

Oral History Interview
with
DR. EDWIN G. NOURSE

With the Brookings Institution in Washington, D.C. as chief of the agriculture division, director and vice president from 1923 until 1946; and Chairman, Council of Economic Advisers, Executive Office of the President, 1946-49.

Washington, D. C.
March 7, 1972
by Jerry N. Hess, Harry S. Truman Library

The Harry S. Truman Library
Independence, Missouri
June, 1974

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HESS: All right, Doctor, to begin this morning, would you relate just a little of your personal background; tell me where you were born and raised and a little about yourself?

NOURSE: I was born in Lockport, New York, and both my father's family and my mother's family were New York State families. But I couldn't have been more than four months old, I think, when my mother took me out to Chicago, and I, by rearing, am a midwesterner and Illinoisan. My father was a supervisor of public school music in Chicago and we lived in a

suburb on the west side. I went to a small, but fairly good for its time, high school, and had one year at Louis Institute, now a part of Illinois Institute of Technology, there in Chicago.

HESS: What were your favorite subjects in high school? What did you like to do, what did you like to study?

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NOURSE: I liked it all, but I think that my chief interests centered on history classes and English classes. And I had some very good teachers of English along, and my family's been a writing family. My sister became a novelist you know, Alice Tisdale Hobart, has written thirteen books, ten bestselling novels.

I began then, what has carried through Cornell and my later work as a historian. I remember that I was chatting with Arthur Schlesinger, Sr. one time at a meeting of the Social Science Research Council, and he said, "Well, if ever there was a historian, you're..."

"Oh," I said, "hold on Arthur, I'm not a historian, I'm an economist."

He said, "Oh, yes, you're a historian. We accept you."

Some people have objected to my insistence in discussing economic, or broader social problems, in going back and getting historical perspective on them. So, clearly, my life's interest has centered around a literary and historical background, with particular studies in economics.

And that, if you want me to continue, has a story of its own. I went to Cornell with the idea of becoming

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a civil engineer, because I had a strong mechanical twist, but I had this other interest so strong that I, in spite of my financial limitations, dreamed of a six-year course leading to an A.B. and also an engineering degree. But I was one of the victims of the typhoid fever epidemic that hit Cornell in 1903. And so when I came back I dropped my engineering interests and went straight for an A.B. degree.

But then, again, a special interest emerged on the agricultural side. If my father had been an Illinois farmer instead of a supervisor of public school music, I'd have been a farmer, but he had no assets or substantial income, so I compensated by becoming a pioneer in the development of agricultural economics; there was no such subject before. (You might be interested to look at a paper I wrote, a pioneer discussion, "What is Agricultural Economics?" in the *Journal of Political Economy*, written about 1917 or 1918.)

When I went back to Cornell after the fever I elected several courses in the college of agriculture. But I couldn't get into farming when I graduated, I had to work to help my sisters get their education.

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So I taught in high school for two years, and then went on to a year of graduate work. I then went on to college teaching. This was at the Wharton School of Commerce and Finance, University of Pennsylvania.

HESS: That was 1909 and 1910.

NOURSE: That's right. And I conceived the idea of agricultural economics then. But I saw in that year what they had done in developing economics on its business side and I said to myself, "Well, farming is a business and it should have the benefit of this same sort of analytical and constructive treatment that business is getting in the schools of business."

And so I, with the assistance of J. Russell Smith, I switched, I dropped the Wharton thing and went pioneering out in the University of South Dakota, which was an agricultural college, and there was a sequence from there, you see, to the University of Arkansas and then the Iowa State College which was founded as an agricultural college. So, I went through developing, wrote the first real treatise on agricultural economics, which was my University of Chicago first book publication.

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Now agricultural economics has developed with [Albert Gain] Black and [George Frederick] Warren and Cornell; Warren and Cornell as the farm management approach of the production side of economics, and Black at Minnesota as a more systematic economic treatment of the production time. I was on the other side of the tracks, making the marketing approach to agricultural economics. My doctor's dissertation, University of Chicago, was entitled, "Market Mechanism as a Factor in Price Determination."

And there, again, I had something of a pioneer development of my concept of the market mechanism as mediating between supply factors and demand factors to develop actual prices.

Here again we have a split, because there was a market mechanism which was particularly indigenous to agriculture, that is agricultural cooperation. So I became a pioneer and the first theoretician of the cooperative movement, publishing an article, the lead article, in the *American Economic Review* in December of '22, which started out, "Agricultural cooperation has been long on practice, but short on theory." And so I made a little treatise there of

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what was the theoretical concept of the cooperative as contrasted with the corporate scheme of business and organization commensurate with the larger size of our American problems. So, from that article here we come to Brookings.

HESS: You came to Brookings in 1923, is that correct?

NOURSE: I was a charter member of the Institute of Economics. Harold Moulton, the first president, was an old friend of mine and he drafted me to develop the agricultural side. He of course, was a money and banking man himself and then trying to round out the Institute's program, to get a balanced staff, he got me on the agricultural side.

HESS: Who did you select as staff members for Brookings at that time to help you?

NOURSE: I brought two men with me from Iowa State College, Claude Benner, who had been in the banking department at the University of Michigan, I showed him my little fast footwork and...

HESS: Sometimes it's necessary to get good men that way isn't it?

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NOURSE: Yes. The other one was Elmer Working, who had taken his doctorate at the University of Illinois, where they were also expanding farm management into agricultural economics. Then I later brought in Russell Engberg, who was a graduate student, I guess, at Iowa State University. Also when we came to our AAA study I brought in Harold Rowe, who had taken his doctorate, who had been a student, a senior student in my last year at Iowa State College, taken his degree at Minnesota, had gone to Massachusetts in agricultural economics work: Black had got acquainted with him there, and so between Black and me we brought him down into the working staff.

HESS: And then in 1929 you became director of the Institute of Economics, is that correct? 1929 to '42.

NOURSE: Yes, when the Institute of Economics was merged with the Institute for Government Research and the graduate school, the fellowship training branch, Moulton became president of the merged Brookings Institution and he designated me as the director of the Institute of Economics and I moved on so I was vice president of Brookings when I resigned to go on the Council.

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HESS: You were vice president from 1942 until '46, and...

NOURSE: I resigned...

HESS: That's right.

NOURSE: ...as vice president to become chairman of the Council.

HESS: Chairman of the Council of Economic Advisers.

NOURSE: You see, we had an obligatory retirement age of 65 and I was 63 at that time, so it wasn't too difficult to make the break, although I dropped a book that I had well underway, entitled *Business Executives as Professional Men*, growing out of my *Price Making In A Democracy* and that price series I had been working on.

HESS: How many books have you written; how many books and articles, approximately?

NOURSE: I have no idea how many articles, but they range from *Quarterly Journal of Economics*, to the farm magazines, *Wallace's Farmer* and *Prairie Farmer* and the like, and other popular publications. There must be several hundred of them. And books, I think, I have written

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eleven.

HESS: How many books did you start and not finish?

NOURSE: Two.

HESS: Two. All right now, before we proceed on with the Council of Economic Advisers, let's move back just a little bit. Doctor, what are your earliest recollections of Mr. Truman? When did he first come into the picture?

NOURSE: I don't think that I had ever followed his career. In those years I was very much absorbed in the work that I was doing at Brookings, growing out of our study of income there, the four books that we had, *America's Capacity to Produce and Consume* and so forth, and then going into this *Price Making In A Democracy* and then the one I was in the midst of, so he wasn't in my sights at that time and I think that the first time that I had met him, on a shake hands basis, was when Charlie Ross brought me into his office to answer the question whether I would become a member of the Council of Economic Advisers.

HESS: That's the first time that you had met him, is that

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right?

NOURSE: I'm pretty sure this is true.

HESS: That was in 1946.

NOURSE: Yes.

HESS: Correct.

NOURSE: In July.

HESS: Mr. Truman had been chairman of the Senate Committee to Investigate the National Defense Program, the Truman Committee.

NOURSE: Yes.

HESS: Do you recall anything about his handling of that committee during his Senate days?

NOURSE: As I have said in a memorandum filed with my official papers in the Truman Library entitled, "The Professional Background of the First Chairman of the Council of Economic Advisers," my contact was with Senator [James Edward] Murray. He had become interested in what I was doing in the field of economic statesmanship, as relating to the question of what private

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industry would do in adjusting to the postwar situation. And it was unquestionably that his interest in my ideas had grown out of his acquaintanship with Meyer Jacobstein, former member of Congress, who was on the Brookings staff at that time.

HESS: Mr. Truman was selected as a vice-presidential candidate at the Chicago convention in 1944. Did you attend that convention?

NOURSE: No, I never attended a national convention.

HESS: Did you try to keep yourself separated from politics, or were you not interested in politics?

NOURSE: Well, I use the word "politics" instead of "political science" to define that part of social science, which is inescapably political economy, which is the original name and it has now returned to that sort of an orientation. So, in that sense, of politics as a social science, I was vitally interested; in partisan politics, not at all.

There is an amusing story of my contact with the press which was always very happy and constructive. But they came around very soon when my name came up as

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a member of the Council and said, "Well, now Dr. Nourse, we know the political alignment of Leon Keyserling and John Clark, there's no question about that, but we can't seem to get any handle on your political connection."

"Well," I said, "that's perfectly simple, gentlemen," I said, "my father was a third party prohibitionist and I was reared in that faith, although today I can mix cocktails with the best of them," not the drinking side, but the compounding of them.

I said, "In my rapidly developing professional career I've moved so rapidly that I've only twice qualified to vote in a presidential election. In those two instances I cast my vote once for a Democrat and once for a Republican, now you make your own political assessment of that."

I might add that I never have participated actively in the political life of a community. While I was teaching in a high school at Ogden, Utah, a lawyer who was city attorney there, got me a little into city politics in Ogden, Utah. And my father involved me a little in the wet-dry issue as a school boy there in Downer's Grove, where I was brought up. But I never have been active in community politics.

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HESS: As you will recall there was a good Iowan who also wanted the vice-presidential nomination in 1944, Mr. Henry Wallace, who had been Vice President from 1940 to '44, also wanted to be renominated...

NOURSE: Yes.

HESS: ...at the time that Mr. Truman took that nomination from him. Now, as you have been a professor out at Iowa State and you were chief of the Agricultural Economics Section in that Iowa Experiment Station, what do you recall of the Wallaces, both father and son?

NOURSE: Well, Henry C., the father, to some extent, gave *Wallace's Farmer* a pretty progressive economic character, it wasn't just technical agriculture. H. A. made himself an amateur economist, and I knew and worked with his father. There was a good relationship between that leading farm paper and the state college of agriculture, and I had Henry up to address my classes and wrote some communications for *Wallace's Farmer* and *Prairie Farmer* and another one, I can't think of the name of it at the moment, it was in the agricultural press. Now that connection was well-established in Iowa with H. A.

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Wallace, so that when he came to Washington, where I had been for some years of course, we immediately picked it up as a family. We and the Wallace's entertained back and forth and after he left -- you see he was Vice President for only a short -- no, he was...

HESS: For one term.

NOURSE: ...Secretary of Commerce for a short time, before Harriman came in, yes. But after he left Washington, you know, went back to his interests in genetics up in New York. His daughter lived here in Washington, and I used to see him at the American Philosophical Society meetings occasionally, and when he came to Washington to visit his daughter, why, we kept touch in that way even after his retirement. So, my interest is personal as well as professional with H. A. Wallace.

HESS: All right, now moving on. Where were you on April 12, 1945, when you heard of the death of President Roosevelt; and what were your thoughts and impressions?

NOURSE: Well, I certainly was working on my book at Brookings and directing the economic studies at Brookings Institution there, so that this was sort of on the periphery

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of my interest.

My office window looked over the White House grounds. I was half a block from the White House for nearly twenty years before I moved over and got in the White House establishment. And I had met President Roosevelt at White House receptions once or twice, I had looked out of my other office window and seen him come over into Lafayette Square to light the Christmas

tree, and had been interested in his New Deal developments. They were very close to my line of liberal economics and political economy. But I had been a good deal disillusioned by his court packing caper and his hanging onto the Presidency into a third term.

HESS: You opposed a third term in 1940, is that right?

NOURSE: Oh, yes. I'm glad we've got that amendment, and if we could change that over to one six-year term, I think it would be still better.

