Oral History Interview

With

LEON H. KEYSERLING

Member of legal staff, Agricultural Adjustment Admin., 1933. Secretary and legislative assistant to Sen. Robert F. Wagner (New York), 1933-37. Gen. counsel, U.S. Housing Authority, 1937-38; deputy administrator and gen. counsel, 1938-42; acting administrator, 1941-42. Acting commissioner, Federal Public Housing Authority, 1942. Gen. counsel, National Housing Agency, 1942-46. Vice chairman President's Council of Economic Advisers, 1946-50; chairman, 1950-53.

Washington, D. C.
May 3, May 10, and May 19, 1971
by Jerry N. Hess, Harry S. Truman Library

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HESS: To begin this morning, Mr. Keyserling, will you give me a little of your personal background? Where were you born, where were you educated? Tell me a little about yourself?

KEYSERLING: I was born in Charleston, South Carolina, in January of 1908, but I never lived there, and I was just in the hospital there. The first eight years of my life were spent on St. Helena Island, which is a sea island off the coast of South Carolina, the southern part. There were ten thousand Negroes living on the island at the time and five or six white families.

After spending my first eight years there during which I hardly went to school as there were none, but was educated at home, we moved over to the metropolis of Beaufort across the river, which had two thousand people, about half whites and half Negroes. I went from the

fourth grade through high school there, graduating in 1924.

My father was very active in a wide variety of enterprises. In the 1890s he had helped to reintroduce sea island cotton in South Carolina, which had been grown there before the War Between the States but had been abandoned. He was very active in that; he was very active in truck farming, growing thousands of acres. He was president of the South Carolina Produce Association, which were the largest shippers of vegetables in the Carolinas, and he also was the head of a company that ran a chain of general merchandise stores and a wholesale business on the various islands, and he was the head of an ice manufacturing company.

Beginning in 1920 with the great decline in commodity prices, especially first cotton, the farm depression really set in there around 1922, and continued without abatement until after, or the beginning of World War II. So he, like most of the other people there, were practically completely liquidated, but then had started over again and had made a fair comeback. He was very interested in public affairs. He served as a member of the city government; he served during his last years as chairman of the Beaufort County Welfare Board; and after he was

seventy he retired from business and gave most of his time until his death at the age of eighty-four to public causes in the United States, especially in his part of the country; but also following the advent of Mr. Hitler to the problem of Jewish refugees and all of the causes that related to the establishment of Israel. Actually, he died instantaneously at the age of eighty-four while making the third of three speeches in New York City on behalf of the United Jewish Appeal, at which time I got a wonderful letter from President Truman.

The only reason I mention this is that I got a very early introduction into public service and the public interest, and I always said that I learned more from my father than from anybody else about what I call social responsibility. And the man I learned most from about courage in public office was Senator Robert F. Wagner; and the man I got the most from on the score of intellectual integrity was Professor Rexford G. Tugwell, and I'll come back to him in other connections because he was so active in the New Deal.

My mother was also very active. She was vice president of the South Carolina Parent-Teacher's Association, very active in all types of civic affairs.

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In 1924 I came north and entered Columbia University, where I majored in economics, graduating in 1928. It was there I first got to know Professor Rex Tugwell. From 1928 to 1931 I went to the Harvard Law School, graduating in 1931. I then had an offer for a job in a leading New York law firm, Chadbourne, Stanchfield, and Levy, which was one of the outstanding firms in New York at the time, but for some reason decided instead to go back to Columbia and study economics, particularly because I had the opportunity to do some work for Professor Tugwell, who was then beginning to make his contacts and do work for somebody who at that time was Governor Franklin D. Roosevelt. So from 1931 to early 1933 I was at Columbia doing graduate work in economics. I completed my requirements for the doctorate, but got so busy from 1933 forward that I never wrote my thesis, never regret that I didn't.

I held three jobs there at the time. One was as an assistant or instructor in economics; one was doing studies for the general education board of the Rockefeller Foundation; and one was writing some books with Tugwell and others, which were published although my name did not get on them. One was a study of American economic life and the means of its improvement, [*American Economic Life and the Means of its Improvement*] which was

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published after I came to Washington, and which I did really most of the work on, because Tugwell was so busy with Governor Roosevelt. This was an effort to readjust economic teaching to the realities of economic life and still represents my idea of how economics should be taught on the college and university level.

Parenthetically, I think that the way economics actually is taught at the college and university level is atrocious and explains a great deal of the alienation of the young people from the kind of education they are getting, because it is so remote from life, and as I shall point out later, this also has an impact upon the recruitment, the fruits of the recruitment of membership on the Council of Economic Advisers, and the Council of Economic Advisers' staff, which unfortunately is becoming increasing an inbred process, where the recruitment is almost entirely from one narrow school of professional economists who really make the choices, although the President does nominally. Truman didn't do it that way, and I'll come back to that.

In early 1933, I came down to Washington with Professor Tugwell at the very beginning of the New Deal, and for a very short period of time, in fact, only about two weeks, I was employed as an attorney in the Agricultural

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Adjustment Administration. The reason for that was that although Tugwell wanted me to work with him, he thought that I could get better compensation if I was set up in the legal department, but I never actually received any salary because I left the job before the Agricultural Adjustment Administration was finally approved.

There was one interesting comment on my interview with Jerome Frank, who had been picked to be general counsel of the triple A. I came in to interview him and we had never met before arid I sat down and he said, "What do you know?"

I said, "I know 'Cotton Ed' [Ellison D.] Smith." Cotton Ed Smith was chairman of the Senate Committee on Agriculture and was violently opposed to the New Deal and all its works even at that early date, but had been, as was James F. Byrnes, a lifelong friend of my father's.

Jerome said, "You know Cotton Ed Smith. Let's go."

We jumped into a cab and we went up to see Cotton Ed Smith and naturally he gave me a very cordial reception.

We got back in the cab and on the way back Frank said to me, "How would $4,000 a year be as a starter?"

Well, this was all the money in the world at that time. I looked out over the Washington Monument and I said, "I think that will be all right."

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But as I say, I never got any of it.

During those first two weeks I became very much involved in the drafting of the National Industrial Recovery Act, and was part of a group including Jerome Frank, Harold G. Moulton, the president of the Brookings Institution, John Dickinson, the Assistant Secretary of Commerce, and Simon H. Rifkind, who had been for six years up to that time, legislative assistant to Senator Wagner. And I had a good deal to do with the drafting of the act. I also met with a number of trade association lawyers who were interested in the act at that time.

HESS: How is an act like that drawn up?

KEYSERLING: Well, this act started as a trade association act. The original draft of the act grew out of the so-called Gerard Swope plan for Recovery. It was really a draft at that time because it hadn't been introduced as a bill, to suspend the anti-trust laws and to enable cooperation among trade associations to stabilize prices and wages and to increase employment. This original idea, which had come from the Swope plan had probably been formulated into language by two leading trade association lawyers. One was Gilbert H. Montague, who happened to be also the attorney for the Rockefellers; and the other

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one was a prominent New York lawyer by the name of David Podell.

Well, anyhow, we got started working, and we met over in the Brookings Institution office, and we worked on it for several weeks. Then we had a meeting in Senator Wagner's office at which I was present, along with Jerome Frank; Henry Wallace, the Secretary of Agriculture; Professor Tugwell; Winfield Riefler, who at that time was head of the Central Statistical Board and later became prominent as an economist, and a few others. We discussed this for an hour or two and then Senator Wagner was sort of tired and he said, "Well, I guess that's all we can do today."

And I said, "Well, I don't want to leave here with the thought that we are all in agreement. I don't think this is the main approach at all. I think the act has got to do something about improving wages, about improving labor conditions, about protecting collective bargaining so that it will be in better balance, and so we will have a stimulation of consumer interest and consumer buying, or otherwise we're not going to get recovery."

The Senator was very much interested in that and a week later I got a call from Si Rifkind, who as I say, had been the Senator's legislative assistant for six years.

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He was going back to New York to work exclusively in the Senator's law firm, and that's how I went over to work with Senator Wagner as his legislative assistant, where I stayed for four years, technically, although I did an immense amount of later work with him through 1946.

It was in his office and under his direction that we rounded out the drafting of the National Industrial Recovery Act, because with rare exceptions, he insisted that the drafting of bills that he introduced be done in his own office.

We rounded out the provisions of that act in about the form that it finally passed. Then we added another title, which dealt with public works, and which was the foundation of the original Public Works Program under Harold Ickes, the so-called 3.3 billion dollar Public Works Program, which later branched out into civil works and Federal Emergency Relief Administration and so forth, especially because Senator Wagner for a number of previous years from the beginning of the depression had been introducing bills on emergency relief and on public works. It was in his office that I drafted the actual provisions of the public works section with some help. The way we arrived at the three billion, three hundred million dollar figure was that this was the total of the public works

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projects in his files, which had been collected over the years in connection with the introduction of public works legislation.

Then the bill went to hearings before the Senate Finance Committee and then it went out on the floor. Senator Wagner was the sole Senate sponsor of the act. It was very vigorously debated. He made a very long opening talk on it which I prepared, because I was then working for him, which covered about equally the economics of the whole situation and an argument in favor of the constitutionality of the act. I mention this because all the way through from 1933 until today, my economic training and my legal training have sort of interpenetrated on public problems that involved both in varying degrees.

Now, after the National Industrial Recovery Act was passed in the summer of 1933, it was found almost impossible to enforce the collective bargaining provisions under Section 7a of that act. Industry was opposed to them; Hugh Johnson, who was the Administrator of the NRA, was opposed to them; Donald Richberg, who was Hugh Johnson's counsel, was opposed to them; President Roosevelt didn't understand them and set up a large number of special boards, an automobile board and a steel board and

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all kinds of boards, to try to vindicate by so-called mediation a statutory right, which you can never do.

So, in the fall of 1933, I was walking along the street with some friends. I remember it. It was a snowy day, and I got the idea that perhaps Section 7a ought to be translated into a permanent statute. Senator Wagner was very enthusiastic about that, and that statute was drafted by me under the Senator's supervision entirely in his office with some help from others. The Senator was also chairman of a pre-statutory labor board that was appointed by President Roosevelt and composed also of three members of industry and three members of labor. The industry members were Walter Teagle, the president of Standard Oil of New Jersey; Gerard Swope, president of General Electric; and Louis Kirstein, the president of Filene's of Boston; and the labor members were William Green and John L. Lewis and Professor Leo Wolman, who taught labor problems at Columbia. Senator Wagner was in Europe when the board was appointed. He sent me a wire, "You take my place until I get back." I remember how peculiar my experience was as a young fellow of twenty-five sitting with these six august people talking about what we were going to do until the Senator got back.

Due to the fact that the Senator remained chairman

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of that board on into 1934, I got considerable familiarity with the administrative side of it. But anyway, in early 1934, the National Labor Relations Act was introduced. It went through a bitter struggle for two years. It was enacted in 1935. I have always thought rightly or wrongly that both economically and politically, and politically I mean in the sense of shaping events to come, it was the most influential act of the New Deal. Its influence on the economic side doesn't need to be discussed because organized labor grew from three million to a peak of twenty million probably, under the act, and its great political influence was that this was really the basis of the historic affiliation of labor with the Democratic Party, which with slight variations is persistent till this day. Now, that wasn't the only reason for it, but that was the basic start of it, so the act had tremendous economic and political significance.

It was very interesting to note that the passage of the act was hardly supported by the administration. The Secretary of Labor, Frances Perkins, was really--she didn't testify against the act, she testified, but her testimony consisted mostly in arguing that the labor board should be placed in the Department of Labor, which Senator Wagner was violently opposed to and ultimately

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his view prevailed.

The President blew hot and cold, and never explicitly supported the act until in 1935 when it reached the Senate and was on its way to passage in the House. Before it came to a vote in the Senate, Joe [Joseph T.] Robinson, who was Majority Leader; Pat Harrison, who was the second ranking Democrat in the Senate, told Senator Wagner that the act couldn't pass, and it would be very embarrassing to the party to bring it to a vote and then not pass it, and said, "Come up to the White House with us so that we can explain it to the President." They wanted the measure sidetracked without a vote.

They went up to the White House and the Senator said, "Never mind whether it passes it or not, I just want a vote." And when the vote came there were only six votes against it. Then it passed on the House side.

I might make mention of some of the other New Deal legislation.

HESS: One thing further on the NRA, how did you feel when it was declared unconstitutional?

KEYSERLING: The NRA was declared unconstitutional. There was a partially dissenting opinion by Judge [Benjamin Nathan] Cardozo. The decision declaring it unconstitutional

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was unanimous, but the other judges declared it unconstitutional on the broad general grounds that it went beyond the power of economists to regulate interstate commerce. Cardozo wrote a separate opinion in which he did not agree with that, but held it unconstitutional solely on the grounds that it was an improper delegation of legislative power to the Executive and that the standards set were not complete, he said, "This is delegation running riot," because he was so displeased with the way the codes were being administered, and the absence, really, when they got before the Supreme Court, it developed that they didn't really have records of what they had done. This was important because the Supreme Court, even before the change in membership after the court packing plan, really completely reversed itself when it came to the National Labor Relations Act in 1937.

I felt that I didn't agree with the NRA decision, though Senator Wagner never protested the decision. I felt that the act had accomplished an enormous amount of good. It had certainly abolished the sweat shop; it abolished child labor; it had set in motion some processes of recovery through the wage provisions; and even so far as the industrial cooperation is concerned, I happened to believe that--well, really, the talk today about guide

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lines and the talk today about voluntary controls is really an appreciation of the fact that in our kind of society, industrial concert guided by the public interest and with some guide lines from the Government, is really the only alternative to chaos on the one side and excessive centralization under definitive public law on the other side. So that part of it has really been vindicated although we haven't yet gotten the complete answer.

Now, after the National Industrial Recovery Act, I've just about given the history of the National Labor Relations Act, but there were a number of others. The Social Security Act of 1935 was the one great act introduced by Senator Wagner that was not actually drafted in his office. He had in 1934 introduced an unemployment insurance bill with Congressman [David John] Lewis of Maryland, which was the forerunner of the unemployment insurance provisions of the Social Security Act; and he had, going back many years earlier, introduced legislation which had been passed for the study of unemployment insurance, which was the first bill on that subject in the Congress, and for the creation of the employment stabilization board, the idea of which was a Government board that actually became law (this was in the late twenties or very early thirties), that whenever

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the index of employment fell below a certain level, and it was so certified, the Government would accelerate its expenditures for public works to compensate for the difference. President Hoover never activated the Stabilization Act.

Now, in 1934, under the pressure of some of these earlier acts, President Roosevelt appointed a commission to study Social Security, and it was this commission that drafted the plenary bill that was introduced in early 1935 by Senator Wagner and became the Social Security Act of 1935.

One interesting thing and important thing at that time, the bill provided for a nationwide system of old-age insurance, but for a state system of unemployment insurance to set up forty-eight systems of unemployment insurance. This was the so-called Wisconsin idea, and it was very avidly espoused by the Department of Labor, and by Secretary Perkins under the influence of the Wisconsin people. In fact, the person in charge of it over there at that time was Arthur Altmeyer, who lately became a great member of the Social Security Board and he was from Wisconsin. I felt very strongly that the unemployment insurance system ought to be national, and went to see various members of the Commission. There

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were more than twenty members of the Commission, and when I went to the first ten they all told me that they were for a national system, but that everybody else on the Commission was for a state system. Well, I gave up. I saw what was going on. They were just bowing to the views of the Department of Labor, which had been sold to the President.

I talked to Senator Wagner and said he ought to make a fight on this, but he happened to be in the middle of the tremendous fight on the National Labor Relations Act at that time in 1935. He said, "I can't fight the administration on this one, too."

So it went through that way, and as we all know, it was one of the greatest mistakes we've ever made. We've been trying ever since to get something approximating a Federal unified system of unemployment insurance, first through Federal contributions, and in a way, the recent emergence of an idea of a nationwide system of income supports, while not strictly analogous is in the same history.

HESS: What was their argument on the side that it should be done through the states?

KEYSERLING: They were greatly influenced by Justice Louis

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Brandeis, who believed that any big job was too big for any man to handle, therefore you had to break it down. He was a fragmentist; he wanted to break up all the big industries; he was the brain trust of Woodrow Wilson's, "The New Freedom." Wilson, when he campaigned in 1912, had Brandeis as his chief economic adviser. He said, "You can't regulate the monopolies a la Theodore Roosevelt or the Progressives, Walter Lippmann, and so forth, you've got to break them up."

Of course, he changed completely after he became President and was the leader in the enactment of a great deal of Federal legislation, railway wage and hour laws, the Federal Trade Commission, the Federal Reserve Board, and so forth. So, it was under this influence of the Brandeis-Wisconsin school that they said, "This is a new experiment. Let's try to set it up in forty-eight different laboratories," somewhat analogous to the way our recent war on poverty became so experimental that millions of plans were tried everywhere at the local level, and it proved to be pretty much of a fiasco and a disillusion. From the beginning of the war against poverty, I said, "Let's take three or four strategic national programs." Let's concentrate upon Federal works as a

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means of last resort to take care of the unemployed who weren't employed privately. I said, "There's also need for that work in the public sector." Also, I urged a nationwide system of income payments. Both of these ideas gained much support in the 1970s. But you see how in even those early New Deal years you had the first strands of these divergent views which ran through the New Deal, the Fair Deal, and the New Frontier and the Nixon administration.

Next we come to housing. There Senator Wagner was extremely active. It was in his office and under his direction that I drafted the United States Housing Act of 1937, which was the first permanent decentralized low rent public housing program. There also in 1934, I participated in the drafting of the National Housing Act which created the Federal Housing Administration of mortgage insurance and in the important amendments to the act a couple of years later. Most important, in that way I got drawn from 1944 forward into the drafting of the general housing act of 1949, which was the most important of all the housing acts, and in which in its preamble guaranteed a decent home for every American family in a suitable living environment, and that act was sponsored by Senators Wagner, Ellender and Taft. Wagner was chairman of a committee beginning during

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World War II to consider that act and the other two members were [Allen J.] Ellender and [Robert A.] Taft. I started out as the expert to Senator Wagner and Senator Ellender, whom I had worked with before, but very shortly. Taft selected me as his adviser, and I worked very closely with Bob Taft on that housing legislation all the way from the World War II days until 1949 when it became a law, and converted him. He even became an ardent public houser and was called a Socialist by the National Association of Real Estate Boards.

HESS: That is a very interesting point, because in most areas Senator Taft was known as Mr. Republican, an arch conservative. Why did he change on this one aspect of public housing, which is a liberal measure?

KEYSERLING: Well, the first reason is that Mr. Taft was not an arch conservative. Mr. Taft was an enlightened conservative in the fashion of the British Tories who in the 19th century had put through a lot of reforms. Let us remember...

HESS: He used to speak of himself as a true liberal, a Jeffersonian liberal.

KEYSERLING: Well, anyway, I don't know whether he was that,

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but anyway, let us remember that Mr. Taft not only became the most powerful supporter of the housing act, because Senator Wagner by that time was ill and Taft really carried the burden. Mr. Taft also introduced the first and most comprehensive bill for Federal support of public education at the school level. Mr. Taft also had a health bill. Mr. Taft believed that the Federal Government had the responsibility to support basic minimum standards in the field of education, health and housing, so he really was far more progressive than most members of the Republican Party, and he became known as Mr. Republican because he was such an intellectual giant and did his homework so well, and was basically a Republican in the political sense, and interested in the political future of the Republican Party; thus, he became the great leader of the Republicans on Capitol Hill, and of course, was a presidential aspirant.

HESS: When you first started discussing housing measures with him though, were his views quite as far developed along those lines as they later became?

KEYSERLING: No, I think I had a lot of influence on him, but as a matter of fact, I first had contact with Senator Taft in 1939, which was his first year in the Senate.

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He had been elected in 1938, and he was on a subcommittee of the Senate Committee on Education and Labor, which was considering an extension of the Public Housing Law. When I got through testifying he was considerably impressed, and really became a friend of public housing from that point forward. He made a great deal more progress over the years as I worked with him so closely on the Wagner-Ellender-Taft Bill.

In 1937 I had left Senator Wagner technically, and became general counsel of the United States Housing Authority, under the first permanent public housing legislation. By 1942, there were sixteen housing agencies in Washington, and we were in a war; every housing agency was at loggerheads with every other. Finally, in desperation, President Roosevelt appointed Judge Sam [Samuel I.] Rosenman, who had not yet come down here as his special counsel, to try to straighten this out. Rosenman came down and had interviews with the various people in Washington. Then he called me over to the White House. He said he had cleared it with President Roosevelt that I should work with him confidentially on a plan to straighten this out, and I drafted for Rosenman and the President, Executive Order 9070, which was approved in February 1942, which put the sixteen housing agencies

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into one National Housing Agency, of which I was general counsel 1942-1946, and which after the war became the Housing and Home Finance Agency under the act of 1949, and which still later gained Cabinet status as HUD, Housing and Urban Development. There were many urban development provisions in the 1949 act which I had drafted over the years.

HESS: Before we leave Senator Wagner, he is very well known also for liberal measures as we have mentioned, what was in Senator Wagner's background to make him develop into one of the leading liberals of this particular time?

KEYSERLING: Well…

HESS: Tell me something about the man.

KEYSERLING: I will. Incidentally, let me say that in terms of influence on history, in terms of legislation that has enduring significance, in terms of a volume of important legislation initiated by him--and incidentally on housing measures too, he never had much support from the White House, never--he towers over any one or any ten New Dealers, and yet, because intellectuals and historians are attracted by the person with flair, of a sensational nature, they have never given Senator Wagner his due.

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They don't neglect him, but I mean they weren't attracted to him as they were to Senator George Norris, who was a great man, but who only had one bit of legislation, the TWA, because Norris was a dissenter and an iconoclast, and he had more flair and so forth and so on. But it's always interested me that these intellectuals and historians make these kind of judgments.

Now, the question of how Senator Wagner became this way is a little tricky. Suppose you started by saying that he was a poor boy, had hardships. Well, Alfred E. Smith was also a poor boy with hardships, but he ended up as a reactionary leader of the Liberty League, and a violent opponent of the Democrats and of Franklin Roosevelt as President. So you can't explain it entirely that way. However, Senator Wagner always said to me, and it is true, that the reason he became the unalloyed liberal that he was was because of his early experiences. He had been born in Germany; he had been brought here as a small boy; his father had died when he was an infant; his mother was a janitress; his older brother, Gus, was a baker, and he had all these hardships. He used to say to me that the belief that, no matter how many handicaps you have, if you just have it within you, you can rise to the top--he always used to say, "Leon, that's bunk."

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He said, "For every one who rises to the top, a thousand are destroyed. In rising to the top, a lot of it is luck."

There are lots of interesting things about Senator Wagner. When he was in the Senate, he was also the member of a law firm in New York, but he would never let them take any case involving the Federal Government. He was a widower, he was very attractive. He was sought after socially, but he would never go the social rounds and go to dinners. He said, "The reason why, the kind of people you sit next to at those dinners, by the time they get talking reaction in your ears, you become one yourself." He said, "I don't want to subject myself to it."

