we will continue to have liaison committees with each of the major departments. We will continue to give advice and information when called upon, but we just don't want to have the kind of control that previously has been demanded."

Well, in all honesty, this was good, because it gave the Business Council more credibility, certainly more independence, and the arms length relationship was a healthier one all the way around. Jack Connor, having been a vice-chairman of the Business Council in his role of president of Merck, it was a natural for him to carry this thing on and develop a close relationship. And I think surely that President Johnson, when he thought of Labor he thought of George Meany; when he thought of business he thought of the Business Council. He would think of, when reminded, that the NAM and the Chamber and a few other national organizations were there. And when Allan Shivers was president of the Chamber of Commerce one year, of course this was a very real friendship that he had. But the Business Council was really, and is, a fabulous organization. The people in it are just "Mr. Who's Who" of big corporate life.

M: What's the relation now between that and the National Alliance of Business?

T: Well, the National Alliance of Business--that's a business organization which is geared toward one specific problem, the hard core unemployed. And it was created really in the Commerce Department--Labor Department--White House orbit with the request to Henry Ford to get the thing going. Then the framework of the fifty-city committee, with the Employment Service looking for the people

and the business group creating the jobs, this whole concept was developed in Washington. And Henry Ford agreed to put it together or to head it and made some staff available for it and generated a lot of support. By and large, the darned thing has done a very good job in reaching that limited objective.

M: It is a single objective, not like the Business Council which is for--?

T: The Business Council is really--it really doesn't have a policy role. As a group, it doesn't take positions; but it does say that when asked, it will, as an individual member--each member will give his opinion. One of the rules for membership is that if you are requested to assist the government in some particular way, you cannot turn down that request if it's a request for advice, counsel, and guidance.

M: Does it hurt a Secretary of Commerce, such as yourself, who wasn't really a big business mogul in the sense that either your predecessor or your successor, I suppose, were--you had not been Board Chairman of Merck, or President of American Airlines--does this make it difficult for you to operate as Secretary with this type of Business Council membership that you described?

T: Well, it was interesting. It would have if I had gone in cold. But the day I got sworn in as Assistant Secretary of Commerce, Jack Connor took me down to the first Business Council meeting. It happened that it was going on that same time. And I went to every one under his aegis, and I became through those exposures friendly enough with the members so that when the day came when I stepped into the job, I had a lot of friends and a considerable amount of support from them. And they, I think, gave me support because they'd gotten to know me whereas if I had been appointed out of the blue, they would have said, "Well goodness, who's he?" and I would have had a lot of trouble. But I was able to call on them for assistance without any hesitation, and I got it without hesitation. They were a superb group of people.

M: If you read the columnists' impressions of the way the government operates and some of the recent books that have come out, you get the idea that the Commerce Department is held in fairly low esteem among the departments. Why is that?

T: Well, I don't know. I guess, you know, Washington is a city which is built upon the ego-motive, and the word "clout" is used all the time. And if you've got so-called "clout," you command the so-called respect of those who think in those terms. I suppose that over the years, with the diminution of Commerce's responsibility in the economic policy field, the spin-off of the Small Business Administration, the creation in other parts of the government of programs which dealt with the business community, the fairly unfortunate episodes in the Commerce Department's history when it was led by some pretty weak sisters at the top and staffed by some pretty mediocre retired businessmen throughout; all of these things over a period of time create an impression.

I remember the vast amusement with which the Women's Press Club greeted the statement I made just after I was appointed. "As a young man, I would like to some day see the Commerce into a swinging department," using a colloquial phrase as I mistakenly blurted it out in remarks to them. It was accurate and what I would like to have done with it, but, you know, they sort of guffawed. "Swinging Commerce? Is this possible?" And there was this incredulity factor which was pretty obvious.

The only way you can overcome that, I think, is through your personal relationships with the President and his willingness to either back you as an individual or to put forward a series of recommendations in terms of adding "clout" to a given department.

M: Do you have the kind of freedom in, say, appointing your associates, that would make it possible for you to revamp a department fairly thoroughly?

T: Yes, I think so. By and large, the President was very good about giving to Jack Connor and to me a strong freedom to recommend. I was shot down in one case and that was with the Under Secretary. Howard Samuels was my choice to be Under Secretary and he, I guess, told some people about it prior to the announcement coming out of the White House. And it appeared on the front pages of the New York Times that he was going to be Under Secretary, and I read that in a car going to the office. By the time I got to the office, the phone had rung saying, "Forget it!"

M: And was that given as the reason?

T: Oh, yes.

M: So that it's not a speculative thing?

T: No, it was definite. It was purely the desire to have the decision announced at the White House where the responsibility was, and the President insisted on this with very, very consistent strength. He did the same thing with Lloyd Cutler with Secretary Connor, before Roy Collins was named.

And it was only two months later when the President had--he hadn't forgotten, but he figured maybe the press had--that the President turned to me one day and said, "Would you still like to have Samuels?" And I said, "Yes, sir, I sure would." He said, "Okay, you've got him."

So I called up Howard, and Howard said, "Well, cripes, I've just gotten back to organizing my company again."

M: You said, "This time, don't tell anybody."

T: That's right. But that was the one time when there was a major flap over it.

But otherwise, I had the opportunity to name the people and I was very pleased, by and large, with the guys we were able to get.

M: I was going to say, they're kind of a swinging group now.

- T: There are some damned good ones. There are some very good people in that Department. I made one bad mistake, and that was in the replacement for Herb Holliman in the Science and Technology slot, but the others were good--still are.
- M: What about the civil servants portion of the department?
- T: They're a very impressive group, by and large, I think.
- M: Some of them, of course, you did promote into advanced slots.
- T: Yes, I tried to do that as much as possible. Where there was a good opportunity and a good experienced man to fill it, I tended to look on the inside and this helped a great deal in terms of the morale of the Department and the willingness of the people who worked for me.
- M: I've gotten down to the point now where I have a list of issues which were important during the time you were either Assistant Secretary or Secretary. I have some of them you've referred to briefly in the past here. Would you like to call it a day for today, you've been quite patient, and see if I can arrange another session?
- T: I think we'd better because there's another committee that wants to use this room.
- M: Well, I've finished everything except simply the issues: Defense procurement; tariff and trade; balance of payments; wage and price stability; regional development; AID; and additionally, stockpile use; labor-management; so we ought to be able to do that in a session devoted simply to issues.
- T: Okay.
- M: I must say that you justify all of the high compliments that your associates have made.

