INTERVIEW I

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INTERVIEWEE: CHARLES J. ZWICK

INTERVIEWER: DAVID McCOMB

PLACE: National Archives Building, Washington, D. C.

Tape 1 of 1

M: First of all, Dr. Zwick, I'd like to know something about your background. Where were you born, when, where did you get your education?

Z: Okay. I was born July 17, 1926, in Southington, Connecticut, and lived my whole life until getting married and going off to school in Southington. So my elementary and secondary education took place in Southington, Connecticut.

I went from high school to the University of Connecticut in the fall of 1943, put one year in and then went into the army. I came back and finished my B.S. degree in agricultural economics at the University of Connecticut in February of 1950. For the spring semester I taught as an instructor in the agricultural economics department. Then in the fall of 1951 I went up to Harvard to do my Ph.D. in economics under John D. Black, who was the famous agricultural economist, or one of the famous agricultural economists of the era. I completed my Ph. D. in 1954, with agricultural economics being my major specialty, but with a very

extensive statistics quantitative methods background.

M: Econometrics?

Z: Econometrics. Depending on what school you go to you call it one thing or another. At that point Professor Black retired and Professor Galbraith took over the economics of agriculture course, and I assisted him and also taught a graduate course in econometrics, or quantitative methods or [whatever you choose to call it].

M: This is John Kenneth?

Z: Yes. This is John Kenneth, which meant that when Galbraith and Zwick taught the course it was a lot different from when John D. Black taught the course, as you can imagine. I did that for two years.

M: This was until 1956?

Z: Until 1956. I actually taught the summer school of 1956 at Harvard, and then went out to Santa Monica, California, to the Rand Corporation, which is a nonprofit research organization on the West Coast then and still heavily involved in defense matters, major contracts with the air force. I was at Rand until October 1, 1965, when I came to the Bureau of the Budget as an assistant director.

M: Your work at Rand must have brought you into contact with the federal government.

Z: Yes, I would say quite extensively. Soon after I got out there, just less than two years, I became head of the logistics department, which is the whole transportation, supply, shipping part

of the military. So I was deeply involved with both the military here in the Pentagon and the Air Force Air Materiel Command located in Dayton, Wright-Patterson Air Force Base. I had a fairly extensive interaction with the government through these channels, and I was also on a series of outside task forces in the transportation area. I had by then done quite a bit of work in transportation, and I was on something called the Commerce Technical Advisory Board, which was essentially considered to be a miniature scientific advisory board to the secretary of commerce, in contrast to the Scientific Advisory Board to the President. At that time the person we worked with in Commerce was Herb Hollomon, who was an assistant secretary of commerce. He's gone on to become president of the University of Oklahoma; you may know of him from that capacity. So, in many ways, both in my official responsibilities at Rand and through various transportation and urban problems--I was involved in a Rand study of urban transportation under a Ford Foundation grant, and that got me involved with different parts of the government--I would say by 1965 I was involved in a consulting sort of way with a wide spectrum of government.

In fact, from 1964 to 1965, when I came here, from May of 1964 until October of 1965, I was deeply involved in studies in Southeast Asia, first for AID and then in Vietnam on an economic assistance program in Vietnam. Then later I had teams in Thailand and Laos jointly funded by AID and the Department of Defense. So I spent time with a whole different community of people in State, AID, White House,

Defense on problems of Southeast Asia. I would say by the time I came in October of 1965 that was the first employment I had with the federal government, but I certainly had quite extensive relationships with the federal government, starting actually back further than what I have already said through my agricultural economics work at the University of Connecticut and at Harvard. So I started with the Department of Agriculture and worked my way pretty far around the government.

M: Did you happen to participate in the task forces of 1964, when Johnson was putting together--?

Z: No. No, I did not participate in any of those, except in an indirect fashion. That was when I started my commuting to Southeast Asia, in May of 1964. Two people were involved on the transportation task force. John Meyer, who is now a professor of economics at Harvard and who I had co-authored a book with, was on that, and also Ben Chinitz, who is now chairman of the department of economics at Brown and who was a fellow graduate student with me at Harvard. They were out at Rand that summer as consultants to me. When I was in Santa Monica, in contrast to Southeast Asia, I kibitzed informally on the transportation task force, but I was not a member of any of those 1964 task forces.

M: Did you happen to meet Lyndon Johnson through any of this period?

Z: No, I never met him.

M: When he was vice president or president?

Z: No, I never met him until I came in as assistant director.

M: Was your contact then in the Bureau of the Budget Charles Schultze?

Z: Yes.

M: He's the one who brought you in?

Z: Yes, that's correct.

M: Did you meet Schultze, then, in your work with Rand?

Z: Well, no, actually it's a little more complex than that. At the time that Schultze was director, the two assistant directors were William Capron and Henry Rowen, both Rand alumni. In fact there's a joke that this is going to become a Rand position. As you may know, there is one Rand person as assistant director in the Nixon Administration, Jim Schlesinger, who was also a classmate of all of us at Harvard at the same time. He was a graduate student at Harvard at the same time.

I knew Henry and Bill Capron very well; in fact, Bill Capron was the first person who interviewed me to go to Rand years before. I had been in town during the spring of that year, working with Francis Bator, who was on the National Security Council, after the President made his speech in April at Johns Hopkins. You remember the speech which talked about the reconstruction of Southeast Asia after the war, including North Vietnam. That generated the big issue of what was this big reconstruction program, and I had come in and worked with Francis Bator and Henry Rowen in trying to draft this thing, which led to the Gene Black appointment. So in that sense, that wasn't one of those official task forces as such, but they did

bring together a group of people at that time to put some flesh on the proposal for the Mekong development project. That was when Gene Black came into the procedure at that time. At any rate, they knew I was in Southeast Asia. I was commuting in and out, actually working with people on the National Security staff and the White House staff.

Let me back up one more point, because I did meet Schultze in the fall of 1964. Yes, it must have been the fall of 1964. I remember it very distinctly. We landed up on a dirty airstrip--this has now become a big field, Udorn, Thailand--which was right across the border from Laos, and a fellow ran up with a message saying, "Call Sargent Shriver immediately." We all laughed and went over to Laos, and at that point talked with Charlie Mann who was head of the AID mission. He said they had sent back a telegram saying they would advise Zwick to call him when they got to more modern facilities, that the telephone system didn't get them across the street. Everybody thought this was a big joke, because this was the first telegram they had gotten from the Peace Corps in the middle of a fairly complex context.