Now, we come to the Employment Act of 1946. The real background of the Employment Act of 1946 is the Pabst Postwar Employment Contest of 1944, which was an essay contest on postwar full employment. There were more than 35,000 entries, and the preliminary judges were the economics department of Columbia University; and the final judges were Wesley C. Mitchell, the business cycle economist; A. F. Whitney, the president of the Railway Trainmen; Clarence Dykstra, the president of the University of Wisconsin; Beardsley Ruml, the famous economist-businessman. My essay got the second prize of $10,000 in

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that contest, but its relationship to the Employment Act is that it was really an outline for that act. It was called "The American Economic Goal." It was published in '44, and it outlined the process of setting goals for the economy of maximum employment and production; outlined the development of an annual report to the Congress; outlined the creation of an institution which brought together the Congress of the Executive, somewhat like the Joint Economic Committee for Congress and the Council of Economic Advisers. It didn't specifically advocate a Council of Economic Advisers, but Beardsley Ruml said to me when we had a banquet in New York, he said, "This is the first time I have ever seen this idea of really budgeting long-range prosperity on a budget basis." I emphasize that in connection with what I will say later about the history of the act in being, and my experiences on the Council, and the subsequent experiences under the act.

As World War II came to near its end, it occurred to me that the American economic goal ought to be translated into legislation. I was, at that time, general counsel of the National Housing Agency, which had been created under the Executive order in 1942. So I wasn't absolutely a freelance, but I started working on the

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bill, and first of all, I placed with Senator [James E.] Murray of Montana, a man by the name of Bert [Bertram] Gross, who had been on my staff when I was general counsel of the USHA, to work with Senator Murray on the full employment bill idea. Then I involved Senator Wagner in it, and the others were Senator [Joseph C.] O'Mahoney, whom I had worked with a great deal, and Senator [Elmer] Thomas of Oklahoma; and on the House side, Congressman [Wright] Patman. Congressman Patman, in the last few years, in many, many hearings has said publicly, in fact, he's overstated it, he said, that I created the whole Employment Act of 1946. But anyway, a bill was introduced. The first bill that was introduced was a rather general bill, somewhat similar to my Pabst plan, but it got out of hand and some people wrote into it, made it a specific formula, just for the Government to spend more money as employment dropped. I was against that, because I thought that all national policies ought to be combined in an effort to have the economy performing fully, but it shouldn't wed itself to any one particular formula.

Well, there was a great deal of controversy on the Hill, and the bill which actually became law went back very much to a general plenary statute. Some people said it was watered down. It wasn't watered down, it was

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built up, because under the Employment Act, the President can select any policies he chooses to. There were no limitations; he is not tied to one single formula. He can use money policy, tax policy, spending policy, housing policy, social security policy, etc. Now, the act, in its administration, has never lived fully up to its expectancies, but the act was a plenary statute and that was what it should have been.

Now, during the battle for the act, I had one of my first important contacts with the Truman administration. Truman originally had not been supporting the bill very actively--and this was before there was any Council, because it was before there was any act--I was still general counsel to the National Housing Agency. Many groups were organized, we organized a very extensive nationwide campaign. We brought in the labor people; we brought in public interest groups; we had a small team that prepared all kinds of economic studies. There were various people working on it. Avery small committee was set up of me and Bert Gross and Ed [Edward] Pritchard, who later got into some difficulties on another score, but he at that time was a protege of Fred Vinson, and he had been secretary to one of the judges on the Supreme Court. We were sort of a steering committee, bringing

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others in, developing the raw materials, helping the Senators and so forth. I had the most access to the Senators because I had known them the longest and had worked with them in so many other connections.

Well, it was felt that the Truman administration was not giving as much support as it might have to the Full Employment Bill, so I was selected by this group to go before Truman's--I think it was called Mobilization Committee, whatever it was--or Mobilization and Reconversion. The chairman of it was Fred Vinson: Other members were William H. Davis, Phil [Phillip] Murray, of the CIO, William Green of the AF of L, Anna Rosenberg, Jim [James G.] Patton, of the Farmer's Union, various businessmen, and so forth. So I went over to the White House to a meeting of the Mobilization Committee and spent an afternoon explaining the act to them. Vinson was tremendously impressed, as were some of the others, and very shortly thereafter, Truman began to put some real drive behind the Employment Bill and it became a law in 1946, and I was one of the three members appointed to the Council of Economic Advisers. I was named Vice Chairman.

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HESS: In Stephen K. Bailey's book, *Congress Makes a Law: The Story Behind the Employment Act of 1946*, he said that you emphasized and you suggested that a continuing American Economic Committee should be established along the general lines of the Temporary National Economic Committee? Is that correct?

KEYSERLING: Yes, I made some reference to that earlier. You see, I was preoccupied with a problem, that although we had a separatist form of government with the legislature and the President being separate, that we had to find some institutional devices for approximating in some respects the parliamentary system, so that you didn't have quite this division, and so that you really had them working together on problems.

So the permanent committee, which might be called a council, which I proposed under my 1944 essay, was that an American Economic Committee which was composed jointly of members of the Cabinet and members of the Congress--you see, it was a joint committee in that sense, which we've only very rarely had. It was that joint committee which was to draft the annual American economic goal which was the counterpart of what have become the economic reports. So in that respect, it was a variant upon what actually happened, but nonetheless, the '44

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thing was the only plan of the thirty-five thousand submitted, or at least of the fourteen that won prizes, because I don't know about all of them, that made any suggestion of this kind of long-range planning and long-range goals and an official committee.

I also suggested that the President adopt the American economic goal and the American economic plan, and make it the subject of his messages such as the time of the State of the Union message, and that he make frequent reports to the Congress on it. So, there were the areas of similarity and dissimilarity between the final act as it emerged and my 1944 plan.

HESS: Do you think your plan for the American Economic Committee was really the seed for the Council of Economic Advisers?

KEYSERLING: Yes, to a very large extent. But you can't weigh these things exactly. My plan differed in some degree. They decided, and possibly wisely, that they didn't want to mix the Congress and the Executive in that way, so they separated the two; but certainly, the idea of a Council of Economic Advisers and a parallel body, in the form of the Joint (Congressional) Economic Committee embodied my basic idea of more unity in action.

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And the Council of Economic Advisers tried to bring together the far flung economic programs of the Executive Branch; there was an absolute parallelism with my plan there. How effectively it worked is another matter that we'll probably come to on a separate connection.

HESS: One other point I want to check with you before we move on is in Mr. Bailey's book, he mentions that Charles Murphy of the Office of Legislative Counsel also worked on the drafts along with Mr. Gross. Is that correct? Do you recall Mr. Charles Murphy's involvement in that matter?

KEYSERLING: I think that would certainly be correct. The legislative counsel of the Senate was almost always brought in from the point of view of technical format. Without any disparagement to Murphy, for whom I have great regard, I don't think he had influence on content, but the legislative counsel's office was almost--most Senators always sent their bills to the legislative counsel for format and style and conformity.

HESS: Sort of a nuts and bolts type of operation.

KEYSERLING: That's right.

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HESS: Do you recall working with Mr. Murphy very often on the Hill, the times when you both were on the Hill?

KEYSERLING: I worked with Mr. Murphy in many connections on many bills, but it sort of merges because I worked so much more with him when we were both working for Truman that it's hard after all these years to disentangle the two. But I did know him well on the Hill.

HESS: All right. Are we ready to move on to the days of the Council of Economic Advisers, or do we have anything else to cover before that?

KEYSERLING: I think we ought to mention briefly some of my other activities during the Roosevelt period because they provide basis for some of the important activities that you are interested in during the Truman administration.

In addition to my work on all of this legislation, being the draftsman really of some of the primary acts, I did all the work so far as Senator Wagner was concerned, and also for some other Senators, not only on the preparing of speeches and articles, but I prepared at least ten articles for the *New York Times* alone by Senator Wagner on the National Industrial Recovery Act, on housing, on Social Security, on employment; and I also prepared

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many of the committee reports in connection with these measures. I prepared on the Senate and the House, committee reports in 1935 on the National Industrial Recovery Act; I prepared the committee report on the Senate side in 1937 on the United States Housing Act, which was extremely comprehensive and mostly an economic document. I remember Hugo Black, who at that time was chairman of the Education and Labor Committee which had jurisdiction, saying to me, "Why this is the broadest economic paper of this kind since Hamilton's report on manufacturers." He was very much taken with it. So I did a great deal of that.

Now, I also got very actively into the translation of economic programs and ideas into the political process in many ways. First of all, Senator Wagner was a very, very active campaigner. I was not only with him in <u>his</u> campaigns for re-election in '38 and '44, but I was with him almost every year, because <u>every</u> year he was either campaigning for a President or campaigning for a governor of New York, or campaigning for the New York state legislature, which was in the odd years, or campaigning for the mayoralty in New York, or campaigning for other Senators around the country like--well, I remember Bob [Robert J., Jr.] La Follette and "Shay" [Sherman] Minton and others who asked him to come out and speak for

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them. So I developed speeches for all those purposes.

Next, and more important, the Senator and almost perpetually the chairman of the Democratic Platform Committee or Resolutions Committee. In 1936, the convention being held in Philadelphia, I made the first draft of the Democratic platform in 1936, the entire draft, in Senator Wagner's office. It later got over to the White House where Sam Rosenman and others changed the style and the format considerably, but the content was the same.

In 1940, Senator Wagner was again chairman of the Platform Committee, and again I prepared the draft. This time it was hardly changed from initial preparation to final enactment. A large part of it was economic sectors. The only thing that happened then, I remember vividly, the Senator was living in the Shoreham and after we had the draft and before we went to Chicago--this was in Chicago (we usually went there a week or so before the convention opened to do further work there), he sent it up to the White House. Finally, the President sent it back with only one change in his own handwriting. We had something in there to the effect that we would not send our men to fight in foreign wars and Roosevelt wrote in, "Except in case of attack." This was about the only

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change that he made in the whole platform in 1940.

Then he sent Lowell Mellet, who was working with him, Ben [Benjamin] Cohen and Tommy [Thomas G.] Corcoran, up to the Shoreham, and I read the whole platform to them. Senator Wagner was there, but there were practically no changes.

In 1944, I again drafted the platform, because the Senator was again chairman. We went to Chicago, the Senator became ill, and John McCormack substituted for him as chairman of the Platform Committee, and remained chairman for several subsequent conventions. I worked with John McCormack, and there again in '44 as in '40, the platform came out almost the same in form as well as in substance as it had originally been drafted, and as I say, I had done that for Senator Wagner.

Now, in 1948 Truman was President, and the platform there was drafted at the White House, but the economic portions of it, and I'll come to that separately because that ties in with the Ewing meetings and so forth, the economic portions of it were a resume of the economic ideas and positions that I had been developing at the White House with Clifford and with the President and so forth and so on. So I've got to come back to that separately.

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In 1956--in '52 I didn't have much to do with the first Stevenson platform--but in 1956 I was at the convention. John McCormick was chairman of the Platform Committee and he had me draft the economic sections.

In 1960 I wasn't close to the Kennedy people, but Kennedy's whole '60 campaign was on the idea of economic growth, which I had been pounding for seven years and tight money, which I had also been pounding for seven years, so that through this work and the other political work, I became really close to the practical aspects of selling some of these programs.

Now, we come to 1946. In 1946, I was put on the Council along with Dr. [Edwin G.] Nourse and Dr. John D. Clark.

HESS: One question before we move on to '46 about the convention in Chicago in '44. Were you surprised at that time that Mr. Truman was put on the ticket as Vice President? What did you know about Mr. Truman at that time, in '44?

KEYSERLING: Well, this is a commentary upon what happened to Truman after he became President, or at least what was revealed after he became President. From 1933 to 1937, when I was legislative assistant to Senator Wagner--now, Truman wasn't there in '33. Truman, I believe, was

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elected in '34.

HESS: That's right. He came to town in '35.

KEYSERLING: 1935, all right. So, there were two years--well, in fact, three years, '35, '36 and '37, when I was up there while Truman was in the Senate, and I also got up there a great deal thereafter, because although I stopped working for Wagner technically in '37, I was the one that he always called back on the important jobs, including his platform writing and also the legislation. And by then being in the Housing Agency I was testifying a good deal on the Hill, and I got before committees that Truman was on.

I remember those early days when I used to sit in back of the room in the Senate Chamber, because we'd have that privilege. I thought what a wonderful institution this Democracy is, that the men that it sends up on the whole--because I could look around this room, I could see men that I agree with like Bob La Follette or Senator Wagner; I could see men that I disagreed with like Walter George or Dick [Richard B.] Russell; I can see other men like Hiram Johnson or William E. Borah, and so forth and so on. But so many of them, whether I agreed with them or not, they are such able, forceful men and there are

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certain things that they stand for.

As of that time, there was a man sitting in the back row, always immaculately dressed with a blue suit and a matching blue handkerchief...

HESS: He looked like a former haberdasher.

KEYSERLING: ...and a matching tie, smiling, ruddy faced, hair carefully clipped and trimmed, but you would never have ranked him as one of the great Senators. I never would have picked Truman for President during these years.

I remember I was before a legislative committee, not too long before he was nominated for Vice President. This was an appropriations committee and I was asked a lot of questions by [Senator Kenneth] McKellar and [Senator Carter] Glass and various others. At the end I was asked a question by Truman. I remember the thought that ran through my mind as I walked out of the room, "That is rather mediocre." A little while later he was President of the United States, and he became a great President, as we all know. Now, I'm not going into the unanswerable question of whether he changed, or whether the circumstances changed or what happened. But there it is. You asked me.

HESS: Did you ever testify before the Truman Committee?

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KEYSERLING: Yes, I appeared before the Truman Committee and I got the feeling that it was doing a marvelous job, but there again, I got the feeling that Hugh Fulton and others had an awful lot to do with that, and I was never impressed much by Truman before he became President.

HESS: Who conducted the majority of the questioning, was it Hugh Fulton?

KEYSERLING: I think most of it was by Hugh Fulton, although I was only before them once, as I recall. Incidentally the Truman report gave exceptionally high marks to the housing program that we conducted in the U.S. Housing Authority, because we converted to a war agency in 1941, and the housing done by the National Housing Agency when I went over there as general counsel, which was entirely war housing. He gave us an entirely clean bill of health. He wrote a wonderful report about our activities, or at least issued a wonderful report about our activities.

HESS: Moving on to 1946 and the Council of Economic Advisers, I think that's what we were getting into when I broke into your thoughts to move back into 1944.

KEYSERLING: Well, first let me talk about the appointments,

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putting aside personalities entirely. At this moment, putting aside entirely whether Nourse was the right man, or Keyserling was the right man or Clark was the right man, my view is that Truman is the only President who really grasped how members of the Council of Economics Advisers should be appointed, in the sense of grasping the broad nature and implications of the thing. Let's look at what he did, again getting aside from whether the people were the right people.

He picked one man, Dr. Nourse, who had been president of the American Economic Association, and who was the head of the Institute of Economics at Brookings. In other words, a recognized, distinguished, so-called professional economist, whatever that might mean.

He picked me on the specific ground that I had had more experience in Government's dealing with economic problems than almost anybody, and he thought that vastly important. We did not know each other well at the time, or hardly at all.

He picked John D. Clark, who had started out as a delegate to the Baltimore convention that nominated Woodrow Wilson; who had been a member of the Wyoming legislature; who then had become an immensely successful businessman, and was once listed by James W. Girard

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as one of the twenty wealthiest men in America. He was vice president for Standard Oil of Indiana; but who in 1929 had divested himself of his business interests, and gone to Johns

Hopkins, built a home there, set up his family there, and taken a Ph.D. in economics, and who thereafter had been dean of the business school at the University of Nebraska.

Now, regardless of the personalities, that's the way to pick a Council. Subsequently and unfortunately, the thing has gotten entirely into the hands of one narrow group of professional economists from universities. Really, the President hasn't chosen them; technically, he appoints them, but if you look at it, again without regard to personalities (I'm talking principle), when Arthur Burns left [Raymond J.] Saulnier succeeded him. Saulnier was a member of the Council under Burns and had been a colleague of Burns' at Columbia. When Walter Heller left [Gardner] Ackley succeeded him; when Ackley left [Arthur M.] Okun succeeded him. They were all from the same narrow group, and the other members of the Council. This became even more true of the members of the Council as distinguished from the chairman. They were all picked by the same small fraternity. And another bad consequence of that was the excessively frequent rotation. If you

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study the terms of tenure over the last fifteen years, you'll find that it's sort of become--if they come in as a member of the Council, it almost seems that they come in to burnish their reputations a little bit to go somewhere else. When I was chairman of the Council, I could never conceive of my having left that job voluntarily.

I could never conceive how anyone who had that kind of responsibility and opportunity would relinquish it voluntarily to do something else. I was voted out. So, I look with disapproval on that whole new kind, and while I can't get into it in detail, the entire concept, that a distinguished academic economist, whether it be Paul Samuelson or someone else, is uniquely equipped to deal with the problems of the economy and the making of policy is an erroneous idea. I'm talking about the policy side; but even aside from that, it is just a fallacy, because the whole nature of their training, the whole nature--if you look at their textbooks, it doesn't wrestle with the problems of the economy; it doesn't look at the economy; it's model-making and econometrics and a lot of formalistic things and theory that have very little to do with the economy. So, you can do great work in that field and not really be trained at all to serve as chairman or as a member of the Council of Economic Advisers.

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So, we came in in 1946.

HESS: What in your opinion was Mr. Truman's view of the function or duties of the Council of Economic Advisers when it was first established? How did Mr. Truman see this new instrument?

KEYSERLING: Well, in the first place...

HESS: Do you think he had a clear understanding of what he had to work with?

KEYSERLING: It depends on what you mean by a clear understanding. I don't think that any President has even commenced to grasp fully the implications of the Employment Act or of the Council, or the implications of a really integrated and coordinated economic policy. Let me illustrate what I mean and then I'll come back to Mr. Truman.

I can explain this best by going back to my 1944 essay, because in connection with that essay we can submit supplementary material. This thing was limited to two thousand words, but I submitted a ten or fifteen thousand word tract, and interestingly when Columbia University published the essays later on and also published excerpts from the whole thirty-five thousand contributors, made a

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book out of the whole thing, they printed in the back my fifteen thousand word tract, which was the only long thing in the whole book. What I said was that we learned during World War II the great things that we could do, but that the difference between World War II and the New Deal was this: That while the New Deal had done a lot of great things they were all an inconsistent experimental hodgepodge. Under the agriculture effort we tried to restrict production; under other things we tried to increase production; under the NRA we tried to lift prices; under other acts we tried to lower prices. So there was no consistency. But we learned during World War II what we could accomplish when we had a really unified, mature, comprehensive economic program that are based all on the major activities in the Government, and this was the idea of the act; that you set a long-range budget and you made your goals; that you break it down by economic analysis into the component parts; and then that you bring in every policy that bears upon that, so that an effective economic report, really to be meaningful, would have to have: First, long-range five or ten year goals for employment and for production and for income flows to bring about economic balance, and for allocation of resources between investment and

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consumption. In other words, a long-range analysis of the kind of economic adjustment that you needed, which is what we had done during World War II. Then you bring to bear upon that all your important policies, which would be, at least, tax policies, spending policy, money policy, Social Security policy, housing policy, farm policy, and international economic policy. If you look at any economic report in recent years, it has nothing like that. It usually has a review of what happened last year, which anybody can do, a forecast which anybody can do, but no real goals of the kind I'm talking about; and usually concentrating almost entirely, say, on fiscal policy or on tax policy or what happens to be the rage of the moment. Social Security policy raises more money than tax policy; farm policy is responsible for the fact that we have uprooted millions and millions of families and sent them into the cities where they have gone on the relief roles.

There's been nothing on long-range thinking, and really, the bringing together of these policies on a long-range balance program. No President has really understood this, and none of the academicians on the Council have really understood this, and lest you think that this is a prejudice of mine, just go look at the

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reports. Money policy is conducted separately by the Federal Reserve System. This is wrong. It should have been cured long ago under the act. It could have been cured if the President had really taken a position. No President, from Wilson when the act was set up through Roosevelt or through Truman, including even Harding and Hoover and Coolidge, dreamed that you could have a free-wheeling Federal Reserve System independent of the Treasury and of the Government. This all developed in the virulent campaign against Truman late in his second term, whether because somebody had given a gift to a wife of one of his secretaries, or because the Party had been in so long, whatever the reasons were, this deterioration...

HESS: Part of the so-called "Mess in Washington."

KEYSERLING: Yes, although there was no mess when another President was given a blooded herd and no taxation on his memoirs, and millions of dollars of advice on the purchase of securities, there was no mess in Washington. But be that as it may, this weakened Truman to the point--although he was as strong as any President had ever been in recognizing the evils of the tight money, rising interest rate policy of the so-called independent Federal Reserve Board. They swung away from him, so that in 1952

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you had a conspiracy of factors. First of all up on the Hill, you had Paul Douglas who had a lot of standing as an economist, and he and I have been great friends in recent years. But in 1952, where there was a so-called accord between the Federal Reserve Board and the Treasury, Douglas on the important Joint Economic Committee was violently against the President on this. He was also mad with the President over some judicial appointment matter.

Coming over to the Executive side [John W.] Snyder stood with the President; but [Thomas B.] McCabe was against him in the Federal Reserve. Truman thought that Bill [William McChesney, Jr.] Martin, who was Under Secretary of the Treasury was with him. He sent Martin over to the Treasury to replace McCabe. Martin promptly double-crossed him; and I know all about this because in 1952 the President set up a committee of four people: John Snyder, as Secretary of the Treasury; Bill Martin, as head of the Federal Reserve Board; Charlie [Charles E.] Wilson, who was mobilizer, and me as Chairman of the Council of Economic Advisers. Snyder got sick and went to the hospital. The whole thing got out of hand. Wilson as a hard core businessman sided with Martin and I was lost in that situation. They ran away from Truman;

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they made the accord; they abandoned the Federal Reserve support of Government bonds and so forth and so on, and that whole thing happened that way. I'm trying to get back to where I was before I digressed on that.

HESS: You were mentioning Mr. Truman's understanding of the Council of Economic Advisers.

KEYSERLING: Yes. I'm saying that perhaps he understood it to a larger degree than the President since--but there has been really no President who has fully grasped the potential of the great, unified, consistent, long-range national economic policy of the kind we had during World War II.

HESS: One of the reasons I asked that question is that in the book, *Economic Advice and Presidential Leadership: The Council of Economic Advisers* by Edward Flash, and also Dr. Nourse's book, (Nourse, Dr. Edwin G. *Economics in the Public Service*)

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I get the impression that those two gentlemen do not think that Mr. Truman had a clear understanding. In Dr. Nourse's book he quotes Truman as saying at the time that you were sworn in, "Now, you gentlemen just keep this national income up to two hundred billion dollars and we'll be all right." And in Dr. Nourse's book he implies that he did not think that Mr. Truman had a clear view of what the Council of Economic Advisers was. Did you think there was some misunderstanding between Nourse and Mr. Truman?

KEYSERLING: Well, let's take them one by one. First of all, I have already said that I don't believe that any President has really fully grasped what the Employment Act can do. I think that Dr. Nourse's book is a profoundly unfair book. In the first place, its lack of profoundness is partly indicated by the very statement that you read. Here we were at a swearing in and the President makes a desultory remark, "Now, you gentlemen just keep this national income up to two hundred billion dollars," which was the full employment level of income at the time. I don't attach any significance to a remark like that. I mean, it was a pleasantry.

