INTERVIEW II

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INTERVIEWER: DAVID McCOMB

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Tape 1 of 1

M: The last time we had been talking about the budgetary process and how the budget worked. To pick that up and ask you a few more questions about that, did the acceleration of the Vietnam War give you increasing difficulties with the budget? Did you have to shift resources?

Z: In two phases. First, somewhere in 1967 I guess, when Schultze was budget director and the build-up was taking place, at that point we were having trouble with the totals. The programs were too large when you added them all up. There was still a great drive on the part of the President to continue new legislation, keep them both going. But if you'll remember, it was in August of 1967 that we asked for the surcharge, and immediately the issue of why not cut spending as an alternative to the surcharge came up. Once we started asking for the surcharge seriously we knew that we had serious spending problems. We had to start cutting back in the fall. In fact, in the fall of 1967 we finally passed a law that limited obligations--in that year it was obligations, the so-called 2-10, 2 percent on personnel and 10 percent on other objects, a

holdback. That was the first sort of arbitrary ceiling that was put in and enacted, which was supposed to be part of getting the surcharge. We got the ceiling on spending, but we didn't get the surcharge until June of 1968. Then they said, "We'll wait until we see the next year's budget." When that happened, that was November or December. They enacted that and said, "We'll wait until next year's budget; when we see the fiscal 1969 budget, we'll then decide on the surcharge."

As soon as Schultze produced that budget I took over almost immediately. The only testifying he did on that budget was before the Ways and Means Committee before it was publicly available. He outlined the totals, and again they said it was too high. So we were, from the time I took over through the passing of the surcharge, concerned with the totals, getting them down and making them acceptable to the committee to pass the surcharge. Then we got the six billion dollar spending cut. The question was where this cut was going to come from. And then putting the 1970 budget together we clearly were concerned with holding the budget down because of the need to extend the surcharge. But always it was in terms of, "The totals are too big, you've got to get the totals smaller," rather than, "Vietnam is going up, and therefore we've got to compensate." There was never any of that sort of trade off as you've expressed it, sort of, "Vietnam's going up three, other's have got to go down three." They are certainly indirectly related we would hear because, "The totals are high, too high,

and therefore we've got to cut back. We can't cut back in Vietnam, and we must cut back somewhere else."

M: I see. Is it true that always when you form a budget the totals are too high, regardless of whether you've got a war, anyway?

Z: Yes. The normal sequence was that we would cut about 20 percent off of their requests. They'd ask for 20 percent more than they expected, I suppose, and you'd negotiate them back down. So that's always the case. But the question of whether it was too big or not was a public issue. When you're not changing the taxes, the issue of whether the total is too big is a political judgment on the part of the administration and is fought out in the individual appropriations. When you started to ask for a surcharge, change the tax structure, then you brought the Ways and Means Committee into this act, and you had another hurdle to jump. We just had a good example this week, with the arguments that we ought to cut spending rather than pass the surcharge, with the arguments for putting another spending ceiling on the administration. This is fiscal 1970 we're talking about now. And just two days ago the House passed the education bill and added a billion dollars to the administration's request on the education bill.

M: Is it fair to say that the surcharge was directly caused by the Vietnam War, or was it just a general increase in the cost of government?

Z: You can argue it either way, but clearly if the Vietnam War didn't exist you wouldn't have needed the surcharge. You could have had

more programs. Coming at it from another direction, I argued up through 1967 or 1968 that civilian programs were expanding about as rapidly as we'd ever seen them expand, and without the Vietnam War I doubt that we would have expanded them any more rapidly. I don't think they held back domestic programs. The holdbacks were the more traditional arguments about education and health, private versus public expenditures and the size of the public sector. It had nothing to do with the Vietnam War. We were levering those programs up at a fairly fast rate. When you got to the point to continue those programs expanding and also finance the war in a sensible fashion, you had to change the tax structure. Then you reached a new issue. It was at that point, then, that all of this went into the tax forum. But I really think that if you'll look at the rate at which civilian programs expanded, and expenditures expanded in 1965, 1966 and 1967, you'll see they did very well. I think the Vietnam expenditures were not a conflict up to that point.

M: Up to that point, then, the argument of having both guns and butter worked?

Z: That's right.

M: But after that--

Z: When you couldn't support both guns and butter without an increase in taxes, then you were in trouble.

M: I see.

Z: As long as you could do them both without asking for a tax increase,

you were all right, but the moment you asked for a tax increase to do both, that's when problems began.

M: You must have gotten right in the middle, then, of that demand of the Ways and Means Committee for a budget cut.

Z: That's right.

M: Do you recall when you first got news of that demand?

Z: That demand was going on forever. Tom Curtis, congressman from Missouri, St. Louis, for Ways and Means, was always complaining about too much spending. When we had to go up for debt limit increases, that was the vehicle the Ways and Means Committee used for arguing expenditures were too high and trying to control them through the debt limit, which they recognized was a pretty inefficient way, in fact a poor way of doing it, but it gave them a vehicle. It gave them a vehicle to question the budget, which they didn't have under normal procedures. So that wasn't a new demand. What was new was we now needed something, we needed a tax, and since we needed a tax we had to listen to their demands. Up to that point, by and large, they couldn't make their demands effective. So when you ask that question, "When did I know about it?", we knew it was coming down the road.

M: Is it true that there was more or less of a compromise between the White House and Wilbur Mills on this?

Z: Yes.

M: Did you help fashion that compromise?

Z: Yes. There were a couple of infamous meetings over in the Cabinet

Room with Wilbur and George Mahon. I guess those were the ones that really just involved the President and Secretary Fowler, myself, I think maybe Califano and Barefoot Sanders, a White House staff member.

M: How did you go about reaching a compromise point?