INTERVIEWEE: ALEXANDER B. TROWBRIDGE (Tape #2)

INTERVIEWER: PAIGE E. MULHOLLAN

May 7, 1969

M: This is the continuation of the February 19th interview with Alexander Trowbridge, former Secretary of Commerce, May 7, 1969.

You said you would like to begin with the balance of payments issue. That was probably the most continuing one, I suppose, during your tenure. Would you like to describe the situation as it was at the time the message of January 1, 1968 was in the works and lead up to the details of how that progressed?

T: Yes, it was a continuing problem. It was one in which, on a month-by-month basis, we kept very close track. This, primarily through review of the trade statistics--the import or export surplus, the defense procurement levels which were one of the larger outflow aspects of the problem--

M: Procurement abroad, you mean?

T: Procurement abroad, yes, the defense expenditures primarily in connection with Viet Nam. Most of the expenditures being in the Far Eastern area, of course with Germany a major sector as well. The tourist expenditures as well being of primary interest to the [U.S.] Travel Service, which was in the Department of Commerce. Well, all of these factors were reviewed not only on a monthly basis in terms of numbers, but reviewed on possibility of future policy implications in the Cabinet committee on balance of payments of which Secretary Fowler was chairman. This committee had a subcommittee or a committee of Assistant Secretaries who met more often and tried to iron out the disagreements, if any, between Departments; to highlight the key issues for decision which should be

put to the Cabinet committee. And on that subcommittee, Larry McQuade and Bill Shaw, who were Assistant Secretary for Domestic and International Business and Assistant Secretary for Economic Affairs respectively, represented the Commerce Department. The Assistant Secretary for Economic Affairs in State, Tony Solomon; Francis Bator from the White House staff; Arthur Okun from CEA. That committee probably met more often--it got more into detail, but it was the watchdog affair really, and tried to, as I say, alert the principals to any problems that had to come up.

Along about mid-point in 1967, mid-year, we began to get cranked up for the 1968 program. We had the second full year of the voluntary program behind us--in 1965-66 that program had been operable. In 1967 it was still operable, and, I think, basically on target. It was accomplishing as far as we could see what it was intended to accomplish and what, indeed, the companies said they could do. By July-August, we had decided that we should set the 1969 policy parameters and make them available by October-November at the latest because--

M: Available to business?

T: Available to the public, to the business participants in the program, because companies needed that advance warning to make their further plans. We wanted to give them the news that this was going to carry on and therefore they shouldn't bunch up all of their investment plans into 1967 and hope that 1968 would bring a relief from the problem.

The trade surplus was diminishing and had been diminishing steadily since 1964, when it was at about 6.4 billion. It had gone down to a level, I guess, in 1967 to less than 4 billion or roughly 4 billion, and was heading for a level closer to 3 billion, I guess, by the end of the year (it was running at that annual rate).

The tourist outflow was looking rather ominous in terms of new passport applications, renewals, et cetera. Our efforts to encourage European and other nationals to visit the United States and spend their money in the U.S. as an offset were slow at best. They were hampered. The U.S. Travel Service was continually hampered by a severe budgetary limitation, a rather personal vendetta that Congressman John Rooney, who was head of the Appropriations Subcommittee, had against the Travel Service; and he just plain refused to believe that the Travel Service was worth anything and that it could, or should, have all the money that it was authorized to have.

All of these things looked rather ominous for the 1968 period. We looked at the Balance of Payments voluntary program on investments with the question, "How much can it further contribute--how much improvement can be squeezed in the voluntary way, in a reduction of investment outflows versus the 1967 level?"

We met rather steadily with the Balance of Payments Advisory Committee which was a group of businessmen chaired by Al Nickerson of Mobil Oil, a very, very helpful committee, one which not only gave us honest and sound advice but indeed went back into the business community and urged support for the voluntary program. I think without that committee probably the success of the voluntary effort would not have been what it was. The outlines of the program began to emerge and in October, I think it was October of 1967, at the fall meeting of the Business Council in Hot Springs [Va.] I announced the framework of the voluntary program, a continuation of it--a target which would set the overall investment outflow at about \$200,000,000 less than the 1967 level; a continuation of the program in the basic form with this new target and increased efforts at export expansion; increased efforts at tourist attraction, et cetera. Within the Cabinet Committee on Balance of Payments, this was a somewhat difficult

agreement to get because most of the other members of the Cabinet Committee felt that the outflow was still at a high level; that the voluntary program and the Business community should produce more. I think that the problem really was that everywhere we looked we saw relatively little paydirt. Treasury, in its attempt to negotiate offset agreements with Japan, Korea, and the Philippines, and Germany, to cover some of the defense procurement expenditures was having relatively little success; our trade balance kept going down; tourists going up. There was pressure to find a way of getting savings at all points.

M: So it wasn't the lack of effectiveness of the voluntary plan--what you're saying is that it was the magnitude of the problem that had increased?

T: The magnitude of the problem, and in all honesty, there was a very real tendency to say--at least on the part of the government people to say--you know, "Let's get more out of the private sector. The government has done all that it can."

Within the private sector there was a real feeling that the biggest part of the problem was U.S. official spending abroad, defense and foreign aid, and that the government really had the biggest job to do, of curtailing its own expenditures, to make any impact on this problem. There was this element of "clean up your own back yard before you tell me to do anything." And this existed on both sides of the coin. I think the government fellows were probably too, too ready to say, "It's all the private sector's responsibility"; there was a very easy sense of, you know, "We've done it all. You can't squeeze any more blood out of the defense stone; therefore, let's get it out of the investment sector."

At the same time, there was very little desire or interest in proposals which would be stimulative of exports in a way which would have had much effect. We had a lot of promotional activity, and we had reasonable success in that. But you could measure those advances in terms of millions when you really had to get billions to make any impact. And the tax philosophy of Stanley Surrey,

the Assistant Secretary of the Treasury, and I think of Joe Fowler basically too, was very, very basically against any form of tax incentives, domestic or international. And this was a matter of deep philosophical belief on their part. And they were consistent and they were effective in opposing any kind of suggestion along these lines.

Several useful suggestions had been put forward during 1967 and 1966, part of them coming out of the National Export Expansion Council, dealing with tax incentives, dealing with rediscount facility for the Export-Import Bank via the Federal Reserve; a number of what would have been, I think, if the details could have been worked out on them, would have been significant amounts of impetus from the federal government that the private exporting community would have grabbed hold of and used. But these never got anywhere, and there was a sort of fall-back position that everybody could agree on which consisted of "Let's do more of trade fairs and trade shows. This is what we can do, and we're hung up on the other thing."