HESS: It's the type of a remark that's made in a situation like that.

KEYSERLING: That's right. At a photographic swearing in. Now, let's get to the more fundamental aspects of the Nourse-Truman-Keyserling controversy. Dr. Nourse and I actually had very few differences on economic policy. He was there from '46 to '49. We helped the President

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to write a great number of economic reports, and major economic reports. We wrote the published Council reports which has never been written since. We wrote many memoranda to the President. There were only two instances at the most in all that time where there was enough of a difference on economic matters for us to write separate memoranda to the President. That is not what the difference was, and that is not the source of Nourse's embittered book.

I reviewed that book in the *Annals of the American Academy* and pointed out the basis of his feeling at that time. Nourse and I had a disagreement that had nothing to do with economics. It was a political science matter; it was a matter of the administration of Government. Nourse did not want the chairman of the Council or members of the Council to make any appearance on Capitol Hill or to testify before the Joint Economic Committee. I did.

The reasons that I did arose out of what I had learned since 1933 and out of my preoccupation with getting a workable rapprochement between the Congress and the Executive, embodied, indeed in my 1944 plan. Furthermore, the Council of Economic Advisers were not anonymous private staff to the President like Clark Clifford or [Dr. Henry A.] Kissinger, although he hasn't remained

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very private. We were appointed by the President, confirmed by the Senate under a statute which defined our functions. We were given Cabinet rank by salary and in other ways, and we were charged with helping the President prepare his economic report. When the President sends that to the Congress, the report has stamped on it, "Prepared with the assistance of the Council of Economic Advisers." The report goes to the Joint Economic Committee which holds hearings on it. Now, who is going to be the trustee for the President; who is going to represent the President at those hearings?

HESS: It should be the Council of Economic Advisers.

KEYSERLING: It would have to be. Nourse said no, and the reason he gave was, he says, "What will happen if I go up there and I disagree with the President? If I state my disagreement there's an embarrassment; if I don't state it, I'm stultifying myself."

I said, "What about any man of integrity on Cabinet level? Suppose the Joint Chiefs of Staff disagreed with the President on a weapon; or the Director of the Budget on an appropriation; or the Secretary of State on a foreign policy; or the head of HEW on a health program? If the disagreement is of sufficient size, then the man

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of integrity has to resign; if it is minor, then he has to recognize that he is not President, and so long as he is in that job he has to support the President." This is eternal through American history.

And furthermore, while Nourse wouldn't go up on the Hill, he was going all around the country making speeches to everybody <u>except</u> the Congress, saying that he disagreed with the President. Now, here's where Truman made his mistake. This was not an issue of economics. This was an issue of a functioning of Government. Truman should have called us in at the beginning and said, "Gentlemen, after all, I'm the one who has had the experience in this, I have to determine how my agencies function. It is normal, natural, proper and inescapable that the Council of Economic Advisers represent me before the Joint Economic Committee." But he finessed it. He didn't want to offend the old man, so what did he do? First he sent up Paul Porter to represent the economic report; then he sent up Charlie Brannan as Secretary of Agriculture; then he sent up Averell

Harriman as Secretary of Commerce; he sent up Porter last, and by the time he got to Porter, Porter said, "This is absurd." He said, "I need the help of the Council."

Then Truman decided in '48, "We will let Nourse not

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go if he doesn't want to go, and we will let Keyserling go if he wants to go." So I went. And the interesting thing is that before '48, quite aside from the President, John D. Clark agreed entirely with me. Now, although Nourse was chairman, he was one among three equals, and what you do on a multiple body on a matter of procedure, you, go by majority vote. The chairman can be outvoted. So it was Nourse's obligation in my view, once we outvoted him on it, either to go or to have one of us go and just say, "I'd rather have one of the others do it." But he made a public issue of it. We--until he made a public issue of it--went along with him and didn't go from '46 to '48, until he made a public issue of it by going telling people around the country that we just wanted to support the President politically, which put us in an impossible position. And it later developed that what he was really concerned about was that in 1946 the Republicans had taken the Congress, and he thought Dewey was going to be President, and he was in private consultation trying to assure that he would stay on in the next administration and therefore he did not want to be identified politically with the President that he was serving.

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Well, history has settled it.

HESS: Is that one of the reasons that he left in 1949?

KEYSERLING: Yes, this was the big thing, and when he wrote the book he was in a great distemper, and he grossly misrepresented Truman.

HESS: Why did the President keep him on for that year?

KEYSERLING: I guess he thought he had prestige. He didn't want trouble.

HESS: He kept him on for a period of time after the election.

KEYSERLING: That's right. Now, he wrote this book in that great distemper, and many of the things that he says about Truman are very unfair. For example, access. Now, if he complains about the fact that the President didn't understand all the details of economics, how could any President? But on access, he's completely wrong. I know from my own experience when I was chairman, and with Nourse it was the same way, I called up, Matt Connelly answered the phone, he never even said, "I'll call you back." He said, "Two o'clock on Thursday." Absolute and complete access to the President, and a most favorable attentive audience.

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The President usually knew what he wanted in a rather decisive way and would state it, very clearly. He paid a great deal of attention to us; he was guided very considerably by our policies. So that is an unfair book.

HESS: While we have mentioned Matt Connelly and the President, how were your relations with the other staff members at the White House at this time? Clark Clifford, who was there until 1950, and then Charles Murphy?

KEYSERLING: Well, I had no relations with Matt Connelly except as Appointments Secretary. I was very close with Clifford. We worked very closely together from the beginning. In fact, this brings us in a way to the Ewing matter, and to the larger aspects of this. Clifford and I were as close together as any two people in those jobs could be. We had confidence in each other; we worked together a great deal.

HESS: Had you ever met Mr. Clifford before he was in the White House?

KEYSERLING: No. In fact, I first met him at the first meeting of the Ewing group, but this was early.

HESS: Late '46?

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KEYSERLING: Yes. You see, in '46, the President had a disastrous congressional defeat. Very shortly thereafter, a man by the name of Donald Kingsley, who was the first assistant to Ewing, Ewing was the head of the forerunner to the HEW. Ewing had been a very, very successful lawyer. He had been a partner of Charles Evans Hughes; he had been the general counsel for Anaconda, but he had also had Democratic political experience. I think he was co-chairman of the New York State Democratic group.

Don Kingsley called me, I think it was late in '46, and he said, "We want to set up a little group to discuss the future of the Democratic Party." And that group met from late '46 until shortly after the '48 election. It is interesting that although we met every Monday night at Ewing's apartment at the Wardman Park, had a wonderful steak dinner and then spent three or four hours together, there was never a single whisper of those meetings in any press in the United States to my recollection. It never got out.

How different that is from the more recent times when everybody is busy over exaggerating how they made the President or they educated the President, or they told the President what to do. People like Arthur Schlesinger and some of these others in recent years, you'd think

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they practically ran the White House, when he was just there as a Boswell. He didn't run anything.

No word of it got out. Now, the members of the group: There was Clifford; there was Murphy; there was me; there was Charlie Brannan, first as Assistant Secretary of Agriculture and then as Secretary of Agriculture; there was David Morse, who at that time was Assistant Secretary of Labor and later became head of the International Labor Office for many years; there was "Debby" [C. Girard] Davidson, who was Assistant Secretary of the Interior; there was Donald Kingsley; occasionally, very, very rarely, Howard McGrath, as Democratic National Chairman, dropped over, but very occasionally. He really had nothing to do with it. That was about the group. It's possible that there was one that I didn't mention, I don't know.

HESS: How effective did you think that that group was on influencing Mr. Truman's views?

KEYSERLING: That group was immensely influential.

HESS: How did you go about applying the influence that evolved?

KEYSERLING: Well, first of all, you've got to analyze how

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the group functioned and how it operated before you come to the question of how we influenced the President. You see, when Truman became President in 1945...

HESS: It's getting close to twelve...

KEYSERLING: If you want to interrupt at any time, we can resume some other time.

HESS: It's coming close to twelve and we're about down to the end of this reel, and I thought perhaps you had a luncheon engagement. We could cut off here and start at this point at a later date, if you'd like?

KEYSERLING: Well, we could do that. Perhaps it's better.

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Second Oral History Interview with Leon H. Keyserling, Washington, D. C. on May 10, 1971. By Jerry N. Hess, Harry S. Truman Library.

HESS: To keep things in good chronological order, Mr. Keyserling, we broke off by beginning to discuss the Wardman Park group, and you had mentioned that before we get too far into that, we will have to analyze how that group functioned and how it operated before we can come to the question of how it influenced the President. Would you like to start there this morning, sir, and just tell me how that group functioned and how it operated?

KEYSERLING: I'm sure that I said last time that one of the most remarkable things about the group was that although it had this wide representation, and although it dealt with such important matters, and although it met from shortly after the 1946 congressional election to somewhat after the 1948 presidential election, a period of more than two years, and met every Monday night for several hours, there was never at any time in all that period, to the best of my knowledge, any information on the part of the press that it was meeting. As a matter of fact, I don't think there was any information about it at all until many years later when I think I mentioned it to

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Cabell Phillips of the *New York Times*, which I felt I could do as it was even then more than ten years later, I suppose; and he followed up on it at that time and made some slight reference to it in a book that he did on the Truman administration. But I think it is a commentary on the--I want to emphasize this because it goes beyond personalities--and is a commentary upon the difference between the Roosevelt and Truman administrations as I knew them during twenty years, and some later administrations, without getting specific. Just as it is remarkable that during the years of the Roosevelt administration, when I, as indicated earlier in this recording, was so heavily involved in so much of the New Deal legislation that has been really the most enduring in the broadly significant part of the New Deal, nobody ever knew that I was doing it, and very few people know even to this day. It is hardly entered into the history books.

On the other hand, I have been shocked, as a matter of public policy and public responsibility, again not dealing with individuals, at the extent to which some of the so-called intellectuals and academicians, especially in the Kennedy years and also the Johnson years (it's too early to comment on this aspect of the Nixon administration),

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have sought to perpetuate themselves in the umber of the Presidents they've served, have written unconscionable "kiss and tell" books and articles, almost before stepping out, and would lead you to believe that but for them there hardly would have been a Kennedy or a Johnson.

I think this represents a gradual deterioration of the morale of the Presidency, through no fault of the Presidents involved, and it is peculiar that the main perpetrators of these outrages have been the academicians, who, if anybody, might have been expected to understand the nature of the Presidency, and to understand confidences; and to realize that a man who has the honor and trust of working for a President of the United States, should not violate that trust, <u>even</u> if he thinks he has been mistreated. I think this applies even after a President has left office. Of course, the examples are too numerous to detail.

I suppose that one of the most striking examples was when Arthur Schlesinger, even while Lyndon Johnson was still President, and while Dean Rusk was still Secretary of State, sold for a big fee an article to *Life* magazine to the effect that Kennedy had told him that he was going to fire Dean Rusk one year later. Now, in the first place, if Kennedy had told him this, it was an outrageous thing

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to broadcast it when Rusk was still Secretary of State; secondly, if it was said, it was said in confidence; third, if it was said, it meant practically nothing, because the President may one day say, "That man is terrible; I'm going to fire him next year," and the next day he may say, "He's doing a great job." It's absolutely meaningless. And above all, it was stupid to repeat it, because if it were true, the only person it would reflect on would be the President that Schlesinger was purporting to honor, because in such dangerous times as that, he had a Secretary of State who was so incompetent that he was going to fire him, but was deliberately going to defer it until after the presidential elections more than one year later, what a terrible commentary that would be upon the President, if true. But, of course, I blame it entirely on an informant who may have informed on something that never happened. Well, I have no way of knowing it never happened, but anyway, he magnified it beyond all reason.

The same thing happened with a book that Ken [Kenneth] O'Donnell wrote much later on, in which he made the same kind of statements about what Kennedy told him he was going to do after the elections.

Well, the brand of people that were involved in these meetings with Oscar Ewing is indicated by the fact that

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they didn't tell; they didn't tell before; they didn't tell after. I certainly think it perfectly appropriate in an oral history at this time, eighteen years after the end of the Truman administration, to give my account of what happened at that time.

Now, the meetings were extremely informal. We were all behaving as equals, there was no leader. Ewing wasn't the leader just because he was the host. He was the host because he was a well-to-do man who had a nice apartment and was generous and interested in the future of a liberal administration, and could afford to give us a fine steak dinner every week. But there was no leader.

The first issue that I recall discussing, and incidentally, although this was--well, it wasn't long after I became a member of the Council, because I wasn't appointed until the middle of 1946, and actually didn't take office until September of '46, so it wasn't long. Anyway, this was the first time that I ever met Clark Clifford. The first subject that I remember discussing, or anyway, the first important subject, was whether or not President Truman should veto the Taft-Hartley Act, which was under consideration at that time. I very well recall that at that time every member of the President's Cabinet, except the Secretary of Labor, was urging him to sign

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the Taft-Hartley Act, which is an interesting commentary on itself. I presume, although I never heard their advice to him, that they put this on political grounds that it would be bad for Truman to veto it.

Well, our discussion on the Taft-Hartley Act which probably extended over two or three sessions, was very important and very indicative. Of course, I was entirely interested in the substance of the matter. I had been the main draftsman of the Wagner Act which the Taft-Hartley Act sought to mitigate in its protections of labor. I felt especially that it would work against further organization in the South and among the unorganized generally, and I didn't think that any of the charges against the act were justified.

The most common charge was that it was one-sided, because it accorded certain protections and rights to labor and accorded none to management. But I had been through that debate during the years I was working with Senator Wagner, and I said, "It isn't any more one-sided than a law that establishes the rights of the parent toward the child and not of the child's toward the parent, or the husband toward the wife, and not the wife toward the husband; or that it establishes the obligations of security sellers and not of security buyers." The act

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didn't do anything except give labor the right to organize and to be recognized and to bargain collectively.

The right to bargain collectively couldn't be one- sided, because the two people had to bargain. The right to organize couldn't be one-sided because industry and the right to organize in giant corporations; and as we all know, the anti-trust laws have, since the original suit against the Standard Oil Company hardly dissolved any important corporation, and the monolithic mergers and corporate combines have gone on even to this day. So giving labor, or vindicating the right of labor which we're supposed to enjoy under Section 7a, was not one-sided in any way, shape or manner. There was a correlative right for employers, which they fully enjoyed.

Well, anyhow, because of my great interest in this act, I naturally was most familiar with the subjects, and naturally took the lead in arguing that President Truman should veto the Taft-Hartley Act. As this proceeded, it became apparent that the substantive arguments had to be reinforced with political arguments.

I don't say this at all by way of criticism because a group such as this, all members of the administration, would certainly have been derelict and unnatural if they hadn't considered that factor. But be that as it may, I

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saw that I would have to turn the argument in that direction to make any progress with it. I argued that the actual majority of the Democratic Party rested with the labor groups and other groups of that type; that we wouldn't win over any appreciable number of the opposition of the

Wagner Act by the President signing Taft-Hartley, and that in view of the 1946 elections it was especially important that Truman identify himself clearly as a lineal successor to the New Deal.

Well, anyway, this met with the universal approval of the group. So that's how the decision was formed at that stage.

We next came to the question of how the President was persuaded. Now, it's a little hard, certainly a little hard for me, to appraise how the President was persuaded because we all had access to the President in varying degrees; even as an Assistant Secretary of Agriculture, Brannan had frequent access to him and soon thereafter became Secretary of Agriculture. Jebby Davidson probably didn't have much access to him, but certainly Charlie Murphy, who was then Assistant Counsel to the President under Clifford, had access to him every day, and Truman had worked very closely with Charlie Murphy on the Hill, because Charlie Murphy had been in the Legislative Counsel's

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office up there ever since 1933, long before he knew Clifford. I had frequent access to him, as I will come to later.

Be that as it may, I think it would be fair to say that I deserved eighty-five percent of the credit for pressing the issue with the Ewing group and convincing that group, but that Clifford deserved eighty-five percent of the credit of persuading the President. He was closest to him; he saw him all the time; he was very aggressive, and one of the outstanding features of Clark Clifford is his courageous independence. When Clifford became Secretary of Defense--and here I am not saying whether I agree with him about the Vietnam war, that's not the point. I can say a lot about that, but it has nothing to do with the subject. But when he became Secretary of Defense, many of my friends were naturally interested. They said to me, "What kind of a Secretary do you think Clifford is going to make?" And they made the point that he didn't have McNamara's administrative knowledge and experience; that he had had almost none, if any; that it was a big department. Would he be handled by the generals and admirals or would they handle him, and what would his stance be?

I said, "There's one thing you can be sure of: Clifford

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is going to be independent, and whenever he becomes convinced of a position, he will, as almost nobody I know, try to persuade his boss. He will not be a 'yes' man, and if he thinks he's wrong, he will tell him again and again, and he will have the gift of being able to do it in a way that will have a good chance of influencing him."

Well, of course, as we all know, there were many forces besides Clifford; forces of what was happening in the East, and forces among people besides Clifford that influenced Johnson on the Vietnam war. But certainly Clifford deserved eighty-five percent of the credit for actually persuading Truman to veto the Taft-Hartley Act. That's about how I would divide it up.

Now, after we got through with the Taft-Hartley Act, there was the question of sending a veto message. Clifford asked me to draft suggestions, which I did, and sent to him. The message as it went up was moderately responsive to my suggestions, but followed a substantially different line, perhaps because I had been more interested in the ultimate economic importance of the Wagner Act for the purpose of balancing the economy by strengthening labor's wage position; and the people who ultimately drafted the message; and as to whether Clifford drafted it or not, he certainly was in charge of the drafting of it, was a more

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legalistic document emphasizing more legal points. So much for the Taft-Hartley Act.

Now, after the Taft-Hartley Act was disposed of, the Ewing group branched into a wide range of other matters, which really culminated, although many things happened over the next years, culminated in the stance of the President in the campaign of 1948, but more particularly in the messages which he sent to the Congress enunciating a very far flung New Deal. Now, here again, I would say without derogation of others, that Clifford and I were the two large factors: I on the programatic side; he on the persuasive side.

The heart of the whole thing was my intense interest in economic growth and an expanding economy, and one of . the means that I used to develop this interest aside from my dealings with the White House, which I will come back to, was a number of lead articles that I wrote for the *New York Times*, beginning as early as 1947, and there were three of them between 1947 and 1948. I think the most important one was entitled, "A National Prosperity Budget," and then another one was called, "A Three Hundred Billion Dollar Economy," all emphasizing the idea of economic expansion and economic growth, and with the economic growth, we could afford easily all of these

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various programs, whether in the field of housing, in which I had had a long experience; the field of social insurance, in which I had had considerable experience; the field of medical care which was then being made the subject of bills such as Wagner-Murray-Dingle Bill, and all the way across the board of the social programs which made up the Truman Fair Deal. I wrote very many memoranda for the President on this, not in my role as a member of the Council, but in my role as sort of an accepted ally of the internal White House group, and in addition to these memoranda, some of which went to the President and some of which went to Clifford, I did draft several of Truman's speeches on economic expansion and economic growth and on the whole thing.

It is interesting that even at that time, one of the big issues was that all of these measures would be inflationary. Dr. Nourse had some feelings in that direction: I remember one speech of the President which upset Nourse particularly, which the President and I had written, that said, "When the economy is limping along we can't afford any of these programs because the economy and the budget is in trouble; and when the economy is doing well, we can't afford any of them because it will be inflationary. So when can we ever afford them?" This became a sort of

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refrain.

Another way that this was done was through the Council's reports, which at my suggestion were separated from the President's report, his report becoming a short document of four or five pages hitting the highlights, supported by a very long Council document of a hundred or two hundred pages, which went to the Congress twice a year with the President's economic report. These incorporated many studies of economic growth, taking account of all kinds of related issues such as needed capacities, needed steel capacity, and how the social programs not only could be afforded if we had economic growth, but equally important were essential elements in achieving economic growth, because unless you made real American consumers out of these people, you weren't going to be able to keep up with your productive capacity. So, in all these ways, the transition was made, and here again I would say that I dealt mostly with the substance and Clifford was certainly the great contributor to the acceptance of it by the President.

I would say that I think that Charlie Murphy, who is a much quieter person and much less able to advertise himself, or at least he didn't try to do so, had a very important influence on this. This was certainly true

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after the election of '48 because shortly thereafter Clifford went into private practice, and Murphy became Counsel to the President.

Now, we come to the very important issue, much more important than whether Clifford really believed in these things or was convinced of their political desirability; I don't have any particular way of working that out. He certainly gave me the impression that he believed in them. But the more important question is, what did Truman believe?

Truman had, as a Senator, gradually veered from being an all-out New Dealer, which everybody was in 1935, even James F. Byrnes. After all, Byrnes was Roosevelt's leading lieutenant in the Senate. Truman had gradually veered toward what I would call "The middle group," composed of such Senators as Carl Hatch of New Mexico; and Sherman Minton of Indiana, whom Truman later put on the Supreme Court; and even the Republican Harold Burton, whom Truman also put on the Supreme Court, who was a middle-of-the-road Republican having been Mayor of Cleveland. Truman gradually veered toward that group. He wasn't in the Wagner-La Follette-Costigan group (I could mention some others), and he wasn't in the Byrnes group after Byrnes became much more conservative; or the

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Dick Russell group. He was in that large middle group, which, to a considerable degree, included Senator J. C. O'Mahoney.

Then when Truman first became President he was greatly influenced by John Steelman and by John Snyder, and by--there was a Judge Caskie Collett who was his adviser in the reconversion period--and various other people during the debacle of the premature abandonment of price control before the '46 elections, or at about that time. Lo and behold, by 1947, Truman was an all-out liberal.

I am fully convinced that the transition was absolutely sincere as Truman grew. I don't think there was any element of political calculation in it beyond the normative minimum, because I think that Truman's sympathies were really with the little man, arising partly out of his own experience when he got caught in the squeeze with his partner out in Kansas City, especially by the tight money policy when he went into bankruptcy.

In all my dealings with Truman he had the two most important characteristics of a President in this situation: First, he had absolute courage and decisiveness. And second, as I've said over and over again, despite what I have said about the political elements and the choices, I think Truman, less than any President I ever came into

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contact with (and I came into contact with all of them since 1933 except Eisenhower and Nixon), more than any of the others, <u>far</u> more than any of the others, it never seemed to me that he considered the politics of Harry S. Truman when he was making what he regarded as a big decision in the interest of the country. He very much identified the interests of the country with the interest of the plain people.

The only other man, as I've said before, who was this way, was Senator Wagner. Now, Senator Wagner had come up as a Tammany politician, but in all the years that I worked with him, from '33 to '37 formally, and from '37 to '46 informally, he just <u>never</u> said to me, or gave any indication that he was thinking of the political consequences. He was always talking about what is the right course. So I think Truman was absolutely sincere about this. I think he felt intently all that he did; but at the same time, I don't suppose that if he hadn't had the kind of advisers that he had he would have gone so far so fast. He would have responded to other forces working.

Now, there was more to this than influencing Truman. I made some reference to the conservatism of John Snyder, and the conservatism (I don't think I've referred to it before) of Charlie Sawyer, who was Secretary of Commerce.

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But I worked on them too. I remember Truman once saying to me after a Cabinet meeting, about the time he appointed me Chairman of the Council (which was held up quite a while because some of the people in the administration weren't too keen about it), he said to me, "You certainly have won those fellows over."

I said, "Well, I had to sell them the shirt on my back to do it."