Z: That's sort of asking, "How did Lyndon Johnson operate?" These were long meetings with, you know, "We've got to work this out." The compromise that came out was not what we thought we'd agreed to that night. If you remember that history, it was a fairly compli-plicated package, for a non-technician, which was to cut budget authority by ten billion, cut appropriations by eight--no, ten billion budget authority, I'm forgetting this already; rescind eight billion in balances, and cut expenditures four billion. This got passed through the Appropriations Committee and passed out of the Ways and Means Committee, and then we got loggerheaded in the Conference Committee. We ended up with a ten billion cut in the budget authority, six billion cut in rescinding balances, and we went around and around. All of us thought it was going to end up at ten, six, five and it ended up as ten, eight, six, I think. I still don't know whether Wilbur Mills changed his mind that last day or not; it certainly wasn't what we expected.

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

Z: Yes. I think he's very capable, one of the most capable legislators up there. What I don't have a clear feel for at this point, which I think is the key issue, is how much of this he does in an ad hoc,

seat of the pants fashion and how much of all this is premeditated. There's one image of Wilbur Mills that he knows exactly where he's going to end up, and it's a long, difficult, tortuous, if you want to be not affectionate to him, a devious route. But he knows where he's going and he gets there. There's another viewpoint, and I don't know which of these I believe at this point, that he doesn't really know. He starts out on the thing and he sort of ends up in that last day. As I hinted earlier, it ended up six billion, and he didn't think it was going to end up six billion. But he got mad and we wouldn't give him any more on budget authority, so he said, "The hell with it, make it six billion." I think that's the most interesting issue with regard to Wilbur Mills, and I don't know the answer to that one. How much it is a very elaborate, premeditated, well thought out strategy to get from A to B, and how much he starts out and feels his way to some solution.

M: The stories about this give Wilbur Mills credit for being a main antagonist to the government. I was curious about George Mahon. How big a role did he play in this?

Z: George played a significant role. He was always more sympathetic to the administration's point of view, I think. In terms of basic fiscal outlook, conservatism, from Texas, small town, he was probably as conservative or more conservative than Wilbur Mills, yet he was much more cooperative, a friend of the President's. Whether it was the friendship to the President or just his loyalty to the party and administration I don't know, but George was always trying

to work out anything that was acceptable basically.

M: To those with a cynical turn of mind, there always arises a question in compromises of this nature as to whether there was any other deal thrown in to get the compromise, such as the President saying to Wilbur Mills, "If you'll give me this, I'll allow you to appoint a postmaster in Podunk, Arkansas," or something like that. Can you tell me if there was anything other than the straight compromise on this? Is there any other price you had to pay,in other words?

Z: In all the time I was there I never saw such a deal. You described the classic image of how such a negotiation might take place. I don't think I ever saw one take place like that in this or anything else. When you were wooing a senator or congressman you might be doing favors for him along the way, and the assumption was he remembered that when he sat down to negotiate this out. But I never saw anyone say, "Here's my pile of chips and here's yours, and that does it." This is something that was done on a more sophisticated, long-term basis. Sure, during all this Wilbur was always on the phone worrying about soybeans, and if you think about Arkansas you know why he was interested in soybean prices. He was always interested in dairy prices, which intrigued me for a long time. I didn't know why he was so interested in dairy prices until somebody pointed out that John Byrnes is from Wisconsin, and he was very interested in the support prices for milk and butter and so forth. Wilbur to carry the committee had to bring his counterpart, John Byrnes, along.

So that there was always a continual dialogue between congressmen and senators and the Administration over matters of interest. I keep getting kidded now around here when I talk to my Congressman or the local people because I vetoed an oceanographic building over here on Key Biscayne--which, by the way, President Nixon's put back in the budget, and I knew he would, having been located at Key Biscayne--and dredging of this harbor and so forth. There was always a continuous dialogue between the executive and congressmen and senators vis-a-vis projects of importance to their home district or their state. Now when you were wooing him you could help him on these things, but nobody ever sat down at a table and bargained directly.

M: Totaled up an account?

Z: --totaled up an account in quite that blunt fashion. It may have been done, but it certainly wasn't done in this case.

M: Well, to move on to some other programs that came up. You've mentioned, and I ought to get it on this tape, that you had little to do with foreign developments such as the SDR.

Z: That's right. By and large the Treasury and the Council of Economic Advisers and the White House assistant, either Francis Bator or later Ed Fried, who came from the State Department to replace Bator, and he's up at Brookings now, handled these, and we didn't get into it.

M: Would this include also balance of payments?

Z: Balance of payments we got involved in to the extent that there were

involvements about U.S. personnel overseas, tying of foreign aid to purchase of goods in the United States, or buy American policies, these sorts of things. So we got more involved in the balance of payments because they would impinge back on responsibilities we had towards the budget. The whole SDR thing was pretty much something we observed from the sideline.

M: Yes. What about some of the domestic programs such as pollution, air pollution and water pollution, did you get involved in those?

Z: Yes, very heavily. The sorts of issues there were, we were expanding those programs very rapidly, more rapidly than we were quite sure of what we were doing I think at times. There were two sorts of issues. There was a lot of bureaucrat maneuvering for new missions here between Interior, HEW and Transportation on air pollution in automobiles, between Interior and HEW on water and so on. So you had a lot of internal bureaucratic fighting for new missions. And then when we got down further in the road in 1968 or so when the budget squeeze was on, about this time you got into the funding problem and how could you fund them at that point. We started to develop an off the budget funding if you will, in the sense of asking the--which never passed--municipalities and states to raise the money, and then we would amortize the cost of it over time, which would sort of relieve the budget pressure. We got deeply involved structuring them and trying to sort out the bureaucratic issues, who was going to do what to whom, and then later on it became a real funding issue.

M: Yes. As I recall,there was some shifting of programs, water quality, for example. Did you get involved in that?