HESS: All right, now the Council of Economic Advisers was established under the provisions of the Employment Act of 1946. What do you recall about the background of the writing of that act and why was it felt necessary

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to establish such a council?

NOURSE: Well, there's a long story there which I have discussed to some extent in my book *Economics In the Public Service*. It could be, and should be, much elaborated and I'm pleased to say as a footnote here that every once in awhile some young scholar shows an interest in this subject. (Right there is a paper that a young professor is going to give at the Agricultural History Association), and there are other people that are going back and digging into this very problem that you talk about. But I was in touch with the Committee for Economic Development. Eugene Meyer was quite a friend of mine. I was also acquainted with Dean [Donald Kirk] David of the Harvard Graduate School of Business, Paul Hoffman of the Studebaker Corporation and Meyer Kestnbaum, president of Hart Schaffner & Marx. And those were part of the discussion along with the Murray Committee and other things of that sort. There was a lively interest there.

You see, the improvised experiments in complementary government activity in the economy had built up in the period after 1933, you see, the emergency measures taken

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there had gotten the economy off of dead center, so we were moving on toward a more prosperous condition in '37. And then there was that recession and people became quite widely concerned, saying, "Here we've got to exploit what we learned in the New Deal and what C.E.D. is developing on the practical business side, and we've got to get with it here after the war so that we capture the vitality of the war effort and switch it over to lively peacetime reorganization," and that lead to the discussion on the Murray Full Employment bill, which preceded the Employment Act. And there were lengthy hearings. And the Temporary National Economic Committee, you see, had done a lot of spadework in that field, too, and the National Bureau of Economic Research, the Brookings Institution, they were plowing a new field so there was a pretty much across-the-board interest in some sort of an intellectual innovation in this field of government's relation to private enterprise.

HESS: In your opinion why were you selected as the first chairman?

NOURSE: I wouldn't know: It was partly a residual interest after other possibilities had been explored. For

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instance George Harrison, who had been active in the labor field, his picture was in the paper along with Keyserling's and Clark's as the probable make-up of the council shortly before I was approached, but apparently some interests moved against him. Also Winfield Riefler from the Federal Reserve, head of their research work who had been one of the ten anonymous White House assistants under Roosevelt, he was rather a natural for it. But there were also antibodies came into that situation, and he said himself he wasn't temperamentally suited for it.

Alvin Hansen, who has been the pioneer of the American branch of the Keynesian movement, was thought of. But he said to me just a year or two ago, he said, "You handled this thing right, Ed, I couldn't have done it. '

The problem was his temperament. He had been a protagonist of that whole thing. So there was opposition to him. So, you see, what I'm saying there were several people who came forward or were pushed forward for the post who had disabilities.

Now, I didn't have any particular disability. I had a strong line of support from the agricultural area and from business. I had a less intimate, but

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very favorable attitude from labor. Phil Murray was the first one I made an official call on after I was appointed.

I had, in my Brookings studies, come in contact with many business executives and professional men. I had a long association with the Chambers of Commerce, the National Association of Manufacturers and the National Industrial Conference Board and the American Management Association and so forth. I was definitely acceptable in all four of these areas, and I had a good professional reputation. I had been a past president of the American Economics Association, the American Farm Economics Association, the Social Science Research Council, so I had good professional credentials. The thing that clicked as I said in that paper, was Murray's positive espousal of me as I learned afterwards. I didn't know about it at the time, didn't have any direct contact with him.

HESS: The two other gentlemen who were selected as members were Leon Keyserling as vice-chairman and John D. Clark as a member. What can you tell me about both these men? Why in your opinion were they selected for the Council and how would you characterize those two men?

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NOURSE: I had never met either of those men, I had never heard of John Clark, I knew of Leon Keyserling's active interest. Jerome Frank brought him down to the Consumer's Council of AAA, so I knew of him there, then as he went on into the housing movement I knew of him, but I never had met him, never had met either of them until the time that we were appointed.

Now, the rest of your question there.....

HESS: How would you characterize them?

NOURSE: Oh. Well, Keyserling had been an active figure in this whole full employment postwar activism thing around Washington. Clark had impressive credentials for the Council in that he was trained as a lawyer and had taken a Ph.D. in economics, had been legal counsel for the Midwest Refining Company, and through that had become vice president of Standard of Indiana. With his business experience, his academic background, he had become dean of the School of Business at Nebraska, he had been active in Wyoming politics. Now there was a good set of credentials!

HESS: He had a wide background.

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NOURSE: And he was a very able person, I had great respect and friendly relations with him. There was some friction in the Keyserling thing as you may have discovered, and Clark was very outspoken. He said to me one time, he said, "I'm writing a book about this thing." He said, "Nourse, you're running the show here," he said, "but I'm writing a book on it. I'm taking notes on every damn thing that you have done that I think is wrong and I'm going to write it up sometime."

HESS: What did you say when he said that?

NOURSE: Well, that was all right with me, and his office was adjoining mine; Keyserling's was on the other side of the general receptionist's office. And Clark would come in and sit down at my desk or I would go in and sit down at his desk and say, "Well, now this thing came up in our discussion with staff this morning, I'd like to kick it around a little more with you." And there was a scholarly approach between us which was very satisfactory. But as he had said, "I'm going to say just how goddamn wrong I think you were on certain things."

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HESS: Did you have a little better rapport with Clark than you did with Keyserling?

NOURSE: I would say on the whole it was more professionally useful. There was some friction in the Council, you see it in the cartoons and press comment, but it was overemphasized. And in fact, it was because of that strain many people felt that I resigned because I was out of sympathy with Mr. Truman's policies. And I said, "That's no proper basis for resignation. He makes necessarily political policies on economic matters, and I make my professional judgments about economic matters with a realistic view of the political setting, but without any political commitments on my part," so I would have gone along indefinitely on that basis. It was unsatisfactory, it didn't measure up to the possibilities of the Council, but we'll come to some of that later.

Keyserling introduced strains into our relationship and resented any exclusive contact of the chairman with the President. But he tried to establish, and did establish, his personal relations

with Clark Clifford, the President's close adviser. That developed into such strains that I said to myself, "If I try to live with this for

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another year I'll come to a physical nervous breakdown, and I'd better remove myself from the picture and let it develop as it will through Mr. Keyserling and Mr. Truman and so forth. I'll step aside."

Colliers magazine some months after I left published an article of mine, they wanted to caption it on the front, "Why Dr. Nourse Broke With President Truman."

I said, "That's ridiculous. Little old Nourse to break with the President of the United States. That's got things all out of perspective." I insisted it be titled, "Why I Had To Step Aside." I simply stepped aside from a situation which had worked pretty well for those three and a half years, but I was not going to be able to work adequately in the Council to the President's interest from there on.

HESS: One question on Mr. Keyserling: He did not have a doctor's degree in economics, did you feel that that left him somewhat ill-equipped to handle the job, or did you feel that he might have felt somewhat insecure not having the Ph.D.?

NOURSE: There's no question about the latter. Did that grind him, to think that they talked about Dr. Clark and

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Dr. Nourse, and Mr. Keyserling. He knew perfectly well that he had made himself a competent economist, and they all have their biases. Although he was as competent as more than half of the profession, he didn't have that recognition and it bothered him. So it was an inferiority-superiority complex there that was very trying on him and made the relationship trying.

HESS: In your opinion what was Mr. Truman's view of the functions or duties of the Council of Economic Advisers when it was established. What was the role that Mr. Truman saw for the Council?

NOURSE: Mr. Truman was a formal supporter of the Murray Full Employment Act, and of the Council, and he wrote a letter of genuine endorsement when the act was passed, but he didn't know what it was all about.

U.S. News and World Report once had a lengthy survey of opinion about Mr. Truman and one of the things they said is: "Mr. Truman is uncomfortable with scientists and economists. They are too precise and logical. He works on a different beam." And that in my judgment, was a very true appraisal of him. And that meant that

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he did not visualize in his own mind, the role of professional service that the Council could perform for him. In his decisions he turned automatically to business people, political people, including lawyers, and he relied very strongly on Clark Clifford who was his legal adviser.

He was figure-minded and he relied very strongly on Jim Webb who was Director of the Budget. You see they had a set of figures which we developed into economic indicators and that was the one thing where Mr. Truman made his most effective contact with the work of the Council. He had a leather-bound, short version of economic indicators each quarter. And I would take that to him, and take all the Council members, we'd go to him and we'd say, "Mr. President, here are the economic indicators with ten out of the thirty-two," or whatever we had there, "which we regard as most significant and worth watching, and here are our comments on those."

And he said to me one time, he reached into the right hand drawer of his desk, and he said, "Yeah, I keep this here all the time, and when people come in and talk to me about this, I say, 'Here are the

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figures,' and I pull that out." But he didn't say, "Here's the reasoning about these matters the Council of Economic Advisers has given me." That was beyond his intellectual ken.

HESS: That was a little more than he understood about the subject?

NOURSE: Yes.

HESS: One reason I mentioned that subject is that in your book, *Economics In The Public Service*, you said that Mr. Truman said at the time of the swearing-in, "Now you gentlemen just keep this national figure up to two hundred billion dollars and we'll be all right." That was quoted in Edward Flash's book, *Economic Advice and Presidential Leadership: The Council of Economic Advisers*. And Flash's interpretation of that statement is that in your opinion Mr. Truman had not given extensive thought to the use that he would make of the Council. Is that the impression that you meant to convey?

NOURSE: Oh, I think that's true, yes.

HESS: There was a period of time between when the Council

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was established and when the members were appointed.

NOURSE: Yes.

HESS: What did you see as the reason behind President Truman's delay in appointing the Council members?

NOURSE: Well, it was the fact that it wasn't at the head of his list of interests. It wasn't a thing that he was anguishing about. He wanted to go down to Key West and get a vacation, you see, and he was trying to clean up these other matters that he was more interested in.

In my book I quote a letter that a group of organizations wrote him needling him to make the appointments, saying, "Here we've got the act passed, but it's got to be brought to life by your appointments." And so, he got busy and I think said to Clifford and Steelman and John Snyder, and others that were his real advisers, "Now, who should we appoint on this thing anyway? I've got to get this thing through before I leave for Key West," and that was the way.

HESS: You mentioned John Snyder.

NOURSE: Yes.

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HESS: Did you work closely with John Snyder at the time that he was Secretary of the Treasury?

NOURSE: That was a very interesting and pleasant phase. You see, my first problem there was to get the Council accepted at Cabinet level, as the Congress had intended.

[Julius] Krug, who was Secretary of the Interior, had no interest in it at all. I don't think the Secretary of Labor had, I think Agriculture did. Snyder was definitely interested, and curiously enough, Forrestal was.

When I sent the first reports around to the Cabinet members, Snyder and Forrestal were the two who made direct written response to me, and Forrestal had some later contacts on it, but more casual, but he brought me into the orientation conferences that he had with the Defense Department on it. But Snyder went one better and made personal welcome to me whenever I called on him.

I found that he was responsive, that he was ready to talk the issues with me. He was no economist himself, but he had an understanding respect for economics. I could always get an appointment, I always felt that what I could get of mutual understanding of with John

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Snyder, with Jim Webb, and with John Steelman, would go into discussion with Mr. Truman the next day. That is to say that they would be mediators between economic analysis and the President's political judgment.

And curiously, after a time, Snyder sent me an inscribed photograph of himself and asked for a return from me. When his daughter was married in the cathedral, I was out of the Council, and he invited Mrs. Nourse and me to the ceremonies at the cathedral. There was a strange little personal rapport there that was very helpful.

HESS: At the time that you were appointed chairman, just what did you see as the proper role of the Council, and how did you try to implement that role?

NOURSE: Well, you see, I wasn't so much in touch with the way the thing had developed at that time. I had to formulate my ideas, I had my general personal code of professional moral philosophy.

I remember early meeting with the group. I don't know just how it was sponsored someway, but this was a group that had some little study on at GW (George Washington University). The head of the department

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there brought the group together. They rather put themselves at my disposal to kick around that very question of what it should be, what they thought it should be, how they thought it should develop and what I thought, and of course, Clark and Keyserling were there. So that was a very good symposium between the people who were off the Council but interested in it, and the members of the Council. This helped us to formulate our ideas for the Council's role.