M: Did everything stop below the White House level then?

T: Generally so, yes. The National Export Expansion Council recommendations did go to the President; he received them. Jack Connor and I and Joe Fowler in 1966 took these Action Committee reports and the three chairmen of the Action Committees within the National Export Expansion Council; and we met with the President for an hour or an hour-and-a-half, and they briefed him on the recommendations. It was an interesting meeting, because the President really was at that point more concerned with wage-price guidelines and how to get a handle on inflationary pressures that he could see coming up, and the question of a tax increase--a tax surcharge--than he was with the balance of payments. So that he listened and received the reports on the balance of payment

recommendations; he turned them over to Joe Fowler as chairman of the Cabinet Committee; asked for a review and recommendations from the Cabinet Committee on these proposals. Harold Linder of the Ex-Im Bank, Gardner Ackley of the Council of Economic Advisors, Francis Bator, Jack Connor and I were there at that particular meeting. From that point on, the Action Committee recommendations were in the hopper. Some of them got implemented. They were really sort of a score sheet against which we periodically had to report back to the National Export Expansion Council and for that reason, we kept working on their proposals because we wanted to show movement, show some progress toward their objectives and maintain their enthusiasm for the effort, because they were the guys that went back out to the Regional Export Expansion Councils and through some twelve to thirteen hundred businessmen across the country, were a real mechanism of getting to the exporting community.

Very few, literally, of all those things got implemented. I think probably the most significant one was the establishment of a so-called "special interest" or "special risk" fund of \$500,000,000 within the Export-Import Bank, which could be used for export credits to countries which had already received more than normally they would get from the Ex-Im Bank, or on projects which would have more than normal commercial risk in them. That was a real plus, I think, as far as the NEEC went; but the question of tax incentives never got anywhere.

Anyway, we came down to the 1968 program announced in its basic form in October, 1967. And although 1968 looked like a difficult year, we really didn't have that much foreboding on the outcome, and we were satisfied with the program as at that point designed. Well, mid-November, November 16, the British devalued the pound. This was a very well-kept secret. I don't know whether Joe Fowler, or how long in advance he knew about it, but if he did know about it, it didn't

go beyond him. I think he probably alerted the President within a day or two before the impact and before the thing hit, but nobody else in the government that I know of was in on it. Just as well--it's one of those pieces of information on which vast amounts of money could be made if it became an open secret. And, indeed, the British, I don't think, made up their mind until something like twelve or twenty-four hours before the actual fact. So that this came as a major new development, and it immediately put a great deal of strain on the other Western currencies. The franc, the German mark, the others, were all at a point where they could have followed the trend; they didn't because the British devaluation was limited to about 14%, and this was just enough to avoid a ripple effect. But it put a real question mark on the dollar, as well. Combined with the heavy deficit forthcoming in the federal budget, already visible in the fiscal year 1966-67 and projected for 1967-68, combined with the inability to get anything through Congress on the tax surcharge, combined with the devaluation, the Central Bankers of the World began to say, "Well, now, is the U.S. really serious about getting its financial house in order; and is the government capable of controlling inflation, and will they be able to put through this dampening tax legislation? Will they get their handle on the budget?"

And there was a good deal of speculation that this could not happen, that the balance of payments deficit was going to blow into major proportions; and, indeed, between November 16, the day of devaluation, and December 20 or so, it became very evident that there was a lot of flight capital. There was a lot of U.S. private money going out; there was positioning by companies. We couldn't tell where, or in what degree, and how much was involved; but it was quite strong.

M: This would have been in violation of the existing voluntary system?

T: Well, some of it would have been, yes. To the extent that companies positioned money abroad. They would have been going against their own targets. We couldn't tell how much was going on and in retrospect, I think the last quarter of 1967 had a deficit, if I'm not mistaken, of about \$1,900,000,000, combined all factors. And that at an annual rate was something like an \$8,000,000,000 deficit for the balance of payments, and this kind of swing was obviously not one that we could live with.

It became pretty clear that the voluntary program was again under question. Every part of the program was up for review and analysis. The Subcommittee of the Balance of Payments Committee was actively looking at it; the various parts of the government that were concerned with it were back at the drawing board. And somewhere along the line, I'm still not sure where the objective was finally set--I think maybe that Secretary Fowler went to the President with it--but a goal of \$3,000,000,000 savings for 1968 over 1967 was established. And then we began to talk of how to get to that goal. And I think everyone agreed, everyone involved at the Cabinet level, that no program was going to have any credibility nor be able to really stand unless it was a program designed to touch all phases of the deficit problem. If it leaned entirely on the private sector, it wasn't going to work; if it was entirely on the public sector, it wasn't going to work. If it avoided such politically sensitive elements as the tourist outflow, it wasn't going to work. At least, we didn't think so. So that by the 20th of December, this \$3,000,000,000 goal was pretty well outlined. And between the 20th of December 1967 and January 1, 1968 the President's message was really hammered out and put together.

M: Program and message.

T: The whole bloody thing. And that gave us about eleven days.

M: Over Christmas.

T: Decision-making under those conditions isn't the best--there's no question.

There was a lot of information available; there was a lot of previous analysis that had gone on, but I don't really think that any of us had the time nor the reflection nor the sense of being out of a real pressure chamber which would have led to a well-reasoned package. We thought we had one, the best available under those circumstances; but this was hammered all day Christmas and it was hammered out all night Christmas Eve and it was every day and every night for those eleven days.

And it was on Christmas afternoon, I guess, or the day after, that--let me go back a little bit. Just a few days before Christmas, it had become pretty evident that of the \$3,000,000,000 target, \$1,000,000,000 of that was going to be given to the private investment area. And the question was put pretty closely to me. Can the voluntary program be expanded from \$200,000,000 as the target to \$1,000,000,000? I met and asked the Advisory Committee to come to Washington on a very rush basis. I talked with them as frankly as I could without telling them that this was really a very real possibility. I laid out the problem to them, and I said, "What can the voluntary program do? How much more can we get out of it?"

And essentially their answer was, "It has gone about as far as it can go." The cooperation under the new target was going to be, but if you expanded that target it was unlikely that it could be done. I intimated at that point that in that case I would not be able to guarantee the future of the voluntary program but I didn't know what the alternative was definitely going to be.

I called Jack Connor, who by that time was in New York at Allied Chemical, and I talked with him because really the voluntary program was his product.

And I said, "Look, Jack, if there is a major increase in the target and if the advice of the committee is that basically the voluntary system can't bring it, how much can I hold out for continuation of the voluntary program?"