Z: I personally did not. The bureau was deeply involved. This sort of intramural fighting among agencies of who should do what was something that was the classic role of the bureau to get in and try to recommend to the White House some sensible allocation of responsibilities here. We were deeply involved in that. Sam Hughes, the deputy director then and now, was more involved in this program. The whole question of resource development, Corps of Engineers projects, reclamation projects, small watershed projects, post offices, were just big time consuming items. As I said earlier, congressmen were always on the phone concerned and worried about these. There was always a natural division of labor between the director and the deputy director. The deputy director, for better or for worse, always ended up with that package of real hot potatoes.

M: Did the bureau also get involved in forming legislation for those programs?

Z: Yes. Because you couldn't get agreement among the agencies about how it would be drafted and who should be responsible and so forth. So in this legislation we were always deeply involved, usually allied with the Treasury. Council and ourselves, the economists if you will, saying for example in the case of the water pollution, "We will give you money if and only if you'll set up certain standards and charge user charges to the people who are polluting

the waters," writing a fairly tough bill with federal standards for a watershed or an air shed and with user charges for the polluters so that it would reduce the cost. And by the time Congress would be done with it, it'd come back as practically automatic formula grants to the states, with little or nothing in the way of standards. We were always very deeply involved in that legislation.

M: What about education acts, elementary and secondary education?

Z: Again, a very active role in all that legislation with HEW also. The bureau would always be in the role of producing a tough set of federal standards. We always would be pushing for project grants rather than automatic formula grants, so that you could award and punish, and Congress always viewed with a great amount of questionableness this thing. They like the formula grants, which say you cut up the pie and you give it to the states on a formula basis, which essentially reduces the interference by the federal bureaucracy.

M: Can I assume you played the same sort of role in housing bills such as Model Cities?

Z: Yes, yes. That was a little different, in that there wasn't so much infighting among agencies. This was a big White House-Johnson-Califano concern. The initial drafting of that, Schultze was deeply involved in; it was done when Schultze was director. I didn't get deeply involved in it. The whole set of programs, rent supplements and so forth, the rent supplement program specifically, is

one that was a bureau idea that Secretary Weaver always thought was a bad idea that wouldn't get funded. I think in retrospect it is a good idea and an effective way of doing it, and yet Weaver was right in that we haven't been able to get the funding for it and we couldn't sell it. So in those programs, the sort of the heart of the Great Society programs, I would say that the bureau was deeply involved in them, but some of them also had great momentum from the White House.

M: Can you tell me which ones the White House was most concerned with. You mentioned Model Cities, are there others?

Z: Model Cities was one. Sort of going from Model Cities on, which are the ones I'm more familiar with, the whole ten-year housing program really was one in which if you'd left it to the more traditional bureaucracy in HUD and the bureau, we never would have been that ambitious. A combination of the President's strong feeling produced two people on Califano's staff, Jim Gaither and Fred Bohen, who were much interested in this, Jim Duesenberry from the Council staff and myself. We worked hard and came up with a program which HUD felt was just not feasible and unreasonable and so forth, and you had a lot of involvement by the bureau. But you also had the leadership of really the White House in that one. If there wasn't that continual drive, you know, "It's got to be that, it's got to be bigger and better," and so forth, it wouldn't have happened that way.

M: Does this interest stem from Lyndon Johnson himself, or from the

White House staff?

Z: That's a hard question to answer. They were obviously playing this thing both ways. They were trying to develop their biases on him and partly some of the things they thought were their biases were his. I think the best example--we did that one, we did the JOBS program, and again Jim Gaither of the White House staff and I played an important role and essentially had to drag the Labor Department behind us to do that. If Jim hadn't spent a lot of time on it I would have been overwhelmed, and I would have succumbed I'm sure to the more conservative attitudes of the bureaucracy. So in that sense there was a joint leadership here, but it was important that the White House had this interest.

Now why did those go? There was this alliance of businessmen with Henry Ford; the businessmen, I think the President, had an affinity for that program. Take the food program, the feeding programs which we were all convinced should be bigger programs. The President was always quite skeptical about these as either being (a) politically acceptable, and (b) attempts for interference and intervention in properly state and local affairs. Just generally philosophically he wasn't sure these weren't just some lazy people who weren't getting out and earning a living. He went out of office without a big feeding program, and that had at various times the Secretary of Agriculture, Orville Freeman, Charlie Murphy, who was a close confidante, Joe Califano and the whole staff, me, all of us, just beating on him continuously. And we didn't win.

So how much we were selling him and how much he was selling us, I don't know how we are going to ever disentangle because we're too intimately involved. He is such a strong personality that people sensed what he liked to hear, and I think were playing back what he liked to hear more than they recognized.

M: What about Social Security? In the expansion of that did you play a part?

Z: The expansion of that, yes. That was almost dictated by the President and Califano and Wilbur Cohen over the dead bodies of those of us in the Bureau and the Treasury and the Council of Economic Advisers. Our basic argument, without getting into great detail, was that the Social Security program is fairly regressive. If you think of forty billion dollars that are flowing in, who it's collected from and who it's passed back to, that is more regressive than the general taxes that we take in and how we distribute them. We were arguing that the Social Security increases were eating up our fiscal elbowroom for other programs, and that as far as the blue collar worker was concerned, another five dollars out of his check was five dollars out of his check, and he could care less, you know, whether it went for Social Security. All he looked at was his take-home pay, and so we were usually a solid force resisting these.

Califano was on the other side. Now here's a case where I suspect Califano was responding to what he thought was (a) politically doable, and (b) the President wanted in this case. But there was just always great political sex appeal to this because

all those old people vote. It's always easier to get money for old people than kids, because kids don't vote. Politicians understood that very well. I understand that this administration is now going through the same rethinking of that, and they're going to up the Social Security benefits. So the Social Security stuff we were deeply involved in and always lost.