HESS: Did you get some pretty diverse opinions from all of the various advisers as to what the Council could do, or were they pretty well united as to what they saw as the proper role of the Council?

NOURSE: Well, they were united on the idea that it should take an activist position with reference to the role of the government, and the Council as advisory to it. I'm not so clear in my mind as to how much they stressed what I stressed very much, namely the degree of professional, I don't want to say "detachment," professional...

HESS: Objectivity?

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NOURSE: ...independence, that we as professional economists should maintain. That goes on to the whole question of the later particular Helleristic interpretation.

HESS: Did they feel that you should remain objective and independent from political pressures?

NOURSE: Now that's a long time ago, '46, but as it remains in my mind, I would say there was much difference. Certainly Keyserling would expound a more participatory role, and members of that group, although I don't spot them directly, I'm sure stressed that. You want to get in there and do things.

Now I wrote to [Walter W.] Heller one time. I said to Heller, "If you had been the first chairman of the Council, you would have had to take a different posture than you took with Kennedy. If I had been chosen by Kennedy I would have been glad to take a more positive role than it was feasible for me to take when starting to inject the Council into the Cabinet system, and Truman's interpretation, because you know, his ultimate position was, 'I won't have anybody with Cabinet

rating that isn't a member of the Cabinet." And so he demoted the Council. When he came in the second term, he demoted

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it to a sub-Cabinet role, not Cabinet role. The notion of Cabinet rank had been a mistake. Truman's change was right, but his reasons for changing it were not good reasons.

HESS: Did you sit in with Cabinet meetings until 1949? During the first term?

NOURSE: Twice.

HESS: Twice.

NOURSE: Twice in that three years and a half.

HESS: Why only twice?

NOURSE: One time at my suggestion; one time at the suggestion of Jim Webb, I'm pretty sure, perhaps Snyder, perhaps Steelman, but those who had a higher impression of how the Council might serve the Presidency.

HESS: Do you recall what the occasions were that called for your sitting in on the Cabinet meetings two times?

NOURSE: I'm sorry that my memory plays me tricks there. I think -- no, I shouldn't honestly, I shouldn't put it on the record. The second one was in the summer of

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'49, just as I was leaving, when it wasn't strictly a Cabinet meeting I think, it was Cabinet members and agency heads facing the question of how the point 4 program should be developed and so forth.

HESS: I see.

NOURSE: That was the one time when the President put a question directly to the Council to answer and advise him on, and I'm sure that was on the motion of members of that group rather than on his own motion. We were so little in agreement that two reports were filed. I filed a separate report but since I left the Council a couple of months later that was no real follow-through.

HESS: Would it have been a better idea if the Council had been established on the Cabinet level?

NOURSE: If his relationship to the Council, and intentions for the Council, had been different then he would have wanted, he would have found times when he'd say, "Well, we had better let

you discuss this with the Cabinet, let the Cabinet examine you on this, let the Cabinet see what you have to offer as well as the President," but I don't think they should pro forma sit in on all

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Cabinet meetings.

HESS: Would he have been better served if he had made use of the services that were available to him? Could he have used the Council of Economic Advisers in a better way?

NOURSE: I don't think he could have used them better. You see his pattern was formed through his business and political background and so forth, and so he had to operate according to his likes.

HESS: What do you see as the strengths and weaknesses of the Council of Economic Advisers during the time that you were chairman? What accomplishments were made and what would you have liked to have seen accomplished that was not accomplished?

NOURSE: Well, this may seem a little presumptuous, but I think it was true that there was a dual sort of accomplishment. A. I made it clear that the Council under my chairmanship was going to be a professional body. The second part of that was that it was going to represent the whole profession. I wasn't going to staff it with people who just agreed with me, and

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Keyserling and Clark both turned the staffing pretty much over to me, and said, "You know these people, the problems better than we do, now you take the lead on this." And as I stated in my paper, my whole concern was to get people whom I regarded as professionally competent and let them bring their separate expertise, and their separate, I wouldn't say biases, but temperamental adjustments, and so forth.

HESS: Their viewpoints?

NOURSE: Yes. I wanted them to be representative of the profession, to let the staff and Council work together, to serve as a forum for discussion.

Now the profession recognized this. After I left I spoke briefly at a meeting of the American Economic Association which discussed this problem. Paul Strayer and I forget who else were speakers, and I spoke briefly. And a friend of mine afterwards said, "My, that meeting gave you an ovation of endorsement of your making it a catholic representative professional body."

HESS: While we're on the subject of the staff, would you tell me just a little about each of the men who were

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on the staff; what were their strengths and weaknesses; what did they bring to the Council? The assistant to the chairman was Bertram M. Gross, what did you know about him, why did you bring him on?

NOURSE: He was administrative assistant. A member of the Council, other than me, offered him the post of assistant to the chairman.

HESS: Who?

NOURSE: I'd prefer not to mention.

HESS: All right.

NOURSE: I brought him in and said to him, "Now, I'm not going to turn the running of the Council over to you, I'm not going to make you administrative assistant in that sense, as assistant chairman, anything of that sort. You know, you've been in all sorts of connection here in Washington, you know the ropes, and you can be of great help to me in that connection, but policies and decision will be mine. You're not to make them independently." The proposal was made that Gerhard Colm become chief of the staff, and he was very anxious

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to do that.

HESS: What was your view of that?

NOURSE: I called him in and said, "It's been suggested that you can be brought in as chief of staff." And I said, "I'm going to be my own chief of staff."

"You are a very able economist, you've had a very wonderful experience, your foreign experience first, then in Commerce, and then the heading up this sort of thing as you developed it in the Budget Bureau. So to transplant that work over here, and you with it, is something I devoutly wish and need, but it is not turning the staff work over to you. I'll keep that under my directions." And he brought his assistant, Mary Smelker, over with him and they set up a fine unit. I think that smoothed the situation over.

What I did was to establish a group of three and said, "You will be responsible for all this National income, statistical and interpretive sort of work." Now, I said, "Paul Homan has a very excellent view and deep interest in this work. And I'm going to make Paul" -- he had a great facility for writing -- "and I'm going to make him the chairman for report writing and

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for organizing the work in back of it."

Gerhard Colm, Paul Homan, and the third member of that directive group of the staff, was Fred [Frederick V.] Waugh, whom I had brought over from the Department of Agriculture. He was a very competent statistician and we had a lot of statistical work. So you see, we had the analytical member, the literary member, and the statistical member, the three working together as a group to carry on the work of the staff and communicate back to the Council, and from the Council to

staff workers in the preparing of reports and so forth. And it was a very satisfactory arrangement. They were three extremely able men.

HESS: We have several others to discuss, but just in general, just how did you prefer to assign your staff work? Did you have meetings in which you would assign different people jobs, or would you call people into your office at various times of the day? Just how did you handle your staff work?

NOURSE: I think that there were two phases of that matter. One, Keyserling sort of nominated himself as responsible for whipping reports into shape as they came from these

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three members, and the whole staff. So he did a good deal of that sort of thing, he took it out of my hand somewhat. If I had been satisfied with just the standards that he applied to it, I would have been glad to have that arrangement as a partnership, but it wasn't quite that easy.

I'd like to put in a footnote here, that although there was strain during my time on the Council, Mr. Keyserling and Mrs. Keyserling, who as you know was head of the Women's Bureau, a professional woman in her own right, that we established a friendly relationship and entertained back and forth, with mostly their entertaining me at dinner. And I think it was after my wife died they entertained my sister several times and then entertained me alone. And, we've had Christmas cards and interchanges, and he sends me the publications of his organization and I send him stuff, and get comment and exchange back and forth. It's a nice professional friendship and that has continued right on down. I want to put that in a footnote because the question of antagonism has been overplayed.

HESS: All right. Another one of the economists was John C. Davis.

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NOURSE: The father of Rennie Davis.

HESS: Really?

NOURSE: Who was a labor economist, and I brought him in. We had another one first, but just on loan from the BLS and when he went back we brought John Davis in. Davis was an able labor economist and had a good combination of objectivity and commitment to the cause of labor, a very satisfactory relationship. Another one I want to highlight was that of [Donald C.] Wallace, who was in OPA, and had come from Harvard and I had known him in connection with my price studies, I'd known him professionally and before he went into OPA. And so I went gunning for him. You see, in making up my staff I went after people who were coming out of government agencies. I went after Willard L. Thorp who had been Assistant Secretary of State and, oh, I don't know, I tried for this chap up at Columbia, I can't think of his name. To Don Wallace I said, "You're going back to run the Woodrow Wilson project back at Princeton, but that won't start for a year, and you're coming out of a government agency, OPA, and you need about a year in a decompression chamber between government

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administration and a research position at Princeton." And I said, "This is just the place for you." Well, I sold him the idea and he served excellently for a year, and during that interval I brought in Benjamin Caplan, a University of Chicago product who had been in this sort of work in the government, an excellent price economist, and he took the position after Wallace left.

HESS: And another one of the gentlemen was Edgar M. Hoover. Do you recall anything about him?

NOURSE: Yes, Hoover you see had specialized at the University of Michigan in location of industry, and that was a question in the rehabilitation from the distortion of war plants to get back to continuing peace plants, so he was a specialist in that field.

HESS: Charles V. Kidd.

NOURSE: He's just in there very briefly.

HESS: Tom Hitch?

NOURSE: Hitch was a very bright brother of Charlie Hitch you see, who had been with Rand Corporation, a think

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tank there in California, and then went on as Assistant to MacNamara in the Defense Department and he's somewhere in the government now.

HESS: Robinson Newcomb?

NOURSE: He was a housing expert. He had worked with a number of business associations, and was a well trained economist. He was another specialist that I fitted into the group.

HESS: And Walter S. Salant, who is at the Brookings Institution now.

NOURSE: Well, of course, Salant is an extraordinarily able person in the monetary field. And I know Homan said about him one time, he said, "He knows so much more than the rest of us that there's no comparison."

Well, that was a slight exaggeration, but I've heard Kermit Gordon after Salant was there at Brookings make almost as extravagant a statement about his capacity. A wonderful person and a very fine economist. And that was a field that we needed to work on. Colm had it for the fiscal side and Salant had it for the monetary side. Those two made us very strong on this

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new aspect of economics that was being developed at that time.

Several of the people I approached demurred; "Oh, I'd love to come on, but I've been away from my academic work for so long and my children are just coming on to the stage where I must get them back on to something permanent, so we can't come."

HESS: Who would you have liked to have obtained for the staff that you couldn't get?

NOURSE: Well, I mentioned Willard Thorp, who was Assistant Secretary of State for Economic Affairs, and this chap from Columbia. I went after him hard. There were a couple of others, I don't happen to recapture the names now.

HESS: There were some differences of opinion as to whether the members of the Council should testify before congressional committees. Do you recall anything about that?

NOURSE: Do I recall anything: That was a continuing problem.

HESS: What was the main area of disagreement on that subject?

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NOURSE: My point was that the Council should be professionally free to discuss the nature of economic issues with the President, and to make as clear as possible to him what consensus there was in the Council, and more broadly in the profession, and what differences there were, and that should be confidential to the President. We should not be out revealing our personal opinions and the advice that we gave to the President. Either we would be yes men just saying that we agreed with what the President did, whether we did or not, or else, they would say, "Well, these professionals advise the Council to do this, and he did this other, and they drive a wedge between us," so I said, "We had better just keep our mouth shut."

Some people said I was inconsistent because I went out and talked to various meetings, not a great number, but I think there were some fifty over the three years, but in those talks I discussed the nature of the issue, as economists understood them, rather than making myself a protagonist for a certain interpretation. And that was true in what I said at Forrestal's orientation conferences. I tried to define the issues between military and civilian expenditures and so forth.

In a speech at the Executive Club in Chicago, I

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tried to lay out the issues as they were confronted by businessmen and by government, and to present a professional economist's view, that to effectuate the things that the employment act was supposed to do, businessmen should understand these issues broadly and take as broad a policy and program position for themselves as they could in view of the exigencies that they faced as administrators of a corporation or a trade union. I thought I could discuss it up to that point, but not propagandize or try to get them to take a particular position rather than to take an objective view of national interest.

HESS: You mentioned working with, and holding conferences with Mr. Forrestal. This brings up the subject of defense spending; how much could adequately be spent on national defense,

what would be too much, and what would perhaps not be enough? As you will recall, there was a period of time following the Second World War and before the Korean invasion, in which appropriations for defense spending were cut back. Several people have been mentioned in that connection; Louis Johnson for one.

