

Oral History Interview
with
WILLIAM K. DIVERS

Member of the staff of the Federal Emergency Public Works Administration, 1933-37; member of the legal staff of the U.S. Housing Authority, 1938; regional director of fifteen midwest states, U.S. Housing Authority, 1939-40; assistant general counsel and special assistant to the director of the defense housing division, Federal Works Agency, 1941; regional representative of the National Housing Agency, 1942-43; special assistant to the National Housing Expeditor, 1946; assistant administrator of the National Housing Agency, 1947; chairman of the Federal Home Loan Bank Board, 1947-53, and member, 1953-54.

Washington, D.C.
December 18, 1969, February 12, February 19, March 12,
April 2, April 16 and April 21, 1970

by Jerry N. Hess, Harry S. Truman Library

The Harry S. Truman Library
Independence, Missouri
September 1971
NOTICE

This is a transcript of a tape-recorded interview conducted for the Harry S. Truman Library. A draft of this transcript was edited by the interviewee but only minor emendations were made; therefore, the reader should remember that this is essentially a transcript of the spoken, rather than the written word.

RESTRICTIONS

This oral history transcript may be read, quoted from, cited, and reproduced for purposes of research. It may not be published in full except by permission of the Harry S. Truman Library.

Oral History Interview
with
WILLIAM K. DIVERS

Washington, D.C.
December 18, 1969 by Jerry N. Hess, Harry S. Truman Library

HESS: Mr. Divers, would you tell me a little bit about your background; where were you born, where were you raised, and what are some of the positions that you have held?

DIVERS: Well, I was born in Cincinnati, Ohio on April 12th, 1905. I attended a Catholic parochial grade school and then went on to a public high school there in Cincinnati and on to the University of Cincinnati where I took one year of engineering and then a year

[2]

of liberal arts and went on into law school. In law school I obtained my bachelor of laws degree in 1928, which has subsequently been converted into a juris doctor degree and began the practice of law. I attended some afternoon and evening courses at the law school and in 1930 I was awarded the degree of master of laws.

I might mention one little episode which may have had some effect on my later appointments. When I graduated from law school, I think I was the only one in my class who did not join the Young Republican Party in Cincinnati. The Republicans were dominant at that time in the local politics and young Democrats had little prospects of getting any political notice or appointments of any kind. However, my father, from Missouri, was a lifelong Democrat and I had been raised as one and I did not turn traitor and run down to
[3]

join the Young Republicans even though it was the financially feasible thing to do at the time.

HESS: One question on Cincinnati at this time; To what degree did Robert Taft exercise political control over his home town?

DIVERS: I don't think that he had any great amount of political control at that time. This was just about the time that the charter movement started in Cincinnati and a group of independents in which his brother, Charlie Taft, was prominent, really took over control of the city and got rid of the so-called political machine or the Hynicka machine which had been dominant for fifteen or twenty years or longer in the city government.

HESS: What do you recall of Robert Taft at this time?
[4]

DIVERS: Well, Robert Taft was a very prominent lawyer, probably the most successful lawyer in Cincinnati and his law firm as I recall was called Taft, Hollister, Stettinius & Taft. I didn't know him socially although I knew his wife. His wife, Martha, was prominent in housing circles even in those days; she had a great interest in housing for families with low income and I'd run into her and met her at meetings and so on and so forth. And in addition to that, his brother was a publisher of the Cincinnati Enquirer at that time. Had a beautiful home down opposite Lytle Park in Cincinnati and I had the occasion to visit there socially from time to time and did know some of the Tafts--Taft family.

HESS: Did Robert Taft have any interest in public housing or in housing at that time?

DIVERS: No. I think that his interest was later
[5]

than that and that it was a result of his wife's interest really and her knowledge of it that she influenced his thinking in the field. Taft, Senator Taft, Robert Taft, was a very objective and unemotional man. I remember trying a case against him and he was--of course, he was very prominent at the time and I was just a young lawyer fresh out of school and Robert Taft tried to

win the case for his client by voting fractional shares of stock; by dividing the shares of stock which represented his clients' interest into fractions; and I was ready for him and voted my clients' -hares fractionally and, as a result, we came out in a draw and we compromised, or, we had to come to a settlement which was agreeable to both of our clients so that that was my first and only brush with him. Incidentally, I met his father, William Howard Taft. The . . .
[6]

HESS: When did you meet him?