M: Do you recall any other major programs that the White House was particularly interested in when you were director?

Z: The newest ones were the ten-year housing programs and the JOBS program, in which we were to involve the private sector. Those were the big ones. Then it was a continuation of model cities, the continuation of the so-called CEPS, the Concentrated Employment Programs. By then we had lots of, "How are we going to finance the pollution programs we have on the books?" and so forth. By the time I got there we were in trouble.

M: This might be a good point to ask you about authorization versus appropriation. It would seem obvious from a layman's point of view that if you can't get the money, no matter what's on the books, it's not going to do you much good.

Z: Well, yes, this is true. The legislative technicians, and I include in there the President and Califano and Wilbur Cohen, were of the school that you take what you can get and run. Then they would come back and say, "Oh, just start it with five million or ten million, a foot in the door." And if you look at the HEW program, it's just loaded with little bitty programs. Some of them we

haven't funded, but most of them we put a little bit in and then they come back and start working. I was talking with one of the senior civil servants in the Budget Bureau two days ago, it was the day after that education vote in the House, and he said, "My God, Charlie, they talk about the military-industrial complex, you should have seen those educators there. They were hanging from the rafters, and they really do have muscle." Being part of that complex, you probably are not aware of this, but I've always said that if there was ever a "seventh day in May" after the military took over there'd probably be a counter revolution by the librarians, who would probably capture and run the country for the next hundred years. The librarian lobby is terribly powerful. They've got all the book publishers, the libraries and the universities and everybody else pushing here.

So I, in terms of neatness and logic, talked to people down here who made big plans to do something because they thought the international education program was going to be funded. It never got funded, and they felt, you know, that they were let down. It's a sloppy way to run your government, not neat, not tidy, not sensible. But Wilbur Cohen, if he were here would say, "It's the only way you get things done. You grab it and run when you can. You worry later about getting it funded, at a low level initially, and once you get the foot in the door you start." So you ask me, and from an aesthetic point of view I'm in complete agreement, why get authorizations when you're not going to fund them? From

a practical point of view of how you get money into programs, I think the record probably comes out the other way.

M: You mentioned lobbies. As director did you have to deal with lobbyists much?

Z: Not too much. I don't know what's happening now as a matter of fact; but the rate things were going during the eight years, the director's position was becoming more and more a public visible position; as it became more and more a public visible position, the more you had to deal with lobbyists. I always had speculated at what road it would take. It was an unstable situation. Once when we were looking at reorganization of the bureau, we looked at the amount that Dave Bell testified and the amount that Kermit Gordon testified, a little bit more, and then when Schultze came in he was testifying all the time. Partly it was this proliferation of programs, cabinet officers disagreeing with each other. You'd get Wirtz and Gardner of HEW and Sargent Shriver all supposed to be representing the administration. You know, you'd get them to agree and you'd clear their testimony, and they'd get up there and immediately they would ad hoc it. And finally Congress said, "We don't know what the administration's policy is, let's get the budget director up here and have him tell us. Because they were becoming aware that this was the closest thing to a White House assistant they could get.

there was conflict among the cabinet officers on some of these programs. They would say, "Let's get the budget director

up here." That was becoming embarrassing, because that was threatening the cabinet officers to some extent. It was also making the budget director a more public figure, and that is inconsistent with the executive privilege of the White House. You couldn't get Califano to come up and testify, but you could get the budget director to come up and testify. He was becoming more and more the last person, short of the White House, you could get up there. That wasn't on foreign policy but on a lot of these domestic programs, where there was confusion and elbowing and the individual departments were up there trying to sell their point of view. Congress had really no choice but to assume that the budget director was talking closely to what the President wanted to hear.

M: Did outside lobbyists concern you much, say the librarians?

Z: They used to come in and see the people in the divisions. We tried to keep this down. We got some of it, not too much. It's a matter I guess of style, really, though. I mentioned earlier the deepening of this port over here, which I had turned down. It was consistent with our overall policy of emphasizing flood control work and so forth. I come down and find that all the people in the bank are deeply involved in this and want to get it deepened, and Admiral Stevens over here is trying very hard. I said, well, if they really wanted to get it deepened they had to go and get either Representative Cramer, who's from Tampa and who's the ranking minority member on the House Public Works Committee, or Senator Holland to put it in this year's bill. Somebody turned to me and said, "Well,

Admiral Stevens has just spent an hour with Bob Mayo talking about it." So I called him up and kidded him saying, "What's going on up there? I wouldn't have let Stevens in my office." Apparently Mayo has taken more of these sorts of people. I just had a rule. He could have talked to somebody in the division, but I wouldn't have let him in my office because I was spending more of my time doing some other things. So it's the concept of the office.

I suspect right now, if that's typical, that Mayo is seeing a lot more industry people than I would see. I just tried to keep them out, because there just were not enough hours in the day. My impression is Mayo is turning over more of the staff work to the staff and is sitting above it. Now as a concept I think Schultze and I, at least, felt that we were the last guys checking the numbers, we didn't know whether anybody had ever checked them down in the agencies, and that the President needed somebody to check the numbers and go into the analysis a little more deeply. But that's a style which can vary with administrations and budget directors.

M: What about the PPB system, did that work? You must have been the controlling group in that.

Z: Yes. If it worked the only clue is, really, in the long run are you doing better decision making in the government? When they started PPB, and they started that before I came--

M: Yes, that was August of 1965.