And Jack's reaction was, "Well, I don't think you have any choice at all. I think this clearly requires mandatory controls because you're essentially getting into an area where, without a sense of voluntary cooperation, you're going to get everybody grabbing for what they can if you don't have rules which apply for everybody."

M: And reward the non-compliers, then?

T: Could be. And the lesser of two evils would be rules that apply for everybody rather than having some guys play the game and other guys say, "Well, I fooled them on that one."

By Christmas afternoon or the day after, meeting with Fred Deming and Ed Fried of the White House staff, Fred Deming the Under Secretary of the Treasury--

M: Fried took Bator's place in the--

T: Fried took Bator's place, right. And he was hot for mandatory controls. He was very, I think, basically antagonistic to the private enterprise sector, not to the system; but he was a very caustic and a very antagonistic individual as far as major corporation activity went. I always had the feeling that he was left over from the intellectual days of the New Deal which sort of said, you know, "Private sector is evil; public sector is all good, and therefore government has to do it all." This is an overstatement, but Ed's basic suspicions are very much toward the private sector. But he was working hard for several points of view; he was trying to establish his own role after Bator--he was fairly new. I don't think he really had the confidence of the President the way Bator did, but he was playing the role very strongly and felt his responsibility to the President. And he pushed hard on the mandatory controls.

Fred Deming was much more aware of the dangers of it, but also, I think, realistic when it came to judging the voluntary ability to reach a goal of \$1,000,000,000.

Joe Fowler left it pretty well up to me, I guess. Bob McNamara was very quick in saying mandatory. Nick Katzenbach-- Gene Rostow, I guess, was hesitant, but went to mandatory pretty quickly. And I guess I was the last one to topple over--

M: It sounds like you were pretty much alone.

T: Yes. And I had to accept the inevitable and when I did, it was just-- you know, there we were. It had to be that way. And there was, I think, justification for it under the same explanation that Jack Connor gave. If you're going to set this kind of target, a voluntary system won't bring it about and indeed shouldn't be asked to bring it about because there would be different reactions among different people and it's better to have the same rules for everybody.

But the problem was one of devising even the barest outlines of what those rules would be, and this is what occupied a great deal of the time and discussion during that ten or eleven day period, particularly after the mandatory decision was taken. At the same time, of course, we had a Justice Department ruling that the Banking Act of 1917 would be available--

M: So it didn't need legislation.

T: It did not lead to legislation. And this was, of course, really a requirement; because to propose to the Congress a series of controls would have brought about long, long debates over it and the likely occurrence would have been a large scale positioning of private funds abroad.

So, by the time we put all this together, we all kept agreeing that, you know-- "If we go mandatory on private investment, we've got to put something

in the package which would ask a similar sacrifice from the tourists, would ask a similar amount of effort from the governmental side of things," and we began to talk of the four-legged stool--trade, tourism, investment, and government expenditures. And those four legs had to be in the President's message.

And by the time January 31 came along--I can't remember whether that Saturday was a 30th or 31st, I guess it was the 31st--we flew down in the morning from Andrews to the ranch--Dean Rusk, Bill Martin, Joe Fowler, myself, Gardner Ackley I guess was aboard, Bill Roth was aboard. And it was all very hush-hush. We all were not allowed to tell anybody where we were going, and we rendezvoused out at Andrews--early morning flight--you know, we couldn't even tell our drivers where we were going. Just said, "Pick us up at 6 in the morning."

Then when we got in the car, we get out to Andrews and nobody was very happy about all this, but we had to do it. The President and all the staff were down at the ranch.

M: Happy New Year!

T: Happy Goddam' New Year! I had not been to the ranch before, and when we landed, I was most amused because we were met at the plane by a tall gentleman dressed in Western clothes, but with a beret on his head. And the beret was not sort of jaunty French style, but it was pulled down over his head. And I looked about three times before I recognized the President of the United States! And he was driving a station wagon. He poked his head out and said, "Come on, get in!"

M: This was at Johnson City?

T: This was at the ranch. And I thought this was rather amusing frankly, because I had never seen the President wearing a beret, and the way he was wearing it was even more classic. But he showed us around the ranch a little bit, and

we waited for several other planes to arrive, one of which brought Hale Boggs and, I guess Russell Long from Louisiana. Wilbur Mills and Mike Mansfield came in from Little Rock. I guess Mike Mansfield had come from Washington. And let's see, who else was there--I guess that was it except for Jim Jones and Joe Califano.

Anyway, we gathered in the guest house, and we went through the whole program. Joe Fowler led the discussion, and we all added our rationale to it. The President was--well--his political antenna was working very well, and he was very right. He said "The toughest part of this is going to be the tourist portion." The tax which would be imposed not to interfere with travel, but to cut down spending--He said, "That will never pass."

M: That did require legislation.

T: That did require legislation. And all of the Congressional types agreed with his assessment there. But in the end they said, "Yes, the four-legged stool has to stand and for credibility," particularly with the European central bankers--who by this time had really become quite skeptical of our ability to maintain the dollar--"it had to be in the message." The border tax proposal, which was in the trade field, was not very happily received by Hale Boggs, particularly. He's a very free trade enthusiast. Bill Roth was reluctant in saying that this should go, but at least it was justifiable under the Gatt rules as an equivalent to the European practice.

M: Had the Europeans been sounded out on that pretty thoroughly, too?

T: Yes. If I'm not mistaken, Gene Rostow and Nick Katzenbach took off--I'm not sure they sounded out the Europeans beforehand, but right afterwards--they took off and explained it to the Europeans. I think it was the next day or two after New Year's.

Well, anyway, we put this thing together, and the President gave his final approval to it late that afternoon. We all climbed back in the airplane and flew back to Washington. A good deal of work and polishing up was done that night. The final message was hammered out that night and early the next morning, teletyped down to the ranch, edited, and, I think at 11 or 11:30 New Year's Day, the President held a press conference at the ranch, announced the program, read the message, Joe Califano briefed on some details. But they also announced that there would be a press conference at the Treasury at 1 or 1:30 that afternoon.

We gathered in the Cabinet Room and listened to the press conference as it was piped in while going on, and then went over and had lunch at the Treasury. I had done really two things in the trip. Let me think. One was to get Joe Fowler and Dean Rusk and others--Bill Martin, I guess--to agree with me on the deletion of a certain portion of the program that would have, in effect, forced investment patterns by denial in certain geographic areas and types of business and approval in other geographic areas and types of business. Also we deleted a ban on "takeovers"--purchases--by U. S. firms of foreign firms. The attempt really was--

M: Channeling?