The whole point of this, when I finally got back Shriver was trying to hire me to become assistant director of the OEO, which was just getting started then. He wanted me as assistant director for Plans and Programs, a position which was eventually taken by Joe Kershaw, who was also out at Rand. So you can see we had a certain amount of incest going on here at this point in Rand.

And I met Schultze. I came in at one time and talked to Shriver, and at that time Kermit Gordon was still director. I met Kermit and he did a certain amount of selling, and Bill Capron was selling. I met Schultze at that time. I had some questions as to how and what they were doing related to EDA and related to some other things. So that was the first and only time I met Schultze, in the fall of 1964. I finally decided to turn it down. Time went on then, and Schultze left to go to Brookings. Then Kermit Gordon left, and Schultze came in in July to replace him. I was finishing up this six months' tour of duty that we had in Thailand and Laos. They had these teams out, and I was commuting from the West Coast. One day I had run into Henry Rowen, and I told Henry I was about to go back out for another month. He was distressed and said, "Well, gee, call us when you get back. I want to talk to you."

So on July 3, I remember the date, Schultze called me up and said, "How would you like to be an assistant director of the Bureau of the Budget?" My response was, "You couldn't ask me at a worse time. I'm about to leave for Thailand to spend a month and try to write two reports, and I can't make up my mind, in fairness to my family or to you or to Rand, without having some time." He said he'd be happy to wait if I was interested, but, "You call me tomorrow morning before you leave." So I called him up and said that, "I'm interested. I'd like to talk with you, but I certainly can't say yes, and I certainly don't think I ought to bottle up this position for a month while I'm away." He said, "Don't you worry about that;

I'll worry about that." I said, "Well, I want it clearly understood I'm under no moral obligation when I come back."

Well, I came back, and I had reached that point in my Rand experience and in my involvement with the government where I wanted to put a tour of duty in the government end. So that's really why I talked to Shriver about the OEO job. The Bureau of the Budget I was aware of being a key agency, and I knew the two assistant directors, Henry Rowen and Bill Capron, quite intimately. I knew Schultze by reputation as being very good but did not know him personally in any essential sense. But given the timing and my own career pattern and my interest in putting a tour of duty in the government, when this came along it seemed like the natural position.

M: What time in 1965 was that that you finally came in?

Z: I finally came in in October of 1965. In fact, now that I think about it there was one other logical spot--I think there's an interesting thread here--[and that] was to be the under secretary of commerce for transportation. I was called in by Macy's troops, went over, and I think shocked Secretary Connor because I was for great reform in transportation. I think he viewed me as being more trouble than I was worth, given all his problems, and in the end Alan Boyd got that job as under secretary of Commerce. But then Alan Boyd and I worked very closely in creating the Department of Transportation.

So there was a whole series of job offers starting in the fall of 1964 through the July 1 one, and I was interested in them because I was then at that point in my career where I thought it would be both

interesting and productive for me to put a tour of duty in. It was the question of what was the right job. If the under secretary's job had come along I probably would have taken it. It probably would have been a disaster, because I suspect that Jack Connor and I just wouldn't have hit it off that well. And the OEO job, I finally decided that I didn't want that. When Schultze asked me, I took it, and that's it.

M: You came in at a rather interesting point for several reasons. For one thing, the Vietnam War had started to escalate at mid-1965. Did anyone at that point in time think the war would be as long lasting as it turned out to be?

Z: Certainly not in my estimation. At that point I was the assistant director in the domestic side of the thing. I had strong and firm positions about Vietnam because I had just spent eighteen months down there, but I really didn't have that much of a role in the defense international areas after I came in. So I really only can respond to your question in terms of the general conventional wisdom that was floating around Washington and the assumptions we were making in the Troika and economic circles. It's not at all clear to me. It's very possible that the President and McNamara were all very much aware of it. They could have all been aware of it, and there was no reason in the world why I should have been at that time. But the conventional wisdom around town was that it wasn't going to be that big or that long.

M: This period is intriguing for another reason. Apparently Alan Boyd

began a strong push for a department of transportation at this time. Did you play any role in that?

Z: Well, again, back up. After we started to go for the department I played a major role in it. I had been in transportation and research for a number of years, and I guess that the 1964 task force did recommend in the end a department. I was essentially suspicious that it essentially wasn't an organizational matter, it was a matter of policy. When it came up then in the fall of 1965, when they were reviewing this task force and what was the new legislative program going to be, I think by then I sort of decided, "Well, the only way you're going to get change in these hidebound organizations like the Bureau of Public Roads and the FAA, et cetera, was to go for a department." I remember taking the position that I would be happy to have a department if he created it and then agreed to abolish it in ten years, that in ten years it would be a menace, but for the first ten years it would supply a very useful function of shaking up the existing structure. So I was at that time in favor of it.

It was held very close, in fact, that they were going to go for it. I remember finally Schultze calling me in and saying, "It's going to be announced in the State of the Union that we are going to go for it. I want you to be involved in it for the bureau essentially watching the thing evolving." It was announced in the State of the Union, and there was immediately a great amount of concern among the bureaucracy as to who was the leading spokesman within the administration on this matter. Boyd was in trouble because

he was obviously a candidate for the secretary's job, and people like Charlie Murphy, who was head of CAB at that time--I think it was either Murphy or Bozo McKee, who was head of FAA, or somebody--suggested we ought to have an internal working group headed up by somebody other than Alan Boyd because of the potential conflict of interest here. I presume Califano and Schultze essentially said, "Yes, that's right," and all of a sudden I was appointed as head of this task force. We then in fact drafted the legislation, drafted the back-up books, prepared all the testimony, and basically did all the work. I had on the task force people from Commerce. Cecil Mackey, who became assistant secretary under Boyd and who was always one of Alan's confidantes, was on it; Gordon Murray, who was in the bureau was on it.

M: Was Alan Dean?