DIVERS: The law school which I attended was in a new building which was called the Alphonso Taft Hall and William Howard Taft was present for its dedication. He was a--well I guess that this being the Christmas season, I'd say that he probably was closer to Santa Claus than anybody else in terms of his physique, and his ruddy complexion, and his wonderful sense of humor. It was difficult to hear what he said because he was so busy chuckling to himself over his own witticisms. But he was just a delightful man and it was-it's really nice as I look back to think that I had the pleasure of meeting him. Incidentally, although I was Democrat for many years, I did vote for Robert Taft when he ran for Senator in Ohio because I admixed the man and even though he was kind of cold and unemotional I
[7]

felt that he could represent the interests of the people of the State of Ohio better than his opponent. As a matter of fact, when Z was appointed chairman of the Federal Home Loan Bank Board, both Taft and Senator John Bricker, who was the other Ohio Senator and also Republican, both of them endorsed my appointment so that with an appointment by President Truman and endorsements from Taft and Bricker Z had little to worry about when it came to confirmation.

HESS: Very good.

Just one question on Cincinnati: Looking back on those years, what are the major changes, what do you see as the major changes in Cincinnati from the present day to the days when you were growing up?

DIVERS: You mean changes in Cincinnati or changes in
[8]

HESS: Changes in Cincinnati.

DIVERS: Changes in Cincinnati. I don't know, I don't think that I could say much. As a matter of fact, I would think, I don't see anything different in Cincinnati than in other border cities of comparable size. I haven't been back there too much in recent years, but they have all the problems of the core city. The problems of the disintegration of the older sections of the city, and something of a flight to the suburbs by the upper income and middle income groups so that I think I'd be much better qualified to talk about how Cincinnati was then, or how conditions were then, or what it was like to live in the city in 1910 or '15 or '20.

HESS: All right, let's just take a few minutes on that. How was it in those days? What were conditions like in those days?

[9]

DIVERS: Well, people today don't realize a lot of the advantages that we have today. It is true that life in 1910, 1915, 1920 was more simple than it is today, less complicated, but still we didn't have a lot of advantages that we have today, things that people don't even think about today. I might mention just a few of them; some of the advantages we had then and some of the disadvantages. In terms of advantages, our public transportation systems were probably lots better than they are today and we had daily delivery at the door of milk, eggs, cream, cottage cheese, and so on and so forth, and also of bakery goods. I remember that we used to have sweet rolls delivered to our house every morning before breakfast, and we ate early. But we'd have-we had a small family. There was just my

[10]

mother, and my father and myself, but we'd have six sweet rolls delivered to the house every morning about 5:30 and it was nice to have these with our coffee at breakfast time.

It was also the era of neighborhood stores when there would be a small shopping center, just several small stores, within walking distance of almost every family that lived in the neighborhood. At that time we lived in Norwood, Ohio, which is a separate city, it's entirely surrounded by Cincinnati. And we lived in a house, and outside of the fact that we had coal heat then, which is not nearly so convenient or comfortable as the gas heat that a lot of people enjoy today, the house was comfortable, and it was clean, we, although Norwood was a factory center, I don't remember any air pollution or anything of that kind from the factories that were present at

[11]

that time. But we also had a lot of disadvantages. One thing that I am reminded of is clothes.

People wore the same weight clothes all year around, and then there was no air-conditioning. It was thought highly improper to go without a jacket, and as a result, at least in the offices and the white collar group you might say, it was very uncomfortable in the summertime, the heavy shirt and a heavy suit and a hat. Believe me when you went to a dinner or a luncheon or something of that kind, and you had to sit there with the sweat dripping down the side of your head, you can really appreciate the lightweight clothes, and lightweight shirts, and the air-conditioning that we have today. I don't know what effect that this had statistically but I suspect that my own personal production has probably doubled almost by air-conditioning.