T: To channel the funds where available into developing countries and into joint ventures. This was really far beyond what the law allowed, in my opinion; and secondly, it was an attempt by government to make a lot of decisions which were purely private in nature and could not be made on a sound basis by government. And I was successful in getting that deleted. It was not until the plane ride down that this was decided however.

The other question was who would run the Office of Foreign Direct Investments, where would it be, and who would be in charge? There was the question

of whether it should be in the Treasury Department or the Commerce Department.

I was frankly not that anxious to take on that responsibility--

M: That's not a pleasant one.

T: Unlike some Washington battles, this was a hot potato that really nobody wanted. Treasury argued that they, as a regulatory, taxing, tax collecting agency, should not be put in the position of dealing with this kind of decision and that the expertise and the cordial relations really did reside in the Commerce Department. I couldn't argue against those theses. I just hated to go from being the exponent of a voluntary program and the person who had cheered on the various companies in urging their continued support for it--just overnight put on a mandatory hat. I found this to be a very difficult thing to swallow and accept, but in the end the issue was put to the President; we did recommend the Commerce Department; I told the President that I didn't do so with any great cheers. And his reply was, "Well, none of us are sitting around here in a clambake. This isn't fun for any of us."

He had the initial instinct it should have been in Treasury; but, again, he made the final decision, according to our recommendations, for Commerce. I then asked the President if I could have the then-Under Secretary of the Navy, Chuck Baird, on a loan basis to help set this thing up. Chuck was a guy that I had gotten to know in Washington. He had been in the Jersey Company. I had not known him while working there, but he had been in the financial end of Jersey's operations; he knew international finance very well; he was a good manager; he would have brought prestige from that office. And I wanted him to do the job. I asked the President if I could have him, and he said, "Will Bob McNamara let him go."

And I said, "I don't know. I haven't talked to Bob, but I will."

He told Joe Califano to talk to Bob. And Bob baffled the hell out of me, frankly. Not only did he say he wouldn't let him go, but he said he was the wrong guy for the job. In all honesty, and this is a confidential record, my feeling is he said this guy was not for the job because he wanted to keep him. He knew the President wouldn't put him on the job if he had just said, "No, I need him in the Navy." Because I think the importance of setting this thing up was more important than the ongoing Navy job which somebody else could have filled in on.

Anyway, Bob was faster on his feet than I was, and I didn't get Baird.

Just before the press conference, the President called me and said, "See if you can get Bob Anderson--Robert Anderson, former Secretary of the Treasury. See if you can get him to do this job for you, and do it through John Loeb of Loeb, Rhoades [and Co., N.Y.]."

So I got on the phone with John Loeb and said, "What do you think? Would Anderson be available for this kind of assignment?"

And, of course Loeb hadn't even heard of the President's message at that point. He was off in Connecticut somewhere for the weekend. He said he'd ask and find out, but he doubted it very strongly. Anyway, I replied to the President later on that I'd made the effort and Anderson was going to get back to us, and we then went on with the press conference and it was a rough go. The press was all over us with many questions. We explained it in the best manner possible, barring answers to a hell of a lot of the details they wanted to know about which had not been decided yet. And then we were off to the races.

I got a no from Anderson. I tried to spot people in the government who might be available to do this job. I was unable to. In the meantime, Bill Shaw, who was the Assistant Secretary for Economic Affairs, was scheduled to

leave on the 1st of February, going back to private business. I talked him into taking on the organizing job in January and staying on for thirty days into February, at the same time keeping my eye out for someone who could come in and do the job. I offered it to--I've forgotten his name now, but he's a former Secretary of the Air Force.

M: Zuckert?

T: No. Gosh, he's a lawyer with Coudert Brothers.

M: Finletter?

T: No.

M: He qualifies. He's with Coudert and he's formerly--

T: I can't remember. He was either former Secretary of the Air Force or Assistant Secretary of Defense, and I honestly can't remember now what his name was.

M: Gilpatric?

T: No. Well, it doesn't make any difference, because by that time, the 24th of January, I had a recurrence of a heart problem which was enough to put me in the hospital for six days and then home for about ten more--eight or ten--at the end of which I got checked out by the Johns Hopkins people and had advice from three doctors that I should withdraw from the government. And told the President about it and at that point, he got C. R. Smith to step in.

I recommended to C. R. Smith the name of this fellow-- I'm trying to think of it. He wasn't very taken with the man. He made some inquiries, and apparently his references weren't as favorable as mine. And in February, before I left, I asked Joe Bartlett, who was then the General Counsel of the Department of Commerce, to step in on an acting basis to take on the organization for the OFDI, which he did. And he did a good job on until C. R. Smith got Chuck [Chas. E.] Fiero from Chase Manhattan to come in and do the job.

M: No Department wanted it and no man wanted it. How bad was the business reaction which must have come during your last month there?

T: Well, it wasn't very happy. It was a strong feeling of not only disappointment, but in some cases betrayal. A sense that, you know, "Here, we've complied with your voluntary program; you've been telling us that we had to do so in order to avoid mandatory control. And you have told us that the voluntary program has worked, and we've been cooperating, and even in spite of this, you slap mandatory controls on us." Again, a feeling the government hadn't done all of its own housekeeping and that it was putting the burden on the private sector. I think we achieved an understanding when we made the explanation in terms of a billion dollar target, the inability of a voluntary program to meet it, the inequities of a program that would not have the same rules for everybody, you know--that side of the argument which was really the major justification for it was understood by those who looked at it squarely. Of course, the first month or two there were relatively little firm details of the program, because we just slapped it together in such a hurry that there was just a broad outline--we had the three categories of geographic areas; we had the general targets which had to be refined, put into regulations. And by the time I left on the first of March, there were still details that people were waiting to see. There were thousands of lawyers all over the place trying to find out about it. There was tremendous recruiting job. We scrounged the whole government, getting people on loans--thirty days, sixty days--from the Internal Revenue Service, from the Treasury, from everywhere we could find them. And people who were in the government were very cooperative in letting us have good men to at least get the thing started. But it was a real hodgepodge--it really was.

I think they did an amazingly good job under the circumstances in getting something organized. The tendency was to overregulate at the early stages;

the tendency was to take care of immediate pressure problems by sort of ad hoc decisions, and there was a lot of confusion as a result of that. Special cases, specific requests, specific approvals.

I went up to New York to get a bunch of lawyers, if I could get them on loan, from knowledgeable law firms. Cyrus Vance called together a group of representatives of some of the biggest firms with international reputations, and we were able to recruit five or six good young lawyers out of that. But it was a hodgepodge--there's no question, and it was almost bound to be; the nature of the beast and the nature of the timing required it.