Z: Alan Dean from FAA was on it; Nat Goodrich, also from FAA, who's the general counsel, was on it; Joe Goldman from CAB was on it; I guess Adams, one of the members, was technically on it but he didn't come all the time; and Admiral Whalen from the Coast Guard. I think that was the key group. The big conflict was between the under secretary's office and FAA, which was a powerful organization. Then the under secretary's office essentially said, "We'll represent the Bureau of Public Roads," which was under them, "and the Maritime Administration."

But we had a good group that did all the work. . I would say it was essentially the working group that prepared the bill, actually did the drafting of the bill, did the clearing of the testimony and

acted as the internal coordinating agency for the government. As time went on the enthusiasm for it built up. The Coast Guard got more enthusiastic, and while FAA wasn't quite sure I would say as an agency as a whole, people like Alan Dean and others saw their future with the new department I think fairly quickly. So we had a good working group, and Alan Boyd then became more involved in essentially the public selling of it. Alan was out making speeches and much more visible, but it was a visibility on the outside which he could do and do very well. I essentially handled the inside thing, where there would have been essentially a conflict of interest position if he had. Alan and I, I guess, had known each other for a year or so and had great respect for each other. So it worked out very well, with essentially my being the full time inside guy, Alan on the outside, and Schultze and Califano getting involved whenever it became a key policy issue.

M: Was one of the major ideas in the formation of this department the idea that safety should be emphasized in transportation?

Z: I think that came in parallel. It really depends on who you talk to on this. I certainly didn't think of that as the key issue. I saw it as a vehicle for change and to get at policy. As I said earlier, I thought it was only an instrument to get at what I wanted to get at, which were some changes in policies, including some changes in safety. But that certainly wasn't the dominant force.

Now in parallel to this whole operation was the highway safety bill, which was introduced and which really started to catch a lot

of public interest and support and essentially sex appeal. I think it would be fair to say that Joe Califano linked these two together more closely than I did, because Joe, being politically much more sensitive, saw the safety issue as an important issue in the transportation function.

We ran a very narrow course, in which we were arguing that we wanted the department because of this safety, and safety techniques and so forth are common to all modes, and some economies in operation. Both of those were pretty tenuous things, because once we started to talk about changing policy we got our heads kicked in. In fact the one thing [was] at the insistence of the Budget Bureau we put in a famous section VII, which was to allow the secretary of transportation to set criteria and standards for investments in transportation facilities. If you are aware of that battle, that was viewed immediately by the inland waterway operators and the Corps of Engineers--the Corps of Engineers was also represented on the task force by Al Fitt, who went on to become assistant secretary of defense--as a threat to do in the inland waterways in the United States.

M: Did you lose on that point?

Z: We got bloodied on that. We got bloodied in the sense they changed the law to say that we would use the old bad formula, and furthermore it was none of the business of the secretary of transportation to get involved in these matters. Yes, we did. We would have dropped the whole section, as a matter of fact, and what we got was a section

that said, "This is the way you will evaluate these projects."

M: This was lost in Congress?

Z: Yes, it was lost in Congress. McClellan, and we should have known better, was in charge of the Government Operations Committee in the Senate and very involved in Corps projects and inland waterways. He essentially wouldn't pass it until that provision was satisfactory. In the end it's a bad provision. We finally said, "Okay, we'll live with that provision, and we will report to the Congress our evaluations." The way you evaluate a Corps project is Congress says, "Do an analysis of the Corps of Engineers on the Trinity River." You go do the Trinity River thing and you report back, and this law dictated the format in which you'd report back. And we said, "Fine, we will do the format as you've legislated. You've got the right to do this, but that will not bind on the administration's recommendation. We'll do it the way you want us to do it when we report to you, but we'll base our recommendation on a procedure which we consider to be legitimate rather than this procedure which we consider to be illegitimate." So in some sense we had a standoff. In a sense we got worse legislation on the books than we had before we started, but we put in quite clear that we didn't feel that we were bound by that and that we would make our judgments about Corps projects on the basis of what we thought was the correct procedures rather than incorrect procedures.

M: Whose idea was it to make the department effective after the appointment of the secretary? The timing of that apparently was somewhat

significant. At least it's the reverse of what happened in HUD.

Z: Oh, gee, these are the sorts of things we discussed in great detail during the task force; people like Alan Dean, who had been in the bureau in organization and management, and organization and management people from the bureau and people who had gone through the Defense Department--I think Nat Goodrich from FAA had gone through the Defense Department. I must admit I cannot remember the specifics of this discussion, but I do remember that we reached an agreement relatively quickly that that was the sensible thing to do.

M: And what happened with Maritime?

Z: Maritime sort of rocked along. We always knew this was a problem, and we always thought that we had it pretty well under control. It shows how even astute political operators can miss this. We thought we had this thing pretty well licked. We went through the Government Operations Committee, sort of caught a little bit of hell, but got through it all right. All of a sudden we went to get a rule, and we couldn't get a rule in the House Rules Committee. I remember sitting in Califano's office trying to figure out what was going on and berating Larry O'Brien, and he said, "There's something going on. I just talked to my good friend Tip O'Neill, and it's very vague." All of a sudden we looked at the Rules Committee, and I think about all but about one or two came from a seaport town. We had never realized the Maritime interests were sitting back through this whole thing just waiting for us in the Rules Committee. Even McCormack didn't support us particularly at that point. They caught

us in the Rules Committee essentially, and it was clear to us that we had to either accept the separation or not get a department. We just didn't have the votes.

M: You did prevent, however, a separate--

Z: Maritime, yes. They could have passed it in the House, but we always knew we could have blocked it in the Senate. I think they were aware it could be blocked in the Senate, so we had an impasse again on that one. So the Maritime one we had an impasse on: we couldn't get what we wanted, and they knew they couldn't get what they wanted. The Section VII on the face of it we lost and they won. We asserted that, "You haven't won, we'll do what we've always done anyway." I think if you look at the history since then you'll conclude that's what happened. I really didn't make a hell of a lot of difference as to how the course of events went.