NOURSE: Louis Johnson will never forgive me for supposedly having been the supporter, if not the architect of that cutback.

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Forrestal had a more objective attitude, and I think he wanted to get the benefit of professional advice on that problem, but he had temperamental difficulties which ended in a suicide, as you know. He called me up, or his secretary, his office, called up one day and my secretary came and said, "The Secretary of Defense is inquiring whether you could have lunch with him in his private dining room," on such and such a date.

And I said, "I must. We'll arrange the program so that I can be responsive. When the Secretary of Defense makes that approach to me I must be responsive regardless." So, the answer was yes.

I went over there and his people met me, and ushered me into his private dining room. I looked around to see what the pitch was, no one was there. They said, "The Secretary will be with you as soon as he can get himself free in a moment."

After awhile he came in and greeted me and the stewards started serving a lunch, and we engaged in chit chat about matters in general during the lunch. And as time extended and the meal was finished I thought, "Well now he'll spring the question which he's been a little

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diffident about." But some question I raised, he said, "Now, Carpenter," I think it was the chief adviser who came from business, he said, "Now Carpenter can tell you more about this." And he buzzed and Carpenter came and we discussed that point. Carpenter said, "I must get back to my shop." Then I looked for Forrestal to take the thing up and after a while I had to say, "Well, Mr. Forrestal, if this is all you want to discuss with me, I'd better get back to my shop," and that was that.

HESS: That was all there was to it?

NOURSE: Now there was just a psychological block as I understand it, that prevented him from communicating from his side with me, where he wanted to get advice probably on that very question...

HESS: Of the cutback.

NOURSE: Yes, because you see, he had brought me into two or three reorientation conferences where he had government people and business people and the public interest widely represented and he had just invited me to come in and speak my piece.

HESS: Did you feel that he thought that the cutback was

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too severe?

NOURSE: Forrestal?

HESS: Yes.

NOURSE: I have no notion what his feeling was.

HESS: He didn't communicate that much.

NOURSE: Well, we didn't get on to it you see. He just had a block. And this is only my supposition that that was the question he wanted to raise, but that was so much the issue at the time and his orientation conferences pointed so much in that direction that it seemed clear. Johnson made it immediately and sharply clear that he held me personally responsible for having given the President bad advice on this, given him the wrong economic priorities.

HESS: Johnson made it clear that he thought you were responsible for the cutback, is that correct?

NOURSE: Well, that he blamed me for it. Yes, he made it perfectly clear.

HESS: What was your view on the cutback? Did you think that

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we were spending too much on defense appropriations?

NOURSE: Well, the gist of what I said at the orientation conference was my economic analysis. And I opened it this way saying, "An economist coming into a Defense conference here is likely to be about as popular as the polecat at the Bishop's garden party. You Defense men [I was talking to them], and the Defense Department have a professional commitment to give the country the most adequate defense that your expertise indicates is needed and possible. The economist approaches it from the other side. His priority is for letting as little of the gross national product as possible be drained into the non-productive, and even the destructive expenditure, of military expenditures." And so I said, "We approach the issue from the opposite poles and the problem is to come to a professional understanding." (We didn't have the word "trade-off" then.) "What is the consensus of what can wisely be allocated to these different uses of the gross national product. And in that, naturally, the Chairman of the Council of Economic Advisers would be bound to be concerned in trying to see where defense expenditures could be held down. And the Secretary of Defense would be

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zealous to see that there was no cut in expenditures that impaired the ability of the Defense Department to meet any exigency."

HESS: According to my understanding of the situation, Louis Johnson did want to cut back on the defense appropriations at that time. And I could be wrong, but as you may recall shortly after he came in he cancelled the contract for the super carrier, down at Norfolk, the U.S.S. *United States*.

NOURSE: Yes. That's true, he was not a bigot on it, he was not a drum thumper on this, but he said, "There is a place where we could save something, but I don't want anyone over there in the economics department to make a broad definition of the degree of spending. We should do it here, where we think savings can be made, not where they think the total adjustment between military and civil defense is made." That is my interpretation, although, I did not have extended conferences and I might take out the word "extended," did not have conferences with him to try to reconcile the differences of that sort. Now perhaps it was my fault.

HESS: With Louis Johnson?

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NOURSE: Yes. You see that was close to the time of my leaving. I was busy with liquidating my office then.

HESS: That's right. He took over on March the 28th of 1949. This is a question that interests historians. In the cutting back on defense appropriations and the cutback in the armed forces, if Louis Johnson was merely following the orders of others, merely following the dictates of the budget as it had been presented to him, or whether he, himself, was zealously going further and making cutbacks on his own over and above what would reasonably be expected of a man in his position. Do you think Louis Johnson was just carrying out orders when he cut back on the armed forces?

NOURSE: I don't think so. And that is why there should have been something like the abortive Forrestal thing. If he had approached me and said, "Now, Nourse, we seem to be a little out of step on this thing, can't you come over and discuss this so we can have an exchange of views there," that would have been wonderful.

It would have been wonderful at Forrestal's stage and it would have been even more immediate and pressing in the Johnson situation, and you might say,

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"It's too bad that Nourse, since he knew that there was some criticism there, why Nourse didn't call Johnson and say, 'Well, can I come over and see if we can come to an agreement, or at least a mutual understanding of our positions and the reasons for them on that.'" Now there was a missed opportunity, but you see, I had already before that time written a letter to the President saying I thought he needed a different kind of a chairman.

HESS: That was just after the election in '48?

NOURSE: Yes, in December.

HESS: James Webb was director of the Bureau of the Budget at that time. What do you recall of his views on whether the armed services should be cut back at that time?

NOURSE: Well, there again, my relationships with Webb were most friendly and professional and respectful both ways. And he was a great help to me because the President was figure-minded and Jim was his figure man. If we gave Webb the economic analysis that oriented him it would become immediately effective with the President.

But again, looking back in retrospect, I would say

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that this was a missed opportunity, that Webb had not come to me or I gone to him and said, "Now here is an issue where budget and economic theory and priorities join, and let's make sure that right at the top, the chairman, the Council staff members, certainly with Colm, you and your people, Stuart Rice and various people that you have, we should have a real skull session on this."

Now neither of us did that, but that's what should have been done in the development of the Council. Now if the things had been going beautifully and I had been planning on the future and been smart enough to see that, you can see how the Council might have developed under a different President with an attitude such as Eisenhower had with reference to [Arthur F.] Burns and that Council.

In my judgment theirs was a high mark of Council performance of President and Council, a mutual performance.

HESS: What did they do that was different than what was done during the Truman administration? Just for the record.

NOURSE: Well, Eisenhower had been in the summit position, in the military sense, comparable to the President's

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position. He knew, by experience and contemplation, because he had full comprehension of the nature of staff work, that's part of the military setup. He valued staff work. He thought that in Burns he had the top staff man to advise him. And so there was an approach from both sides there. Arthur had established a long relationship with Eisenhower which I had never had with Truman. Truman was a different sort of a person with a different sort of a background. Eisenhower could immediately call Arthur in and say, "Now, what about the economics on this?"

Burns said to me when I asked him about how he was getting on with this, he said, "Well, Eisenhower has a good mind, is an excellent listener." He said, "As questions come up that he is interested in, or that I raised because I think he ought to be interested in, people have told me, 'Don't bring him any memorandum any longer than one page.' and I bettered that advice by not bringing him a written memorandum at all. I had my memorandum, I had it worked out very

carefully, of the agenda that I want to discuss with him and the way I want to approach it. So, he expects me to do that. We know what the question is that I have raised

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or he has raised, and he says, 'Well, how about it Arthur?' I go ahead and after a time he'll interrupt me and say, 'Now, hold on, I wonder if I understand just what you are saying there or what the implications are.'" Now you've got two-way communication, which I never had with Truman.

Burns was acting in a different situation because he had that relationship, but at the same time, Eisenhower had George Humphrey, a hard-shell businessman as his other top adviser from the field of practical business. So he had to reconcile the economic analysis and the practical savvy of the top-flight economist with the practical and biased savvy of an executive out of the steel industry.

So that was a flaw in the perfect working of the situation, but as I say, I think that was the high point of the President-Chairman relationship.

HESS: Why didn't you find it possible for you to establish the same type of relationship with Mr. Truman?

NOURSE: I can illustrate it by a particular point. A thing on which I had generally recognized expertise, was the question of agriculture's part in the national adjustment. The Brannan plan was a proposal which I thought had serious twists from sound economic analysis

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and subsequent action. And so that was the time when I thought it was appropriate for me to approach the President. So I set up an appointment and I was there all alone with the President, and I raised the question of the Brannan plan. And I think this is in my book. The President said, "Oh, I think Charlie's got something pretty good there," and that ended the discussion, that shut me up. What the President meant, I think, "My intelligence makes me believe that the Brannan plan is going to give me strong agricultural support. Brannan's got something pretty good from the political standpoint and that's where I have to operate."

The other case was in connection with a steel strike. I sent a note to the President suggesting that the Council would be glad to discuss the matter with him as to its impact on the economy and desirable terms of settlement. He brushed off this suggestion, however, and turned the matter over to his assistant, John Steelman, and we had no opportunity to participate.

So there I think those two episodes, or those two descriptions, contrasted, of course the Heller-Kennedy and later Johnson relationships are something else again, because the nature and success of the Council,

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as an agency of government, will depend on the succession of Presidents and succession of chairmen.

HESS: How would you characterize your working relationship with the White House staff; Dr. Steelman or Clark Clifford for instance?

NOURSE: The President when we were sworn in said, "Now, your relationships will be primarily with Mr. Steelman." That was sort of a shunt off of us right away, but that was the natural suggestion and I took it up immediately and would seek consultation with Steelman just as I did with Webb or Snyder, those were the principal ones. And I'd go over to Steelman's office, or I guess sometimes he'd come to mine, and discuss a problem.

Now you know he had been a sociologist down at the University of Alabama wasn't it, and in labor relations primarily. So he liked to make the most of his professional qualifications. I was perfectly willing to discuss economic problems with him on a professional plane, at the end he would say, "Yes, we economists understand this, and I will explain it to the President."

This was fine with me because Steelman saw the President every day, and had his full confidence.

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HESS: Did he pass it on to the President?

NOURSE: I think so.

HESS: Do you think that he was an effective channel of communication for your thoughts and ideas?

NOURSE: Well, he wasn't a hard fighter for it, he wasn't my mouthpiece or anything of the sort. But it entered into his thinking and fell within his limitation of how much he could -- I don't know how hard he would have argued for my questions about the soundness of the Brannan plan or about cutbacks in defense or something, I don't know anything about that.

HESS: What is your opinion of just his capacity for a general understanding of economic matters?

NOURSE: Steelman?

HESS: Yes.

NOURSE: Well, he'd been exposed to social science thinking, and the social viewpoint, you see, with reference to labor problems and social reform and that sort of thing. He was not, so far as I ever discovered, a skilled

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technician in any field of economic analysis, but he was about at the level of communications between professional economics and the President's political policymaking.

The same way, neither Steelman nor Snyder was a professional economist, but I could have fruitful discussion with them, which in some degree I thought we carried over to the President. Take Burns with the President. Burns would give him all of the economic tutoring that he could in the situation and then how much of it Eisenhower absorbed and accepted and would fight for against George Humphrey nobody knows. Of course, that's the name of the game.

HESS: What about Clark Clifford? Did you have a workable relationship with Clark Clifford?

NOURSE: No. Clark Clifford had had intimate relationships with Keyserling and in the group that wrote the Full Employment Act and so forth, and he came in there and sensed, I interpreted, as being a special relationship between the chairman and the President, whereas Keyserling said, "This is a coordinate body, and the chairman should have no special relationship with the

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President."

He then said, "All right, I'm vice-chairman and I've got my man in the White House, Clark Clifford." And he worked through him, and stuff that should have been referred from the White House to the chairman of the Council I found was being processed in the staff under Keyserling's direction.

I went into Keyserling's office and said, "Well, how come the Council matters are not coming through channels?"

"Oh," he said, "that's not the case, whatever comes will come to you." I saw the thing lying on his desk with a red sticker on it and he looked up bland as a baby and said, "It isn't that way," and I knew it was. Well, what could you do, except resign?