Z: August of 1965. Theoretically they had a choice of starting slowly

and trying to work it out in one or two agencies, or starting across the board, recognizing that you couldn't start it off across the board, take some failures, but at least you're started. Now when it got down to it, I gather they really didn't have an option, because the President said, "It's a great idea, let's go." He made an announcement at the cabinet, and they were off and running. Whether that was good or bad strategy I don't know, but it seemed to me at the end of the first year we had a couple of agencies that were doing a good job, another couple that were doing an obviously bad job, and the rest were sort of in the middle. It seems to me we were in the position to go back to the others and say, "Look, these agencies did a good job simply because they tried a little harder. You could have done the same thing. This isn't special purpose to the Defense establishment," and so forth. As far as I'm concerned, we were involved in a fairly major revolution about how do you look at problems, how does information flow, on what level are decisions made. That battle wasn't over with when we left, but I think we were making progress.

M: Were you concerned about this as director?

Z: Yes, but more in the grand strategy of sort of getting more control higher up in the system than I was about format and so forth. Much of PPB revolved around the paraphernalia, the forms, the PFP's and all that, which were really instruments to accomplish what seemed to me was a different display of information on the one hand, and on the other getting decisions made up at a higher level.

We wanted all that information thrown up to us. A real tough cabinet officer like Orville Freeman would say, "To hell with you guys, I'll make up my mind, and then I'm going to come as an adversary to argue my case. I'm not going to give you alternative information." And it was the same sort of problem between Orville Freeman and the Forest Service and the Soil Conservation Service and the Farmers Home Administration, who had their alliances with their committees and their industries and so forth. It's the classic problem of who's running the government. Was it the J. Edgar Hoovers and the Ed Cliffs, who's head of the Forest Service, and the Rasmussens, who's head of Bureau of Land Management? Or is it the Secretary of Interior and Secretary of Agriculture, or is it the President?

M: Was this system universally applicable?

Z: In the broadest definition, yes, clearly yes. The whole thing is a philosophy of how you look at information and where it would flow and where it would stop. So as far as I'm concerned it was broadly applicable. Most of the arguments that it didn't apply because it was too quantitative or the formats were too rigid were sort of arguing about the artifacts of the system rather than the basic objective, which was to change the form of the dialogue and flow up authority higher up in the system.

M: The reason I ask you about this is that in other interviews in departments I got this argument that you couldn't define goals, therefore PPB wouldn't work, or, "We would apply it to part of our

program, and the Budget Bureau seemed satisfied with that so we didn't go any further."

Z: There's nothing surprising there. I've heard that. I guess,a, I don't believe it;b,I think to a large extent they don't believeit when they say that. We didn't realize when we started this what a power struggle we were taking on. We were saying, "This is just to improve decision making," but it was also to improve decision making higher up. There is a well established bureaucracy which has good working relations with the bureaucracy on the Hill, and they used to resolve these problems. Now you have the Secretary of Agriculture asking questions that he never asked before. He thought that was great, and these bureau chiefs, of course the classic is J. Edgar Hoover, but the head of the Forest Service or the Bureau of Land Management or men of equal stature in a sense of their independence almost of any administration are now being asked questions which they didn't really like. You know, "Give me my money and leave me alone," was their attitude. In some sense these people were saying it wasn't applicable. They recognized this and were fighting it in a good bureaucratic fashion. Partly they didn't recognize it, but they did.

M: Were there any particular departments you had difficulty working with, where you found strong resistance?

Z: At the top you had various personalities; cantankerous people like Willard Wirtz, easier people to get along with like Bob Weaver, people in between. But the real difficult ones were the ones that had these long-term relationships on the Hill. You

know, we couldn't do anything with the FBI, or the Bureau of Land Management when we tried to raise grazing fees, or the Forest Service. They had such an elaborate existing system that they fought, and they could fight very effectively, this sort of intrusion of the executive branch into a well-established thing. We found that, interestingly enough, even within the bureau this happened The bureau had six divisions which had then responsibilities down to these agencies. Now these senior officials had been in the bureau with the change in administration and resolved many conflicts with their counterparts in their agencies, and they had a way of an informal, not written down anywhere way of doing business. The same man would deal with the Department of Agriculture differently than he would with the Department of Interior budget officer. In this particular case I'm thinking of the head of that resources-civil works group, Carl Schwartz. He'd say, "Gee, you keep giving us more and more of these data systems to fill out. We never get around to doing our work."
We'd say, "The whole idea of these formats and forms and information flow is so you can do your work better." And he'd say, "We never have time to visit with our guys or go on field trips." I finally realized we were disturbing a well-entrenched, evolved over a long period of time, procedure.

M: This was Carl Schwartz?

Z: Yes. But this was not only Carl. Every division chief had a way of working with his agencies, and they varied all over the lot.

Here we were putting a standardized way, "This is the way you will deal with your agencies. You'll ask for program memoranda and PFP. On the fifteenth of September this will happen, and then on the eighteenth you'll do that. You are standardizing the system, and you were thereby threatening long-established, implicit, unwritten arrangements. And whenever you do that, you've got a real problem.

M: Now I've read in the papers and elsewhere about the strength of J. Edgar Hoover and how he controls the bureau and how presidents cannot fire him. Can you explain to me how that's possible? What kind of a system does he have whereby he can't be fired?

Z: Well, he could be fired.

M: Is it a political sort of thing?

Z: You'd catch a lot of hell for it, and why do it?

M: You mean, you'd catch the heat from the Hill? Is that where it would come from?

Z: Public opinion, newspaper stories. Generally, think of why don't attorney generals recommend that he be fired, they're closer to it. From all practical concerns they don't have much control over him, yet I haven't heard very many of them go on national press and say, "This man and agency is out of control, and therefore by the rules of Harvard Business School he ought to be fired." You just make a political assessment.

M: Could the Budget Bureau go into the FBI and review their budgets?

Z: Yes, oh yes. What would happen, basically, is that Congress would overturn us. We gave them a budget. Basically, we probably went

along with their desires more than we would have otherwise, because we didn't like to get beaten too badly either. Everybody had a stake in this, and when we would recommend a budget that the President wouldn't accept, the Congress wouldn't accept, then we lost some of our credibility. So everybody involved in this process is trying to push his point of view as hard as he can without losing his credibility.