Then the other question was the whole aviation safety issue and whether or not the safety bureau should be taken out of CAB and put into the department. On that one it was quite heated, and we finally essentially worked out a compromise with Monroney which said, "We'll bring the safety bureau over, but we'll set up an independent national safety advisory board," or whatever. What is it? Whatever the national safety advisory board. . . . Whatever that semi-autonomous unit that's in the department for housekeeping purposes is. That was the way that we did it. It wasn't an unreasonable compromise. There was a potential conflict between the FAA as an operator of the airway system, and therefore potentially

the person who was liable in an accident, and the investigator who was going to pass judgment as to who was responsible: "Is it the air traffic controller or is it the pilot who was responsible?" So there was some merit in the case of aviation to have a separation.

But I don't think it was overwhelming, and the arguments were more emotional rather than anything else, I think, on this thing. Because you would find the Coast Guard arguing very strenuously that the two things had to be linked together, because of the technical knowledge that the Coast Guard had in evaluating accidents and buoys and so forth, and the aircraft people arguing they ought to be separated. The one was a fairly static technology and should be easier to separate and the other one was changing very rapidly, and therefore you'd argue they ought to stay together so that they'd keep technologically advanced and so forth and so on. The arguments were just backwards between the Coast Guard and the aviation interests on this matter, but it came out reasonably well.

Then the other issue was how much to strengthen or weaken the secretary by creating the independent administrations within that. We went around on that, and I think we deliberately wrote that language as fuzzy as possible so that a strong secretary with a good general counsel would assert that's his responsibility. If you read these languages it says, "In all safety matters the administrator's responsible in the case of aviation." What's a safety matter? The location of an airport as it fits into the air traffic control system is a safety matter, but it's also related to highways

and urban form and everything else, so you'll find it very difficult to figure out what belongs to the administrator and what belongs to the secretary. I'm frank to admit that that's the way we drafted it in the end. That's the best we could do is fuzz it up, so in the end it's pretty fuzzy language as to where it is. I think that over time you'll see the secretary strengthening his position vis-a-vis the administrators. Alan Boyd moved fairly quickly to do that, actually.

M: Was there any resistance to this from other departments such as the Department of Commerce, or Treasury, which would lose the Coast Guard?

Z: Treasury of course was very unhappy at losing the Coast Guard and at first argued very strongly that the Coast Guard functions related to customs collection and smuggling and so forth, and traditional collection of revenues and all this, meant that it should stay in the Department. We were always convinced that they were more interested in the cutters and the airplanes and the Coast Guard mess than they were in the function itself. But we went around and around on that, and we finally dug out enough data to demonstrate the primary mission of the Coast Guard was transportation related and therefore it ought to go.

M: Did the Coast Guard agree with that too?

Z: We kept getting mixed signals. The Coast Guard, being loyal Treasury members, kept saying, "We're happy" and "The Treasury is doing a good job" and so forth and so on. But we kept getting

signals, and I clearly believe that they felt they had a better chance being in the Transportation Department. I think this is true for two reasons. One, they could see the upward mobility into some of the assistant secretary positions and the secretarial office positions, where there was no upward mobility in the Treasury, was nowhere they could use a Coast Guard person outside of the Coast Guard per se. So they saw some upward mobility. Also, they saw a little better chance in the budget fight. Because it became traditional in Treasury whenever it got to cutting the Treasury budget--and every year there's a budget squeeze--you'd try to figure out where to cut it, and with so much personnel related to Internal Revenue Service and Bureau of Accounts and so forth, you couldn't get anything there, so you always knocked out the modernization of the Coast Guard. You always knocked a cutter out or something; that's the only way you could save any money.

So in some sense the Coast Guard was a stepchild in Treasury. Treasury would deny this, but I think the record's quite clear. Therefore I think the Coast Guard officers instinctively knew that they'd be better off in the department, and they were sending up signals to that effect while publicly maintaining the position that, gee, they certainly were well treated in Treasury, but if the President wanted to go this other direction they'd be happy. They tried to stay out of the crossfire, basically.

M: What about the Department of Housing and Urban Development and the urban mass transit?

Z: The mass transit one was the other issue. I thought we ought to resolve that one and came up with what I thought was a resolution. In fact we had a meeting in Califano's office one night I remember very clearly, with Califano, Schultze, Weaver, Boyd and myself, in which I outlined a solution which I insist to this day that they all agreed to. We then had a subsequent meeting over in the bureau, an expanded meeting in which Schultze was there, Boyd was there, Lee White came over--he was still in the White House at that point and interested in transportation matters. When I outlined the solution I had evolved, all of them disowned it--Boyd, Schultze--so I gave up. And as you know we wrote in there we'd study it for a year and then decide, but we just couldn't reach a conclusion on that. Whereas I thought it was a mistake, because I thought I had a solution that you could work through. Whether it was a mistake or not, I don't know. I was somewhat sobered by our experience with Section VII in that investment sector, so that it was probably wise not to open that up. It was used by some people, but it was a fairly weak harassing tactic. O'Dwyer and a few said, you know, "If you haven't made up your mind what to do with that, why don't you study the whole problem and come back a year from now?" I think they were effectively answered in that, just because you haven't solved all the problems [doesn't mean] you shouldn't move forward with the other pieces of it.

But we never got a perfect resolution of the thing, and we never did get one in the very end. Even after it was all over the two

departments haggled and fussed, and there were disagreements even through the last budget cycle as to what exactly the agreement was. You found HUD trying to finance projects for which we thought in the bureau the responsibility had been transferred over. I suppose as of today, with the new administration, the two departments are still elbowing each other at the interface between urban form, urban patterns more generally and transportation, urban transportation more functionally related. My own view on this is quite relaxed. A certain amount of competition at the margin here between the two departments I think is good. I'm not that unhappy that we have a fuzzy border between the two departments.

M: From the Budget Bureau's point of view, did the department function adequately? Were you satisfied with it as a budget director, for example?

Z: We're always disappointed. I don't know. It didn't function as well, but I'm absolutely convinced that it was worth doing. I know of decisions that were made, and I think that were made better because of it and were worth paying for. I don't think the department got off the ground as quickly as it should have, and this is one where I am personally involved again, so I may see it in a colored light. After the President announced that he was asking Boyd to be the secretary, Alan came and asked me to be under secretary. I was an assistant director at the time, and I wanted to be under secretary because I liked Alan. Again, it was back to my transportation start. Alan was quite clear, and so was I, that he was an ideal Mr. Outside.