HESS: Did you ever try to bring the matter to the White House's attention?

NOURSE: No. That was not within my code. I brought it to Steelman.

HESS: What did he say?

NOURSE: And Steelman said this: "The President recognizes

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that there is a self-defeating situation there and we at the White House would resolve that by letting you pick a new vice-chairman, but," he said, "we have not found anyplace where we can kick Mr. Keyserling upstairs and we can't move him sideways or downstairs, because he'd raise merry hell with his supporters outside."

So that was it, and the President's response to my resignation, which he never mentioned to me, was to have Steelman invite me to luncheon at the Mayflower and say, "Well, we're very sorry that you have decided you have to leave the Council. What are your suggestions as to men who you think would most adequately fill the post of new chairman?"

And I mentioned names, and they approached at least two of them to my positive knowledge, probably more, and they responded, "As economists we recognized that Nourse is licked on this professional issue, that if he couldn't function in that position [because I'd had twenty years experience in Washington, a half a block from the executive office, I'd had some savvys some didn't have], if he couldn't make it work on a professional plain, we know we'd be licked before we started," and they declined.

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And so after a wait of six months, well, really from September to the following April or May, with no other solution in sight, they made Keyserling chairman and picked up a new third member, Roy Blough, a very good man. I'll say that for them, they always appointed good men.

Blough was from the University of Chicago, experienced in the Treasury Department, a splendid man, a lot of savvy on the financial side.

HESS: Getting back to the cutback in the armed forces, do you recall what President Truman's view was on the reduction of the defense appropriations?

NOURSE: He never shared his view with me on the matter.

HESS: I may have my figures completely wrong, but I think that the military had made a request of seventeen billion, Mr. Truman asked them to reconsider and I think they came down to fifteen billion, and then the defense appropriation that was made that year was further reduced to thirteen and a half billion. Are those figures about right?

NOURSE: If my memory serves me correctly, Jim Webb discussed

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that matter with me in this wise. He said, "When the President sent out his call for budget figures from all the departments in September he set the figure for the Defense Department at thirteen billion. I do remember that figure clearly. Webb said, "In spite of that instruction by the President, the Defense Department came back with specifications of twenty-eight billion dollars and I, at the President's instruction threw that back at them and said, 'I told you the figure with which to operate and you have completely violated that. Give me a new set of figures at that level.'"

And it was at that point that it proceeded -- I do remember that figure thirteen, but I was not fully a party to that. I thought he was going in the right direction.

HESS: You also thought it should be reduced, is that right?

NOURSE: Yes, and I left it to them, to the Budget Bureau with its intimate view of alternatives and the President's view of his properly political judgment on the thing, I left to them to work out.

I didn't think that economic analysis had anything more to contribute there. I don't believe it did, because

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it became a technical question of defense hardware and all sorts of commitments and so forth, and of what was needed in other places and the President's view. And as I say, I thought it was their decision at that time.

HESS: On the general subject of the Budget Bureau, what do you think the President would do if he received conflicting advice from the Council of Economic Advisers and the Bureau of the Budget, or really indeed, is that likely, given the roles of the Council of Economic Advisers and of the Budget Bureau, is it likely that they would give conflicting advice?

NOURSE: Not very likely under Nourse and Webb because it was just at this juncture in the fall when they were making up their budget estimates I remember distinctly that he asked me to come down with the other members of the Council and such staff members as I thought I should bring along to meet with him and his division members there, to discuss this problem, the economics and the arithmetic, and put them together.

We had a good discussion, and some follow-up. The follow-up was at the staff level pretty much and that's perfectly right. They are technical experts on all

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phases of the matter and I made a great point of this free intercourse between staff members of the Council, staff members of Budget, staff members of State, when the Marshall plan came up and so forth, staff members of Agriculture, and across the board. And I said that also with reference to the Joint Economic Committee relationships when Oscar Hardy was staff director, I said, "The doors of the Council quarters here are always open to your members -- to you and your members to come over and discuss questions here at the technical level. For you to discuss them with the chairman and the Council, but not for the Council chairman, or the Council members to come up and discuss it with Congress."

Congress, in its wisdom, implemented the Employment Act with two study agencies; at the legislative level through the Joint Economic Committee, and at the Executive level by the Council of Economic Advisers. They gave the JEC a lot more money than we had to staff itself and conduct its studies and ponder our findings. The Council of Economic Advisers had a small staff of experts to service the President, not to service the committee or other committees of Congress. They had a good American separation of powers there which I

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respected and honored.

HESS: I thought you gave a very good thumbnail description there of the roles of the Council of Economic Advisers and the Budget Bureau when you said it was the difference between economics and arithmetic.

NOURSE: Well.

HESS: That's pretty concise, of course, but is that just about the difference between the two departments? You were primarily interested in the economics of the nation and long-range planning, whereas the Bureau of the Budget is interested in "x" number of dollars for this department, and "x" number of dollars for that department.

NOURSE: That's their job. That's their job, to convert policy into a working set of figures.

HESS: There were three other men who served as Director of the Bureau of the Budget for Mr. Truman. Harold Smith had probably left...

NOURSE: Before me.

HESS: ...before your time.

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NOURSE: Yes, Webb came in just a few months before I did.

HESS: And then I'm not sure when he left, had Frank Pace come in while you were still with the Council?

NOURSE: Yes.

HESS: What was your relationship with Mr. Pace?

NOURSE: It was quite friendly, I got a Christmas card from the Pace's this last Christmas, so that shows a kind of personal relationship there.

He was very respectful, as Webb had been, he carried on Webb's attitude and Webb's helpful relationship with the Council. He didn't last very long, so there's not much more to be said about that relation ship. I don't recall anything that I would want to subtract from or add to that general statement.

HESS: Then Frederick J. Lawton, of course, came after you left the Government, is that right? He was head of the Bureau of the Budget.

NOURSE: I'm not sure just when his appointment dated, but it was my impression he came in before I left, because I identify him definitely with the executive

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pay bill which moved the Council down in the hierarchy.

You see we started in at \$15,000, which was Cabinet salary. And in the pay bill that Lawton shepherded through, either as assistant director or director of the Bureau of the Budget, he must have been one or the other, I think that he shared the view different from Webb, that the Council

had kind of cut the wind off the budget sails you see, because they had started under Colm to build up this economic analysis division in the Bureau. I could be quite wrong and I perhaps shouldn't put that on the record.

But at least to say it ended up that way, in the advance the Council was moved from \$15,000, the former Cabinet salary, to \$16,000 and the Cabinet members were moved up to \$22,500 or something of that sort. So the budget carried out the President's idea of differentiating the Council from a Cabinet agency.

HESS: Were there times when there were indications of lack of understanding and lack of rapport between the Council of Economic Advisers and the Budget Bureau? Lack of understanding of the other fellow's mission perhaps?

NOURSE: I don't recall that there were, you see, because

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they had some grand persons over there, not only Webb and Pace. I mentioned Stuart Rice already, he was one of their top men, had a fine broad view and appreciation.

HESS: He was head of the statistical division for the Bureau of the Budget, I believe.

NOURSE: Yes, and he was a very competent person.

When Gerhard Colm and Mary Smelker came over from the economic analysis division of the Budget they brought a very fine understanding of the problems with which we would deal.

HESS: What role did you play in the development of the Marshall plan?

As I understand it, in the summer of 1947, the President set up three special committees to advise him on Marshall plan matters. The first was headed by Secretary Krug of the Department of the Interior, and their task was to report on the drain on natural resources. The second committee was the Council of Economic Advisers committee, headed by yourself, and was to gauge the probable impact of such a program on the national economy. The third was a citizens committee

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of nineteen members, headed by Averell Harriman, who was Secretary of Commerce at the time; their task was to study the other two reports and draw on their own experience to make recommendations of what could wisely and safely be undertaken under the plan.

NOURSE: Right.

HESS: What do you recall about the findings of your committee and what is your estimation of the success of the Marshall plan? First, the findings of your committee.

NOURSE: Well, I think I would approach that a little differently if I may.

HESS: All right.

NOURSE: I thought someone in the White House entourage had, following Marshall's espousal of this idea.

HESS: The speech at Harvard announcing the plan to the public was on June the 5th.

NOURSE: Then as a follow-up Secretary Harriman invited the three committees to a conference at the Commerce Department. Krug and I each brought the men who we

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were deputizing to head up the study. Accompanying myself and the other members of the Council of Economic Advisers were Paul Holman and Gerhard Colm. And General Marshall, Secretary Marshall, made his statement with reference to what he had sprung at the Harvard speech. As soon as he got through, Jim Carey, who was the head of the electrical workers union and a member of the citizens committee said, "Mr. Secretary, why did you choose Harvard as the place to make that path breaking speech?"

And Marshall, in his delightful way, smiled a little and said, "Well, I thought that Harvard was just about the respected conservative theater in which a radical plan should be sprung." That was delightful.

He made one other remark which is pertinent to this discussion. He said, "People have criticized my appointment as Secretary of State saying that that is not the place for a man of military training and the military mind to function." He said, "I have not felt guilty or self-conscious in that relationship, because the role of a top military commander is to lay out, appraise, examine situations, and make an analytical

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examination of those as the basis of getting a plan of strategy and of tactics and of the whole follow-up." Now he said, "This seems to me that this, translated from military to civilian terms is essentially what I'm called upon to do as Secretary of State." I thought it was a beautifully perceptive statement.

HESS: Just what is your general evaluation of the success of the Marshall plan?

NOURSE: I think that my personal and perhaps biased judgment would be something like this, to say that it seemed to me that it was a very astute appraisal of the postwar situation and next steps to be taken in that situation. When it was developed, as it was, into a plan of Communist containment, I think that it lost its scientific character or its sound basis.

Now, of course, there are an enormous number of questions of how each particular one of the four phases of the plan was carried out and developed.

I thought it was a good start, and we still are wrestling, in both Europe and Asia, with the inadequacies of a solution that we'd worked out from that start.

Now that is a very untechnical and generalized

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sort of observation, but that's about the way I see it after these years.

I don't think that my observations about the development of the Marshall plan, could be taken at all seriously, because I just haven't been a close enough student of that or close enough in touch with it. But I think we might go back on that question of the three committees and why I think that was a pretty good setup.

They asked the Department of the Interior to make a technical appraisal of the drain on national resources at different levels of the program, then they turned to us to make an economic evaluation of that.

Then there was the citizen's committee of nineteen, broadly representative of the public interests. I mentioned Jim Carey, the head of one of the active militant labor unions. They had Harold Moulton, president of the Brookings Institution on it, and the other names don't occur to me, but it was a very representative citizen's committee with a wide range of expertise. They were to look at the two technical appraisals, Krug's and mine, my staff's, and then more briefly to debate and see how much they could come to agreement on the issue of how much the government could

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wisely or safely put into that reconstruction effort. I thought that was very well conceived.

HESS: We have a copy at the Library, this is the 112 page study, "The Impact of Foreign Aid Upon the Domestic Economy: A report to the President by the Council of Economic Advisers," October 1947.

NOURSE: I'm sure that I filed a copy of that with my Truman papers.

HESS: All right, anything else on the Marshall plan before we move on?

NOURSE: Not that I think of.

HESS: All right, what do you recall about the development of the Keynesian thinking among economists during the Truman years? Just what was the degree of influence that John Maynard Keynes seemed to have on economic thinking during the Truman period?

NOURSE: Well, you see Keynes wrote first his *Economic Consequences of the Peace*, because he was very close to those affairs, and then he went on to his new interpretation of the complementarity of public

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enterprise in a democracy, distinguish and developing the complementary roles, or what in my book I call the "reciprocating" roles of those two agencies that manage our society. That's what it comes down to, private management and public management, not the old laissez faire idea.

The role of fiscal and monetary policy in the economic process was the essence of the Keynes doctrine. Well that was the essence, of course, of the whole Keynesian approach, and that approach had been taken up by Alvin Hansen, who was adviser to the Fed and I think at the Treasury, was in and out of the Washington scene there and developing an American Keynesism, or activist complementary policy. Back in the New Deal and in the TNEC days, all that was getting into the thought-stream of the country, and then it had its tangible expression in the Employment Act.

Do you want more on that?

HESS: Oh, that's probably quite adequate.