And he laughed and said, "Oh, no, I don't think you did that at all."

Another indication (I don't know whether I mentioned it earlier), shortly after I went on the Council, some of these people gave him a big fat book of newspaper clippings of all the things that I had said that had appeared in the paper. They thought this was really going to put an end to me. So Clifford called me up and said, "I think you ought to go over and see the Boss."

I walked into Truman's office. Truman had the thing on his desk. He said, "Sit down, Leon. I read every one of these clippings. I didn't find a single one where anybody criticized you for disagreeing with the President of the United States. So, let's just forget about it." That was the end of that.

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HESS: All right. While we're at this point, we have mentioned the so-called liberal or conservative leanings of Mr. Truman, and we also mentioned Mr. Clifford in that nature. Let's just go down the list of people who were in the Wardman Park group and could you tell me just a little bit about each man, and their liberal leanings?

KEYSERLING: They were all decidedly liberal people.

HESS: All decidedly liberal.

KEYSERLING: No question about it.

HESS: One question on that, Mr. Oscar Chapman, who was Under Secretary of the Interior at that time, did he ever attend any of the meetings?

KEYSERLING: So far as I can recall (it's a little hard for me to say that anybody <u>never</u> attended), but he was not a part of the group and I don't remember his being there.

HESS: Wasn't that a little odd that he was not? He was usually regarded as one of the liberals during the Truman administration, was he not?

KEYSERLING: No, I don't think it was odd, because I think it was a deliberate intent, since the meetings were held

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under the aegis of Ewing, although as I say, we were all equals, and Ewing did not have at that time, and never attained, Cabinet status. I think there was a deliberate effort not to have any Cabinet members in that group.. Now, Howard McGrath dropped by very rarely, more in his role as Chairman of the Democratic National Committee than in his role as Attorney General. But I would tend to explain the absence of Chapman on the grounds that this was not a Cabinet group.

HESS: Now, McGrath was Attorney General after the '48 election. He was Senator from Rhode Island.

KEYSERLING: Well, then it was in his role as Chairman of the Democratic National Committee, yes.

HESS: And also I noticed that the Department of the Interior in Mr. C. Girard Davidson, did have a representative. It looks like each major department or most of the major departments had one representative, and usually that representative was an assistant secretary; Davidson was Assistant Secretary of the Interior; David A. Morse was Assistant Secretary of Labor; Charles Brannan was Assistant Secretary of Agriculture. Was that by any design?

KEYSERLING: Yes, I think the idea was to get the most influential and

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knowledgeable and important people representing the departments that dealt with economic and social affairs, but not to make it a Cabinet group. Making it a Cabinet group would have had all kinds of difficulties.

HESS: At this time, Mr. Chapman was not Secretary; he was Under Secretary.

KEYSERLING: Well, then, my memory failed me on that, and that is not the explanation. Be that as it may, it was Davidson and not Chapman who was a member of the group.

HESS: Was Davidson at this time considered by the group the most active liberal in the Department of the Interior, more active than Chapman?

KEYSERLING: I wouldn't be prepared to say that. I had nothing to do with the choosing.

HESS: Who did?

KEYSERLING: I presume it must have been Ewing and Clifford, but I don't know. It never crossed my mind at any time as to why it was Davidson rather than Chapman.

HESS: I don't know if we have it down on tape or not, but could you tell me about your invitation to attend the dinners?

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KEYSERLING: My invitation first came in the form of a call from Don Kingsley on behalf of Oscar Ewing.

HESS: Did Mr. Kingsley usually attend most of the meetings?

KEYSERLING: Yes, all of them.

HESS: Since we have been mentioning Mr. Truman's stand, I just want to mention briefly in passing what Cabell Phillips says on page 163 of his book, *The Truman Presidency*: "Where did Truman stand in this ideological cross fire? No one was quite certain, including Truman himself?" Do you think that Mr. Truman at this time was as confused as to what his stands were on the various issues as Mr. Phillips says in his book? He says, in effect, Mr. Truman, himself, did not know where he stood in the liberal-conservative cross fire.

KEYSERLING: Well, all I can say is that from 1947 to 1953, which is a period of six years, it would be amazing if a confused man was so utterly consistent without exception, and I would paraphrase what Acheson said in his book in answer to the claim that Mr. Truman was a little man. Acheson says, "If Truman was a little man, he was the biggest little man I ever met."

I would say that if he was confused he was the

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clearest, most consistent confused man that I ever met, because never once from '47 to '53, did he deviate in the slightest. Furthermore, I have further evidence, which I am not yet in a position to reveal, in maybe twenty letters of great length which I received from Mr. Truman after he left the Presidency, expressing himself absolutely without reserve about whoever happened to be President, and about all the policies they were dealing with, and they were all consistent.

HESS: We hope someday, many years in the future, that those letters will be available at the Library.

KEYSERLING: I have some of them on the walls, but only the more discrete ones.

HESS: Not the sensitive ones.

Mr. Truman's stand in civil rights is sometimes pointed out by people, the so-called revisionists, as a stand of inconsistency. They would mention the fact that he might make a very liberal pronouncement on setting up the Committee on Civil Rights, but that the people that he would appoint to run that committee were known to have views opposed to civil rights. In other words, he would cut the ground out from under a movement before the

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movement even had a chance to get underway. This has been pointed out by some historians as an example of possible duplicity on Mr. Truman's part. Do you have anything to say on that?

KEYSERLING: Well, in the first place, Mr. Truman's appointment of me as Chairman of the Council, which he certainly did not have to do, and which a lot of people didn't want him to do, wouldn't be an indication in that direction. My real answer would have to be, although I was intensely sympathetic to every aspect of the civil rights battle, I was never drawn to it in any way. I don't recall ever having talked to Mr. Truman about it, except when we were reading his messages I usually was called over to sit around the table with them when they read his various messages to the Congress, because there were so many things in them that I had prepared and was interested in. But I had no dealings with Mr. Truman or the White House on civil rights, and am, therefore, not in a position to form any judgment, except to say as I have said, that this interpretation would not be consistent with what I experienced; but I know nothing about it.

HESS: We have briefly touched on this this morning, you mentioned the constantly expanding economy. I would like

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to quote two paragraphs from Cabell Phillips' book, page 163, that are part of Mr. Phillips' chapter on the Wardman Park group. He says:

> “These imperatives called for a liberal approach to domestic problems of the nation. But this was not a liberalism focused on poverty and inequality, as in the New Deal. Rather, it was a liberalism focused on the creation and equitable distribution of abundance, which now loomed as an attainable reality. What this group sought, in a word, was political implementation of the theory of a constantly expanding economy.”
>
> “This was a daring concept in 1947. It collided squarely with the orthodox conservative view that the rate and direction of economic growth could be determined only in the marketplace, uncontaminated by the hand of government.”

When I saw that in the book, the words "constantly expanding economy" I thought of you. You were one of the leading exponents of that particular theory of economics, is that right?

KEYSERLING: Well, I was a voice in the wilderness for many years and I think I ought to go into that in some detail, because it involves the policies of the Truman administration. After all, there was a great deal more to it than the Wardman Park group.

First let me say that I have an extremely high regard for Cabell Phillips. He was the one who brought me together with the *New York Times* on all these articles, and

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I think he's a great person, and absolutely sincere, and a true liberal. But this statement that you read is half correct and half incorrect. The incorrect half of it is saying that we were not interested in the abolition of poverty and the other New Deal things, but were interested, in Cabell Phillips' own words, "in the more equitable distribution of income." Now, goodness Almighty, you couldn't have poverty in the United States with a truly more equitable distribution of income. That's the whole meaning of it. Who would you more equitably distribute the income to except the poor people. You wouldn't more equitably distribute it to me. This is entirely antithetical not only to my whole philosophy, but to what was attempted during the Truman administration: Expansion of Social Security and the effort to get a comprehensive health care; the effort to expand the minimum wage; the effort to maintain the original vigor of the Wagner Act, the National Labor Relations Act; the persistent effort to greatly expand the Public Housing Program. They were all distributive. They were all for the people lower down, so there's nothing to any idea to the contrary.

You know, people like gadgetry. I've said this before. They like to capsule things and they like to say--like the historians who talk about a first and a second

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New Deal, as if there was a change in philosophy in two camps. It wasn't that at all. Roosevelt switched to the second New Deal, which switched from the measures like the Agricultural Adjustment Act and the NRA, he switched to a campaign of pillorying business through the royalist phraseology and through the death of the holding companies. This was a political switch associated with his 1936 campaign. Then later on he switched to "Mr. New Deal is dead; we now have Mr. Win the War." But these things didn't represent philosophies and schools; they were more or less opportunistic depending on who had his ear at the time.

But not only did we maintain, and not only did <u>I</u> <u>always</u> maintain, I've always said that if I wrote on the left wall here the policies most needed for economic growth, and on the right wall wrote the policies most needed for distributive justice, they'd come to the same thing. I have indicted the economists for never seeing this. Now, the Council of Economic Advisers has said in recent reports under Democratic administrations, we are neutral on the subject of income distribution. This is perfectly preposterous. Every tax decision and every money decision and every farm decision is not neutral on that subject. It's making decisions on that subject,

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and to pretend that there is "neutrality" or a kind of scientific objectivity in economics is ridiculous, and in national economic policy it is not even a correct description of what is being done. But the bulk of economists never have realized that the whole problem, the whole American economic problem, is ultimately the improved distribution of income. If we solve that, we solve all of the problems. That's all the inflationary problem really is, because it doesn't matter if prices are going up through programs which improve the distribution. If we had had the price inflation that we have had in the last few years through policies which created full employment and did justice to the old people, and cleared slums and renewed our cities and cleared up polluted air and water, the same amount of inflation purchased at that cost would be the best bargain you could ever drive.

The criminal thing about the recent inflation is that it has been achieved through programs which have rejected all of these policies, and achieved through creating unemployment deliberately, and idle plant deliberately, and sacrificing our priorities deliberately, and impounding billions of dollars of funds for social purposes even after the Congress voted them. So there's no such

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dichotomy of that kind in my mind, and there was nothing of that kind of dichotomy in what we people were recommending to Truman. As a matter of fact, Truman understood the problem of income distribution even better than he understood the problem of economic growth. It's a more fundamental problem; it has a longer historic lineage, and it's more part and parcel of what the fundamental cleavage between the Democratic presidential party as such and the Republican presidential party has been ever since the time of Woodrow Wilson or Andrew Jackson. This is what it was all about. The phrase that was commonly used was, "Will we water the economic tree at the top or at the bottom." Well, that's distribution.

Coming over to economic growth in particular, everybody talks about the influence of Keynesian economics. The Keynesian economics is really a static economics. It doesn't deal with economic growth at all. Furthermore, it was developed at a time of worldwide depression. Even Ken Galbraith, in an article in the *New York Times* a couple of years ago, when he was talking about the influence of scan economics, mentioned me specifically as the one who had introduced the fundamental new factor of the dynamics of economic growth.

Now, as I say, I started this circa 1947, and there

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are these two articles in the *New York Times* on it, but I became more vitally interested in it when we came to the time of the Korean war, because there was a furious battle within the Truman administration as to how to handle that war, partly under the influence of Mr. Bernie Baruch, who was really semi-senile by that time, but who was regarded as a great man because he had made money in Wall Street, and because he had done a good job for Wilson, thirty odd years earlier, as Industrial Mobilizer during World War I. And I don't know what part of that job was performance and what part was advertising, because he was the greatest publicist that ever lived.

But be that as it may, Mr. Baruch, as of the time of the Korean war, wanted to freeze everything. This was his first idea, "Freeze everything. We haven't got enough to go around. Freeze everything." And there was a tremendous drive in that direction on the part of others. Let us remember that I'm talking about the period before the Chinese intervention, when the war was really a moderate engagement.

I said, "First of all, we are told correctly, 'This isn't just an engagement; this is a long, cold war. If we're going to have a long, cold war, we've got to build a mobilization base. We've got to expand production

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enough to support a defense burden of great duration and size, even while we do not too heavily penalize the American consumer in the long run.'" This talk about guns and butter is silly, because if you analyze it realistically, you always have to have guns and butter. If by butter you mean civilian supplies, and by guns you mean defense, you always have both; even during World War II you had both. I said, "Aside from that, you are not going to be able to maintain the support of the American people for an enduring distant war in which they are not really involved, if you penalize them too severely. When they read the casualty lists, if they are being excessively penalized, not because this is essential to fight the war, but because we are not calling forth what I called, 'The great non-secret weapon of the economy: its ability to expand.'"

So, we had that battle, and my side under my leadership completely won that battle, and we undertook a great expansion program. In consequence of that expansion program, while there was considerable inflation for a short period of time, prices had stabilized before 1952 and they remained stable for a considerable time thereafter because we had built the mobilization base; and we could combine the support of the Korean engagement with the growth of living standards at home. I don't know where

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we would have been by now if we had listened to the advice of those who had said that the Korean engagement should have been financed entirely out of the existing product, or out of the slow rate of growth; or the argument was that if we did the opposite it would be inflationary. And they were saying that inflation was a greater danger to us than Stalin, which was ridiculous. We've had some more of that recently. So that was one great battle.

But that battle for economic growth was also related to the war itself. I have become a critic of the way they conducted the Korean war, because I regarded it as a demonstrative war, and what I meant by a demonstrative war was: the greatest power on earth had attempted to demonstrate that it was strong enough to effectively resist aggression. So I was a de facto member of the Cabinet and a de facto member of the Security Council, and every week we would be briefed by [Lieutenant General] Alfred Gruenther of the Defense establishment.

Here we were: We had been told before the war that we didn't have to worry about others having more manpower; we had the industrial capacity and we could out-gun and out-fly anybody anywhere in the world. Well, here we were. The opposition had more planes than we had, they had faster planes and it wasn't because of the logistics,

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because they were coming from Russia, and they had to come just as far as for us to get them there. It was because there was this tremendous resistance to really expanding and really mobilizing.

I also got this through my participation in what were called the NSC discussions, which again, was top secret then, but it can't be top secret eighteen years later.

There was this tremendous resistance. You had a lot of it in the Government. Charlie Wilson was a part of it, as Mobilizer; Bob Lovett was a part of it from Brown Brothers-Harriman, who was first Assistant Secretary of Defense, and then became Secretary of Defense; the man that Truman called, "The greatest living American," George Marshall, was a part of it, because strangely George Marshall got a lot of his thinking from business leadership, just as Eisenhower did.

So I sat opposite George Marshall at a Cabinet meeting, when they were talking about the cutbacks during the latter part of the war, the tiredness came. George Marshall looked at me and he said, "Young man, you haven't had the experience. I had the experience in World War II. Sometimes we got the crates there [you know, the bodies of the planes] before the engines; sometimes we got the engines there before the crates; this time we've got to

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go slow, so we don't have that waste."

I said, "General, war is wasteful, and a fire engine is wasteful, but you've got to get to the fire."

And Truman, in this instance, of course, could not understand or didn't grasp that we were not talking about military strategy but about economics. He couldn't understand a young man questioning the "greatest living American" on how to fight a war, you see. He didn't say anything, but as frequently happened he and Marshall and somebody went into his office after the meeting was over and they affirmed the cutback. So, I had this battle all the way through on the economic growth, both as a means of vigorously prosecuting the war and as a means of preparing for the long run, and as a means of maintaining domestic progress, which was certainly essential for that kind of struggle.

Now, maybe we can shed a little more light on it if I carry it a little further. Then you have the Eisenhower administration; then Kennedy came in. Kennedy's entire campaign in 1960 was based on only two themes: One was the economic growth theme of getting America moving again; and the other was tight money and rising interest rates. Both of these had been picked up lock, stock and barrel not only from my initial interest in these matters when I

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was with the Truman group, but after I came out of the Government and founded the Conference on Economic Progress. I was putting out these pamphlets all over the country on economic growth and tight money and rising interest rates. Some people think it only happened in the last two years. I had a pamphlet out on tight money in 1960, in 1957, and the growth thing every year.

So Kennedy picked up both of these things and he played them for "Fare Thee Well." Unfortunately, after he got elected, he won by a very narrow majority, so he construed his majority of only one half of one percent to mean that he had to swing to the right. Now, he forgot, and I had occasion to talk with him about it much later, that when you're elected President, you're one hundred percent President; and if the election is close, then the Congress is the balance wheel. Actually, the Democrats had done better in Congress than he did. I told him, I said, "The real reason that you won by only one half of one percent--it's no fault of yours--it's because you are young and because you are a Catholic and other reasons. The liberal Democratic tradition was stronger than you were, and it was proved by the congressional elections." But he didn't see it that way.

So after he got elected and before he became President,

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after crusading all over the country against the tight money policy, he announced that he was going to reappoint J. Edgar Hoover and William McChesney Martin. This I couldn't understand. I can understand political compromise, but Woodrow Wilson or Franklin Roosevelt would never have put in charge of the money power of the Government a man who is fundamentally antithetical to their whole position and the whole tradition of their Party. Kennedy looked at me--this was in '62, near Labor Day, that I was talking with him over at the White House--he said, "Leon, you talk about my appointing [Clarence Douglas] Dillon and this and that," he said, "you don't realize that I only got elected by one half of one percent."

I said, "Mr. President, I suppose that if Dick Nixon had been elected by one half of one percent, he would have appointed me Secretary of the Treasury to please the liberals."

Well, he was a gentleman, he threw back his head and laughed and said, "I see you've got a point there."

But nothing more came of it. Now, for two years after Kennedy took over, '61 to '63, almost nothing was done to reactivate economic growth. They had picayune little manpower programs and I testified on the Hill. I said, "They're sending up a pygmy's program to do a giant's

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job," which I state mostly to indicate my point that during the Truman administration and at other times there was a difference between being political in the sense of "My Party, right or wrong," and being political in the sense of saying, "Well, sure, I'm for my Party, and I want it to win, but you've got to stand for what you believe in."

So, I said that they were sending up a pygmy to a giant's job and Kennedy was very upset and the economists were very upset. It wasn't until '63, when this had gone on and on, employment had gotten worse, that they proposed a tax bill. Well, I opposed that. We all know now that it was the wrong thing. They should have spent more money for the interest of the people. They gave the tax reductions to the wrong people, and it produced growth for a little while. But by '66 we were headed toward another recession, and then the New Frontier economists were saved by the bell of the expanding Vietnam war.

Now, as we've gone on into later years, it's the same old thing again now in 1971. We're in another stagnation since '66, another recession.

And the other very important thing that developed during the Truman administration was dissent from the idea that a higher rate of economic growth and a lower level of unemployment is more inflationary. This is

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still the stock and trade of the economists, but it's been proved wrong over and over again. I've got about six pamphlets on it. It was mostly recently proved wrong from '66 to '71 as the more the economy became slack, and the more unemployment we had, the more inflation we had. They said it's a time lag, but you can't have a time lag for four years. If it's supply and demand it would operate right away. And there were very definite reasons for it.

So I am equally concerned about the problem of economic growth as I was then. I mean, we have a great Nation; we've got international burdens; we've got domestic burdens; we're arguing against fulfilling out international responsibilities on the grounds that it doesn't permit us to clear slums; and we're arguing against clearing slums on the ground that we're in an international situation. So we fall down on both.

HESS: All right, just a couple of more questions about the Wardman Park group. Would you say that you were the principal economic theorist of the Wardman Park group?

KEYSERLING: That isn't claiming very much.

HESS: That isn't claiming very much? How come?

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KEYSERLING: Well, I think that would be a correct statement. I was the President's economic adviser. I was the person in the group operating in this field.

HESS: Did you have any difficulty of convincing some of the other members to go along with some of your views sometimes? You mentioned that they were all good liberals, but were there times when they did not, perhaps, understand your economic theories?

KEYSERLING: I think we were amazingly harmonious.

HESS: You mentioned that you wrote the economic portions of the 1948 platform. Did you discuss your writing of that platform with this group?

KEYSERLING: Well, I had to, because they were the people--with <u>this</u> group?

HESS: With this group?

KEYSERLING: No, I don't believe it came before this group. After all, I worked with Clifford and Murphy all the time and David Bell. This was apart from--I may not have mentioned that before. Presidential messages did not come before this group. The help I gave to presidential messages was an entirely separate unofficial capacity, working with

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Clifford and Murphy, and then I'd get invited over...

HESS: ...directly in the White House.

KEYSERLING: ...that's right, and then I'd get invited over to sit at the table where these messages were gone over. So you see, it is possible in ways to overemphasize the importance of this group. It was very important, but a lot was going on all the time as a part of the general processes of the Presidency.

HESS: Perhaps we could discuss for a few minutes the writing of presidential messages, working in the White House, and just how those messages are written. We've mentioned the 1948 platform, and the economic section thereof, did you write that with the advice of Charles Murphy or any of the people in the White House?

KEYSERLING: Well, Clifford was still there then. He didn't get out until after...

HESS: Let's see, Murphy was Administrative Assistant.

KEYSERLING: Yes, but he was sort of an assistant general counsel.

HESS: Just how did you go about writing the economic section?

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Was it similar to ones that had appeared in previous platforms? You mentioned that you had written those.

KEYSERLING: There was more emphasis on economic growth, much more. How I went about it, the White House never surrendered control of the writing of the President's messages just as Wagner never surrendered control except in the case of the Social Security Bill, of the writing of the legislation that he introduced. Clifford was in charge. He would assign out--first of all, he would ask the various Government departments for memoranda; and of course, he turned heavily to me. He would usually send David Bell or David Stowe or David Lloyd. You see, those were three very good liberals in the White House who had a lot of influence. David Stowe, David Bell--David Bell is now a vice president of the Ford Foundation. David Lloyd died. But they were all over there as anonymous assistants. They helped a great deal.

Well, they would come over or I would be asked by Clifford on the phone, and I would draft things and I would send them over; then I'd go over and talk to them about it. I was usually invited in when they were considering the whole draft.

I'll tell you an amusing story: When Truman was in

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trouble right after the Republican victory, there was a Party dinner--I don't know whether it was called Jefferson--Jackson or Jackson that year--Clifford said, "We've really got to have a talk to give the Boss a lift." In this case I was asked to write it. I wrote a talk and it had a refrain in it every page or so, it would repeat a refrain--I don't even remember what the refrain was. Clifford said to me, "This is great; this really has something in it."

Truman gets up at the meeting, and this was before he got his elocution lessons. Well, he read the refrain the first time; every other time he skipped it. Clifford and I were sitting at the same table and we got glummer and glummer because the whole thing fell flat without the refrain. So I said to Clifford later, I said, "Clark, why did the President do that?"

He said, "Well, when the President came to it the second time, he thought it was a typographical error."

HESS: He saw that refrain appearing too many times?

In the papers of Samuel I. Rosenman at the Library there is an unsigned memorandum, dated June 29, 1948, entitled "Should the President call Congress back." I have a copy of that memo here this morning. After looking it over could you tell me if you know anything about its

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preparation. Also what is your opinion of the general importance of calling Congress back into that special session to Mr. Truman's victory the following November? (See Appendix)

KEYSERLING: I do not recall this specific memo, and my <u>guess</u> would be that it was prepared at the White House--perhaps by Clifford. However, the memo in substance is so close to the "political" phases of the agreements reached by the Ewing group that I am confident that it may be fairly said that the memo derived from the deliberations of that group.