HESS: All right, one question, sir. What pastime

[12]

did you enjoy the most when you were growing up?

DIVERS: Well, I was--you mean personally. I would say that I enjoyed a lot of physical pastimes. I enjoyed playing baseball, I played tennis. We lived just a few doors from a former mayor of Cincinnati, John Mosby, and he had a tennis court in his back yard and was kind enough to let me use it as a boy if I swept, and rolled, and marked the court. And I almost lived there in the summertime. So, I guess you'd say that tennis was my number one activity. I never

excelled in tennis although I played on the high school team and also on my fraternity team in college. But I had one very interesting experience and that was I had the opportunity to watch Bill Tilden and Susan Lenglen play. And, as a matter of fact, I was selected to warm-up Bill Tilden for one of his matches
[13]

at the Tri-City Tennis Club in Hyde Park at Cincinnati, so that this was when I was in high school and he was looking for somebody really to bat the ball around with before a match, and picked me. I got to help warm him up a little bit for the . . .

HESS: I saw in the paper last week where he was voted the greatest tennis player of all times. Would you agree with that?

DIVERS: Well, it's very difficult to compare the tennis players from one era to another era. I wouldn't be surprised if today's tennis players might beat Bill Tilden; but, if Bill Tilden had grown up today and today's competition, I think that he probably would have been number one in any era in which he grew up.

I also enjoyed watching the Cincinnati Reds, the baseball team, and used to go out
[14]

frequently. I remember it was just fifty years ago that I got excused from school or sneaked out, one of the two, and went out and watched a couple of World Series games. That was the game between the Cincinnati Reds and the infamous Chicago "Black Sox" as they were called, the White Sox, some of whose players found some money under their pillow and threw the game and brought about a great scandal which was only cleared up when Judge Kenesaw Mountain Landis was appointed baseball commissioner a year or so later.

HESS: You saw some of the games that were thrown?

DIVERS: I saw a couple of the games that were thrown. Of course, I was only interested in seeing Cincinnati winning and they won. I don't remember who pitched, but I believe that two pitchers were Slim Sallee, was one of them and Eppa Jeppa Rixie was the other one. Rixie
[15]

was the, I think, the first college graduate who ever played professional baseball.

HESS: Who owned the Reds back in those days?

DIVERS: I don't remember but I do recall that, not that year, but a few years later the manager of the Reds was Christie Mathewson. Christie Mathewson was one of the great pitchers of all time, if not the top pitcher, and he played for the New York Giants. He got sick and they diagnosed it as tuberculosis and he was sent up to Saranac Lake, in New York, where he recovered. But by that time, he was too old to pitch and the Cincinnati Reds hired him as a manager. He had a son Christie, Jr. who was my age and Christie, Jr. and I used to go out and watch the ball games in

Senior's box frequently during the summer when we weren't playing tennis and I got to know Christie
[16]

Mathewson as a result and enjoyed hearing him reminisce about the days when he was top pitcher for the New York Giants.

HESS: And according to your article in the Who's Who, you were assistant prosecuting attorney in 1931 and '32. Was that in Cincinnati?

DIVERS: That was in Cincinnati.. I was assistant prosecuting attorney of Hamilton County, Ohio which is the county which includes Cincinnati.

HESS: Anything interesting come to mind when you look back on that particular job?

DIVERS: Yes, several things. One of them was that this was--the years I served, '31 and '32, were just about the bottom years of the 1929-1933 depression, and there were several things happening. There were innovations in terms of public assistance. Prior to 1931 I do not believe there was any--I believe there was no
[17]

public assistance of any kind in the United States. People were, who were too poor, or too unfortunate to be able to buy food or buy clothes were taken care of by private charities with one exception and that was the county poor farms which I suppose were public assistance of a sort. But when I spoke of public assistance that meant the kind where there was money paid to individuals to continue to live in their own homes. And our office, the prosecuting attorney's office, represented the county commissioners who were responsible for welfare and relief. And the Governor, who was then Governor White, called the legislature into special session and they enacted legislation which authorized a special tax on utilities and this utilities tax could be anticipated by the counties and they were authorized to borrow in anticipation to the collection of this tax. It was a ten year
[18]