NOURSE: Have I been responsive there?

HESS: Yes.

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NOURSE: But you see, the economists today, are talking about our post-Keynesian economics, but the stream goes back to Theodore Roosevelt and the Woodrow Wilson idea of the *New Freedom* and so forth, and then the FDR application of it in the time of crisis by way of emergency measures, and then its sophistication into a permanent system, outline of a system, under the Employment Act.

And now we are in the stage of what I call the sophisticating of ideas of freedom and equality from the Employment Act declaration. We had a Declaration of Independence back in 1776, and I like to describe the Employment Act as a formal declaration of inter-dependence between government and the private sector. Because if you read that statement of policy, it's the emphasis of the dependence of the different government agencies and functions on each other, and of the government on the private sector and of the private sector on the government, so it is definitely a declaration of interdependence.

HESS: All right. We have mentioned your views of the New Deal. But on page 24 of Edward Flash's book, *Economic*

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Advice and Presidential Leadership: The Council of Economic Advisers, he states that you shared Truman's concern for a "sound money" policy, of living within the Government's budget and consequently of not increasing defense expenditures, but that you had little sympathy with underlying Fair Deal policies. Just what was your view on New Deal-Fair Deal programs?

NOURSE: Well, that's partly right and partly wrong, as one who took his doctorate under J. Lawrence Laughlin at the University of Chicago and had gone along with this market concept of

balancing supply and demand through price, the concept of deficit financing as an implement of adjustment didn't come into my training experience very much up to that time.

In what I'm writing on this book of mine now, I see a retention of my general approach, which is against heedless incurring of deficit or over-optimistic appraisals of a self-refunding process. Take Hansen's phrase, "doing the job pays the debt." Well, that's a half-truth, a very important half-truth. If you spend, if you incur deficit expenditures, as corporations regularly do, to increase future productivity; if you

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spend them skillfully and if the breaks are with you so that those expenditures are as productive as you expect or more productive, then your calculations will be realized in three, seven, or fifteen years. But just to say, "Doing any job will pay a deficit incurred in doing it," that of course, is nonsense.

That is the area of acceptance of deficit spending policy that I have reached. I have moved from a conservative view that the budget should be balanced within the span of a business cycle to a longer view. When you take longer views than that, you are tapping larger potential power. You also encourage larger potential dangers.

And that's what seems to me the situation that we have got into of instead of resulting in full employment and the maximum potential GNP that a lot of the stimulus has been diverted into inflation, and Keynes himself warned against that. He said, "If you have unemployment and you incur these deficits and so forth, up to a point, that is a solution of that kind of problem, but if you handle it so unskillfully that it gets into inflation, then the policy defeats itself, or you come to the limitations of the policy."

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HESS: To use two terms, liberal and conservative, would you describe your views as liberal or conservative? How do you view yourself?

NOURSE: Well, I have often answered that question in these terms. I can be described either as a conservative liberal or a liberal conservative. That is, I started rather on a conservative basis and then liberalized, but still my temperament is definitely liberal. So, I think it's better to say that I am innately a liberal but with some cautions. I would be daring but not reckless.

HESS: What limits would you place on your liberalism? What do you think needs to be guarded against?

NOURSE: I think that mathematical economists are often so bemused by their calculation of how a particular amount of expenditure, will through the multiplier factor so fructify the economy that it's bound to pay off.

Now my cautions would be that people will not respond in any mechanistic way. A given stimulus, which in your analysis, ought to produce a given increase in employment, may be diverted into increased savings

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and not activate the productive process to the expected extent. You will have a short fall in the development. Hence you had better make your program somewhat less than what your theoretical calculation of the full crucifixion would indicate.

HESS: While we're speaking of liberal and conservative; on the scale of liberal to conservative, where would you place Mr. Truman?

NOURSE: Well, I would think that he was liberal in his general attitude. Put him a little to the liberal side of the dichotomy; which isn't a true dichotomy because everyone has too many different phases of his thinking. He may be very liberal on something and then another place where he's quite conservative.

You'd be interested in this story. After Jim Webb left Washington and got into business affairs he invited me out to talk to their business people. And the people from the university came up to hear that speech and asked me to go down to Norman and talk to their students.

So, a May afternoon, hot as the dickens, they had a wonderful turnout of students to see what this

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guy was going to talk about. And I was introduced by a professor who said that he had made me the subject of analysis as to this economic liberalism issue, or economic theoretical position, in a graduate class of thirteen. They had thirteen appraisals of me as conservative or liberal, from top to bottom. And I turned up as number seven.

So. I guess that establishes me as a liberal conservative, and a conservative liberal.

HESS: Someplace pretty well in the middle.

NOURSE: And that's not by being wishy-washy. On certain things, now take for instance my liberal thinking in behalf of agricultural organization and the building of big cooperatives and that sort of thing, that's distinctly liberal in tone.

In general, I think as of now, what I have developed into as an elderly social scientist, is distinctly liberal.

HESS: One further question regarding Mr. Truman's liberal or conservative stance. Cabell Phillips who wrote the book *The Truman Presidency*, states on page 163, "Where

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did Truman stand in this ideological crossfire? No one was quite certain, including Truman himself."

NOURSE: Yes.

HESS: Do you think Mr. Truman was as uncertain of his position as to whether he was a liberal or conservative as Mr. Phillips seems to believe, or does this hark back to the fact that Mr. Truman could be liberal on one subject and conservative on another, as you have mentioned?

NOURSE: That plus the fact that he was not an introspective person. He didn't raise the question, "Am I a liberal or a conservative?" He said, "I'm here with a responsibility and I do my damndest every day and that's that. And what tags they pin on me I don't care. I hope they'll think I'm a good President, but I don't want to be classified."

HESS: On the subject of Mr. Truman's ability to make a decision, did you ever have any difficulty in getting a decision from him?

NOURSE: Yes, on that key question, "What should the role

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of the Council be?" In my book I've quoted from his letter. Yes, it was in the letter, the final letter that he wrote me disposing of that issue this way: He said, "I understand your [or I appreciate, I respect, or whatever, I don't just know what word he used], I see why you think you shouldn't go to testify before congressional committees. If you don't want to go you don't have to. If other members of the Council think they should go and if they want to go they can go." But then he put a stinger on it, he said, "Other members of the White House organization, however, are not supposed to testify before committees in that way." So you see, he really...

HESS: But he was allowing Keyserling and Clark to go if they wanted to do so.

NOURSE: Well he said, "If they want to go they can go."

So he was making exception there. The real pattern of the White House practice was to deny files to committees and so forth. That was his basic attitude, that the executive branch could not be pushed around by the legislative branch. But he said, "Here are these fellows, if they want to go I don't have any objection.

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I don't care, it doesn't make much difference to me," that's what it comes down to.

HESS: On the subject of the economic report, could you tell me about the procedure of writing an economic report and just how closely Mr. Truman may have watched and may have paid attention to what was going on during the formulation of the report?

NOURSE: Well, that's a very basic question. The Congress had told him to make an annual economic report and had set up an agency to assist him in preparing that report. Mr. Truman, in effect, said, "All right, let the Council of Economic Advisers write the report and bring it to me they are economists." It was not his view that he should in any sense do what he did in connection with the budget report. Then, he said, "These are my budget figures."

Then in the report of 1948, he did become involved, he was faced with this anti-inflation problem which had been with him from the beginning. He worried, as we did, about the inflation problem from the start and the Council always had that note in the reports. In 1948 coming up to the campaign, he called from Key

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West to have Dr. Nourse set up a Cabinet committee on the inflation problem.

That was good, I don't know who suggested it to him, I always thought it was Webb, it may have been others. And he said, "The Council will work with that committee in their preparation of the economic report of the President."

Now he did not keep in touch with what was developing. He kept in touch with the budget every day. He didn't keep in touch with the economic report that he was going to send up to Congress as his, until that committee had worked through and we had written our report.

Now that committee was very useful in developing the economic thinking in the executive branch. Because we had, as I recall it, either eight or ten members, not only from the Cabinet, but important agency heads, and there was a nice touch of my relations with Snyder. Snyder of course, was the head of the Cabinet. At our first meeting in the conference room just across the hall from the President's office, most of them were seated when Snyder came in, and he walked up to me, put out his hand and said, "Well boss, what do you

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want us to do here today?"

Well, you see that set the tone that this was something serious in which we were to expose our views to the Cabinet at that level as presidential advisers.

I don't know just how many sessions we had, but we had discussions across the board, and Oscar Chapman, who followed Krug as Secretary of Interior, said to me afterwards, he said, "That was a wonderful experience for me and the other members of the Cabinet." He said, "You sat up at the head of the table presiding there, and we were arranged down the sides of the table and it was interesting that the four or five conservatives happened to sit on one side and the four or five liberals happened to sit on the other."

He said, "We came in with our own ideas for our departments, and what we were writing for the President pretty much made up. You were sitting down at the head of the table and you didn't try to force our views, or expose the views of the Council. You'd toss out issues and ask us, and members of the Council to discuss them." And he said, "We argued that back and forth against each other there. We came out with our ideas somewhat changed through that experience."

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As for Mr. Truman, I asked him what he wanted to do about this. I said, "The Cabinet has a draft of a report for you, when do you want to review it? Do you want the Council to come in and explain our positions to you?"

"Well," he said, "I'll meet with your group," which was the Council and this Cabinet group. "I'll meet with you in the Cabinet Room on a certain day."

When we were ready to talk to him we sent word across the hall and he came in and sat down at the other end of the table. And I said, "Mr. President, we regard it as incumbent on us to bring in a report which does not conflict with your declared or known policies. There are points at which questions might arise as to whether the report we have prepared for your signature does meet your views." And he said, "Well, all right, what are these points?"

And he'd look at a page, "That's what I want to say."

I'd say, "Well, here's another point."

"Yes, that's what I want to say." He would say, "All right, go ahead with your report."

He made no constructive contribution to the shaping

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of it or its final form.

Now that's been very different with later Presidents, they have participated. They regard it as their report in which they are responsible and should be very careful that they know what's in it and what the implications are.

Now take for instance Eisenhower wouldn't operate that way. I'm sure that Arthur Burns told me that President Eisenhower put his pencil into the report and redrafted passages as he wanted them to stand. And it's my understanding that Kennedy and Johnson did that also.

HESS: This bears on a subject that we've discussed several times this morning, and that is Mr. Truman's difference of attitude towards the Council of Economic Advisers and their role, and the Bureau of the Budget and their role. I have been told that Mr. Truman would many times at night take home parts of the budget while it was being formulated...

NOURSE: Absolutely correct.

HESS: ...to read, and as you will recall once a year...

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NOURSE: Webb told me that.

HESS: Once a year they would call the press in and have the President's news conference on the budget that Mr. Truman would actually run. They would have the Budget Director and the Secretary of the Treasury on the stage, but they were there to back up the President. For the most part Mr. Truman handled matters in those conferences and replied to the reporter's questions.

NOURSE: Yes.

HESS: What was it in Mr. Truman's makeup, or background, that would give him such a driving interest and knowledge of the budget, but cause him to pay so little attention to economics and the Council of Economic Advisers?

NOURSE: Well, the budget is very concrete; the economics report is quite abstract. And his thinking -- as I said before, he was figure-minded -- was concrete thinking and concrete thinking of economic action in a political setting, very realistic.

HESS: And he had prepared many budgets while he was judge and presiding judge of the Jackson County Court out in

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Missouri.

NOURSE: Yes.

HESS: He was familiar with budgets. Do you think that had an effect on his later thinking?

NOURSE: Well, it was a part of his constitution. And economic theory was no part of this constitution.

HESS: At the time that you were working on the economic messages, did you try to coordinate your efforts with people who may have been writing the state of the Union messages or the budget messages?

NOURSE: Yes. Now as to the state of the Union message practice differed from year to year, but we only came in at a late stage.

I recall one occasion when the state of the Union message was being discussed where a question was asked of Clark Clifford, its major author, "What are you going to say about economic policy in the message?"

He said, "I don't know, I haven't seen the Council's report yet."

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HESS: He hadn't seen your report yet?