M: Is this important for a director? I mean, you've got to win a certain percentage?

Z: That's exactly right, or you're irrelevant. I think if you look at the history of the mid-fifties, it came close to that. Ike decided to look more to the Secretary of the Treasury, George Humphrey, remember how powerful he was. I think it's fair to say that before Maurice Stans, Maurice Stans was the last Eisenhower budget director and a very strong guy, the Budget Bureau became a pretty passive organization. If I couldn't have won at least 50 per cent, better than 50 per cent of those cases that we took to the President, hell, nobody would have bothered to talk with me. So that was just terribly important.

The only authority the budget director has whatever the President implies. They've been whooping it up about Mayo having more authority over the military. Nixon said, "Whenever Bob says something, I mean it." That is the cliche on that.

M: How was it working with Lyndon Johnson? Was he difficult to talk with?

Z: Yes. Well, I don't know that he was difficult to talk with.

M: Let me put it this way, was he accessible in the first place? Could you see him when you wanted to?

Z: Yes, I think he was always accessible to the budget director.

M: Did he listen to you?

Z: Yes, he listened to you sometimes. He was a very complex person, hard driving, usually had a clear objective in mind whenever you talked with him. My impression was that, and I think we touched on this in the last interview, he viewed the Budget Bureau and the budget director as being an important source of information that he wanted to have available to him. Lots of times he would depreciate it or say we were politically naive and didn't understand that, but he wanted to hear our side of the issue. So I cannot complain. I just don't know how to judge if half the times I picked up the phone I got right through to him, but I don't think it was ever that he sort of hid from me for more than a day or two. So I would say by those ground rules I had very good access to him. I think Schultze had at least that much also.

Now partly the times required that because of expenditure cuts and so forth. But I think it was more than that the times demanded it, I think it was partly his view. As I think I said earlier, he said, "I didn't choose the budget director. You were recommended by Schultze and Schultze was recommended by Kermit Gordon." He respected the bureau as being a professional outfit. He liked a professional, what he considered was a more professional

point of view coming to him, as well as C. R. Smith or Joe Fowler saying, "Let me tell you what the bankers are going to say," or "Let me tell you what the airlines are going to say," or something. He absorbed a hell of a lot of data. I don't know what he did with it all, but he read a lot, he talked to a lot of people on phones, he just operated in that fashion.

M: Did he understand what you told him?

Z: I think so. My impression of his intelligence is very impressive as a man with figures, a man who could calculate. He could calculate just about as fast as any man I've seen. I consider myself and Charlie Schultze and Bob McNamara probably the three best calculators, and he could do percentages and so forth [very well]. You'd get requests for some data. I remember once we sent over some data, and he had an instinct. He'd say, "Dig out this data and do it this way," and sometimes you'd dig it out and do it this way and it would show in a favorable light. I think he had a real flair for numbers. He prided himself on remembering statistics and being able to pull them out and that became at the end almost a thing that they kidded him about. He was always quoting, "Health is up 322 per cent and education 400," and so forth. I think, a, his I.Q. was very high as far as I could see, b, in terms of data and analysis of numbers, that sort of facility, he had it, and therefore he understood quite well, unless he didn't want to understand. As I said earlier, how much you were rubbing off on him and how much he was rubbing off on you, I don't know. But, as you

know, he always liked to have everybody agreeing.

M: Was he interested in governmental administration, just the sheer management of the bureaus and agencies?

Z: Well, yes and no. No, in the sense that he didn't spend a great deal of time, and I don't think the President should spend a great deal of time on these things. Yes, in the sense that he always had this feeling that you had to raise hell with the bureaucracy. That's why he agreed with the Program Planning and Budget System. Yes, in the sense that he'd get down into details. He'd start looking at them, "Where do you get this 25?" or "Where do you get this 50?" That's why as budget director it was important that Schultze or I knew where those numbers came from. I doubt that Nixon looks at that level. He was a detail man, as you've heard, and it was a question of whether he should have been,in that much detail. Detail includes administration. Whether this was a tactic because he felt every once in a while he had to dig down in there just to keep us all honest, or whether he was genuinely interested in this, I don't know.

M: Did you ever have trouble getting decisions out of him?

Z: Yes. But that was when he didn't want to, you know.

M: For his own reasons?

Z: Yes, for his own reasons. I don't think it was an inability to make his mind up, I think he was waiting, dragging, hoping. Politicians are invariant optimists and feel that eventually something is going to happen that'll solve their problem.

M: Did you ever have the feeling that he was not in charge of things? I mean: he was a strong president?

Z: Oh yes, without any doubt.

M: What did you think about his energy, his working hours? Did he work hard?

Z: The public stories are correct; he did work hard, drove himself hard. The only thing I can't imagine is what he's doing now, because that was quite a letdown. No, he did take his naps. What used to drive us crazy was you never knew when he was going to take his nap, and then he'd come back ready to go to work again. It was the uncertainty of his hours that made it difficult to be around him.

M: Was there any particular time of day that you'd try to see him?

Z: Yes. There were several times, either early in the morning--this used to be embarrassing; one of his favorite times would be about eight-thirty or so, he'd start calling me and I'd be in the car at that point, wouldn't be in yet--or right after his nap was a good time to catch him, about five o'clock.

M: Would he be more receptive?

Z: It was a combination of things. Yes, he'd be more receptive and also his schedule was better. Usually he had meetings in the morning, and there was usually a ceremony around the noon hour or something and he'd be running behind and really pressed. The five o'clock time and early in the morning were sort of starts of two days, so you caught him there or then later on, just before

seven or eight o'clock, before he would be going back to the mansion. Lots of times I would ask either Marv Watson or later Jim Jones, "When's a good time to call him?" So we just wouldn't call him out of the blue. They'd say, "Well, it's bad now, but if you call him . . ." I had some general habit patterns that I knew about, but they had a feel for the intimate schedule and they could tell you.