He was good with Congress, the public, and he's a pretty poor administrator. He's just not a very good administrator. If I have any strength it was that I can administer and bring people from the inside. I could have brought, I believe, more order that did eventually come about if I had become under secretary.

Now here's where we had the first intervention by the President/ Califano. The first appointments Alan got to his shock, were, as general counsel John Robson, who was then on essentially Budget Bureau payroll. But he was brought in by Joe, and as you probably know he was Joe's roommate in college and Joe's right-hand man. Joe was always trying to get us to make him an assistant director of the bureau, and we'd never do it. So I'm sure Joe got the President to put him in. Then the President, I'll use the word "saddled", Alan with. . . . What's his name? Hutchinson?

M: I don't recall.

Z: His Texas buddy who had been on the ICC. And then he was head of the bus operators or something like that. Well, that was a real shock to Alan, and it was a real cost I think to Alan and the department. Because Hutchinson, Everett Hutchinson I guess, was his name, never really performed the Mr. Inside role that Alan desperately needed and wanted.

M: As under secretary?

Z: As under secretary. That would have made a big difference. As a result, what happened was the assistant secretaries and the modal administrators, which was inevitable anyway, really fell to squabbling

amongst themselves, Alan Dean trying to elbow Cecil Mackey, versus Don Agger, and the modal administrators essentially not trusting any of them. It was just inevitable, and you needed a strong hand to run that set of inevitable conflicts. Boyd by nature and past experience and lack of time just didn't have the capacity to get on top of it. We essentially saddled him with a fellow who wasn't interested; he was taking trips to Africa and making speeches here. I think one of the things that slowed the department taking over was that: not giving Alan a strong under secretary. I think you'll find that generally a viewpoint held.

Now John Robson, on the other hand, I think worked out very well. He was eventually promoted to the under secretary's position and was quite good. John was just very good.

M: Did the department then function better?

Z: It was so late in the game by then. I don't know when John became under secretary, but it might have even been after the President announced he wasn't going to run anymore. But by then it was too late in the game. But he was starting to knock heads together and so forth, and I think if he had had a chance to stay on for another year or two he would have been a good under secretary. Time ran out.

M: Now in your position as assistant director of the Bureau of the Budget what other areas did you get into?

Z: The transportation thing and the safety part of it took a significant part of my time. Then the other areas that really took [time were] the whole complex of economic committees, the Troika, the Quadriad,

the Balance of Payments. And then there were some subsets.

M: Now what level of the Troika did you operate?

Z: I was on what they call the second level. You had your principals, which were Schultze, Ackley, Fowler; then the second level, which was Okun, Bob Wallace in Treasury and myself. We used to essentially meet with the staff, go over the staff projections, give the staff instructions, and then write a memo to the principals and then sit down with the principals.

M: The Troika was a fairly set organization by the time you came in.

Z: Right. In the sense that it was institutionalized?

M: Yes, not formally but--

Z: Not formally.

M: Not in a statutory sense.

Z: No, but in a very real sense. For example, because of the seniority in the thing the Troika always met in Secretary Fowler's office. The second level of the Troika met in my office.

M: On a regular basis?

Z: Well, whenever we met we met in my office. There is a theory that the Troika was supposed to meet quarterly and that the staff would meet weekly and the second level monthly, but from the moment I arrived we were essentially in a crisis status, so we met more frequently than that. We never got to a regular schedule, but you did have the structuring. Like the first level would meet in Treasury, the second level would meet in the Bureau of the Budget, and then the staff, when they met, met over in the Council. There was a

certain protocol associated with it.

M: Then was there vertical communication between you and, say, the director?

Z: Yes.

M: So that the upper level communicated with the second level?

Z: No. I think there was more of that in Treasury. Certainly not in the case of the council and certainly not in the case of the bureau did this happen. You've got to know that both Ackley and Schultze sort of grew up this way. You had to know Schultze's personality; he dug into everything. Sure there was vertical, but there was also just as many times that he would call Nancy Teeters, the girl who was doing the staff work and talk with her directly on many matters.

M: You better spell her name for me.

Z: Teeters is T-E-E-T-E-R-S. She's still in the bureau. She's essentially the key staff gal in our fiscal policy area, and she represents the bureau at the staff level.

M: Did you also work with the Quadriad?

Z: Yes.

M: As an assistant director?

Z: Yes. But the Quadriad only met infrequently. In fact the only time I think we ever had a joint second level Quadriad paper was that fall when I first arrived. That was Okun, Wallace and myself, Paul Volcker represented Treasury--at that time he was over there as deputy under secretary--and Dan Brill from the Federal Reserve Board. It was so difficult for Dan to sign that paper.

M: There was a crisis, then, was there not?

Z: No.

M: In the fall of 1965?

Z: It was just starting to arrive then. We were still relatively relaxed. It was starting to bubble up then. Then came December when the Fed moved before we could, and that's when the whole thing started. This was just before the Fed moved. So the Quadriad met more infrequently, and there was more tendency for Fowler and Martin to get together and so forth.

M: What was this paper you were speaking of that came up?

Z: I don't quite know--I was so new-- what generated it, but we sat down in Art Okun's office actually--Fowler was a great believer in sort of keeping the Fed involved in this thing--to come up with a staff paper. And having worked out and getting general agreement on the model and where it was going. . . . There were differences. We had a hard time describing what was Brill committing the Fed to. Brill's general viewpoints probably came closer to the administration's than the Fed's, and he had personal problems, but we finally all signed this to our principals. I think that's the last time we did that. After that when we had Quadriad meetings, we would do as a Troika our forecast. Our staff was talking with their staff all the time, and either Art Okun or later Vernon Smith or Jim Duesenberry would talk with Dan Brill. So we knew what each other was doing, but it was never on paper simply because there was a potential problem for the Fed, for Dan vis-a-vis his board. In the

end, when Martin would come to the meetings he came as Bill Martin rather than representing the board in a sense, because people on the board were touchy, "Why doesn't he coordinate with us?" So it was easier for Bill Martin to concur in it. The memos would typically say so on and so forth, and at the end of it would say, "Bill Martin has participated in these discussions and generally agrees with the conclusions." So he didn't have to get the exact shading of the words and so on.