I don't think it was the proudest moment of the government's career. On the other hand, it was a necessary and tough decision, and it was one of those miserable moments where you really were forced into a certain type of response. It's a response which your whole being is repugnant against, but, you know, there you are. The problem's there and you've got to act.

The net effect--looking back on it--I think the immediate effect was a very reassuring one to the European doubters. It did look like a four-legged stool; it did look like a serious effort. Not too many parts of that stool got put together. The tourist program was shot down, the border taxes never even got suggested to Congress. We hardly got anything more exciting in the trade promotion field. There were some efforts at defense procurement cut back and offset agreements. But the mandatory investment controls and the Federal Reserve Bank "voluntary," unquote, program which, you know, they could do and they had been doing on the basis of real clout rather than law--these were the real hard decisions and the hard results.

M: Which means the private sector ended up bearing the load.

T: Basically. There was an attempt on the part of the Pentagon to cut down defense expenditures, and there were a lot of efforts to get the Japanese and the German to do more, but you know, they'd been doing that before.

M: Was the trade issue a more pleasant experience then?

T: Well, trade policy was a continuing part of that.

M: You were there, I guess, when the climax came to the major trade activities that Johnson undertook?

T: Yes, the Kennedy Round business was in mid-1967.

From that point on, I guess there was a sort of sense of relaxation. There was a "let's not get ourselves in another Kennedy round for three or four years. We're all exhausted." There was a good deal of sort of mopping up that had to be done, the biggest part of it being the American Selling Price commitment that had been made in Geneva.

Mike Blumenthal resigned. Bill Roth took over from Governor [Christian] Herter. Well, he had before that; but his role was more or less of a caretaker and a moppper-upper.

M: Does that cause a lot of trouble--the Special Trade Representative being in the Executive Office and not in the Commerce Department?

T: Oh, I don't think so, really. There was a very real tendency for STR and State to side with each other; Treasury and Commerce very often would be allied against those two. But I think Bill Roth was a very fair and very balanced individual, and he pulled a number of sticky situations out of the fire and did, I think, a balanced job. Mr. Stans since then has been reported to have tried to get it into the Commerce Department, and I think the Commerce Department could handle that job. It would have to beef up its staff appropriately, but it could handle it. And I think it would handle it without running a major risk of

protectionism. I think there's an automatic assumption within the Congress that Commerce would respond to domestic pressures much more rapidly, but I don't think that's necessarily the case. Most of your guys in the Bureau of International Commerce--on the trade policy side of Commerce--are just as free trade prone as anywhere else.

M: There's a lot of Congressmen that aren't, too.

T: That's right.

M: Did the President ever express in matters of trade when the conversation got that far what you would consider a consistent viewpoint--Free trade, or--?

T: Yes. Consistent free trade. He really was. In spite of some real pressures, particularly in the Northeast on shoes; Southeast on textiles; I. W. Abel and the steelworkers plus the steel companies on steel; he was very consistent, very, very strong in saying, "Look, I'm not going to lead this country into a trade war. I'm proud of the Kennedy Round; I'm proud of the general objectives, and I just think there are other ways and you guys are going to have to figure out where they are, of doing this job without getting us into a stroke and counter-stroke trade war."

And I think this rang true all the time. Now he was very often skeptical of the generalities that the free traders would make, as far as promises go. And he was well aware of the political pressures. He would make the free traders justify and prove their assertions. But, by and large, his point of view was a very strong free trade one.

M: And from what you've said, most of the people in key positions on the issue, at least outside Commerce Department if not within, were of the free trade persuasion also, so that's the kind of advice he got.

T: Yes, that's right. And we were too. I don't think there was any basic philosophical disagreement. I think Commerce probably is showing today what

it was feeling then; that is, that you should work on specific areas of pressure and problem, i.e., textiles, to gain if possible a voluntary type of limitation on exports and imports, so that the U.S. didn't become the total residual market for the world in that one area and so we could head off some of the political steam which was a very potent factor on the Hill. I think the Nixon Administration is playing basically the same game. They're saying, "We are free traders, but we're going to try and get a voluntary expansion of the textile agreement in order to satisfy the voices up on the Hill which are really clamoring on this issue. There is no industry that is better organized and more forceful and cleverer than the textile industry on the trade issue.

M: Been at it a long time.

T: [Whistles] They have really developed their techniques down to a fine, fine edge; and it's the industry and labor so that you get the Department of Labor, the Department of Commerce, the Treasury Department, all feeling this joint effort by industry and labor and, indeed, they put it on the Congress in very effective ways so that the pressures were very strong and I think State and STR were reluctant, indeed very strong, fighters against the textile industry. We carried it upwards and downwards and backwards and forwards. At one point, the Vice-President got into it; and he knew the political pressures. He saw them up on the Hill. He had made some promises himself to the textile industry that they would be accommodated in one way or another, and he took over the Interagency Cabinet Textile Committee at one point on this issue, just saying: "Well, let's get to a decision."

Well, we never really did--

M: Was Ernie Goldstein the White House man on that?

T: It was several. Harry McPherson got into it; Ernie Goldstein got into it.

M: What was their position?

T: They were really trying to protect the President, and I think as such were more aware of the political pressures against the President than the issue of free trade versus protectionism. And I think basically Harry McPherson and DeVier Pierson, his assistant, were responsive to the textile industries' position and urged the President to do something about it. I think he probably delayed and delayed sufficiently long so that the issue never really got joined.

M: State and STR just don't have much constituency when you get right down to it.

T: They sure don't.

M: What about the voluntary programs such as we have with Japan? Voluntary restrictions agreed mutually?

T: The long-term agreement?

Well, the cotton agreement was enforceable, and we did enforce it through a series of bilateral negotiations and controls, quotas. There were always exceptions; there were always developing countries that had major, major problems in living up to the agreement, but by and large we kept the lid on the cotton imports on this negotiated treaty basis. But what was really happening was that the cotton textile business was being transformed, and still is, into a blend, where you have a minority part of cotton and a majority of synthetic fibers; and this becomes classified as man-made textiles and not subject to the control of this LTA agreement. And this is why the textile industry says, "Look, if you're going to do this, do it for the whole spectrum of textiles because we're just being helped on one hand, but ruined in another."

Well, of course, the textile industry is essentially saying that the time to fix the roof is when the sun shines and, indeed, the sun was shining. They had fabulously strong sales and very good profits, and it was a very tough argument on their part to get anybody to believe that they were in trouble.