tax, and the proceeds were to be used for direct relief payments to the people who were out of work. z might mention at this time that the Federal Government had no role in this at all. This was prior to the days of WPA and PWA and things of that kind. So, whenever municipal bonds or notes are issued, the purchasers, the bond houses, always require the opinion of a recognized authority, a law firm which has the reputation of being qualified to pass on the legality of any new bond issue and sometimes test cases are required in the supreme court of the state before this--before the bonds can be delivered and the money received. The bond dealers in this case required a test case; and first of all the county commissioners who were our clients, my client, were very much disturbed because they wanted to get the money and get it to these people who were out of work just as fast as
[19]

they could. So they asked me if I could do anything about it and I told them that if they would sign a note, a 6 percent note, and leave the payee blank and trust me, that I would see if I could sell it for them and they filled it out for six hundred thousand dollars. This was probably illegal and irregular but we didn't have time to tend to the formalities so much in those days, and I prepared all of the necessary closing papers authorizing me to insert the name of the purchaser, a transcript of the proceedings of the county commissioner and so on, and so forth, and got in my car and drove up to Columbus, Ohio and went to the Teacher's State Retirement Fund and saw--the gentleman there in charge of it was a retired schoolteacher whom I knew well and I had done business with him on several occasions; had sold him some other bond issues, and explained the circumstances to him and said, "Well, it so
[20]

happens that I'm just looking for a place to put six hundred thousand dollars today."

And he said, "I'll take the note."

So, I sold the note, delivered the note to him, delivered all the papers to him, and took the six hundred thousand dollar check and carried it back to my client in Cincinnati, and in those days it was a reasonably sizeable transaction.

I told you that they wanted to have a test suit and the director of finance at that time was Howard Bevis who later became president of Ohio State University and he had been one of my law school professors, so that when Governor White signed the bill I had asked him if he could get a copy to me as soon as possible because our county had been selected to file a test suit in the Supreme Court of Ohio and he thought the best way to get the information to me was to call me. So he called
[21]

me and dictated this long piece of complicated legislation to me and I took it down in longhand and that night the prosecuting Attorney, Bob Gorman, who later ran for Governor of Ohio, and who was later on the Supreme Court of Ohio, he and I sat up until about midnight drawing the papers in this suit and the next day when all the documents were typed up I went up to Columbus, Ohio and filed the case and asked the Supreme Court for an early hearing which they set for about thirty days from then, as I recall. I went back and worked on the brief and filed the brief at the end of that week and this case involved about a ten million dollar issue and so the county thought that it was worthwhile hiring a prominent attorney who had been before the Supreme Court frequently and they hired a man named Cap Dickerson.

Well, the night before this case was to be heard, or the afternoon before, Cap Dickerson
[22]

and I drove up to Columbus to be ready for the hearing the next morning and the--we went to the hotel and the next morning we got up and Cap Dickerson had something wrong and he couldn't speak above a whisper and the case was set, the county commissioners were waiting, the bond houses were waiting and there was nothing that could be done except that I had to argue the case;

so that the first case that I argued before the Supreme Court of Ohio was this ten million dollar bond issue and . . .

HESS: Starting off on a big one.

DIVERS: . . . But I was--we got a--I had written a brief. I was quite familiar with the case, I was familiar with all the issues and although I was almost spellbound by the--I was scared stiff. The Supreme Court judges were very tolerant and they were able to worm out of me sufficient information that they could approve
[23]

the issuance of these bonds. So, that was a very interesting occasion.

HESS: Also in 1931 and '32 prohibition was still in force. Did that cause you any difficulties in Cincinnati and with . . .