M: Was the problem in December with the Fed mainly one of timing?

Z: Well, I guess I don't know the answer to that. The question is why did they move? I think they moved because they felt the President wasn't going to do something, and they were going to pre-empt. Bill Martin was supposed to go down to the Ranch, and I think he felt that he was going to get himself down to the Ranch and get his arm twisted not to do something. So my own impression was it was a clearly pre-emptive move on the part of the Fed, fearing that the President would essentially make it difficult for Bill to do it if he got him down to the Ranch and started to give him the famous Johnson treatment. If you've followed that history at all you'll note that we were always very careful to criticize the Fed for doing it unilaterally, but not for taking the action. We never said it was a wrong action, but we said it was unfortunate that they did it and then made it more difficult. It would have been better to do an overall fiscal monetary policy decision, and by pre-empting they made it more difficult. But we never said it was the wrong thing to do.

Now of course the interesting question is, "What would we have done if they hadn't done it?" I can't answer that question. If you forecast that we would have done nothing and that the President would have in some way twisted Martin's arm so he would have been unable to move, then he did the right thing. But that's just one hypothesis, and there are at least several others; that we would have done something in fiscal policy which would have been better than what they did in monetary policy, or in the end he would not have done anything and the Fed still could have done it at that time. Now there's nobody that I know of that knows the answer to that question. I doubt if the President does, because I suspect that he hadn't thought it through that far himself.

M: With the power of hindsight, was it a good thing then for the economy that the Fed did move at that point?

Z: In the absence of a call for a tax increase, yes, there's no doubt about that. My problem in terms of when you say "period of time" is, I remember coming in in September and saying to Schultze, "Gosh, the real problem is what are we going to do with all our fiscal dividend? What are we going to spend it on?" And he said, "Well now, Charlie, let me just show you a chart that I showed the President. Don't worry, we've got plenty of things to spend it on. Our problem is the other one." Even in that meeting I told you about with the Quadriad we came out with a relatively optimistic forecast, that things weren't going too fast. I remember Paul Volcker saying the number was 720 at the time, that if the economy

ever hit 720 in calendar 1966 we ought to have restraint. We all pledged that was the case, but we never believed that it was going to hit 720. It went way above that.

I think during November all of us started to reassess our positions. I remember about December 1 we uniformly reached the conclusion that restraint was needed, and it was during December while we were arguing among ourselves as to what form of restraint that they moved. After I found that we didn't go for the tax increase in January, which I felt we should have, I felt, "Well, we'll come back in February or March." But then it was too close to the election, and you couldn't possibly do it. We were run out of court. I've never been clear in my own mind as to whether or not we fought hard enough in December. Art Okun who'd been around longer, said, "Yes, we did fight hard, and we lost, Charlie. We did all that was humanly possible, and we lost." But I think that's the issue. Everybody was coming to the same conclusion, that restraint was needed. And the question is, by having the Fed move in December you went down one track. What would have happened if they hadn't moved is you might have had to do the same thing in February. But there's no doubt that there was need for restraint at that point.

M: Did you have anything to do with the so-called Deming Group on international monetary affairs?

Z: No, I didn't. That was a group the bureau didn't really get that deeply involved in. We were on the Balance of Payments Committee, which had become a big and unwieldy committee. The second level of

that used to meet, or the executive committee or whatever it was called, but that was by and large a wasted effort. So what you had was Fowler and a few key people making important decisions at the top level outside of the Balance of Payments Committee context, and then you had the Deming Group essentially evolve a smaller subset of people to really make decisions at the other level. Because there were just too many people involved in it, and there's just never enough time to work on all these issues in the bureau.

I guess I'll put it this way: if I had wanted to work on the Deming Group, if I had come with a stronger background in these international monetary problems, I probably could have worked my way into it. But there were always so many things to do, and given my lack of background and great interest in the subject, I just passed. I think the bureau by and large has tended to pass on that.

M: You must have, as assistant director, spent a great deal of time in the preparation of the budget and also the economic report of the President. Is that correct?

Z: Right. On the economic report we commented on all their chapters and so forth, and I was essentially the key coordinator of comments and so forth. But still that wasn't a major effort. When it got to writing that report, we were busy writing a budget and they were busy writing a report. The bureau and the council got along quite well. It was a sort of a good alliance of mutual self-interest, so there wasn't that much jealousy. There were always more problems between the bureau and the Treasury and the council and the Treasury.

M: Is a key point here the fact that the Council and the Budget Bureau top people all tend to be economists?

Z: I think that's one significant part of it. That's also related to the second part of it, so it is also a part of it. Sure, you had Kermit and Schultze coming out of the council into the bureau. They are all economists. I was an economist. But you also had a second thing, you had a reinforcing of each other. The council every year got in a hot shot, an econometrician, Paul Trautman or Steve Goldfeld or someone like that. They had more competence in terms of the model builders and the analytical capability than the bureau had. The bureau had all the data and the numbers and where the bodies were and just knew the government better. So by and large it was a reasonable division of labor. They needed us and we needed them, and there was more than enough for all of us to do.

I've speculated a great deal on why this worked as well as it did. Whereas the Treasury tended to second guess the Budget Bureau I don't know how much they were serious about it, but it still sort of looked on the bureau as a subunit of the Treasury Department, which you know goes back before 1939, and that sort of nonsense. And that same way with the council and Treasury, so there was more potential conflict between Treasury, which tried to conceive of itself as doing all these functions, and the council and the bureau, where there were quite different staff orientations and therefore they complemented each other, and also at the top you had all economists who sort of thought alike.

M: When it came to preparing the budget, you put in long hours, is that right?

Z: Yes.

M: How long a time did it take you to prepare a budget? When did you start on this, in November?

M: Months. The cycle really begins--let me give you the stereotype cycle--in the spring with what we call the spring preview, which we did this year and Schultze dropped for one year. But basically a stereotype would be a spring preview, which this year in particular I tried to make more issue oriented and less numbers oriented. For a while it was more numbers oriented, and you always got a spring rehearsal of the arguments in the fall and people arguing about numbers.