HESS: Well, before we move too far on from the Wardman Park group, just how would you evaluate its impact on the events of 1948? Just how important was it in the President's victory that year, 1948?

KEYSERLING: Well, first of all, you're comparing something you know about with something you don't know about, because nobody can know if there hadn't been a Wardman Park group what part of this would have happened anyway because of my natural contacts with Truman and Clifford and the White House people, and so forth, and so on. But I think it was very important. I think it was very important.

HESS: We've mentioned some of the speeches, but did you

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help write any of the speeches that Mr. Truman gave during the campaign trips in '48?

KEYSERLING: I did not go on the campaign trips. And most of the speeches were written on the trains. I was in contact with them and I helped with some of them. Material I had written was often used in some of them.

HESS: Just what form would your help take?

KEYSERLING: It would take two forms: One form would be facts; the other form would be drafts of passages.

HESS: While we've mentioned several people who worked in the White House, David Stowe, David Lloyd and Mr. Bell, let's mention just a few of the other people who worked in the White House at that time. Did you ever have occasion to work with Donald Dawson, who was Administrative Assistant?

KEYSERLING: No.

HESS: George Elsey?

KEYSERLING: Oh, yes. George Elsey I would put in the same classification as Bell and Stowe and Lloyd. In fact, George Elsey frequently was the one who came over to my office to bring me things or to take things or to pick things up.

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HESS: He worked quite closely with Clark Clifford through the years, did he not?

KEYSERLING: Yes. Really, Elsey and the three Davids, Stowe, Lloyd and Bell, were de facto, sort of Clifford staff people, really.

HESS: Even though they held the title of Administrative Assistant, they did more or less work for Clifford?

KEYSERLING: They worked for the President, but I feel that Clifford was in many ways their leader, and that, to a degree, they carried out his instructions.

HESS: We've mentioned Mr. Murphy and we've mentioned Mr. Clifford and their different styles.

KEYSERLING: Now, in some ways, David Bell and David Lloyd were more "idea men," in a conventional sense, than Mr. Clifford was. Clifford was, without equal, the synthesizer and operator.

HESS: Presenter of ideas?

KEYSERLING: Yes.

HESS: That in itself is a real talent, isn't it?

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KEYSERLING: Oh, of course. Nor would I deny that he was an "idea man," too.

HESS: In mentioning Mr. Murphy, did he seem to be less of a presenter of other people's ideas rather than an idea man himself? Was he more of an idea man?

KEYSERLING: Well, none of these people were non-idea men. It's all relative. Everything in life is a matter of degree.

Maybe the much hackneyed and misused word, "intellectual" explains it. I would say David Lloyd and David Bell fell more in the classification of "intellectuals" than the other two. They fell more in the classification of operators, although this does not mean that they were of lower intellectual caliber.

HESS: Did those two men operate the office of Special Counsel in any noticeably different manner? I suppose they did.

KEYSERLING: Only in the sense that Clifford was somewhat more aggressive and more daring, in my view.

HESS: Did you have any occasion to work with any members of the press office? The two men there for the longest periods of time were Charles Ross first, and after he died, Joseph Short?

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KEYSERLING: I knew them both well. I had no basis for working with them.

HESS: Did you ever work with General Harry Vaughan, who was Military Aide?

KEYSERLING: No.

HESS: We mentioned Dr. John Steelman. Did you have occasion to work with Dr. Steelman?

KEYSERLING: Oh, yes, because in the first place, Steelman always sat in at all of the meetings around the President's table when we went over messages or when we went over the economic reports. Technically, Steelman was on the economic side in the White House. So technically, originally, Steelman was the White House man responsible for the liaison to the President on the economic reports.

I had an experience with Steelman in that connection. When the Council prepared its first economic report, which was for January 1947, we sent it over to the White House, and Steelman, or Steelman and his boys, completely rewrote it and sent it back to us. This I regarded as entirely improper, quite aside from the fact that they did a job inferior to ours. I thought it was a basic issue.

I was only vice chairman of the Council then. Nourse

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was inclined not to fight on it, but we did make a fight on it, though a pleasant one. We rewrote it again and brought it back to what we had in mind. But this was the only time that Steelman ever attempted that.

Steelman did try to set up a rival publication in the form of some kind of mobilization reports that he got out, I think, four times a year, but he was never a rival, and he was never an effective fly in our ointment. And he never challenged us openly. Steelman was very suave, and he wanted to be on everybody's side, but I should say that after this first experience, really, certainly by '48, and certainly during the years that I was Chairman, I really operated and the President really operated and the economic reports really operated in the Clifford-Murphy-Bell, and so forth, context, and not in the Steelman context at all; although Steelman always sat in.

Steelman was also the President's man on the recruitment of economists and I had had contact with Steelman when I was first appointed. He was the one who called me up and asked me to come over and see him, and told me that the President was going to appoint me, the impression created being that I owed my job to John Steelman. So I did have a contact with him in that way. He also told me that he was the one who persuaded the President to appoint

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me vice-chairman at the start. I do not want to appear to denigrate John Steelman. He was a terrific worker, devoted to Truman, and always got along with him very well.

Then when there were vacancies on the Council when Nourse left and various stories grew up about how the President had offered the job to other people, this is categorically false. Truman didn't break his word; Truman assured me he was going to appoint me as soon as Nourse left, and the other succeeded in delaying it, but I had that assurance from Truman from the beginning. It was never offered to anybody else. Steelman got up lists of other people. He had other candidates.

HESS: It was Steelman's list and not the President's list, is that right?

KEYSERLING: Well, I don't know whose lists you'd call them; Steelman made up the lists, but I knew categorically that the President offered me the job right away, and in fact, the President said spontaneously when he got Nourse's letter of resignation, because Clifford told me this, he said, "Now, we can appoint Leon." Then these other forces came in, and they did succeed in delaying it, but there was never any offer to anybody else. In fact, as it progressed, even Steelman assigned me the task of going

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and talking to people about who the third member might be. In that connection I went and visited the distinguished economist, John Maurice Clark in New York, but he wasn't interested. Then it was really I and my colleague, John Clark, who recommended Roy Blough for the third job, and Roy Blough got the third job.

HESS: While we're on this point, I'd like to read for the record just a paragraph from Mr. Nourse's book where he refers to this particular list:

> “On September the 26th, I had another luncheon conference with Steelman in which he alluded to my having 'stayed longer than I originally committed myself to the President,' and that they 'could not expect me to go on indefinitely.' This seemed to have been the quality of a face-saving formula inasmuch as no period had been mentioned at the time I accepted the post. The White House staff had now assembled a list of names of prominent economists who had been mentioned in connection with various government posts. It included a number of the most eminent men in the profession. I added three or four names, and discussed also the possibility raised by Steelman of promoting one of the outstanding members of the Council's staff. This seemed impracticable, and I was skeptical also that any of the thirteen on Steelman's list who clearly were competent would be willing to accept under all the circumstances. The post was in fact offered to quite a number of them and declined--sometimes pretty brusquely. Thus when I left the Council office on November 1, no appointment had been made and the vice-chairman automatically became chairman.”

So he thought that the post had been offered to a number of people.

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KEYSERLING: Well, he's absolutely wrong about that. First of all, Nourse was in an unfortunate frame of mind when he wrote that book. He says many things about Truman that are unfair. I think he's sobered down since. In any event, we've become very friendly. I had him over to the house to dinner just a few weeks ago.

Now, he may have gotten the impression--you know, Steelman was calling up people and talking with them, and he may even have asked them whether they'd be willing to accept. I mean, how can anybody really piece that out. Truman promised me the job as soon as Nourse resigned and the fact is that I <u>was</u> appointed despite all this speculation. Furthermore, if Truman had wanted to appoint someone else, it's a big country. There may have been some who would have been reluctant, but he could have found somebody. Further still, people like Snyder and Sawyer supported me for the job, despite our differences on some policies. Before Truman actually named me as chairman, he checked it at a Cabinet meeting, and all were in agreement.

HESS: And a while ago when we were mentioning the liberal or conservative stand of some of the members, did you put John Steelman over with the conservatives?

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KEYSERLING: Yes.

HESS: In Mr. Nourse's book he mentions a time in 1948 when Steelman was delegated the task of settling a railroad strike: "Also, Steelman set up a special committee in his office under Robert Turner to study the need of further economic controls." It sounded in his book as if Mr. Nourse was quite apprehensive about Steelman setting up such a committee.

KEYSERLING: This might be.

HESS: And in sort of competition, really, with the Council of Economic Advisers. Were there other times that Steelman set up committees in the White House for economic control? Were there times that it seemed like he was in competition, infringing on matters that were really under your control?

KEYSERLING: I never really had trouble with Steelman. As a matter of fact, by the time I came in as Chairman, Steelman had been so completely licked by Clifford that it was an academic issue. Steelman by that time was helping around the White House mainly with administrative matters. The President wasn't listening very much to him on policy. Now, settling a railroad strike is a different kind of thing, because Steelman had been the top conciliator

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over in the Department of Labor. This was his special field. He did get into these strike issues. The Council never got into them at all, and I'm sure there was considerable reliance placed on him in that connection, but he was never a rival to me; he was never a real problem to me; and he was never a real contender with me.

HESS: Did you mention that there was a certain amount of rivalry between Clark Clifford and Dr. Steelman?

KEYSERLING: Oh, that's well known.

HESS: Do you think Mr. Clifford came out the winner in that?

KEYSERLING: That's well known.

HESS: All right, now you have discussed the selection of Dr. Nourse and yourself to the Council, but one question on that that entered my mind when I saw how these selections were made, you and Mr. Clark were selected before Dr. Nourse was selected?

KEYSERLING: We were announced before Dr. Nourse.

HESS: You were announced?

KEYSERLING: Yes. We were announced by rumor. In other words, the story appeared in the *Washington Post* with our

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pictures that we were going to be appointed. The actual appointments were made simultaneously.

HESS: That's what I mean, yes, the announcements were made. But in a case like this, isn't it, or is it, the standard thing to do, is to appoint the chairman first, and to get his, not necessarily approval, but recommendation of who he thinks he would be good in the other positions, rather than appoint the members first?

KEYSERLING: Well, first of all, let's clarify what happened, and then let's talk about what the standard thing is, and then let's talk about what the right thing is.

First of all as to what happened in this instance, there was a story in the *Washington Post* that Clark and I were going to be appointed. The formal announcements, the appointments by the President, were made simultaneously. I have no way of knowing or believing that Nourse had not been approached and accepted before this story appeared in the *Washington Post*. I just don't know. But if in fact he accepted after that, it would show that his avowed dissatisfaction with us as selections grew out of his subsequent malcontent and didn't arise initially. But I don't know, it's all speculation with me.

I know that even in his book he says that at the time

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of the appointments he thought it was a pretty well-rounded Council. His troubles arose later, and actually, as I said last time, they did not arise out of the economic issues, they arose out of the question of whether we should represent the President on the Hill.

HESS: You mentioned that there were only, I believe you said one or two, basic economic points where you disagreed. Is that right?

KEYSERLING: Yes.

HESS: What were those? What were your basic economic disagreements with Dr. Nourse?

KEYSERLING: Well, one of them was at the time shortly before the Korean war when Louie Johnson as Secretary of Defense was trying to make a great record of economy in national defense. I think at that time the Defense budget was something like twelve or thirteen billion dollars. Truman was considering raising it by a billion dollars or two. Clark and I took the position, first, that we could not be experts on whether the Defense budget should be twelve billion dollars or thirteen or fourteen; that all we could tell the President was that if the Defense budget were fifty or seventy-five or a hundred, there could come

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a point where it could jeopardize the economy. Even then, you'd have to consider the competing objectives. But that as between twelve, thirteen or fourteen an economist was doing a disservice if he tried to use economic analysis to prove that the American economy could not stand a fourteen billion dollar defense budget. In that sense we said to the President, "We assure you as economists that this will not place a strain upon the American economy. Nourse took the opposite position. In fact, Nourse was working at that time with either--whoever the Director of the Budget was, it may have been Frank Pace--no, I don't think it was Frank Pace, I think it was the man who became the Space Administrator.

HESS: James Webb.

KEYSERLING: James Webb, all right. Well, Nourse and James Webb were on the economy binge along with Louie Johnson. In fact, Nourse, when he first entertained the other two members of the Council for dinner at his house, he also had James Webb there. They formed a clique. And I was working against it in the sense that I didn't feel that we would be doing anything but misleading the country if we told him that if he thought from the viewpoint of national defense we needed a military defense budget one

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or two billion dollars higher, that we had any right to frighten him as economists on the ground that the country couldn't afford it. This was the first disagreement. I believe we wrote separate memos to the President on that, Clark and I writing one and Nourse writing the other.

The second instance was entirely technical, picayune; it was much later. It was some difference in construction as to the interpretation of the economic outlook. But aside from that, it was amazing the extent to which Nourse and Clark and I agreed.

After all, we did sign our names to numerous Council reports. We never proposed sending memoranda in connection with the President's reports. We put out, even while Nourse was there, in '47 and '48 and '49, six Council reports or Midyear reports. We put out separate Council publications at the end of each year, beginning in 1946, to which we all signed our names. So there was enormous agreement.

The disagreement was on an issue which had nothing to do with economics, which I covered fully last time. It was the issue of whether the President's economists were a part of the President's administration, whether they should be trustee for his reports on the Hill, and I reviewed that all fully last time, and that's water over the dam because every Chairman after Burns has done this;

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the Democratic chairman and the Republican; nobody could support the President more than [Paul W.] McCracken, under Nixon, and so forth and so on. So the realities of the situation have prevailed, just as I foresaw they must.

HESS: Let's go back for just a few moments and discuss the reduction of the armed forces, the cutback in the budget that particular year when the armed forces were reduced, and then when the Korean episode hit we were inadequately prepared. Do you recall what Mr. Truman's view was on this? Some historians say that the fault lies with Louis Johnson in the reduction of the armed forces.

KEYSERLING: No, you can't do that under my philosophy. The President makes the decision. The President made the decision. If there was a mistake, it was his in the final analysis.

HESS: Was he after a balanced budget at that time?

KEYSERLING: Truman was very conservative on a balanced budget. You can go and look at those two letters hanging on my wall. Much later on, John Kennedy called me over, because when John Kennedy proposed his tax reductions, Truman was taking one of his walks in New York and the press were following him and he said that you couldn't spend money that you

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didn't have, and so forth. So Kennedy called me over and said, "Well you try to get Truman to change his position?"

I said, "I'm not going to be able to succeed, Mr. President." This was before the details of the tax reduction, some kind of tax reduction, I said, "I'll contact the President; the answer is out on my wall.

The President said, "Leon, you are the greatest persuader I ever knew, but nobody can ever convince me that the Government can spend a dollar that its not got. I'm just a country boy..." That's right out there on the wall. But my intervention accomplished our purpose because he wrote, "In order not to embarrass the President or you, I will not make any further reference to it." It's right out there on the wall.

HESS: Some historians have given Louis Johnson the blame for the reduction in that particular budget; other people mention James Webb, the Director of the Budget. I just wanted to get your views.

KEYSERLING: Well, they share the blame. I mean, they share a large part of the blame. After all, saying that the President can't avoid it doesn't mean that they're not to blame, too. If I gave the President wrong economic advice and he took it, I'm to blame. All I'm saying is,

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in the final analysis, this was Truman's decision.

HESS: After the Korean invasion when we needed to build our forces up, we had the Defense Production Act of 1950, I think we have alluded to some of these events this morning, but did you take an active role in seeing that more money could be allotted for building up the armed forces after the Korean invasion?

KEYSERLING: Well, after the Korean invasion, and after the Chinese intervention there wasn't any problem like that in the early stages. The issue was a different one. The issue was whether we should obtain the resources for the war by drastic and extreme cutbacks on the domestic economy, or whether we should obtain them by expanding the industrial base. And that was a big fight.

HESS: This was before the Chinese came in, is that right?

KEYSERLING: Even after the Chinese came in, because after all the Chinese did come in within a few months. This fight continued, and we won it. One of the big influences in winning it was a Council report that I wrote, not a report of the Council that went to the Hill with the President's economic report, but a separate on the Council, which I wrote after Dr. Nourse left. December 1950, that is a

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few months after the start of the Korean war.

HESS: "The Economics of National Defense."

KEYSERLING: Yes. That's where I set forth my whole position on expanding the mobilization base in production most fully.

HESS: This is the "Fifth Annual Report on the President from the Council of Economic advisers, December 1950." It was very widely acclaimed and reprinted in one or more textbooks on mobilization.

KEYSERLING: I wrote that.

HESS: We have a copy for the Library.

KEYSERLING: Now, another issue that came up at that time, on which my position was not fully understood and is sometimes distorted, and it's not completely understood in fashion with... In this battle between a freeze of everything and organizing production, you see, because I was mostly for the organization of production and allocations and all that, planning, growth. So the issue came up immediately whether we should start with the freeze. Some people were for that; I was against it. But not because I was against controls. I was against it as a delusory solution taken by itself, and that it would soon get in such a turmoil

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on the intricacies of controls that the basic planning and organization of the defense effort on the positive side should come first and that the controls should be allied to that. We won that battle also. Truman delayed on the imposition of controls. Some say he delayed too long. Well, that's arguable. But then later on, when the controls were put on, I was on a battle on the other side being for stronger controls than the controllers, because they wanted to roll forward as well as to roll back, and I didn't want that, and they won the battle.

HESS: The next topic that I'd like to take up is the problem of staffing the Council. Do you have a few minutes more?

KEYSERLING: Sure. I want to take up the canard story that at the end of my tenure on the Council the Congress cut off our funds because of the unpopularity of the Council on the Hill. That is a one hundred percent lie. In fact, what happened was an extraordinary and unique support of the Council. To illustrate that story, I've got to go back a little bit.

The first chairman of the Joint Economic Committee after I became Chairman of the Council was Robert A. Taft, because this was just after the '46 elections. I had served, as I believe I indicated last time, by Taft's

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choice, as his sole adviser on housing for many, many years. We were very close. In fact, just before I was put on the Council, I was a candidate for appointment as head of the Public Housing Agency, and Taft wrote a letter warmly endorsing me for that job.

HESS: Here's a copy of a letter from Mr. Taft in 1946. [See Appendix]

KEYSERLING: Oh, yes, oh, yes. Well, Taft told me at the time that he had never recommended anybody for a top appointment in a Democratic administration, because he didn't believe that as a leading Republican Senator he should do that. He said, "Of course, if you have a tariff commission which has Republican members, I would recommend a Republican member to the President." He said, "Of course, you have a district judge being appointed in my district, I will recommend somebody if it's turn for a Republican to be appointed, but I have never recommended a Democrat or anybody to a top position, as the head of an agency, in a Democratic administration." He said, "I'm making an exception in your case."

When the Council was appointed, Taft immediately called me up and said that he hoped we would have very friendly relations, and that of course, he expected us to be testifying before the Joint Economic Committee. He said

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we could do it in open sessions or closed sessions, as we preferred.

Very shortly thereafter, Nourse got in touch with him and said that he didn't want to appear; that he didn't think the Council should appear, and Taft, like the President, finessed the issue. I think in Taft's case, properly, he said, "I'm not going to interfere. Let the President decide what he wants you to do." So we didn't appear. I say this merely as an indication of my friendliness with a number of the Republicans.

Then later on when I started appearing in '48, and incidentally, Clark and I, although we were the majority, and this should go by majority rule, because on a tripartite group, the chairman is first among equals. You take a vote if there's a difference, the majority should rule. And although Nourse didn't abide by our vote, we never said anything about it publicly, and we never appeared. We went along with him until mid-1948. And even though we went along with him, he tried to make an issue of it by going around the country saying that we wanted to appear, and that this was "political." So, finally, in '48 it became so impossible that we did appear, first before the Banking and Currency Committee. Well, thereafter I appeared, and of course I appeared as Chairman.

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I always had a wonderful relationship with Bob Taft and the other Republican members, and likewise with the Democratic members, on the Joint Economic Committee. Never once in all the time I was Chairman, did the Congress cut back the appropriation of the Council by a single penny. Never once in the reports of the Joint Economic Committee, either the Democratic members or the Republican members, was there any criticism of the Council. Naturally, they divided. The Republican members didn't agree with all of the President's recommendations. There was never any criticism of the Council. We had a perfect harmonious relationship.

In late 1952, when our budget was up for the next fiscal year, it was unanimously approved by the House Appropriations Subcommittee, when it got out on the House floor late one evening, there was an economy drive, and a couple of people, one was a Congressman [Dayton Edward] Phillips from California, who had always been opposed to the Council, got up on the floor and proposed that our budget be cut by one third. But this was as part of action which did the same thing for the budget of the Labor Department, the budget for the Bureau of Labor Statistics, and many others. There was no voice vote, and this passed in the evening when there were not many members there.

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I then went up on the Hill, and I replied mostly on the Republican Senators, specifically [Leverett] Saltonstall, but also on Senator Burnet Maybank of South Carolina, who was the Democratic chairman of the Appropriations Subcommittee dealing with the Council. I also went to see people in the House: Albert Thomas, who was head of the House subcommittee, and Senator O'Mahoney, and Senator Taft, and some other Republicans besides those two. I don't remember who. O'Mahoney said this--and incidentally, as proof of how the Council stood on the Hill, no relief was mentioned at that particular time to the other agencies who had been cut. O'Mahoney said this, he said, "Look, why make a battle of this? We will change the provisions of the appropriation act so that you can spend the money in the first three quarters of the fiscal year, i.e. through March 1953, so you won't have to cut anybody; we won't have any fight; and by March there'll be a new President, because Truman has already said he isn't going to run. You won't be there, and the new President will decide what budget he wants for the Council."

So, Eisenhower came in early in January. The budget for the Council ran through March 1953. Now, nobody in his right mind can conceive that a Congress that wanted to injure me would put in an effective amendment that

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didn't require me to furlough anybody; and that had to take effect two months after I most certainly wouldn't be there, even if there were a new Democratic President. But Eisenhower in January--he had three months until the end of March on the Council, because the budget ran until the end of March instead of the end of June--didn't want a Council; Sherman Adams didn't want a Council. There was conflicting advice; there was confusion. The member on the Hill got different advice, and the man who persuaded Eisenhower to continue the Council was again Robert A. Taft. In the meantime, Eisenhower had taken Burns to the White House; the whole thing was snaffled up. Then finally Eisenhower decided he wanted a Council, and they got their money. This episode, partly through lack of knowledge, and partly through deliberate design, was transmuted into the idea that the Congress had been operating against Keyserling by taking action that would take effect two months after I had left. Burns took advantage of that by firing practically every member of the staff who had held over, even though--this was a despicable thing--even though none of those people had been appointed by me politically; I didn't know whether they were Republicans or Democrats. Some of them were Republicans, and others of them that he had fired had been favorite employees of his in the Bureau of Economic Research, including Walter

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Salant who now works for Brookings. So they took that excuse to fire all of these people, so that they could put their "friends" in on a purely political basis.

HESS: What were the problems of staffing when you first started operation?