M: Did he contact you at all hours of night and day, or did he mainly confine his calls to the daytime?

Z: All times of day. I don't think it was as bad as the case when Schultze was there, but again, remember I came in in January and on March 31 he said he wasn't going to run again. The worst time it seemed to me was when he would be down in Texas. The plane would go down with a pouch, and he'd start reading that about ten or eleven o'clock their time, which would be one o'clock here. Then he'd get on the phone and ring those guys out of bed. Fortunately I wasn't director at that time.

But he called on Sunday. In fact one of the most vivid memories I have is the first Sunday I was budget director we got up and went to church, as we normally do on Sunday, and by the time we got back they had the police out and the place was just being torn apart because he was reading something and he said, "Get me Zwick." The White House operator started calling, and they rang. Schultze said he had six kids so it was never a problem, they always got an answer. They could always find out where Schultze was, but

they couldn't find out where I was. They called all the secretaries and my friends, and they said I was probably in church, Catholic Church. By then the police were out to look to drag me out. So I finally got there, and the operator said, "Never go away without telling him where you are, without telling the White House switchboard."

M: Were you careful about that after that?

Z: I was reasonably careful. Sometimes I got sloppy, but by and large they knew where they could find me.

M: Lyndon Johnson has been characterized as having a hot temper, is that true? Impatience? Temper?

Z: Impatience, temper, yes.

M: Did this ever bother you?

Z: Yes, at times he could be . . . How much of this was effect, was--

M: Calculated?

Z: --calculated, and how much of this--when you think of temper, hot temper, you're thinking of a person who loses control of himself. I was never quite sure how much he had lost control of himself and how much this was staging. He was a great stage master, and so I never could disentangle how much of this was real.

M: Was there ever any particular incident that you remember where he became especially impatient?

Z: Lots of them.

M: Was this ever directed at you?

Z: Yes.

M: Can you give me a specific example?

Z: I could think of several of them, which I don't think I will. If you remember, at the end of the administration all cabinet officers were going to start doing all the things they hadn't done for eight years in the last few months. This was a real conflict, I'm convinced, between the President and the cabinet officers. He was looking at the history books and how they would view his turning over the administration and saying, "What we do in the last few months won't be that important in the total, but the way the transition takes place will be important to view in the history of this thing." Therefore he was telling me, "Don't let these cabinet officers make these decisions," and "The cabinet officers are all trying to see how the history books will write their future." Wilbur Cohen was making easier rules on welfare--remember, he changed the whole certification procedure in welfare; Alan Boyd changed the rules on highway hearings; Bill Wirtz reorganized the Department of Labor and got all the state labor people mad; the Internal Revenue Service was doing all sorts of things to change tax rules. And he was catching hell. One Sunday he called me up and chewed me up and down on that, and I remember having to call up Wirtz. I found him somewhere, and I found Joe Fowler in New York and Alan Boyd somewhere else and gave them all hell and said not to do it.

But in the case of this Labor Department one, this got fouled up in a sense. Califano, Jim Gaither and I sort of talked about it, and then I sort of backed out of it, and Gaither had it. It

seemed like a sensible thing to do, and I didn't pay any attention to it. Bang it came out, and he was just furious. I remember I was coming home, and he called me up and said, "Did you approve this?" I said, "I talked about it. In the sense of approving it, to tell them to go ahead without your knowing about it, no, sir, but I gave them my blessings on the idea, that is true. But I turned it over basically to Califano and Gaither. I assumed that before they finally said 'go' that they would get your okay." That was a case where he was really mad. I think one reason I knew he was very mad was he said, "Okay, partner," or something like that. That Texas slang would slip out when he was really mad, bang, and he would hang up. Sure, he had a quick temper. How much of it, though, was calculated and how much wasn't was something I don't know.

M: He also has the reputation of being crude. Those who dislike him and write about him always play this up. Is this true, is he earthy in language?

Z: Yes. I think he's sort of quick tempered, hard driving, erratic in schedule, crude in the sense of language and general behavior, social graces, yes. At times drive you almost out of your mind. You're ready to say, "Good-bye and good luck, I've had it," whereupon he would turn and would be very warm and affectionate in a way that would surprise you. So I didn't see that many people quit out of not being able to take this.

M: Did he ever show warmth to you?

Z: Yes, I don't think he ever thought of me as being one of his intimates, I want to be clear on that, but I think the Budget Bureau and the budget director had this special status that I argued earlier, sort of the last professional advice he was getting as compared to a more political advice. When things were going wrong once in awhile he would turn right around, sit and talk for a long time. The last night we were deciding on the surcharge, at the time I was considering becoming Dean of the Woodrow Wilson School at Princeton, and he heard that and the two of us sat there for an hour or so. He was talking about the Lyndon B. Johnson School; how Lady Bird had been up to Princeton and thought it was a great school. That would be great if I was there; he could come up there and lecture. No, he could be a very warm person when he wanted to be. So I think with most people, just about the time they were ready to blow, he would pull it all back in.

M: Now we've been talking about his virtues and faults both, are there any other particular faults that gave you difficulty?

Z: His erratic schedule, we mentioned this, made it difficult to work with him. No, I don't have any other.

M: Any other virtues, then, that we haven't brought up?

Z: No, I think his virtues are his intelligence and his basic policy instincts and hard drive and toughness, which were all qualities that you need in a president. His inability to essentially portray this to the public, I think, was his downfall. On the other part, if I have any complaint, I think he made a mistake with the defense

establishment by really overestimating his own competence and the strength of McNamara vis-a-vis the military establishment. I really do think that he did himself a disservice there. Whether it ever would have been any different, I don't know.