So you got a first pass through of the major policy issues, new legislation that was going to be needed, major funding issues in the spring. The spring preview always runs into the summer, and it never got finished until August or so. At that point there were spending ceilings, I guess is what they had in the Eisenhower Administration. And when the new, enlightened Democratic administration came in we weren't going to have ceilings, so they fussed around and came up with the term "planning figures," what you gave to the agency because it was not enlightened to put an arbitrary ceiling on an agency. So you gave them a planning figure and then said, "You can come in with 10 per cent more. In any case you come in with a budget that will live within that planning figure, and then you can come in with a

budget which you think you need." And the agency typically came in with a budget 50 per cent higher than their planning figure, and so forth.

Those typically went out in August, and they were due into the bureau, the budgets from the agencies, on September 31. Then that's when work really began. Now some would slip, but some would start--in other words, after Labor Day things really started to get in earnest on this thing. Then the Bureau of the Budget divisions would meet with the agencies and so forth and come up with a proposed budget for the agency, and that led to what was called the Director's Review, which most people think of in the fall. Now that started about the middle of October, but it was the middle of November or so when things were really getting hectic. At that point we were working day and night, trying to get through the big agencies and starting to go to the President with the first issues about--

M: Now the Director's Review is a detailed examination of the agencies' figures?

Z: Figures and recommendations, the requests. The typical book would have the request for, for example, Title I of Elementary and Secondary Education, the request by Secretary Cohen and the recommendation by the division to the Director. Then, essentially, we would end up with the mark that I would give that number. So when we came out of that there would be a tentative budget for HEW or OEO or so forth, and that would be given back to the agency. The agency would automatically appeal, saying how could you have been so silly and unknowledgeable and so on and so forth. There would be some back

and forth. Some of the minor issues would be resolved. You've got to remember this is a tremendous job, the total budget of the United States, with all these gory details and whether you should build an accelerator in Los Alamos on the one hand and a marine science building down in Key Biscayne on the other, really down at that level of detail.

The only thing that really forces the thing to an end is that there's tremendous pressure on both the secretary and the budget director to compromise out a great deal of this. By and large neither one wanted to go to the President with everything unresolved, because he would have thrown us out on our ears because he didn't have time to resolve all these. So you would give them a tentative mark, and they would appeal. You might even resolve some before they had an actual appeal session, where the secretary and the key staff would sit down across the table from the director, and you'd have one more go-around. Out of that there were some cases where you resolved them all, and you never went to the President with any issue. But more typically there would be three or four key issues that we would not resolve, and those would be the ones we'd take to the President. Those are the ones that traditionally go into early December.

Everybody's going crazy at that point, because the printer's saying, "If you don't get it here we won't be done," and the President won't make a decision on an item and rightly so. You have the classic conflict between the desire of the system to stay on schedule and get

the appendix printed and get those decisions made so we could do this in a nice orderly fashion on one hand, and on the other hand the President is waiting, as he should, to the very last moment to make up his mind. As you know, President Johnson was infamous for keeping his options open to the very last moment. Then around Christmastime things really were in desperate shape. People would be coming in and saying, "You can't have the budget on time. Sorry, it's too late, and you've just got to tell the President that." And he's still saying, "I'll make up my mind when I get around to it." In the end we always made it, but starting around the middle of December until the end of the year it is really a crisis period and the bureau itself throws itself into a frenzy. That's the only way they can do it. They really do, those people work all night.

M: The working hours get longer?

Z: And longer. They just stay up all night, some of them; it's incredible. I don't know how they do it. It literally approaches a frenzy, in my opinion. It's the only way they can get the thing done. In the end the secretaries and the Budget Director are under pressure to compromise, and the President's under pressure. He knows the thing has got to go out fifteen days after Congress reconvenes, so he's under pressure to make decisions, too, although he always seemed more relaxed than was warranted under the circumstance. is a negotiating procedure, really, that starts in the spring, but really hits the fan in a real way starting in the middle of the fall. It's a tidal wave, if you will. The agencies are working like

mad in September to submit the budget; the divisions and the bureau are working like mad in early October-November; then the Director's Reviews really crank up; and then in December comes the major crisis. The President finally says, "Okay, everything is fine," but when you add that up the number's too big. "Take out. . . ." Then you go back and do what they call ratchets in the bureau and say, "I'm sorry, everybody's got to give a little more to the cause. Go back and re-do this." It's really quite a frenzied exercise. The thing that does it is that everybody's under tremendous pressure to come up with a compromise here, and that's the process.

M: After the budget is completed it goes to the Congress. Then do you have to defend it before Congress?

Z: Then you go defend it before Congress. The Director goes up and gives an over-all presentation to the two Appropriations Committees, to the Joint Economic Committee. Then the Appropriations Committees break up into subcommittees, and they start meeting then with the agency people, who immediately pull out of their hip pocket the original requests that were denied and slip them to the subcommittees. Then you start the battle all over again.

M: It's replayed in Congress?

Z: Yes. It depends. You've got good soldiers and not so good soldiers within the bureaucracy, but there's an awful lot of the agencies living with their subcommittees because they've got to. They do then open up a lot of the issues that they lost down here. This depends on the agency head; as I say, some are better soldiers than others. Jim

Webb was always the best soldier, partly I suppose because he was a former budget director. They used to always say no matter what, whether win, lose or draw, Jim always pretty well stood by the President's decisions and defended them.

M: Did you go through one of these cycles while you were director?

Z: Yes.

M: You were appointed--?

Z: January 28 or 29, whatever the date. I was sworn in the day the budget was signed. In fact the day that the President signed the budget he swore me in at the same time. So I took over--essentially I did the complete cycle--the day the budget was signed. Then I went up and defended the 1969 budget and started working on the 1970 budget, which we submitted then on January 15.

M: So you completed one cycle?

Z: Yes.

M: As director did you spend a lot of time on the Hill? Do you have to spend a lot of time up there?

Z: I spent a lot of time on the Hill, either on the Hill or on the telephone. I think between the director and the deputy director at least one full man year is spent with congressional matters, so that at least half of our total time was spent with the Congress, testifying and so on and so forth. I probably spent less time testifying in lots of little things and had Sam Hughes do more of it than Schultze did, but Schultze liked to do it. That whole spring I was up to my ears in tax hearings, and we were in

conference for days upon end, so I was just sort of out of action for anything else for long periods of time. But we did a check when we reorganized the bureau in 1967 or so on what had happened, and even abstracting from Schultze and his personality, it's quite clear that the budget director's testimony before the Hill has been going up exponentially.