NOURSE: No. Now it was my belief that in the Employment Act we completed some unfinished business. There had always been a state of the Union message, often delivered by the President in person, and it was a successor of the old Speech from the Throne opening parliament sort of thing, you know, when the President does give direction. The budget message dated only from 1921, and the passage of the National Budget and Accounting Act. It was my feeling that now that Congress had set up a third agency of national policy, that the President at

the opening of Congress would make a state of the Union message which would be the state of the nation in its military and diplomatic situation, its external view, including only a thumbnail sketch about the economic situation saying at the end, the details of this domestic, economic, social and policy situation, will be elaborated in the economic report of the President prepared by the Council of Economic Advisers. This will be followed by the facts and figures in the budget report. And that those would come along, one, two, three over a period of weeks.

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Recently they have postponed the presenting of the economic report until certain statistics become available and they have given a bigger play to the budget message. The state of the Union and the budget message between them, pretty much scoop the economic report. And you notice there wasn't much attention paid to it this last time. It seems to me there has been declining attention paid to it. At first it was all over the front pages.

HESS: It was something new.

NOURSE: Sure.

HESS: And at a time people were interested in economics. Following the war people were wondering if we were going to have a period of inflation or were we going to have depression.

NOURSE: Oh, yes.

HESS: People were quite interested in economic matters.

NOURSE: Sure, it was all very timely.

HESS: People remembered what happened after World War I.

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NOURSE: Oh, very acutely.

HESS: Sir, on pages 224 to 228 of your book *Economics In The Public Service*, you wrote about the time in 1948 when Dr. John R. Steelman was delegated the task of settling a railroad strike. At the time, Dr. Steelman set up a special committee in his office under Robert Turner to study the need for economic controls. Did you feel that the setting up of such a committee was an infringement upon your responsibilities, and those of the Council of Economic Advisers. How did you feel at the time when Dr. Steelman was setting up his own economic office?

NOURSE: No, I don't recall any sense of feeling that that was an encroachment. That was in the field of action and that was government intervention into an action situation.

This was outside the province of the Council as an analytical agency. At most, I felt that Steelman's group might have consulted us as to the relationship of the railroad action to the economy as a whole, and the impact of any proposed settlement.

As I recall that episode, it seemed to me that it was accepting the idea that insoluble problems, or

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nonnegotiable problems would be carried to the President's desk and that he would settle them, which I think is pretty dubious for our economic system.

HESS: As you recall, during the Truman administration there were a lot of problems carried up to the President. There were many strikes and problems of that nature. Dr. Steelman was used in labor negotiations quite extensively during the Truman administration.

NOURSE: Yes.

HESS: Just what is your general evaluation of his handling of the matters that were assigned to him? How effective was Dr. Steelman?

NOURSE: Well, he was a pretty good mediator, I think. On the economics of it I would think, as I look back on it, that my feeling would be that his solutions were solutions of expediency rather than of actual merit, but they have to operate on that basis.

HESS: All right. In the President's mid-year economic report of 1949, the following phrase appeared: "A moderate downward trend characterized most of the phases of economic activity in the first half of 1949."

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As far as I can tell, that was one of the first official indications of the minor recession that began in 1949. What do you recall of that event and what actions did the Council take to counter that minor recession?

NOURSE: Well, that comes to my conservatism streak. There had been the little downturn the previous year in the agricultural area, which seemed to be absorbed in the general industrial prosperity at that time.

Then in '49 there was something of a downturn, more general downturn, which naturally would worry the Council no end. And so there was a question there as to whether we would recommend positive measures that we thought would remedy that, or whether our position would be that that had to be absorbed within the institutions and behaviors of the business system in its price-making, wage-making, collective bargaining, investment policies, and all that sort of thing.

In other words, the things that a business had to do to stabilize itself.

This is really quite central to my interpretation of the Employment Act, and to my performance, good or bad, on the Council. In an address to the Executive Club in Chicago, entitled "On the Gentle Art of Disinflation"

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I said, "We have been confronted with a dilemma as we face the consequences of World War II. Can private business convert this stimulation into full employment and maximum production and keep it from being dissipated in monetary inflation. It is up to business to consider whether they can absorb those strides without turning to special aids from government." And my suggestion to businessmen, at that time, was urging that they push their pencils and cudgel their wits to see if they could not check that downturn in employment and inflationary prices in their own business operations through adjustments. And the key sentence in that speech, as I recall it, ran something like this: "If you accept that responsibility it will cause some pain, you will lose some blood, but you won't die. That will be your contribution to national recovery."

Now that was the sort of conservative advice that I was giving and I was not saying that the time might not come when government would have to step in.

If the Korean war had not supervened at that time, we would have had to face that possibility. The Council would have had to say, "Well, Nourse gave this good economic advice to businessmen, they didn't find it

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congenial to their thinking, or possible within the institutional and behavioral situations in which they have to operate, to do enough to check recession and start recovery. Then we'd have to analyze what they did and what they couldn't do. If we conclude that government cannot leave the correction of this downturn to you, then we must consider these complementary steps by government to see that the downturn doesn't get out of hand."

That was my state of thinking at that time, and it would still survive in my thinking now. Don't rush in and say the Government has this great fiscal and monetary power and that's all we need.

Even Walter Heller in a bank letter that he wrote for the Minneapolis banks a little while back, wrote a very -- he's a tremendously clever fellow, well-informed, he has things at his finger tips, and he analyzed the way that Phase I and Phase II were working out and the things that the Government was doing and could do. And then in the last sentence he gave a rather optimistic turn that the Government might get this in hand. And then he said -- I wish I could quote the sentence exactly as he wrote it, it was excellent. "Beyond this we must

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not forget that there are things that will have to be done in the private sector, also." In other words, fiscal and monetary policy, while they are important and indispensable, are not the whole story.

And now the *Wall Street Journal* just two or three weeks ago had at least two stories beginning on the front page indicating that the thinking in the economy of economists and practitioners was turning in that direction, is somewhat disenchanted as to the adequacy of fiscal and monetary measures and to exploring what needs to be done with reference to adjustments in the private sector.

I think that's very wholesome. I hope that those are trends. I hope that, having exploited that new experience, we are now ready to turn back to bring it into balance. Even [Paul L.] Samuelson undertook a "synthesis" of macroeconomics and microeconomics.

Gardner Ackley at the end of his book, *Macroeconomics*, had an excellent little passage about the necessity of the market adjustments of institutions and behaviors as government policy has taken a larger role complementing free enterprise. Private policy has to enlarge and refine its concept of its own role in the total

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economy to the point where fiscal and monetary policy, government action can take over. That's the very essence of the problem, the situation as I see it.

HESS: During the Truman administration did you try to get together with Mr. Truman and just discuss economics as we have been doing for the last few minutes?

NOURSE: Yes. Well, I think I said before that I couldn't and I cited the illustration of the time when I wanted to discuss the economics of agricultural adjustment, and he shut me up.

HESS: Did you try at any other times?

NOURSE: Yes I did. It was with reference to that same episode of Steelman settling the steel strike. I tried to discuss with him the shortcomings of settlements mandated at the President's desk, including Steelman's participation in it. And I didn't get anywhere with that effort to get the President to discuss economics.

Those were two instances and there may have been others, but I know that that was my decision when I resigned that it wasn't possible for me to establish -- for this chairman of the Council to establish that

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kind of a relation with that President.

HESS: And you felt it was necessary to have that type of relationship.

NOURSE: Yes. And so I said, "I can't sacrifice myself further on this thing. I have to protect my health by resigning and you get a chairman that meets your concept and desires more fully than I do." That was the basis on which I stepped aside.

HESS: Regarding the political events of 1948, did you think Mr. Truman was going to win that election?

NOURSE: I don't know. Clark Clifford architected that "Give 'em hell" campaign, which was very astutely adjusted to the President's personality. I don't think that he could have won that election without Clark Clifford and the give 'em hell whistlestop campaign. That was in Truman's genius and the genius of the American people.

I don't recall that I have a positive opinion about the outcome of the election, but in general my recollection is I shared the opinion that although it was a good college try it probably wouldn't be enough.

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I remember very vividly that when I saw him very shortly after he came back from his post-election breather at Key West he said, "They all told me I wasn't going to win. I knew I was going to win." He said, "I went to sleep, I didn't stay up to get the last returns, I went to sleep. I knew I had won the election."

HESS: Did you have frequent appointments with Mr. Truman?

NOURSE: Yes, he always gave me an appointment when I asked for it, but when I got to his desk he would fritter away our time on trivial matters. Instead of saying, "Now what is the issue you are laying before me Dr. Nourse," he would tell me about what happened on his morning walk. "I must be in for trouble because I saw the moon over my left shoulder."

Another time he was all hopped up about Margaret's singing. He had made a speech and she had had a concert the night before and he said he came down to breakfast and she said, "You see, Daddy, I've got twice as many inches in the paper as you did last night."

HESS: She got more column space than he did?

NOURSE: Yes. But when he met me, it was on a folksy basis of

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talking about trivia instead of saying, "Here's a precious half hour when I might get some enlightenment on what the issues are here.

HESS: After the election of 1948 were relations less satisfactory or in any way strained in the new term? I ask that question because of the following quote which comes from page 274 of your book, *Economics In The Public Service*. You began your letter of December 15, 1948 to the President with the following statement.

"I have reason to believe that you have been told that for some weeks or months prior to November the 2nd, I devoted a major part of my time and effort to 'saving my skin,' in the event that there was a change in administration, that is absolutely untrue."

Did you think that the President was told that you didn't think he was going to win and that you were out saving your skin?

NOURSE: Yes.

HESS: Who told the President that?

NOURSE: I don't know. I knew that was on the grapevine.

HESS: Do you have any suspicions? I mean this is cutting the ground out from under someone. Who do you think

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was cutting the ground out from under you?

NOURSE: Well, I could mention two or three names there, but I don't think I'd like to...

HESS: All right. Okay, now you're...

NOURSE: Let the dead past bury its dead.

HESS: Were there any roles or policies that you would like to have seen implemented at CEA, but for one reason or another were unable to implement? Were there things you would have liked to do that you didn't get done?

NOURSE: Of course. We were feeling our way during a pioneering period. In spite of the lack of direct communication with the President we established direct relations with the Departments and Independent Agencies of the executive branch.

We had a lot of contact with the State Department, with the Agriculture Department, with Commerce, Labor, the Fed (Federal Reserve Board). We had very good relations with the Fed after Tom [Thomas B.] McCabe came in there. He followed [Marriner S.] Eccles who ran his own show and was pretty aloof. McCabe I had known when I was making business studies. In fact,

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I used Scott Paper, his company, as one of the case studies in my book *Price Policy and Economic Progress*. So, I knew McCabe and right away we established relations when he came in there.

HESS: Was he easier to work with than Mr. Eccles had been?

NOURSE: Oh, yes, definitely, you see, because we had had that prior relationship. You see, he had worked with CED (Committee for Economic Development), he had been a prominent member of CED, I had had some contact, I had known him there and in connection with my book and his company, and all those things. But I don't think I ever would have ever been able to establish that sort of relation that I would have liked with the head of the Fed, when it was Eccles.

HESS: Is it quite important for the Council of Economic Advisers to have a good working relationship with the Federal Reserve Board?

NOURSE: Oh, I think so. Oh, definitely. I'm a great believer in the independence of the Fed. And on the other hand, they have to exercise that independence with sensitive recognition of the needs of the economy,

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and specifically the needs of the Treasury. Its funding operations are all technically tied in with the operations of Fed, but its broad policies are also very closely tied in with economic analysis that the Council makes. And Winfield Riefler, and Woodly [Woodlief] Thomas and various others, they had a lot of professional economists there with a professional attitude to their job.

HESS: Would you have liked to have remained at the Council of Economic Advisers?

NOURSE: Well, I made this statement at that time. Naturally with so much talk that Dewey would be the next President, I really felt that I would like to bridge from one administration, one party to another, in the implementing and finding out how the Council could operate. And I made some inquiries, people I knew that had served on Dewey's staff up at Albany. And the impression I gained was that with his legal training, which Truman didn't have, that he would be a stimulating, but difficult -- a very challenging sort of man to work with. That he would propose to see what the Council did have to do for him.

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HESS: And what it could do.

NOURSE: What it could do. What sort of a bird it was. He had had quite a bit of economic experience, of course, from his legal practice and governorship. And I gained the impression from people that had worked with him that he would give us a question on which he wanted a report. He wanted that report to be definite, concise, and that he would read it.