M: You mean relying too much on the advice of--

Z: Relying too much on them. When Kennedy was president, Dave Bell and Jerry Wiesner--again, Jerry Wiesner, our science adviser, had a very special relationship to Kennedy, was a good personal friend--sat in on all the major budget decisions. As soon as Johnson became president, the budget director sort of got peeled off to the final meeting. He had his rights to argue with McNamara and the Joint Chiefs and some members, but in the end the President sat down and loved to negotiate this out with the Joint Chiefs. Kermit Gordon tells famous stories how he was brought in to be used as the guy to draw the fire away from McNamara when the Joint Chiefs were really mad at each other and so forth. But he really enjoyed that, and I think would have felt confident enough in the area. Now I don't think the record is that good, whether it would have been any different I don't know. But it went on that way until the very end, when in the last budget cycle he brought me into it. I think mainly at that point he was trying to get out of office and was trying to get the defense budget down, and he let me participate. I think if anything his strength, and he had tremendous strength, led him to be overconfident that he could handle all these things. And that's dangerous.

M: Any general impression about the quality of the White House staff? Good? Bad?

Z: It varied, it was mixed. Some of the best were just very good, I think, as far as--

M: Califano?

Z: Califano was just a very capable person. I wouldn't agree with everything he did, but in terms of basic I.Q., hard work, drive, energy, he was a very capable person. Harry McPherson was a very capable person. Some of the people Califano had working for him, which I think is a good test, were first-rate, Larry Levinson, Jim Gaither, Fred Bohen, Matt Nimetz.

M: How about Doug Cater?

Z: Then you had another group who had certain roles to play. Doug Cater is a person I like very much; I like him as a person more than I like Califano as a person, but he was just nowhere near that effective. Just wasn't that effective, just wasn't ready for the rough and tumble of the White House. He was a special pleader, in my view, for the HEW programs. That was fair, but he wasn't taking a broader viewpoint. So he had a role to play and played it well, but among the equals, he wasn't one of the more equal. Califano clearly was; Moyers was when he was there; Harry McPherson was in a very special way.

M: What about Marvin Watson? He draws lots of comment.

Z: Marvin left soon after I became budget director to go over to the Post Office. I don't know. I don't think of Marvin as being the

world's greatest administrator. Whether he was therefore very influential or not, I don't know. The question of how influential was he, I don't know.

M: Now, that did you do to prepare for the transition to Nixon? You've already brought up certain aspects of this, but what else did you do?

Z: The bureau has always played a central role in transition. It's the one who puts together the transition papers. There are a hundred or so of these that we put together. We appointed one of the brighter young staff members.

M: You had specific orders from the President to do this?

Z: Yes. We started to do this, and then he appointed Charlie Murphy, who had been through one of these before, to head it up from the White House. Charlie did sit on top of it in a broad sense and was his transition guy, but he let the bureau essentially do what it always did. I had my deputy Sam Hughes go to those meetings. So the bureau worked fairly autonomously, and it put together a series of papers on departments and issues. I sat down and went over them as to what the subject matters were, and then I decided that I didn't want to see them. I didn't want to edit them. This was essentially the career staff's papers to the new administration. We did that.

Then of course there was this embarrassing period when Nixon didn't appoint a budget director for quite a while, which I think was a mistake. Afterwards I was just as happy he didn't, because I realized what had happened in previous times, in 1960 and 1952, was

the new director came in, sat through the fall review sessions, and while he couldn't partake in the decisions he heard the dialogue and it was useful for him and helpful. My attitude was that was fine and this wasn't going to be embarrassing to me, but I realized afterwards it would have really inhibited the examiners, who were looking at their new boss rather than just doing their job. So I was just as glad he didn't do it, although I think he paid a significant price in missing a useful set of dialogue.

Then they finally sent down Greenspan from New York. Greenspan came down, and I sat down and said, "Are you going to be the budget director?" He said, "No, I just can't. My business is such that I can't possibly do it." Well, very soon after that Bob Mayo was appointed. He came on board, I had a couple of sessions with Bob, and I said, "Look, you know the bureau staff"--he'd worked with them in the budget concept commission, and he'd worked with them in the Treasury Department--"Good-bye and good luck. They'll be telling you stuff that I don't want you to know and as long as I don't know it it doesn't bother me." The bureau staff, which is the career staff and has gone through these transitions, had a way to handle this. All of a sudden he arrived on the scene, and I said, "My God, we've got to find an office." I found they had found a whole suite downstairs which they had cleaned out and painted up. There were all sorts of things just happening. So that in a sense if you said, "How much did you personally do in the transition?" the answer is: very little. And it's probably also

true that it wasn't necessary.

M: This all reminds me of another pertinent question. After Johnson decided not to run, the March 31 speech, and after the election in November, was there any noticeable change in the reaction of the bureaucracy to you? Did they slow down, did they not respond as quickly, or anything of that nature?

Z: I don't think so. Again, they had been through this before. And our policies, basically of buttoning down the hatches, and that's what we were getting from instructions from the President, were consistent with what they would have done in this case. If you had gone the direction of Orville Freeman and Wilbur Cohen, "Let's go out with a great big final blast," then it might have been more of a problem. This did come up at one point when Califano wanted to draft a whole bunch of legislation to go with his legislative program. Well, you could just see the staffs, they didn't want to go through that. It was a lot of hard work which they knew would go for naught. Finally it just drifted away, and there was no major push. Now if we had pushed them very hard for a whole bunch of detailed draft bills and speeches, I think we would have had this trouble. But the style in which we went out was amenable to what the career service felt was reasonable. They'd been through transitions before, and we were doing something which was, they thought, roughly right and they were cooperative.

M: I know you've got another appointment. Do you have any last comments

you wish to make?

Z: No, we've covered quite a bit of the ground in these things.

M: Thank you for the interview.

[End of Tape 1 of 1 and Interview II]

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