KEYSERLING: There were no large problems of staffing. We got a very excellent staff. In fact, as another indication of the unjustification of some of Nourse's later discontents, we relied very heavily on him for the staffing, because as a professional economist, who was the head of Brookings and so forth, he knew a lot of the people. Most of the people who came in were on his original recommendation. So he got an excellent staff. We got Paul Homans who had been the managing editor of the *American Economic Review*; we got Walter Salant who was a very high-standing economist; we got Fred [Frederick] Waugh, who had been an agricultural economist with the Department of Agriculture; we got, at my suggestion, Gerhard Colm, who was the outstanding one of the whole lot and had been a top economist in the Bureau of the Budget, and who much later became the chief economist for the National Planning Association; and a variety of others. It was a very high-class staff. We retained longer tenure on the average than has been retained since.

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I think one of the worst things that has happened recently, both among the Council members and among the staff, is the frequent rotation. They seem to think that they come in and they burnish their reputation a little bit, then they go out and capitalize.

Now, I could never have conceived as Chairman of the Council (I was voted out), I could never have conceived of leaving that job voluntarily to go somewhere else, because that was my feeling about the importance and challenge that the job offered. I could never understand these fellows that would come in to be Chairman of the Council for two years and then run away to somewhere else.

HESS: And Bertram M. Gross was Executive Secretary.

KEYSERLING: He was Executive Secretary, and he was the man whom I had placed with Senator [James Edward] Murray to work up a full employment bill, and he had been working for me in housing before that.

HESS: So he was fully conversant with the ins and outs of the Council of Economic Advisers?

KEYSERLING: Very much so. We had an excellent staff.

HESS: Just a few names that I had jotted down: Benjamin Caplan?

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KEYSERLING: Benjamin Caplan was on our staff, a very good man.

HESS: John C. Davis?

KEYSERLING: Right.

HESS: Joseph Fisher?

KEYSERLING: Right. Joseph Fisher is now the head of the--to show you the caliber of the staff--Joseph Fisher is now head of Resources of the Future. He was a young man then who had just come in.

I brought in John C. Lewis, I think it was his first job. I thought so well of him--he was recommended by Alvin Hansen--I thought so well of him that after a year I made him my special assistant and built a little office for him outside of mine. John C. Lewis later was the head of our Economic Mission in India. He was appointed to the Kennedy Council, and he is now the head of the Woodrow Wilson School of Graduate Administration at Princeton.

HESS: John P.?

KEYSERLING: John P. Lewis is correct. I thought that "C" didn't sound exactly right.

HESS: I flipped my list over and found his name.

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KEYSERLING: Burns retained only two of the entire staff that was left there. One was a man by the name of David Lusher who has since died, who came in, as I recall, it was in the last few months of my tenure, and a lady by the name of Frances James, who was really not an economist, and did our statistical and chart work, and she is still there.

HESS: I have a lot more, but it's almost noon. Shall we shut it off?

KEYSERLING: Let me cover one thing and then we can pick up again some other time, which I don't believe I covered. Did I cover the matter of who selected the members of the Council? You raised the question a while ago today about whether the general custom wasn't for the President to appoint the chairman, and then let him choose the others. Let me cover it now, because I'm not sure I covered it before.

I think that Truman was the only one who picked the Council in the right way. He picked them all. Regardless of the personalities, regardless of whether Nourse, or Keyserling or Clark were the right people, he had a real concept of what the Council was, what kind of people you should have. Look what he did: He picked one man who was, what they call a "professional economist," whatever that

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means. I don't think it means anything, but anyhow... Nourse had been president of the American Economics Association and he was head of the Economic Institute at Brookings, that was one; he picked me who had had more experience than anybody in the actual development and operation of Government programs dealing with the economy, which is what the Council was all about, that's two; then he picked John D. Clark.

John D. Clark had started out as a lawyer in Wyoming; he had been a member of the Wyoming legislature; he had then gone into business and become vice president of Standard Oil of Indiana; he was once cited by James W. Girard, our former Ambassador to Germany, as one of the twenty wealthiest men in America; then in 1929, John D. Clark, before the crash, got out of all of his business interests, moved his family to Johns Hopkins, took a Ph.D. there in economics, then became the dean of the Business School of the University of Nebraska.

Now these are the three men Truman appointed. That's a balanced Council. It's never been that way since. In effect, the Council hasn't been appointed by the President; the Council has been chosen by the economists, and usually by succession.

When Burns left he put in his man Saulnier, who had

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been working for him, and who was his colleague at Columbia; when Heller left he put in his man Ackley; when Ackley left he put in his colleague Okun, and McCracken was brought back (he had been on the Council before). Further, it has been left to the Chairman of the Council in practical effect, although the President has to send up the names, to pick the other two members, which is wrong for two reasons: First, it makes it too inbred; and second, it means that there is really only one member. You can argue that the Council should be a one-man body. Then let it be a one-man body. I think there are advantages in a three-man Council, provided there are really three men. I think it's the right kind of setup for that kind of organization. It is as if the chairman of the Federal Reserve Board picked the other six members. So, it's utterly wrong.

Second, there is nothing more mistaken than the idea that a purely academic background provides the best kind of training for being a member of the Council. This is not because of the distinction between practical and academic. The academic teaching of economics and the academic study of economics has very, very little to do with the real world of economics, and you can even see it by reading Paul Samuelson's textbook. It just has

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nothing to do with it.

HESS: Why has it become so divorced from real life?

KEYSERLING: Well, it's a long process. I was teaching economics as an instructor at Columbia for a year or two. One of the reasons I left there--I might have come into the New Deal anyway--was that I saw the way it was, and I was working with Tugwell, and he was different. He wrote a textbook; in fact, I wrote the last edition for him, although my name never got on it, which he called *American Economic Life and the Means of its Improvement*, which is the real way to teach economics, and it was used at Columbia. But even the graduate economists at Columbia looked upon Tugwell as sort of a non-economist, because he wanted to train citizens for the problems of economic life and not train them into formalistic theorems, non-empirical in nature, which really have nothing to do with anything.

HESS: Shall we take up here next time?

KEYSERLING: Sure.

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Third Oral History Interview with Leon H. Keyserling, Washington, D.C. on May 19, 1971.
By Jerry N. Hess, Harry S. Truman Library.

HESS: All right, Mr. Keyserling, what would you like to start off on this morning, what comes to mind?

KEYSERLING: I think I would like to start with some further remarks on economic policy and my relationship to it during the Truman administration. I covered that in part, let us say through the first year or so of the Korean war. I would like to say a little bit more about that and then carry through to the end of the Truman administration.

I don't think I need to say any more about the matter of domestic economic policy as it was made manifest in the so-called Fair Deal programs. I don't think I need to say any more about my participation in that in three roles: as Vice Chairman and then Chairman of the Council of Economic Advisers; as a member of the group that met at the Wardman Park for quite a while; and the third role, as a sort of a drafted member of the President's White House team in connection with speeches and messages and other things of that kind. I think I've covered that fully.

Now, coming to the economic policy matter, I also said that the really great issue that arose at the beginning of the Korean war was the balance between trying to finance the war out of diversion of resources, as against financing

the war out of economic expansion. I think the greatest single decision made, both in its immediate importance and its long-range importance, was the decision to go for a program of very large; economic expansion. This involved a very hot battle within the administration, and one which was won completely by the growth people for the first part of the Korean war. I think that my initiation and participation in that was about as large as that of any one individual could be in influencing policy.

Now, that had great significance because if we hadn't expanded the industrial base as much as we did, we would not have virtually overcome inflationary threats and they had been virtually overcome before the Chinese entry. In other words, assuming a war of the size that was contemplated before the Chinese entry, prices were virtually stabilized by late 1950 before the Chinese entry. In view of the Chinese entry; it was not only fortunate but almost miraculously fortunate that we had undertaken the great economic expansion, because otherwise the greater efforts imposed upon us by that war would have distorted the economy tremendously. And third, counter to the claims that a great period of economic expansion would have left us with great unused resources and higher unemployment after the Korean war was over, that never happened partly because we continued a high defense program even after the Korean war. But on the other hand, the defense program became a very much smaller part of our total national production after the Korean war, for a while, so that there was a greatly reduced sustaining force behind the economy in the form of defense outlays; and yet we not only came through the period immediately after the Korean war, but to have come through the whole period to date with minor recessions to be sure, but no really large sustained economic downturn by conventional tests, which proved that the great expansion during the Korean war was an asset not only during that period, but in all the years to follow. We've had a much higher standard of living; a much more rapidly rising standard of living; a much greater capacity to support the defense burden, because of those decisions. Later on, as I shall show, this expanding economy idea had a great and new effect upon economic policy after the war was over on until today.

Now, the second great issue in the early stages of the Korean war, was the question of controls, about which there was a good deal of confusion. My view was never against controls, but my view was that obsession with controls at the expense of economic expansion and at the

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expense of developing a complete comprehensive machinery for the organization of all economic policies, or really effective mobilization, would have been very unfortunate. We certainly learned that during World War II. There was at the start of the Korean war so much pressure for controls at the expense of all else that I felt that I needed to emphasize the other issues. So the imposition of controls was somewhat delayed, while these other things were pushed forward. I still think that was correct, although it may be that it was delayed a little bit too long. But there again, we have the factor of the unexpected Chinese intervention, because but for that, the controls never would have been needed, as was shown very clearly by developments during the period of the war before the Chinese intervention. Before that intervention, the strain on the economy was really very small. So we won that battle.

Then when we came to the matter of the ultimate imposition of controls, I switched over, so to speak, and was for the imposition of stronger and firmer controls that were, in fact, applied, especially in that I didn't favor upward adjustments of prices. I was not successful in that. There were upward adjustments of prices, and the control machinery, after it was confirmed and put into full motion, was by no means as tight as I thought it

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ought to have been. But I would say that broadly speaking and in the main my views, which the Council supported on economic policy, were fully supported and vindicated.

The story toward the latter part of the Korean war is entirely different, because later on I learned, both through my participation in the meetings of the Cabinet and of the National Security Council, and in the fact that I undertook personally rather than through staff representation, to participate in the meetings at the top staff level on the so-called NSC papers--and let me say again, that while all that was top secret then, I don't see how it could be top secret in 1971, so I have no hesitancy in talking about it. The sentiment gradually developed that we needed to abate and reduce the pressures of the war effort. This was in a sense a natural, though unfortunate, development, because the pressures of the businessmen as usual gradually reasserted themselves. This was to a degree due to General Electric Charlie Wilson as Mobilizer; it was due in part to the fact that even General Marshall was very, very responsive to the thinking of important business groups on matters of economic policy; and this was as much true or more true of Robert Lovett when he succeeded Marshall as Secretary of Defense; and it was also true of others who strangely have become in turn heros

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first as hawks and then as doves, such as Paul Nitze, who was in the picture, I think as an Assistant Secretary of Defense. So toward the latter part of the war during the Truman administration, there was the development of this great movement toward so-called defense cutback or reduction. I was very much against it.

There was no need for it on economic grounds, and the proof of that is that by the middle of 1953 the economy was in an absolute recession, which lasted from '53 to '54, which shows that we were moving toward operations far below our capacities, and never again resumed an adequate rate of economic growth. The period of '53 to '60 was marked by a terribly low rate of economic growth on the average, and by three recessions. It certainly proved that after the end of the Truman administration, we had gone far below tailoring our exertions to the requirements of the economy, but were far too low.

I would be the last to argue that we should have maintained defense outlays merely to support the economy, because there are better ways of supporting it, and defense outlays were always wasteful in an economic sense. They're not undertaken to be economically constructive, but I do say that a political judgment or an international judgment to cut back on defense outlays was made very substantially

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for economic reasons, which turned out to be highly erroneous and which I was almost alone in insisting was erroneous at that time. I also thought, although it wasn't particularly my business, that it was erroneous from the viewpoint of international policy, because I always regarded the Korean war as a demonstrative war.

I think I coined that term, and I meant that once the greatest power on earth decided to resist aggression, it had to make a demonstration; it couldn't allow itself to be tied by a very minor infinitesimal power if you didn't count the Russians, or even if you counted the Russians. We couldn't afford to be tied; and we were tied at best. Saying that we were tied is a euphemistic discussion of the ending of the Korean war and my own views that if we had done better we might have averted some of the troubles that occurred thereafter. In any event, our original entry was based on the thesis that we would make a demonstration of strength in excess of what we showed. So I thought it was wrong.

Be that as it may, I lost that battle, and we lost it for a variety of reasons: One was the people on the other side, whom I've already referred to; the second was that I had almost no supporters. It's hard for me to think of any. Theoretically at least, the closest I

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came to having support was from Averell Harriman, and I thought we had it entirely, but I remember that when we got to a rather critical Cabinet meeting on the subject, he was surprisingly quiet.

This brings me to the more general reappraisal of why the Truman administration did what it did in the earlier period and to what extent they were really sold on expanding economy arid on some of the other positions. As I've said, I think that President Truman was completely sold on the general idea of economic growth and American power, and our ability to meet our obligations; but I cannot say that I was ever fortunate enough to have at any time, the kind of understanding and support and breadth of support which I think existed, let us say for the policies of the Kennedy economic advisers or the Burns economic advisers for the most part in their tenure.

Burns had support because he really, by and large, represented a middle-of-the-road Republican position, generally speaking. The Kennedy advisers had it because they had come in after great discontent with the failures of the economy in the immediately preceding years, and they had it partly because of the fight that had been made for acclimating the country with the importance of economic growth which I had been counting on throughout

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the Eisenhower administration, as well as earlier. I never had that degree of consensus at any time.

It was always a hard battle; it was a hard battle initially because the Council was divided on how it should behave. I didn't have the advantage of the President deciding that matter, so I had continually to deal with a division within our ranks under very difficult circumstances. And the later developments to which I referred, show that the people who had supported me earlier probably were influenced in part by the obvious political attractiveness of an economic growth program as a basis for selling the feasibility of the traditional extension of the New Deal liberal Democratic programs, and that later on, when the going got very tough, and the divisions increased, they hadn't really got it, because if they had really got it, I don't think they would have reversed as completely as they did. So it is sort of a mixed picture.

I think a great mistake was made, and even if it wasn't a mistake from the viewpoint of international policy, it was a mistake domestically because it laid the foundations for the seven years of very poor economic performance between 1953 and 1960, although, of course, you can't blame administration too much for what happens seven years thereafter, because the new administration always

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has the chance to correct, and the Eisenhower administration instead of correcting, compounded the evils.

Now, another evidence either of the backtracking or of the lack of understanding as I saw it, was on the monetary policy. Nobody was more sincere and more earnest than Truman in opposing the great changeover in monetary policy represented by the Treasury-Federal Reserve Board accord, which emerged in 1951-1952. He was against it; he didn't believe in it; he even called in Mr. [Allen] Sproul of the bankers and read the law down to them; but somehow it caved in.

The first evidence of it caving in was when Truman appointed a committee at a very late date of Charlie Wilson as chairman, and me and Martin, who had gone over as chairman of the Federal Reserve Board, and John Snyder, as a committee. In the first place, it's indicative, and I don't say this out of any personal affront, I should have been chairman of that committee rather than Charlie Wilson. I knew more about the subject; it was logical that it should be the Chairman of the Council of Economic Advisers who had the broad viewpoint, but somehow Truman never overcame that feeling that Charlie Wilson somehow would carry.

That's why he had brought Charlie Wilson in at the

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beginning. Even though he wasn't too much of a success during World War II, he felt that Symington was good enough to be Mobilizer before we got into trouble, but when we got into trouble, you had to have a statuesque figure like Charlie Wilson.

Well, Charlie Wilson as chairman of that committee was a joke; he knew nothing about it; naturally he was under the influence of the financial community and attached a great deal more weight to the views of the Federal Reserve System, and there was really a sellout of the Truman position.

Now, it would be very unfair to Truman to say that he sanctioned that sellout. He was certainly disappointed by it; he may even have been flabbergasted by the results; but to a small degree, at least, it was his default, and to a considerable degree it was the default of the staff people around him from Clifford right on down, who never took a great interest in this vital problem, and never gave me the means of making any real battle on it against the three other members of that committee.

HESS: Do you think the White House staff members understood the economic implications of such a move?

KEYSERLING: I don't think they did fully. I don't think

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they did fully.

Now, one final reason why it was not easy to be Chairman of the first Council, and I say this only because of the comparisons that were made between our Council and others: People don't realize today how much harder job the first Council had than later Councils. As I have said, the division within on what it should really do and stand for was unique, and any organization of that kind in its early years runs the animosity of suspicion of the other Cabinet people, because insofar as you are doing your job, you must supersede them to a degree. If you're not going to supersede the Secretary of the Treasury on tax policy to a degree, and the chairman of the Federal Reserve Board on money policy to a degree, and the Secretary of Agriculture to a degree, then the Council really means nothing. But to do this in early years is very, very difficult. It required a great deal of diplomacy and maneuver, and I think it is amazing that we did it to the extent that we did; and I can point only to the history of earlier organizations which had attempted to do anything of that kind, such as the old National Resources Board, which came to an early demise for these very reasons. It was abolished by the Congress.

HESS: You mentioned several of the departments just now.

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What was the attitude of some of the Secretaries of those departments when you would try to overrule them on a measure that they thought they had priority on? Let's take John Snyder, Secretary of the Treasury.

KEYSERLING: I never had any outward clashes with them, and in the early years we usually prevailed, and I think it was done by good handling. I think I mentioned earlier that Truman said to me after one Cabinet meeting, he said, "You've taken over Snyder and Sawyer, lock, stock, and barrel. They're among your warmest supporters."

I said, "Well, I did it by selling my shirt."

And he laughed and said, "Oh, no, you didn't do that at all."

So I never had any fracases with them and no outward conflict. But it was a problem.

Now, the other problem was the position of the outside economists, and this has made itself manifest even in later years in the appraisal of the first Council. It came as a tremendous shock to the academic fraternity when I was made vice chairman of the Council and later made Chairman, really for a very simple reason: How could it be possible that anybody that didn't have a piece of paper with Ph.D. written on it could have been selected, could have been qualified to hold that position. They

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never got over it; they still haven't gotten over it.

HESS: Did you find it a handicap that you did not have a Ph.D.?

KEYSERLING: Of course not, except in this sense. How can it be a handicap? I had majored in economics at Columbia; I had done two years of graduate work in economics after I got through law school; I had taught economics at Columbia; I had written a text book in economics at Columbia, which my name didn't get on and was published by Tugwell; I had come into the Government, and as of the time I was appointed to the Council in 1946, I had had thirteen years of experience, which none of them ever had, and still haven't had the equal of in wrestling with the actual economic policies of the Nation, and the creation and the formulation of our origination of some of the most important legislation that effected the economy.

And yet, they are so provincial and so astigmatic and so prejudiced that if instead of that I had stayed at Columbia those thirteen years and written an essay--incidentally, every one of the twenty-three studies that I have put out by the Council of Economic Advisers since I left the Government, is more comprehensive and more original than the average Ph.D. thesis, not to speak of

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my testimony up on the Hill and everything else. But if I had stayed at Columbia and written an essay on bimetallism in Spain in the 16th century and gotten a Ph.D. for it, and for thirteen years had taught by routine a course in trade regulations, reading the same notes every year, then they would have regarded me as a qualified economist. The whole thing is ridiculous, but there was that kind of thing, and I didn't need them particularly, but it does explain.

HESS: Were there times when someone who had a Ph.D. in economics may not have cooperated with you as fully as you would have liked?

KEYSERLING: No, no, almost all the members of our staff were PhDs. The other members of the Council were PhDs. Among the members of our staff who were Ph.Ds., there was none who wouldn't admit, if he was candid, that he had more to learn from me than I had to learn from him, and that there wasn't any element of lack of experience or knowledge on my part because of this fetish. But this was another factor, and this was one of the factors in the agitation.

Let us remember as another evidence of the difficulties, that although Truman was very fast in appointing second

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ranking men to the top job when there was a vacancy, I mean, when Jim Webb left the Budget, Frank Pace was appointed almost overnight; and when Frank Pace left the Budget [Frederick J.] Lawton was appointed almost overnight, and this was Truman's general rule. And yet, Nourse left in the middle of 1949...

HESS: His resignation was in October of '49 and I believe that you took over in May of '50, is that right?

KEYSERLING: Yes.

HESS: That's almost six months. What was the reason for that delay?

KEYSERLING: Well, first of all, it wasn't due to any doubt on Truman's part. Truman told me almost as soon as Nourse left that he was going to appoint me, and he didn't offer the job to anyone else, although there were stories to that effect. But I'm merely citing it as a fact that it was most unusual in view of the kind of service I had rendered, and the way I had helped Truman in so many ways, and the job I had done which everybody in the White House knew, really, in organizing the Council and getting it going, establishing its organization, establishing its policies.

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It was really rather unusual that I was put through the unpleasantness of having to wait five or six months to get my appointment. I merely list these things to indicate the difficulties that the first Council encountered.

Now, despite that--and there are many reasons why an economy does well besides the Council of Economic Advisers--but despite that, you read these books analyzing the various Councils, they cover all the gossip and all the stories, and the way books are usually written, somebody comes to Washington and has interviews with everybody who worked with anybody, as if you were recruiting a public relations officer. None of them has bothered to examine the actual record made by the respective Councils, which I did. You may say it's self-serving, but I did it in answer to an article, and all the facts are verifiable, which shows that the Truman Council during its seven years made a better record on economic growth, a better record on restraining price inflation, a better record on balancing the budget, a better record on meeting our national priorities; or by any criteria, made a better record on reducing unemployment than any Council since. It's there. Maybe that's partly because we didn't spend so much time advertising ourselves, or telling the public how much we had educated

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the President, and all that kind of stuff. But that carries through the story as I see it of what happened during the years I was on the Council.

Now, I suppose another important thing, although it gets a little bit beyond the Truman period, is the effect of what we started during those years and how I carried forward on it during the eight years of the Eisenhower administration upon subsequent Councils. I can't claim to have had much effect on the Eisenhower Council, although it is verifiably true that they really followed our formal pattern. They didn't make much change in the pattern of the economic reports; they made changes in the policies. They veered gradually toward our concept of dealing with the Congress. Burns got away from it in a kind of slippery way, but Saulnier came back to it, and so has everybody since.

I've already reviewed fully the story about the allegations that the Congress deprived us of funds, which wasn't true. To the contrary, they came to our rescue in a most unique way, and I was never required to furlough anybody. But that was used as an excuse for getting rid of six or seven absolutely top rank economists as soon as Burns took over, who incidentally were PhDs. Some of them had worked for him in the National Bureau of

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Economic Research. That hasn't been fully understood.

It is also true, that one can go with a fine toothed comb through the reports, majority and minority, of the Republican and Democratic members of the Joint Economic Committee, and one will find that the Republican members dissenting from us on economic policy, there was no criticism of our Council during our years, except by a few people who weren't even on the Joint Economic Committee, like Congressman Phillips, who introduced the resolution on the House floor to cut our funds. But there was no criticism of us ever by the Joint Economic Committee. Our relationship with them was very harmonious throughout, whether it was under the Republican chairmanship of Taft, or the Democratic chairmanship of O'Mahoney. Burns did get into hot water with the Council because of his refusal to testify, or his insistence that if he testified, it had to be off-the-record, and he was, in fact, reprimanded explicitly for that in the majority report of the economic committee, I believe when Douglas was chairman. We never had that kind of difficulty.

Now you come to the subsequent Councils, beginning with the Heller Council. The only thing I want to say about them--now I've been critical of their economic policies, but that's really foreign to this--but let's

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examine only the extent to which they picked up what we had done. First of all, take the idea of economic growth.