M: Hard to get sympathy when the sun shines.

T: It sure was.

M: One of the most provocative things you said last time was in describing the issue of price stability--the extremely tough and measures that sometimes hurt and sometimes were later regretted. Can you go into that in some detail?

T: Oh, I guess the classic example of that one was the confrontation on aluminum which was--gosh, when was it? Either late 1965 or early 1966, when the President tried to, and indeed succeeded in getting the aluminum companies to roll back the half cent a pound price increase that they had put in across the board, and really rolled out the Defense Department in that one. And Bob McNamara and Paul Ignatius, who was then Assistant Secretary of Defense for Logistics and Installations and who had the major economic role and policy role for procurement and stockpile policy role--they just got these guys down to Washington and said, "Goddammit, you're going to roll those prices back, gentlemen!" And it was about like that; and the aluminum companies did.

This was a fire-fighting operation that went on for about a year and a half, and it was really to try to use government leverage where it could be effective. And it was made up of a whole series of techniques: stockpile releases; government procurement; personal confrontation; public statements of condemnation; decisions on--goodness, there were a whole series of things--export controls; the overall attempt being to keep the price indexes from going through the ceiling during a time when the Viet Nam war was switching our economy into a super-heated cycle and putting tremendous pressures on output and labor, getting increasing reductions in the unemployment, pressures from labor to gain a higher increase every time they went through the negotiating cycle, but damn little leverage that the government had on labor. And the inevitable

discrepancies and difficulties of using your leverage against one part of the spectrum and not doing it against the other.

M: The leverage against business, I assume, is real. The defense procurement, stockpile release, and so on--you can make it hurt.

T: It can make a difference. I think there's a lot more fear in the business community of the potential impact of those actions than, indeed, is possible within the government. If you're trying to make one of these things happen and you're using the law, the threat of doing it is really much more effective than the actual implementation.

M: Which makes confrontation effective. Does that get up to the President's level?

T: Oh, sometimes.

M: Does he ever have confrontations?

T: Oh, I don't know whether he personally did, but he sure ordered it. He was serious. He didn't want that copper price, for instance, ever, ever changed. And we released copper out of that stockpile at significant rates, well below the so-called strategic objectives set by law, in all honesty, using Justice Department rulings which were--you know, they were predetermined. This was a decision to release the stockpile. Question: "Is it legal?"--"Make it legal!"

M: Right. The decision to do it came before the decision that you could do it.

T: That's right. And there were some marvelous moments of justifying decisions which complied with the letter of the law but were really the most far-fetched kinds of supporting arguments.

Gardner Ackley would run back to his office and dictate some statement to the effect that the economy was going to collapse if we didn't release 200,000 tons of copper, and I was told to get back and justify it from the Commerce Department point of view, and everybody scrambled around writing these letters

to the Attorney General. And you know, he had his decision made before he'd get the letters. It was just a matter of fulfilling the requirements.

And I guess, you know, you get to points where you've got to do this kind of thing. I always--I was a foot-dragger. My feeling was that the real impact of the government was being entirely one-sided in its attempt to control prices, but not wages. The leverage was used where it could be used, and that was in the management side of the coin rather than the labor side of the coin. There was a real unwillingness to look George Meany in the eye and tell him he had to buckle down. Nobody did that. That wasn't sensible.

M: But you can look at the president of an aluminum company or a copper company--?

T: You can look at John Harper or Frank Milliken or some of the senior executives of the various major mineral producers, and they would feel the impact. And they didn't have that many votes.

M: What is their long-term reaction to this?

T: It becomes a little, not only juandiced, but indeed bitter. It's pretty hard to convince them that this is for the good of the country. And they feel put upon, the scapegoat, et cetera, et cetera. They also are very realistic and very pragmatic about it. They knew that sometimes these things happen and although it wasn't fair and it wasn't entirely within the sphere of the letter of the law, this is the way the ball game got played periodically.

When it got into the newspapers, everybody was quiet as a church mouse. "Who, me? We didn't do nothing. No, no!" But it was an interesting series of developments because at the beginning, we'd sort of rush around and Gardner Ackley would issue a statement, or even the President sometimes would issue statements about the importance of price stability, the need to consider the public interest. And then when a particular price rise would come along, aluminum being probably the most clear, they'd analyze this thing in about twenty minutes and they'd put out some statement about how the ripple effect was

companies are taking too many profits"; and "Aluminum companies are making too much money"; and, these confrontations got sort of piled up on each other after awhile, and it didn't take too long before Gardner Ackley, for one, just said, "Damn, I'm tired of these things, and they are not all that effective. We are losing our credibility; we are not doing the President that much favor to go out and make a big public splash over this kind of deal. There must be better ways."

One of the things which we did, and which I found very useful from several points of view, was to have a continuing series of meetings, one every two or three weeks, with senior executives--the chief operating or executive officer, if we could get him--of the major companies in a particular industry. And we held ten or twelve of these while I was in that office. They were unstructured meetings. Other than about three hour format, we would ask the men to go around the table. From the government's side, it was usually either Gardner Ackley or me plus usually somebody who was particularly interested. For instance, the meeting of the copper industry--I think we had the Interior Department there because of their mineral resources interest. But we'd go around the table and we'd say, "Look, what are your major problems? What are the kinds of things that are affecting you these days, and what's the outlook for your industry in the next six months--twelve months?"

And then we, on the government's side, would give the pitch about the need for price stability and the need for public interest considerations in pricing decisions; and we would agree to disagree when it came up, but there were no confrontations. It was quietly held; we would hold a press conference at the end of it because the meetings were public knowledge. We would summarize what the industry people had said to us and what we had said to the industry.

In this way, we did give a voice to the industry people--a forum to them on economic policy, and we learned a heck of a lot as to what impact policy problems had on that particular industry, and what their outlook was for the next six to twelve months.

At the end of each one of these sessions, I'd summarize them in a memo to the President and try and keep him aware of the feelings of the industry--

M: These were held before the crunch came?

T: These were held really as an alternative to the confrontation thing, an attempt to build some mechanism that would be a continuing one, which would get the word out and wouldn't result in one of these great flareups. They were getting not only unproductive, but nasty.

And as I say, there was nothing done on the labor side. There was one attempt, a New Jersey construction industry, to get a wage increase, I think of 20%, rescinded. And a guy named Weber, who was the chief of the various bargaining unions went to Miami Beach and sat on the beach and said, "Go shove it! I couldn't care less about you up in Washington, and I'm not going to come up to see the President or anybody else!"