Now Truman, if I gave Mr. Truman any papers at all, he'd say, "Well, this is very important, and I'll take it home and study it tonight." Jim Webb the next day would say, "Well, the President got that report of yours yesterday, and those documents that you left with him, and this morning he's turned them over to me, he's said, 'Here's the report that the Council brought me, I can't make anything of it. You tell me what it's all about.'"

Now that wouldn't be Tom Dewey. Dewey would call us in at his pleasure, he'd say, "You have written a report that makes this analysis and these recommendations. Now how do you defend, how do you make your analysis square with what I see going on here? How do you make your recommendations? How can you back

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them up, in view of this, this, that, and the other?"

In other words, as an old prosecuting attorney, his would be a very challenging sort of service, but a very arduous one.

I discovered many years later that Senator [Ralph Edward] Flanders had sent a letter either to Dewey or to one of his close lieutenants, and had said that he thought as a businessman and as an active member of CED, and as a Senator for about the same span that I had served in the Council, he came in that same fall, that he thought that it would be desirable to continue the Council under Nourse's chairmanship and see how it worked out and what changes Dewey, after working with it, decided to make. But of course Dewey wasn't elected, that didn't come through.

But my position was that I hoped that the professional and nonpartisan character of the Council could be established by its surviving a change of administration and even a change of party, and that the chairman should not submit his resignation pro forma but he should come to the new President and say, "You will be making up your mind as to what sort of an animal the Council is and how it can serve you. You need that

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kind of service, whether it's properly manned and equipped to render that service, and in doing that I would feel that the chairman of the Council, at least, all three members preferably, should be continued pro forma, that they would not be dropped. That the President would then look, and if he thought that member two, or three, was not compatible with his idea of the Council, he might make a change right there." Or say, "Hell, that chairman is not the kind I want," make his appointment at once, and my resignation would be on his desk, although not formerly submitted at the time there.

But of course, a man's resignation is always figuratively on the President's desk. But that if he wanted me to stay, to interpret the first three and a half years of the Council to him, and to explain and meet his challenges and so forth, I would be very glad to do that, but rather expecting that after a short time that he would have someone whom he had worked with whom he might want to put in at once and say, "You're the man to interpret the Council to me, to tell me all these questions." He might wait awhile with the old chairman or resolve it for himself, but any way that he wanted to reconstitute that Council would be entirely

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satisfactory to me. But insofar as he wanted to get my professional outlook, my interpretation on it, in the light of my experience, I would be happy to serve him for as long as he wanted, but preferably for not too long, because I then was past sixty-five and I had other things I wanted to do.

HESS: Were you satisfied with the way the Council had been set up in the Employment Act?

NOURSE: No. There was an ambiguity which made practical operation difficult. The Act specified a chairman but gave the same rank and salary to all three members. Both of my associates felt completely independent.

Various people proposed that there should be an economic adviser with staff. The Congress, in effect, put a "hold" order on the matter by appropriating funds to cover the period only until the new administration came in.

During the campaign Arthur Burns had been economic adviser to General Eisenhower and was promptly appointed to head the Council and pick his two associates. Then by Executive order the President reconstituted the Council so as to make the chairman the responsible

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administrative head both in organizing its work and in its relations with the President, the Congress and the public. That clarified the whole situation.

HESS: Should that change have been made during the Truman years? Would your life on the Council have been easier if that change had been made during your time there?

NOURSE: I don't know, it might have stirred up the animals so much that it would have been harder.

HESS: They were pretty well stirred up anyway weren't they?

NOURSE: No, but if it had been done the other way, in the act, it would have been easier for me.

HESS: If it had been set up that way in the original act?

NOURSE: Yes.

HESS: At least it would have resolved the point, if nothing more.

NOURSE: Yes.

HESS: The Employment Act called for an annual report of

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the President, but I notice that in each year of the Truman administration from 1947 on there was also a mid-year economic report. How did that come about?

NOURSE: I felt that there were two strong reasons for having a Report at shorter intervals than a year.

One. As we designed the document it carried a carefully selected list of statistical tables which the businessmen, scholars and the general public found very useful as an up to date reference book for understanding what was happening in the economy. (That was before the Joint Economic Committee began the monthly publication "Economic Indicators," which covered thirty-six major statistical series.)

Two. Similarly events were moving very fast, and government officials across the board, businessmen and the public were eager to keep up to date on how the Employment Act was going to be implemented and how presidential policy and program was shaping up.

There was cordial reception of these Mid-Year Reports, but they tended to get out of hand and became as voluminous and detailed as the Annual Report. They were discontinued in the Eisenhower administration.

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HESS: In general how would you rate Mr. Truman's administrative ability? What would be your evaluation of his administrative ability?

NOURSE: Well, so far as I know I would think it was pretty good. He didn't get mired down in detail, he was a man of action, he was confident in his own judgments and he was ready to live with them. His famous saying, "If you can't stand the heat, you better get the hell out of the kitchen." And when questions came up, the Korean thing, the Marshall plan, various things, he disposed of them, instead of dawdling on them, to that extent, I think he was a good administrator. And the impressions that I got, though they were second-hand, from Webb, and others. Although, don't take my judgment at all seriously on that, but for the little it's worth, it was my impression that he was a good, other than a weak or a bad administrator.

HESS: How would you characterize Mr. Truman as a man?

NOURSE: Well, he was a delightful companion in his group. There's no question about it. In the very personable folksy sort of thing, in so far as you kept on that plain, he'd express his likes and dislikes and impressions.

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And in doing things, the things he enjoyed doing and things he didn't want to do, and things he thought were right and wrong, and so forth, he was the hail-fellow-well-met.

HESS: In your opinion, what were his major accomplishments and what were his major faults and failings? First the major accomplishments of the Truman administration.

NOURSE: I'm not prepared to answer that question, really, except in the most general terms. History will have to make its answer to that. I have my own prejudices.

For instance, he naturally would respond to the threat of communism, and a policy of containment appealed to him. A very naive, simple sort of a doctrine. That would appeal to him, and he would act on it. I think it got him into some of his serious troubles.

And on the other hand, in picking Marshall, going on with the Marshall plan, I think that history will rank him as a good, or middling better, President.

That decisiveness, if even on an inadequate basis, was rather needful in the juncture we had come into after the war, and following FDR.

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The "give 'em hell" election campaign was a natural for Truman. He was a "give 'em hell" President rather than a scholarly President as Woodrow Wilson was.

Presidents are different, but I definitely put him in the upper half of the Presidents.

HESS: What were his major faults?

NOURSE: Well, of course, from my way of thinking, that snap judgment sort of thing was a major...

HESS: Shooting from the hip type of thing?

NOURSE: Yes. It's a major fault, but that's the way he had to operate. He couldn't operate the other way, if he tried to operate the other way he probably would have mired down and been a very ineffective President. He didn't have a distorted or exaggerated estimate of himself, you know.

HESS: You mentioned the policy of the containment of communism, and of course that concept came from George Kennan. He wrote his "long telegram" from Russia and then his article by "X," that appeared in *Foreign*

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Affairs, and is credited, supposedly, with coming up with that term.

NOURSE: John Foster Dulles, as Secretary of State, pressed that policy on the President.

HESS: In your years with the Truman administration is there any event that stands out in your memory that you may have had special knowledge about that others might not have had? Anything that you may know that no one else does concerning Mr. Truman or concerning the Truman administration? Of course, you have written so much that a good deal that it's down, but is there anything of importance that you have not written about or that we have not covered?

NOURSE: Well, I think that in the baring of my soul, my answering frankly, trying to be responsive to your questions, I have said a number of things on your tapes which are in that category.

HESS: Good.

NOURSE: But I don't think of any beyond that.

HESS: Well, as long as we've got everything that there is

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to get.

NOURSE: There were several of those bits and pieces filling in the chinks between what I have written and put in books and so forth, there are several rather personal reactions that I have kept bottled up until you started this machine. No, I don't think of any others.

HESS: All right, now looking back on those days, what is your favorite memory of Mr. Truman, and then perhaps what is your favorite memory of the days you spent as chairman of the Council of Economic Advisers? What's your favorite memory of Mr. Truman?

NOURSE: I don't know. You can see from the contacts that I don't have the memories of helpful relations between the President and myself such as I have with Jim Webb.

HESS: What memory then would most typify Mr. Truman to you?

NOURSE: I think that final letter about the Council participating in congressional hearings; "If they want to go they can go, if you don't want to go you don't need to go." He was not concerned about this as an issue of principle. His indifference to such an issue which seemed to me to be

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quite important.

I have suggested in a forthcoming book that setting up of scientific advisorships creates a fourth branch of government. We have the legislative branch, the executive branch, the judicial branch, and now the scientific advisory branch. I attach much importance to it for the future.

HESS: More than just a Cabinet post, you see it as a separate branch of Government. As you know some people say that there should be a science adviser with Cabinet level status, a scientist in the Cabinet, but you would go beyond that?

NOURSE: Yes, I would recognize and organize it as a functionally different branch of Government.

HESS: There has to be a political connection between this new branch of government and the branches that are already there. Where would you affix the lines of power, the lines of contact?

NOURSE: No power. No power. Science advisorship bringing the tutorial services of science and all its branches, in this an age of science and technology, making those available to the President and to the whole executive

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branch as well as to the country.

HESS: Much as you tried to do in the Council of Economic Advisers?

NOURSE: Science in the public service.

HESS: To make information available to those who have the power, is that right?

NOURSE: Yes, that's a very good phrase for it.

HESS: All right, do you have anything else to add on Mr. Truman or on your service as chairman of the Council of Economic Advisers?

NOURSE: Well, naturally my service there, was a very interesting topping out of my professional career, after that I did a good deal of -- well, I had a great many calls for several years to go out and address all sorts of academic and business and labor and civic bodies just discussing what this old gray head -- wasn't so gray then, now white rather than gray -- made of this experience, including the vital touch with the issues there.

I remember saying to a meeting of businessmen in Minneapolis one time, "Now, you've invited me here

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and you businessmen and local officials here have come probably thinking, 'Now, we get Nourse here, he'll give us some hot tips about what's going to happen.' Well," I said, "I don't know what's going to happen, nobody knows what's going to happen. Whatever will be will be. If I can bring out of my professional experience, before going into government service, and my mixing with people since, if I can come before you and say, 'Now, you as independent businessmen and local officials, will have to deal with these situations, which undoubtedly you're worrying about and which I think have importance, I will define them against the background of my training and experience. When you go home from here you won't have any bunch of notes, 'Nourse says this is going to happen,' and so forth. You might say, perhaps put in the notes, 'Nourse thinks that these are the things we should watch and be concerned about; what's happening in the broader field of inflation or full employment, or government intervention in private business, or whatever, which is going to affect my business. So if I can think in economic terms, in the setting, rather than just think in terms of the day-to-day decisions that I have to make in my business,' then I think I might be of

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some help to you." So then I'd go ahead and discuss those questions.

For instances in an address to the Executive Club of Chicago in the downturn of 1949, I said; "I think that if you would make more sacrifices to try to stabilize business without its getting out of hand, on this downturn, you'd bleed some, and have to make some sacrifices, but it would be essentially a curative sort of thing."

I remember talking to a businessmen's luncheon in Cincinnati and on the elevator going down there was a, oh, thirtyish young businessman, who looked over at me and smiled and he said, "I wish I could get the next lecture, professor." Well, that was just responsive, you see, to my feeling that I was discussing as one who had had training and experience in the field and they were practitioners, and if they wanted a little more, well and good, and the calls did come in. And then the president of the Holt company wrote, said, "You've made a lot of these miscellaneous speeches over the country, can't you pull the essence of your advice, or tutorship, whatever, can't you pull that together in a little book," and that's what I pulled together in that little book called *The 1950s Come First*.

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The essence of that, if you've looked at it, was that people are warning against the coming of "Big Brother" in 1984. And I said that although that would be the horrible outcome of communistic imperialism it needn't happen, the 1950s come first, and if we get active, and use our brains and our morals, we can buck up our society, our democratic society, so that that sort of encroachment couldn't happen, and have the moral means of resisting, and the intellectual means. That was the essence of it.

HESS: Anything else to add, Doctor?

NOURSE: I think you've scraped the bottom of the barrel.

HESS: Thank you very much.

NOURSE: Not at all.

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