There had been almost no interest in American economics in economic growth, even Keynesianism deals with a static economic system. That interest was developed entirely during the Truman administration, and more specifically, developed over the next seven years all over the country so that even Ken Galbraith when he wrote an article about Keynes in the *New York Times* a few years ago, said that I had added the whole subject of economic growth. This was generally recognized. I had done study after study talking about the national economic deficits, to draw the distinction between the economic deficit and production unemployment which is much more important than the deficit of the Federal budget. The very first thing the Heller Council did when it came up in its very first address to the Congress, was to pick that up and to use it throughout, but instead of calling it economic deficit, they called it economic gap. Well, it's the same thing. Deficit was a little better term, because in contrast it's two kinds of deficits, but I don't care about the terms. They picked that up, and it was their whole theme throughout just as it was the theme of Kennedy during the campaign of 1960, the economic growth, lag and the need for picking it up,

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both for domestic and international reasons.

Second, the matter of full employment surplus, the idea that you should set the budget when you were far short of full employment, not so that it would balance, but so that it would balance the full employment. This is specifically emphasized and developed quantitatively in a number of the Conference in Economics Progress studies that I made between 1953 and 1961 when we were urging the administration to do just that, to increase spending and reduce taxes so as to balance the budget at full employment. That was picked up later on.

War against poverty: The Conference on Economic Progress reports began to emphasize that from '53 forward; and in 1962, our *Poverty and Deprivation in the U.S.* was the first major study, real economic study, of the whole problem of poverty. Kennedy became interested in that, and our 1964 study, "*Progress or Poverty*," has become the standard and the most widely used study in this field; and furthermore, I made very extensive criticisms of the original war against poverty on the ground that it was scattered all over the lot with thousands of programs, and that the Council of Economic Advisers really should have analyzed the situation and come up with one or two strategic programs to deal with it; and the theme you see running

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through all these studies of poverty that I made in speeches and articles and congressional testimony was that the two main things are jobs and payments to those who can't work, which are now just beginning to emerge in the idea of the Federal program of supplementary employment, and a nationwide system of income supports.

Inflation: Going all the way back to '49 and continuing throughout, I was the first to point out that there wasn't really a positive correlation between the amount of inflation and the amount of employment, which hasn't been accepted yet even though time after time after time during the Eisenhower administration and most conspicuously during the last five years, you've had the most vivid demonstrations of the fact that when you deliberately reduce employment and production to stop inflation, the inflation gets worse. I think I reviewed that at the beginning. And of course, we (by "we" I mean the work that I did and those who agreed with it), we still haven't been caught up with on the policy of tight money and rising interest rates, because while the Kennedy and Johnson administrations backed and filled on it, they usually offered a rationalization; and the final item was balance of payments, where our position from the beginning was that it was an exaggerated issue, that it really needed to be straightened out through changes

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in the international monetary system, but otherwise you'd have crisis after crisis, and that if that were straightened out, the United States needed to and ought to run an unfavorable balance, because it ought to be there to invest if somebody has to be. So that about rounds out my impression of the Truman administration and the history during those years, and the effect that we had after.

HESS: All right, I have a few points. Some of these are on points that we have raised this morning, and some are on points that we raised in our first two interviews, but regarding Mr. John Snyder, he and Charles Sawyer were considered two of the leading conservative members of the Cabinet. Would you agree with that?

KEYSERLING: Yes.

HESS: Just what is your opinion of the degree of expertise of Mr. John Snyder in the field of banking and economic matters?

KEYSERLING: Well, first let me say that I never crossed swords with John Snyder or with Charlie Sawyer. We got along well; I have an intuitive knowledge that they were among the forces delaying my appointment as Chairman, although they finally favored it; but I also know that later on as

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Chairman, I got along with them very well, really because as to the Fair Deal program, and as to the early Korean war program, the President just, for the reasons I've stated very fully, was won over to our side and there wasn't any point in carrying on the battle.

I would regard John Snyder as an honest, hardworking, wily, small-town banker. That's about the way I would describe him. I think that about covers it..

HESS: All right, on the Defense Production Act of 1950, which, of course, is one of the measures taken after the invasion of Korea, Edward Flash in his book said that you and Benjamin Caplan helped to write the President's address to the American people that was given the day after the signing of that Act. Do you recall helping to write that speech?

KEYSERLING: I helped on so many speeches in so many connections, that I cannot remember them one by one. It certainly sounds right. I helped on many of them, particularly anything that dealt with economics.

HESS: Well, this dealt extremely heavily with economics, of course, and the President spoke of increasing defense spending from fifteen billion, which was intended before Korea, to thirty billion, by June 1951. Do you happen

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to recall where the figure of thirty billion was obtained?

KEYSERLING: No, no, I never attempted to decide or to advise what the size of the defense budget should be. I always maintained that I couldn't contribute very much to that, except in a broad way, and except in the way of advising against cutbacks on economic grounds, and pointing out what the economy could afford. In line with my philosophy and position, I would have had no way of thinking that I was competent to participate…

HESS: To pick a figure.

KEYSERLING: ...to pick a figure as to whether it should be thirty or thirty-two or twenty-eight. What do I know about weaponry, of course?

HESS: Did you think the economy could afford that rate of expenditure?

KEYSERLING: My position was to analyze the significance of that figure in terms of the economy, and it was not simply the passive saying we could afford it, it was the development of economic expansion and other measures, including taxation and so forth, not only to--it's not enough to say, "We can afford it," but "What should we do if we accept it to minimize the short-range and long-range

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impact upon the economy upon taking the other measures." Because there is no one absolute figure as to what the American economy can do, anymore than there is one absolute figure as to what a big business can do. What you can do depends upon your exertions, upon your values, upon your planning, upon the vigor and correctness of your policies. Nobody would have thought that we could do what we did during World War II, but we did it, and we did much better during the Korean war than the people who said inflation was a greater danger to us than Stalin thought we could do.

HESS: And you mentioned that the Korean war was a demonstrative war. It did not end in a victory for the United States. What could we have done differently in handling the matters in Korea? Do you think the President should have relied more upon the advice from General MacArthur?

KEYSERLING: No, because that involved not only the intensity of the effort, but the geographic extension of the effort, and I'm not prepared to pass judgment on that. I am simply saying that fighting where we were fighting, we did not bring the force to bear that we could have brought to bear without extensive strain and through more effective mobilization, and through a larger commitment than we made.

HESS: Why was the decision made to fight in such a limited

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manner? Were you in on discussions at the White House, or with the White House staff at this time when it was decided?

KEYSERLING: No, I couldn't be in on the techniques of fighting the war. I was in throughout on the question where smaller rather than large allocations were agreed upon, on the ground that the additional strain upon the economy would be too great, and these I vigorously resisted, successfully in the earlier stages, and not so in the later stages. I really think that in the later stages, the Truman administration was winding down. It was up against a lot of difficulties; the President was a lame duck President; it was tired; it was under attack; it was sort of winding down.

HESS: You didn't have the feeling that he was keeping things going hoping to turn them over to another Democratic President?

KEYSERLING: I just don't think the record during the last year or so was as good as it had been earlier, for whatever the reasons may have been.

HESS: All right. We have mentioned the New Deal several times, but just a quick question: As someone who wrote a

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good deal of the New Deal legislation, do you see the Fair Deal as a continuation of the New Deal, or was it an attempt to establish a separate legislative program?

KEYSERLING: Well, the change in names represents, I suppose, the desire of every President to have his own. You have the New Freedom of Woodrow Wilson; the New Deal of Franklin Roosevelt; the Square Deal of Theodore Roosevelt; the Fair Deal of Harry Truman; the New Frontiers of John Kennedy...

HESS: The Great Society of Lyndon Johnson.

KEYSERLING: Yes. The term "new" and the term "deal" seem to have been reiterated in different combinations. But the Fair Deal was an extension of the New Deal. The Fair Deal, for the most part--and in fact, all of the Democratic programs since, really, have not been so much innovating as extension of the boundaries of existing New Deal programs: Social Security; help to those in need, and so forth and so on.

The one really innovating factor, which I have covered fully, is expanding economy and economic growth. That was the one really new thing. And the effort through the Employment Act, although never fully achieved, to get a consistent, overall, and comprehensive unified

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economic program directed towards specific long-range goals--in other words, the picking up of the World War II experience for use in relative peace time. This was the one, big innovative factor, economic growth and "planning under freedom," you might call it, a name that hasn't been nearly fully enough exploited. The planning idea was never fully understood. The idea that the employment act of the economic report should be made the basis of the reconciliation of all the great Government programs under common goals. Agriculture was left out, even Social Security and housing never really entered into the economic reports that became more or less concentrated upon the one feature, such as, usually, fiscal policy or tax policy. But the concept of a round and complete, integrated economic program of a policy rather than policies has not been accepted, and this is tragic. And I attach it substantially to the fact that increasingly the Council has become the province of academic economists who just don't think that way. This is reflected in the way economics is taught at the university. You have a course in trade regulations, a course in banking, a course in labor problems; you don't have anything that approximates the general overview into any comprehensive, unified approach to the whole problem of the economy.

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HESS: Well, one general question regarding your overall view of economics. For the last one hundred years or so, the school of economic theory of many economists was laissez faire, to let alone; and now we are moving more towards Government control. At this point in time, would you personally advocate a higher degree of Government control of operation and industry than we have today?

KEYSERLING: Well, it depends on what you mean by control. For example...

HESS: Ownership and management.

KEYSERLING: Oh, no, I've never advocated that. No, I have never advocated that; I have never advocated that the Government build plants, or that the Government run the steel industry, or even that the Government run the railroad industry. No, I have never advocated that.

HESS: Which they may do by default.

KEYSERLING: They may have to. I have advocated the improved execution of those programs which the Government has to do anyway, and nobody questions that the Government has to do, and I have said that if the Government managed its tax policy and its money policy and its Social Security policy and its housing policy and its welfare policy, and

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its international economic policy successfully and creatively, directed towards long-range goals, this in itself is a large enough armory of weapons to accomplish very satisfactory results.

HESS: One very important topic that we should cover is your working relationship with the Bureau of the Budget. What would President Truman have done if he had received conflicting advice on the same issue from the Bureau of the Budget and from the Council of Economic Advisers? Whose advice would he have taken? How would that have been resolved?

KEYSERLING: Well, first of all, there's a little background. First of all, before the Employment Act was passed, the Bureau of the Budget covered the function that was given to the Council of Economic Advisers. In other words, they thought that a Council of Economic Advisers should be a unit in the Bureau of the Budget. Now, this should have been clear then, and it certainly ought to be clear by now, was completely upside down, because national economic policy is not a sub compartment of the Federal budget policy; in fact, it's just the opposite. Federal budget policy is a component of national economic policy, and in some ways there are other economic policies outside the budget,

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for example, Social Security, housing, that are tremendously important, monetary policy. Despite that, we didn't have any conflicts with the Bureau of the Budget--and here let me say another thing that hadn't come to my mind before. When Burns took over, in addition to his furor about how he revived the Council, or re-established the respect for it, cleaning out all of the people...

HESS: Cleaning out the cobwebs.

KEYSERLING: ...he proposed certain legislative reforms, that a great deal of agitation was attached to that amounted to nothing.

First they got legislation to abolish the office of vice chairman. Well, that didn't mean a damn thing, because neither the chairman nor the vice chairman nor the member had more than one vote, or shouldn't have had.

Second: He got legislative authorization to set up certain inter-departmental relations. Those had been developed completely thoroughly and effectively during my tenure, a series of consultations between the Council and the Budget, between the Council and the Cabinet, between the Council and the Federal Reserve. They were all in effective, high-geared operation all during my tenure, and even while Nourse was chairman. You had to

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have them and you did have them.

When we prepared an economic report, the first thing I would do would be to send it to the various Cabinet members, not to the Postmaster General or the Attorney General, but to those concerned with economic affairs. Then I would talk with them about it. We would arrive gradually at a more or less common viewpoint. If there were any differences, I don't recall whether they came over to our viewpoint, or whether we had to submit these differences to the President.

Now, we had a parallel to this at the staff level. We had an inter-departmental committee on economic roundup, by which you meant forecasting, to which I designated a member of the Council staff. The member of the Council staff almost invariably served as chairman. The Budget was represented on it; the Treasury was represented on it; the Labor Department was represented; the Commerce Department was represented. We had a committee on stabilization policy. In other words, I had a highly organized group of working committees within and without the Council, and I have in my files all memoranda developing these and setting them forth: On stabilization policy; on roundup, which was forecasting, and on other subjects. We then created approximate facsimiles of these, running

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throughout the Government departments interested in economic policy. We had inter-departmental committees, headed by, usually, a member of the Council staff. I didn't sit in on these as Chairman of the Council; I operated at the Cabinet level. So that even before we drafted a report, we had gotten the benefit at our staff level and at their staff levels, of the thinking of all of these different agencies. Then the staff would usually prepare a first draft of a report in accord with my outline. We would discuss it with the members of the Council, get the joint view of the three members of the Council. I would usually draft the last draft of the report, which was the first draft really, the first complete draft. I would then send that to the Cabinet members; I would get their views; I would revise it; then it would go to the White House; then the President would usually go over it with the Council; then there would usually be a going over of it in a Cabinet meeting where he would read it. So, we had complete coordination all the way through.

Now, with the Budget Bureau, it went even beyond that. The Budget Bureau would ask from us, very early in the year, a so-called resume of the economic outlook and program or needs, as the basis for the thinking about the budget themselves. Then in the process of preparing

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the budget, they would make use of that, and it would be the subject of discussion in this inter-departmental committee that I have described. We would be informed as to the progress of the budget at various stages; therefore, by the time the budget was in its final form, and the economic report was in final form, they had proceeded more or less simultaneously.

There would be some issues where we were more advanced than the Budget; for example, suppose you wanted to spend more or have the President recommend the spending of more on some of the big social programs in the budget. We usually had our way on that, because the President usually adopted what we now denominate as the Fair Deal program. Certainly on tax policy, the Budget didn't hardly intrude on that. We, broadly speaking, developed the tax program for the President, in consultation with the Treasury to be sure, but we really developed that, and as of the time that Nourse left and he was succeeded by Roy Blough, whom I had recommended, Roy Blough was brought over from the Treasury where he had been really their top expert in tax policy. So we had him right on the Council.

HESS: So you did have pretty good cooperation within the Government?

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KEYSERLING: Very much so.

HESS: Good. How would you evaluate the four gentlemen who held the position of Director of the Bureau of the Budget during the Truman administration: Harold Smith, James Webb, Frank Pace and Frederick J. Lawton?

KEYSERLING: Well, as I recall, Harold Smith held it for a very, very short time, because Webb was appointed at the same time as I was, which was in the middle of 1946. So, I couldn't make any particular evaluation of Harold Smith. As to the other three, I would not be prepared to distinguish very much between them, except that Lawton was more of the career service type, and Webb and Pace were more of the outsider brought in at the top, having other ambitions of moving on to other jobs.

HESS: Did you have pretty good cooperation with these gentlemen, though, when you were Chairman of the Council of Economic Advisers?

KEYSERLING: I had good cooperation, except as I said, that during the early days, when Johnson was Secretary of Defense and the big economy drive was on in Defense, and when there was a big dispute over whether President Truman could safely increase the Defense budget, and

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when he finally sided with us, and when Nourse and I had one of the few differences we had on economic policy, at that time, I guess it was Webb, was very much on, what we came to call, the conservative or the economizer side. And Frank Pace I would classify on that side also.

Fred Lawton was more of a technical man. I don't think Fred Lawton was very assertive on policy.

HESS: I may have already asked you, but what part did political expediency play in Webb's trying to hold down the budget. Do you think that they were trying to balance the budget for a favorable political stand in 1948?

KEYSERLING: I would have no way of knowing. I would assume that Webb, in principle, was a conservative.

HESS: One other question on the Bureau of the Budget: As you know, Mr. Truman, each year, when the Bureau of the Budget's budget was ready, he would take it before the newsmen for a press conference and seemed to know what was in the budget, he seemed to have followed it very closely; do you or do you not think that Mr. Truman understood the workings of the Bureau of the Budget better than he did the Council of Economic Advisers?

KEYSERLING: I would say yes, in the sense that it was a more

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conventional thing, that he had been thinking about it longer, but economic policy is somewhat different from budget figures, and that Truman had a great aptitude for detail and for study, and the budget figures. Now, after all, what he discussed with the newsmen was not so much the philosophy of the budget, or the really ultimate questions as to why the budget was the size it was in terms of economic policy, but he really mastered the details of how much he was allotted for this program or that one, and why he had decided one figure as against another, and he knew that well enough to show up extremely well in the discussions with newsmen, which, after all, doesn't usually go very deep, because the President has the advantage, whatever he knows, of knowing an awful lot more about it than the newsmen who are asking questions.

HESS: When you were working on the economic report, did you coordinate your activities with the people who were working on the State of the Union messages? Work on those was probably going on at the same time.

KEYSERLING: It had to be consistent. After all, they had to be absolutely consistent. In final analysis, the Budget message, the economic report, and the State of the Union message had to be absolutely consistent. For one

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thing the State of the Union message summarized the economic program as well as the international program and every other program. Now, the one thing that I did insist upon successfully, was that the economic report be sent up before the budget message, because it was my view that budgetary policy stemmed from economic policy, rather than vice versa. During my time, the economic report was sent up first. I think now the Budget message is sent up first. They had to be consistent.

Now, granted that they had to be consistent, and I have described the process whereby they became consistent, I did not in any way participate in the drafting of the Budget message. I participated very actively in the drafting of some of the State of the Union messages, because they gave more of the tone and the plane and the philosophy and the pitch, so I was involved in some of those to a considerable extent.

HESS: Do you recall if you worked on the 1949 State of the Union message, in which Mr. Truman used the words, "Fair Deal?"

KEYSERLING: I know I helped on it.

HESS: How are those worked out? Just through many, many

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drafts, and many, many conferences?

KEYSERLING: They go through many drafts. You see, something like the State of the Union message was probably sent to Cabinet members for comment, and since the Chairman of the Council was ranked as a Cabinet member, it would have been sent to me. But I usually got in on it much earlier than that, through the second of my two relationships, which was working with the White House people: Clifford and Murphy and Bell and those others, independent of being Chairman of the Council.

This was one of the things that during Nourse's time he didn't like very much; but, really, it wasn't my undercutting him. He wasn't prepared to do it. He wanted to be disassociated from the administration. The administration was entitled to look anywhere it wanted to in the Government to get help in the preparation of a message of this kind; and so, partly in consequence of the Ewing group and otherwise, I did it; Nourse knew about it; I talked to him about it; he never raised any explicit objection; he hardly could, but I suppose it was a source of uneasiness.

HESS: We have mentioned several times the subject of White House-congressional liaison, and your view of testifying

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before the committees, but in Dr. Nourse's book he mentions the fact that you took an active part in the legislative liaison between the White House and the Hill.

KEYSERLING: Only on the economic report...

HESS: Only on the economic report.

KEYSERLING: ...and on related matters.

For example, my first testimony was in the summer of 1948, before the Senate Banking and Currency Committee, when they held their great hearings on what to do about inflation. I occasionally appeared before other committees when it was an overall matter relating to the whole economy. But, offhand, that's the one instance I can think of. There were some others. Finally, my representation of the White House was as the trustee for the economic report, just as the Secretary of Agriculture was the trustee for the President's farm program.

HESS: You did not involve yourself in other legislative programs that they may have had going on at the same time. Just to throw out a couple of names here, but in 1949, two men were brought in and given the title, "Legislative Assistant to the President:" Joseph Feeney and Charles Maylon. Did they give you any assistance?

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KEYSERLING: No, because you've got to distinguish between two types of congressional liaison men: The friendly type and the substance type. Now, I suppose, without any derogation, when you think of Kennedy's main legislative man, Lawrence O'Brien, I would say that broadly speaking he was the friendly type; in other words, he didn't testify before committees on substantive legislation. He was the contact for the purpose of talking with Congressmen, seeing where they stood, bringing presidential pressure to bear upon them, and I'm not saying this as criticism; it's a necessary function in the same sense, really, that Corcoran was an assistant to Roosevelt. It was really in this same kind of area.

This is an entirely different area from representing the President on the Hill in a substantive exposition in defense of his programs. I didn't go and talk to Congressmen about why they should support the President, or what project they could get if they did, and what project they might not get if they didn't, or what judgeships were in the offing, all of which is legitimate. I didn't report back to the President on how Congress stood on his program. I was up there as a recognized expert in my field, making my argument to the Joint Economic Committee on why I favored the program and filing of the economic report,

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and the analysis of that, and testifying mostly on the Council's reports which were very much longer and which were submitted separately in the same volume.

HESS: Do you think Mr. Truman might have had more success in getting more of his legislative program through if he had had more people of the Larry O'Brien type, shaking hands, slapping backs, on the Hill?

KEYSERLING: I have no way of guessing that, but you've got to think of the sweep of American history. Now, to look at it frankly, Roosevelt in 1936 gained his greatest popular victory. He carried forty-six states. But from 1937 forward, he was almost paralyzed on his legislative program. The only big legislation that I recall that he got after that was the Wages and Hours Bill of '38, and he got that after a terrific fight by a very small margin. But really, his great legislative successes on the domestic field were in his first term. By the second term, it had sort of run down.

This has usually happened in American history, it happened with Theodore Roosevelt, it happened with Wilson, it happened with Jefferson; it almost invariably happens, even if the President runs a big victory. And partly it happened as some of the members of the Congress, including

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Truman, shifted from an all-out New Deal position to a sort of a middle ground position, represented by the Jimmy Byrneses, and Senator Hatch of New Mexico, and Senator Minton of Indiana, and many others who were neither in the Dick Russell conservative group nor the Wagner liberal group, shifted over to a middle group, but it sometimes supported the President and sometimes didn't. Roosevelt's power had practically run out by the end of his first term, and it was the war that revived it, and it is sometimes said that he lost his influence because of the attempted purge of the Supreme Court. I don't think so. I think it would have happened anyway.

And furthermore, I think the Court packing scheme was one of the crowning victories of his whole administration. He lost the war and won the battle. My God, the same Supreme Court before he put a single new member on it, the first man he put on it was [Hugo] Black, but before he put Black on the Court, they had completely reversed themselves over the whole range of Constitutional law. They had declared unconstitutional the Guffey Act and the Agricultural

Adjustment Act and the NRA, all on very narrow grounds, and then they turned around and upheld the Social Security Act, and upheld the National Labor

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Relations Act, which went further in the direction of regulation of commerce and trade relations within states than the NRA had gone. Hughes led a complete reversal of the Court, and that's the way they beat the Court packing plan. No Court packing could have got more than Roosevelt got in 1937 when the Wagner Act was declared constitutional, and the Social Security Act was declared constitutional, before a single new judge was put on the court.

HESS: Did Leslie Biffle, who was Secretary of the Senate, have any influence on White House-congressional liaison?

KEYSERLING: Well, Leslie Biffle, was not a policy man. Leslie Biffle didn't have a policy idea in his head. Leslie Biffle was immensely active on the Senate floor as Secretary of the Majority. I think he was one of the eyes and ears of the President; I think he was very alert; I think he was very helpful to Truman as a reporter to him on what people were doing and where they stood.

HESS: A head counter.

KEYSERLING: Yes.

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4HESS: Did he ever give you any assistance?

KEYSERLING: I wasn't in that field. I wasn't attempting to get votes in that sense.