M: And no leverage, like you said.

T: What do you do with it? We couldn't do a darned thing! They were going to cut off construction funds for the roads, federal projects--Governor Hughes said, "My God, you can't do that!"

M: Start finding out where the constituency really is in a case like that.

T: It really was very, very difficult. Bill Wirtz was aware of the problem, but he didn't want to ruffle his constituents' feathers too much. He was good in talking with them individually, but there was very little he could do in reality.

M: How much does the Commerce Department get into labor troubles, major strikes and such?

T: We normally don't. We normally didn't. The one that we did get into on a very continuing basis is that copper strike.

M: Which is the big labor-management issue.

T: Eight or nine month copper strike in 1967. And it was one of those real battles to the end, because the unions just decided they were not about to give up the demand for joint representation, for collective--you know, all unions being under the same contract, all companies being on the same pattern. And this would have been, in the companies' viewpoint, absolute suicide.

Bill Wirtz and I tried to mediate this at several different points, and it was at our level. I had one guy helping, but basically it was Bill and I and Jim Reynolds, periodically. And I would talk with [Frank R.] Milliken at Kennecott and [Charles J.] Parkinson at Anaconda and [Robert G.] Page at Phelps-Dodge; and he would talk with Joe Maloney of United Steel workers, and the others. And we tried to find some middle ground. We knew where the thing was going to end up; we could foresee where the compromise would have to come; but it just ran its course, and it finally did get settled on that basis. But it took eight months where it should have taken one or two.

M: Did this get up to the Presidential level?

T: Yes. The President was always kept informed on it, and very often he'd send us back and say, "All right, try it again!" As far as I know, he never got into it personally except maybe in a conversation or two with George Meany; but George Meany would always say, "Well, that's Joe Maloney's job; I'm not going to tell him what to do."

M: The President didn't have a confrontation in this case in person?

T: No, although the question was whether to invoke Taft-Hartley all the way through it and to get them back to work on an eighty day cooling off period. At no

particular point could we see any prospect for it being settled at the end of the eighty days even if we had invoked that. And there was some question as to the legal justification for Taft-Hartley because the Defense Department was getting all the copper they needed. They had to pay for it, but they got what they needed for defense requirements. So it was hard to justify the Taft-Hartley.

M: But as you say, the Justice Department probably could have managed that if they--

T: It would have been hard. I suppose you could have had a predetermined one; but again, looking at it from the point of view of what's the second step even if you did it, would this end up in an impasse eighty days from now, and would the factories and the mines be able to get cranked up again and produce anything significant in the eighty days? I think we came to the conclusion that it would have been a wasted exercise.

M: Did the President indicate that he was willing to do that if you all advised him to do so?

T: I'd say he generally did not indicate one way or another. He always asked, "What is your feeling on Taft-Hartley?" We had to explain that this was a situation that was so locked in cement that it was hard to see where it could be justified or successful. And he would nod, but I don't recall him saying that he felt it had to be done.

M: The only other issue is the tax surcharge. You mentioned your telephone poll last time in some detail. Are there other aspects of that that you feel are important to include here?

T: No. Actually, the biggest chunk of that fight was carried on, I guess, certainly by Joe Fowler, and after the time I left Washington. It was a real tugging

match with Wilbur Mills, and one always had the feeling, talking with Wilbur Mills, that he just felt that unless he set up that sort of goal line stand two things would happen. One, that there would never really be any meaningful reduction in government expenditures and two, he would not be able to carry the votes of the House. Wilbur is, I think--I don't know what the occasions are, but reputedly he has only lost two votes in his career, and both them were issues that were important. And both of them led him to say, "Never again will I take a stand unless I know I can win!" And he knew he could not win the surcharge unless he got a quid pro quo, and he knew that there was enough opposition in the House that the quid pro quo had to be a sizeable commitment on budgetary limitations.

M: Was there ever any realistic consideration of alternatives such as excess profits tax, price controls perhaps, or something like this?

T: Price controls, wage controls--I never heard seriously discussed by anyone in the Cabinet or in the Council of Economic Advisors. There's an important factor in the personalities involved. Gardner Ackley had lived with the OPA during the 1951-1952 period. Joe Fowler had, too. They had seen the inequities, the difficulties of effective implementation of the price control system. And I think they had come out of it pretty well burned and pretty well convinced that this was just not a viable alternative. Secondly, there was no authority for it and to get authority you'd have to go through Congressional procedure. While the debate was going on you'd just see the skyrocketing of prices and wages to get ready for it. So, at no point was that considered.

Excess profits tax I don't think really got much play either. At least I never heard much about it. It could have been in consideration. I think, really, after the guidelines sort of fell apart the one thing that seemed to

be feasible was this constant effort at talking to, convincing, cajoling, public interest considerations on the part of the decision-makers.

M: And then the surcharge, finally-- That came rather late--

T: Yes. It's partially that of more reliance on the traditional, fiscal and monetary policy controls available together. And I think we're going through a period now where Republicans have basically come to the same conclusion. You use the big tools, and you can't really devise a series of laws or controls that are going to be applicable to specific segments of the economy and give you that fine tuning which may appear necessary or desirable.

M: You've, again, been very patient. Have you got anything else to add for posterity? Now is the time to do it.

T: Oh, I don't know. I think in looking back at it--last week's Wall Street Journal had a long story, the effect of which was that the Nixon Administration is finding out that it's a little harder to govern than they had anticipated.

M: The problems remain the same.

T: The problems do remain the same; the vehicle for solving them is a complex one. I think the Johnson Administration, by and large, had more people dedicated to the solution of those problems than one gives them credit for. Harder working, really, really strenuous efforts at getting a handle on some of those things, and a sense of loyalty to the President which was really strong, throughout. There was a real sense of trying to do it not only to solve the problem, but to make the President look good in the process of that solution--to protect his interest and protect his objectives. Sometimes you swallowed stuff which was just ridiculous, and the methodology by which we scrambled to get a short-range objective met suffered for the long-range; but by and large it was done out of honest desire for results rather than any devious or nefarious or

underhanded purpose. And I think, I don't know--maybe the world is far more Machiavellian than I saw it work, but I think, by and large, the motivation of the guys involved was a good one. And their frustrations over inability to completely control the situation were understandable. The President bore the biggest burden of everybody.

M: That's about as good a summary or peroration as I could think of.

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Signed

Alexander B. Trowbridge

Date

May 8, 1972

Accepted

Harry J. Middleton for
Archivist of the United States

Date

September 16, 1974

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