More and more they knew they could get to the budget director, and that he was probably speaking more accurately for the administration than the agencies were. Now this depended. This wouldn't be the case in Transportation, wherein Alan Boyd really did represent the Administration. But in the case of, let's say, the Manpower programs, they could get Bill Wirtz saying one thing, Sarge Shriver saying another thing, and John Gardner or Wilbur Cohen saying the third thing. At which point they'd say, "Let's get the budget director up and see what he says." This is a phenomenon. I don't know what's going to happen in the Nixon Administration, but it was quite clear that the budget director's position was becoming more public, more visible. In some sense that was, I think, an unstable situation. Because at that point then you couldn't use the executive privilege argument that the White House assistants could. So there was some conflict between the budget director as a budget director and the budget director as a special adviser to the President.

M: Was it any surprise to you when Schultze left and you were appointed director?

Z: The sequence on that was quite long. When I came in 1965 I told you

I had concluded that I wanted a tour of duty. I thought two years was a reasonable tour of duty, and came the summer of 1967 I was about to leave. In fact I was negotiating for a quite attractive offer at the time, and this was about July again of 1967. I went in and saw Charlie and said, "Look, if this comes through, I'm going to go, and I want to alert you. It's a good time to move, two years." He said, "Look, you can't go, because I want to go. You know, I would have gone earlier, but I want to go and I recommended to the President that you succeed me." We talked about that--and I remember it was in July because I went off on vacation--and I said, "I want to think about it." We talked about it, and I said, "Well, if I'm here and if I can get that position I'll get this all out of my system once and for all and have it over with." So I told him I would do it. Then the thing dragged and dragged through that whole fall. But the whole fall went on with the assumption that I was going to take over. Schtulze knew this and I knew this.

Then as the fall went on I became I guess a little more aggressive in decisions, and Schultze was deferring more to my point of view. I don't know how obvious it became throughout the institution, but Sam Hughes finally said, "Goddamn it, Charlie, what's going on here?" I said, "I can't tell you anything, because I have nothing to tell you. Go ask Schultze." He asked Charlie and Charlie, Sam reported, said, "Who's talking?" Sam said, "Nobody's talking, but it's just pretty obvious what's happening, I'm sitting here as deputy, and I'd like to know about it," which was a very reasonable

request for the deputy.

So there was an assumption, starting essentially the last budget cycle in September, that I would be replacing Schultze, and it just dragged on and on in typical Johnson fashion. The President didn't get around to finally saying yes. There was nothing that we knew that said no. In fact the day we went over, it was in December I guess when I went over with Schultze, Schultze was all prepared to tell him about my creditials and so forth. He [Johnson] was less interested in that, and we went off on something else. He just sidetracked the whole discussion. As we left, he was giving orders, "Do this," "Do that," and he finally said, "When you're director you better do so and so and so on." Charlie said, "That's probably it." Who knows?

M: Then did Schultze turn in a formal resignation?

Z: Yes.

M: And was it accepted?

Z: Yes. But it was still. . . . He said, "That's, I think, it. That's about the way it went with me and Kermit. Then we started to think about getting a replacement for me, and I talked with Kermit and Kermit said, 'Well, that's it. It can't get any more formal than that.'" But Charlie was always a little nervous that maybe that wasn't it. He was then going down to the Ranch regularly with the budget, and he finally brought it up with the President again and suggested I come down with him--that was in early January I think--and with Sarge Shriver to go over the OEO budget. Johnson would get another chance

to see me, and I would carry the bureau's case and Sarge would argue the opposite case, and could talk with me. Again we got into OEO matters. The Ranch was socked in actually, and we ended up in Austin. We met at the Federal Office Building in Austin and went through OEO's budget in the morning.

In fact Sarge was down there to do two things: to argue for his budget and to resign as head of OEO. He and the President were wandering around as to whether they talked privately first about his future or the budget. I remember Sarge trying to maneuver to do the budget first, and the President said, "No, let's talk privately first. Maybe there's no need to talk about the budget." So Sarge got outmaneuvered on that request. Bill Driver was there, and by the time all this happened we went to lunch. I hadn't performed or anything; we hadn't gotten to OEO's budget. We were sitting at the table, a whole group of people, including Mrs. Johnson and the secretaries, and Pat Nugent was there and Sargent Shriver, and in the middle of all this the President said, "Charlie's leaving us!" Everybody sort of dropped their forks. At one point during the day I guess we went through OEO, and we came back and I think at one point he said, "Do you think you can do it?" I said, "I'll give it my best." That was basically it.

M: That was your appointment?

Z: That was my appointment. We just proceeded on the assumption that he wasn't going to change his mind. The only other thing which I think is relevant to this is, when we were in there, the day we were in

there actually going over the budget message, sort of editing that, which was sort of like the last detailed thing, he took the occasion to lecture me about how he had not selected any political appointees for any budget director. He'd inherited Kermit and he had accepted Kermit's decision on Schultze and he had accepted Schultze's decision on me, and he expected me to run the department. He wasn't going to put any political appointments in this thing, which was much too important. The punch line of all this was that I ran the Budget Bureau and he wouldn't interfere with it, but to remember that he was elected president and his word ought to have some weight in these decisions. It was, I thought, a pretty good reflection of his philosophy. He did not try to load the Budget Bureau. Califano was the only one who tried to put anybody in the Budget Bureau, in the person of Robson. The President considered the bureau position as essentially the career professional position that he wanted to leave that way, and then he'd use his White House assistants for more of the political decisions.

So that was really the sequence, those three things. The one day that he refused to even listen about who I was, except as I walked out saying, "When you're director, do so and so;" and then the trip to the Ranch where he never bothered to talk about it; and the one day when he proceeded to say, "You run the Budget Bureau and I'll support you. I don't know you that well, but don't forget I was elected president. You ought to listen to me once in a while."

[End of Tape 1 of 1 and Interview I]

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