HESS: One question about your handling of the committee staff itself. I understand you did not hold formal staff meetings, is that correct?

KEYSERLING: No, it is not correct.

HESS: It is not correct?

KEYSERLING: It is not correct.

HESS: Did you hold formal staff meetings?

KEYSERLING: Well, let's get down to what you mean by a "formal staff meeting." If you mean did I do what Dr. Nourse did, hold a meeting of the whole staff and spend two or three hours in all kinds of discussion, I did not.

HESS: Sort of a Brookings Institution type of operation.

KEYSERLING: Exactly. I didn't hold those kinds of seminars. I broke the staff down into a series of committees. Now, after all, you've got to recognize that it's a small staff. We only had fifteen to twenty people.

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All right, suppose I had my committee on the economic roundup, which might have had five people on it; Fred Waugh was chairman of that. I had a committee on economic stability and policy, maybe five people; Gerhard Colm was chairman of that. I had some other committees of that type. I didn't have four committees each with five people. Maybe I had five or six committees, and there was overlapping among the committees. So I didn't hold a meeting of the whole staff. I held my meetings regularly with these committees, they were formal meetings, to develop work programs. Then I had a sort of committee for the economic report or a coordinating committee, which was composed of the chairman of these committees, and it was they that I worked with mostly when we came to the writing of the economic report. And then from time to time I maintained a very close connection with each member of the staff separately, by calling and talking to them from time to time.

You know, it's very similar to the evolution of the Cabinet. I predicted at the beginning of the Kennedy administration that the Cabinet was going to become a less and less important institution. Just what do you do at a Cabinet meeting? What has the Postmaster General or the Attorney General and the Secretary of Agriculture

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got in common? It's a purely formalistic thing. The President has to break it down into functioning groups: The Bureau of the Budget is a group; the Council of Economic Advisers; the National Security Council, which is a subcommittee of the Cabinet, is a group. Those are groups that he can work with and do something with. He can't do anything in a Cabinet meeting.

The same thing applies within the Council, to hold a meeting of the whole staff, they're not all working on the same thing. I may have, on rare occasions, had a meeting of the whole staff, just for general accord purposes or exchanged some ideas or talked about the economic report when it was in its final form, but not usually. But the other meetings were very formalized meetings. In fact, the organization was a very tight organization.

HESS: Fine. While we're discussing the staff, we won't go down the entire list, but could you just tell me the strong points of some of the various members and the particular contributions that they may have made? Let's start with Gerhard Colm, what comes to mind?

KEYSERLING: Well, Colm was the ranking member of the staff, in fact, in my estimation.

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HESS: He did not have the formal title, chief of staff, but did you more or less treat him as one?

KEYSERLING: He wanted the title of chief of staff, and I would never give it to him.

HESS: Why?

KEYSERLING: Because I didn't believe in rubber stamp heads of agencies. I believed that I was chief of staff, and that's the way I functioned. Chief of staff for a staff member would really imply that the top people of a small organization, namely your Council members, or your Council chairman, was a sort of a rubber stamp, wasn't much interested in the subject, and wasn't working very hard on it. But working the way I was working every day, longer than any member of the staff, giving all the assignments, going over everything in detail, writing the final draft of the reports, I was the chief of staff.

HESS: You wanted to keep your finger on every pulse.

KEYSERLING: That's right. And second, under all the circumstances, grading him, making him chief of staff, would have not gone down too well with other members of the staff. Now, even so, his abilities and the extent to which I used him, and the fact that he was the chairman of the

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most important of the subcommittees or committees, meant at times that he was first among equals on the staff; there wasn't any friction on it, but even so, some of the members of the staff felt at times that Colm was getting too much. I suppose you always have that in an organization, but it never broke forth into anything. It was much better that way than if I had made him chief of staff.

HESS: Do you recall any particular contribution that he may have made to the Council?

KEYSERLING: Well, it's hard to recall a contribution of a man who was there for so long and worked so hard and was in on everything. His main, unique contribution, I guess, was his technical experience with the Nation's economic budget in the sense of knowing the intricacies of budget terminology, different kinds of accounts, the difference between the cash budget and the conventional budget and all those kind of things. His expertise dealt with finance and Government accounting.

HESS: Benjamin Caplan.

KEYSERLING: Benjamin Caplan was most distinguished in the field of price and wage policy, and I believe--you know,

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it's a little hard for me to remember--I think he was chairman of the committee on that subject.

HESS: John C. Davis.

KEYSERLING: Davis was specifically in the labor relations field.

HESS: Walter Salant.

KEYSERLING: Walter Salant was in the international.

HESS: Robinson Newcomb.

KEYSERLING: Robinson Newcomb was in construction.

HESS: Frederick V. Waugh.

KEYSERLING: Agriculture as I said, and he was also head of the roundup committee on economic forecasting.

HESS: Edgar M. Hoover.

KEYSERLING: Edgar M. Hoover was in business investments.

HESS: And two people who I don't believe were economists, Bertram M. Gross.

KEYSERLING: Gross was the administrative director, sort of an executive secretary or a chief administrative officer.

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HESS: Chief statistician Frances James.

KEYSERLING: She handled the gathering of some of the statistics and the making of charts and things of that kind. You see, I wouldn't remember at this length so precisely what these people did, if I weren't so closely connected with their work. I remember in detail just exactly what they did, and it's eighteen years or more for most of them.

HESS: Did you play any particular role in the development of the implementation of the three major foreign policy moves of the Truman administration: The Truman Doctrine, the Marshall plan or point 4?

KEYSERLING: The Marshall plan certainly, because the Council was assigned the specific task of preparing a report on the economics of foreign aid, and we did prepare that and it was given to the public. It was prepared by the Council.

HESS: One brief question about the moderate recession that we had in 1949, in the midyear economic report of 1949, the following phrase appeared, "A moderate downward trend characterized most phases of economic activity in the first half of 1949." As far as I could find, that's

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about the first official indication of the recession that began to appear in 1949. We may have already covered it, but what steps did you take to counter the recession in 1949?

KEYSERLING: First of all, the economic report in mid-1949 contained explicitly the forecast that the recession would not last very long, and the recovery would shortly set in, and it is true that recovery did set in before the advent of the Korean war. The Korean war started in the middle of 1950, and certainly during the first half of 1950, and by the second quarter of 1950 a definite recovery had set in.

The Council was criticized for not acting more promptly on that recession by proposing big measures. This again shows the lack of perspective, because after all, when you consider that the Kennedy administration got in in January 1961 after seven years of very low economic growth and three recessions, and got in at a time when unemployment was very high, and didn't really propose really any big measure until the tax reductions of '63, proposed in '63 and enacted in '64, they waited more than two years before they really did anything large.

Another item at this point: I can point out that during the Nixon administration, it is only within this

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year 1971 that Nixon declared and articulated the purpose of reversing the restrictionary policy and adopting a vigorous and expansionary policy, although the growth rate had averaged very low for five years, and although we were most recently in a recession, it wasn't until his fiscal 1972 budget that he proposed moving in the opposite direction. Now, the Nixon budget doesn't really do that, but that's a separate question.

So, my Council really waited a relatively short time, because in January 1949, the situation was still ambiguous, and late in 1949, improvement was definitely under way. Now, I come to the next thing: although we only waited a relatively short time, there was some criticism to the effect that we were to hesitant. You very seldom hear that criticism repeated now, because people have a better understanding of how short a time we waited, compared with how long other administrations had waited under more adverse conditions for a long time, but this again illustrates my point that we were the first Council; we were the first group and we were expected to push a button overnight.

Let me say this: This is another indication that I moved out ahead of the administration and took great risks in doing so, and one of my criticisms of subsequent chair-

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men is that they have been too much "yes men," and tried to guess what the President wanted. The evidence of that is that in 1949 I promoted a so-called [Representative Brent] Spence Bill for economic expansion. In other words, I was moving out ahead of the administration, and it almost got me into very serious trouble. I might have been fired, because I remember the point where I was advocating that and agitating it and making speeches about it.

HESS: Did you ever hear any reports from the White House that you may have been moving to far ahead of the administration?

KEYSERLING: Oh, yes. Clifford called me and said that--I was scheduled to talk to a group of businessmen in New York--and Clifford called me and said, "The Boss thinks it would be best if you didn't go and make that talk." And, of course, I made an excuse and called it off. I wasn't prepared to fight the President on the Spence Bill, and I was really a little bit out of line, but I merely cite it as an illustration, both for the fact that I did get out of line, and of the fact that it wasn't easy for me to move the administration in other matters to the extent that I did over the years.

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And look, after all, Truman was a conservative as to balancing the budget. You can see that in these letters out on my wall, and the economists didn't realize that I had that to contend with.

HESS: In the economic report of January the 6th of 1950, about six months after the other one, it says, "We have succeeded in avoiding a serious setback in 1949; we have regained stability, but we need more stability, Maximum production and maximum employment are not static goals. They mean more jobs and more business opportunities in each succeeding year. If we are to attain these objectives we must make full use of all the resources of the American economy."

KEYSERLING: Well, that is my perpetual theme on economic growth.

HESS: I thought that sounded like your work.

KEYSERLING: Most of the final reports were very substantially my work. But even growing isn't enough if you don't keep up with the potential.

I used to give the example--and this was my fundamental critique on the Eisenhower administration throughout, that Kennedy picked up, that even if you're growing--if a boy

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is in the seventh grade, if it took him three years to get from the sixth grade to the seventh grade, you don't brag about his progress. You see, it's not adequate if a tree grows one inch when it should have grown five, and that we had to measure growth against par for the course.

It's very interesting that Paul Samuelson, now I notice, is picking up as a critique of the Eisenhower administration, just beginning to pick up, with the beginning of the recovery, what I was saying from '53 forward. I mean, he's saying, "Sure, the administration may have growth, but are they going to have enough growth to regain and maintain full employment and full production." Well, this shows that we didn't rest on our oars in early 1950, and it also establishes the point that I made a moment ago, that a recovery had set in by the beginning of 1950 before the advent of the Korean war.

HESS: You mentioned that you were asked to cancel a speech by Clark Clifford, which gives rise to a question: Some writers have contended that you were too active in Democratic political affairs, and made too many speeches. You're aware of this criticism. Do you think that that was valid, do you think that you should have participated in Democratic affairs to the extent that you did, or not?

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KEYSERLING: Well, let me tell you a story first. During the early Eisenhower administration, they used to tell this story that a man met an old friend on the street that he hadn't seen for a long time, and he said to him, "What do you think of the new administration?"

And his friend's answer was, "Well, that's like asking me, 'What do I think about my wife’ and the answer is, 'Compared with what?'"

Now, if you compare me with Ed Nourse, I participated excessively in political affairs. If you compare me with Burns, this is not true, because despite his assertions, he, during his tenure, definitely engaged in "political" activity, in the sense of public advocacy of the President's program.

Let me get back to the point: I never made a campaign speech while I was Chairman, or Vice Chairman, and this was one of the reasons--we discussed it a little bit before--one of the reasons why I wasn't on the campaign train. I never engaged in campaign activity. Now I did go around the country advocating the program of the President, and this led to the claim by some, which was entirely unjustified, that I was getting improperly into political affairs--well, first of all, in the eyes of Nourse and in the eyes of some of the economists, even going before the Joint

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Economic Committee, or making a speech explaining the President's program to the American Bankers' Association. was improperly engaging in political affairs, because you were supporting the President's program. Well, I've answered that nonsense, and I'm not going to answer it anymore. But what intensified the complaint, which never would have arisen but for this false view, was that the Truman administration decided to hold what they called Cabinet meetings in the field, they organized it in several cities, and had people come out and talk to audiences, various Cabinet officers. First of all, I couldn't refuse to participate in that, and second, there's no reason why I should have; I was a part of the administration, and the very fact that people like the Secretary of Defense participated in those meetings shows what their philosophy was.

It was the Democratic Truman administration bringing itself to the people in the field, and I did participate, but this was <u>not</u> a plea for votes as such; it was an educational meeting where I and the Secretary of Labor and the Secretary of Commerce or the Defense Secretary and others went out and made a series of talks on the subject matter of their programs. Now, if you compare that, not with what Nourse did, but with a degree

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of backing that CEA Chairman Heller or Ackley or Okun or McCracken give to the programs of their Presidents, there was nothing unusual about it, nothing different about it, and nothing improper about it.

HESS: What has been the nature and extent of the Council's impact on economic policy?

KEYSERLING: Oh, I think it's been tremendous. I think we have a general respect for the institution and for the law, and for the purpose, around the country. I think this has grown over the years, because of the difficulties confronting the first Council, which I have cited.

I think if the first Council hadn't behaved very much more skillfully than it is given credit for, there wouldn't have been any second Council. It would have been abandoned. I think there has been increasing acceptance, increasing respect. I haven't heard any serious proposals to abolish it; I haven't heard that later Councils have run into any of the imaginary difficulties that Nourse foresaw; no Republican has criticized Mr. Okun or Mr. McCracken for supporting the program of his President; they've run into embarrassment by testifying on the Hill, even in the face of control of the Congress by a party opposed to the administration. We've got an overwhelmingly Democratic

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Congress now, and McCracken has no difficulty on the Hill. He's respected and accepted as what he is. He doesn't pretend to be anything else.

I think that the Council has fallen immensely short of the purposes of the Act, and has made grievous errors of economic policy as I see it; nonetheless, the economy has done very much better than we would have done without a CEA, and it has been a great constructive force in the improvement of economic policy.

And I think the CEA must claim some credit for the fact that we haven't had anything since World War II, which after all is twenty-five years, approximating what would even be called an economic downtrend by previous criteria, so the criticism is on an advanced frontier. The Council has made the country unwilling to accept an amount of downtrend or a level of unemployment which twenty-five or thirty years ago would have been regarded as roaring prosperity. The very fact that the country wasn't even satisfied with less than four percent unemployment in 1966, and certainly later on not with five, and clearly grossly dissatisfied with six, is progress, especially remembering that when I came on the Council, businessmen and others were saying, "We need five or six percent unemployment." Nobody says that now. They're only wrestling with the problem of how to get less. This

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is a tremendous gain. I think the Council has performed, all of the Councils, have performed a great educational task, and done a very good job of relations with the public and with the Congress.

HESS: On the subject of unemployment, what could we do now to reduce the unemployment that we have?

KEYSERLING: Oh, well, that is a vast problem in itself.

HESS: That is a big subject, isn't it?

KEYSERLING: That is a vast problem in itself. We should do everything almost the opposite of what we're doing.

First of all, we should throw out of the window the idea that you reduce inflation by creating unemployment and idle plant, because it would be wrong even if it were right. Even if more unemployment did reduce inflation it is economically silly and socially dangerous and morally wrong to tell the two and a half million additional people who have been unemployed since a year and a half ago that they should be the insurers of Leon Keyserling against having to pay a little more when he takes still another vacation to Europe or buys still another expensive car. This is economically wrong and morally indefensible, and if it continues long enough you're going to have a

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kind of friction and discord, compared with what we have had will seem like a pale imitation. You can't do it.

But it isn't even right in any other way, because the record has been just the opposite of what the economists claim, and the fact that they still haven't awakened is the best instance of their frozen slowness and their inertia.

We have had a vivid demonstration during the past five years that the inflation has accelerated, as the unemployment and idle plant have grown, year after year. And even in 1970, they started saying, "This is due to a time lag." Well, a four-year time lag is preposterous. If prices responded to supply and demand, and cutting demand below productive capacity was going to cause prices to drop, they would have dropped in '67 or in '68 or in '69. We roared right on through to early '70, faster and faster, and now what is the drop? In the first quarter of this year 1971, the wholesale price index rose at an annual rate of ,more than six percent, which was higher than last year. I think the latest figure on the consumer price index for the last twelve months is something like 4.6 percent, compared with 5.6 the year earlier. That's after five or six years of creating unemployment and recession and stagnation to achieve that. That's nothing.

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The only reason that the inflation is dropping a little bit is for the very reason I've given you. The economy is beginning to recover, and if they pursued more vigorous policies for recovery and got us back closer to full resource use we'd have less inflation. The whole history is that from '61 to '65 when the unemployment rate was cut from 6.8 to 3.8, and when the real average annual economic growth rate was more than five percent, the average annual increase in consumer prices was only 1.5 percent. From '66 to now when the average growth rate has been cut to two and a half percent, plus an absolute recession, and when the unemployment has been increased from 3.8 to 6.2 or 6.1, the average annual inflation has been three or four times as high as in the previous period.

This phenomenon has been true all the way back to the Korean war. But they don't see it, they don't look at it, they still have the theory that if they speed up the economy, it will cause inflation. They forget completely about distribution of income, which is the only important thing anyway, because if income were distributed equally as prices rise, it wouldn't make any difference to anybody. It would be just like changing the value of poker chips and giving everybody twice as many chips, because it's

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only if you have inflation that distributes the income in the wrong way that it makes any difference. That's what they've been doing. The very policies designed to stop inflation, like rising interest rates, unemployment, are distributing the income in the wrong direction, and cause more inflation to boot, so they've got the wrong end of the stick on all points.

So what would I do? I would reverse the policies. I would spend more money than Nixon has been planning to spend, not only to create employment, not only to quicken production, but to meet some of our national needs that we've neglected terribly. This would balance the budget more in the long run than the twenty million dollar deficit that he's going to get. I would reduce interest rates rather than increase them. I would expand the money supply more rapidly; I would say that a condition of the economic health, based upon full employment and full production gives you a yield and output and ability to meet your needs and employment that far outweighs any differential in the price level, and that actually the prices rise less in the long run when you have that than what we've got now. So I would reverse the policies; I'm in disagreement with them.

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HESS: Do you think we've adequately discussed the economic policies that were developed during Mr. Truman's administration?

KEYSERLING: Yes, I think so.

HESS: Just on to two brief political questions: Who in your opinion would President Truman have preferred for a Democratic standard bearer in 1952?

KEYSERLING: In 1952 he was the main factor in the selection of Adlai Stevenson. He was the one who first said, "Stevenson is the man." In 1956 Truman supported Harriman. He was disappointed in Stevenson.

HESS: What do you recall about the convention and the campaign in 1952, anything in particular?

KEYSERLING: Well, the outstanding factor of the campaign in 1952 was that after twenty years of Democratic administration and after the attack that had been launched upon Truman, that it was absolutely impossible to beat a war hero; there is no use going into the refinements. The chances of Eisenhower winning were about ninety-nine and a half out of a hundred. It was always that way. He was a war hero; nobody could say anything against him, and the Democrats had been in for

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twenty years. There's nothing that could have been done to change that result.

HESS: What do you recall of the transition from the Truman administration to the Eisenhower administration? Did Mr. Sherman Adams show up in your shop to discuss what might transpire?

KEYSERLING: No, there was no discussion with me, because it was their plan to abolish the Council. They didn't believe in the Council. It was only Taft that saved the Council. I covered that earlier.

HESS: That's right.

Just two general ending questions: What in your opinion are Mr. Truman's major contributions during his career?

KEYSERLING: His courage, which was almost unequaled in my experience; his relative freedom from political consideration, in the narrow sense, when he was making the big decisions--relative, I say--to which I would rank him first among any of the other Presidents that I have observed directly running from Roosevelt to date; I think he was far freer of narrow political considerations in making the big decisions, because he had such a

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concept of the awesome responsibilities of the President. I think his courage and his administrative decisiveness enabled him to make decisions rather quickly as well as courageously. I think that he summed it up I think in what he said himself when he was describing the Presidency later and someone said, "What does a President have to do?"

He said, "He has to make decisions."

And somebody said, "What do you do if the decisions are wrong?"

He said, "Then you make another decision." That's about it.

In addition, despite the variances and the coloration and the matter of the point that everything in life is a matter of degree, I think Truman was thoroughly committed to the proposition that it's the average man that counts most, and that the purpose of Government is to help the average man, and that the big fellows can take care of themselves, and that what you have to watch them for mostly is that they don't get too much. I don't regard this as a bias or a class prejudice. This is the nature of the American society. The Government has to help the average people, help them the most. They need help the most, the people on the lower sides. I think he was very firmly committed to that in a general way. I don't think he

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understood all of the implications of it for economic policy, and therefore he was a conservative, for example, on balancing the budget and on some other things. He didn't completely overcome what one would expect of a Midwestern man who wasn't a philosopher, but I think he was deeply committed to that, and in this sense he was in the real tradition of the Democratic Presidency in the way that I think Jackson and Wilson and Roosevelt were, and that I think, broadly speaking, Johnson was. I'm not at all so sure about Kennedy. I think Kennedy sort of thought this was all hearts and flowers, that this was just...

HESS: Camelot?

KEYSERLING: Yes, this was just for the political platform, that it really wasn't the right policy.

HESS: What is your estimation of Mr. Truman's place in history?

KEYSERLING: Well, his place in history will be determined by the viewpoint of those who rank him. I did notice with interest that a few years ago there was an article in the *New York Times* in which a number of leading historians ranked the Presidents, and they had a

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top five composed of Washington, Jefferson, Lincoln, Wilson, and Roosevelt (Roosevelt the second), and then Truman came in the second grouping of five, along with Theodore Roosevelt and Andrew Jackson and two others. Now, you know you always get revisionists, so I don't know what future rankings will be, and it depends partly on what happens. I think Truman will have a very high ranking. I think he will deserve a very high ranking.

HESS: Do you have anything else to add on Mr. Truman or on the Council of Economic Advisers?

KEYSERLING: I think we've covered it pretty thoroughly. Mr. Truman was not, aside from these qualities I have mentioned and which are great gifts, every one of them, he was not really a very outstanding man by some tests. I mean, he isn't the kind of man that, if you met him in a living room and talked with him for an evening with a group of people, you would be impressed tremendously with his grasp or understanding or exceptional ability. This was a quality possessed to a greater degree, I suppose by Woodrow Wilson, and it was probably true to a considerable degree of Theodore Roosevelt.

Theodore Roosevelt had a very wide-ranging and inquiring mind; he evidently wrote a number of fairly good

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books himself; he was a good editorialist. I mean, he was a man that you'd say was of very exceptional mental range. I don't think you get that impression of Mr. Truman, but he had other qualities far above the average, and far above the average President, which turned out to be very important.

The reason I wouldn't rank him as high as Franklin Roosevelt, is that he didn't have the gift of sustained national leadership in the same sense. Now, he could make a decision on the bomb or a decision on Korea, but that was a spontaneous decision. He got advice and he made a decision. He didn't have the capacity of educating and leading the people to stick with him on a difficult course. He could not, I think, have done what Roosevelt did in developing assent if not support to his aid to the democracies before Pearl Harbor. I am not sure that Truman could have accomplished Lend-lease and the destroyer deal and those other things in the face of an isolationist country. He didn't have that sustained capacity of leadership in the face of adversity or in the face of difficulty. He couldn't lead the people and sustain their support of him to that degree. He just didn't have so rare a gift of expression or of leadership. In that aspect I think he ranks below

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Lincoln, who had it to a superb degree; below Jefferson, who had it to a great degree; below Washington; and below Woodrow Wilson, who despite his disaster with the League of Nations after he became sick, had it to a superb degree during his first term. So in that sense I don't think Truman's in the very top rank of five. But he comes very close; and in some qualities I have mentioned, he ranks higher than some of these five.

HESS: Thank you very much, sir.

KEYSERLING: I was very glad to talk with you.

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