DIVERS: I would--well, Cincinnati was a city that had a lot of German population and they were primarily interested in beer and it was easier to make beer in the home than it was to make whiskey or gin or anything of that kind, so that almost everybody, almost all the Germans anyway, including the janitors at our law school, made beer in their homes. I remember that we were--the law students were invited from time to time to visit the janitors' homes and partake of their home brew which was very good. Our family didn't make any because we didn't care for beer. I think that the--we did make--my mother made dandelion wine
[24]

which was palatable for our standards, but would probably turn the stomach of any connoisseur. I was not directly responsible for the prosecution of any violators of the prohibition laws; but as a matter of policy, if I wanted to take more than one drink, I went down to Louisville, Kentucky to the Brown Hotel and enjoyed some weekends down there. I would say that prohibition was not as important in Cincinnati as it probably was in some other cities because almost all of the citizens had their own ways of making beer or wine and there weren't too many demands for whiskey or gin.

HESS: Was Louisville, Kentucky more of an open town?

DIVERS: No, but it was just in another state and the--if I was put in a position in Ohio of prosecuting somebody, I didn't want to prosecute them for something that I'd done or
[25]

that I had contributed to. So . . .

HESS: Just more advantageous for you to leave the state for that.

DIVERS: Yes. I might say incidentally that this--the prosecuting attorney's office--I worked almost exclusively on civil cases rather than criminal cases and acted as the legal advisor for the townships, for some of the county officers, and for the school districts and, of course, each of the

school districts from time to time found it necessary, or desirable, to issue and sell some bonds to finance the building of a new school building and I handled the bond issues for them, and not only handled the legal arrangements for the issuance thereof, which are very technical arrangements, incidentally, and the bond counsels are very technical in their requirements. It's something that is almost mathematical in its precision. I mean you can't make a mistake in any [26]

of the steps, you have to follow the letter of the law and if you don't you may have to go back and start all over. Well, it wouldn't be bad except that almost all of these involved an election and if you didn't do the proceedings correctly it might mean that you would have to hold another election and since two-thirds of the electors would probably have to vote in favor of a bond issue, you didn't want to have to go back and do an election again. So, I handled the legal proceedings and the sale. Ordinarily the sale would be to the State Teacher's Retirement Fund, but sometimes it would be to other groups. And this led to my coming to Washington, that's the reason I've gone into it in some detail.

And that time there were only two recognized bond counsels in the State of Ohio, for the State of Ohio. One was a firm in Cleveland and the other was a firm in Cincinnati. In [27]

1933 when the Public Works Administration was created, PWA, it was called the Federal Emergency Administration of Public Works, a man named Henry T. Hunt, who was a former mayor of Cincinnati, was appointed general counsel of PWA and he called Cincinnati to see if he could hire a bond attorney and he offered the job to the head of the Cleveland firm and neither one of them wanted to come to Washington or--and both recommended me, which--and they called me and asked if I could come down to Washington and I told them that I not only would come, but I would be delighted to come. I had my own law office at that time but I was young and I don't know, I was only twenty-eight maybe and I was anxious to step out into some new field anyway and unmarried. So I came to Washington.

HESS: Had you ever been to Washington before? Had [28]

you seen the city?

DIVERS: No, I never had. The first time I came here I came about employment with the Federal Emergency Administration of Public Works. The man I had an office with in Cincinnati decided to come down with me and he had a new Pierce Arrow sedan and we took turns driving it and came down to Washington, and I believe that we probably made about as good time as you could make nowadays because there was very little traffic at that time and the roads were not nearly as good, but . . .

HESS: Pierce Arrows were good cars.

DIVERS: Pierce Arrows were good cars and we stayed at the Willard Hotel, which is now closed, and I went over to the PWA and they offered me a job and I accepted their offer and came back to the hotel and we had lunch together and started
[29]

on back to Cincinnati.

HESS: What were your first impressions of Washington as a town?

DIVERS: Well, it was a beautiful city. I think that the first impression was of the cleanliness and the spaciousness of the city. At that time the population of Washington was about four hundred thousand people, as I recall, that's of greater Washington, Washington and suburbs, and that's-it's now about seven times that size. My office, FWA, was located in the old Interior Building down at 18th & F Street, N.W. and I had an apartment in an apartment house at 22nd & C Street, N.W. which is now the site of the State Department Building; has exactly the same view.

HESS: Did they call it "foggy bottom" back in those days?
[30]

DIVERS: Yes, they called it foggy bottom and they had--the gas works was down there, and the brewery. I remember at one time the Potomac overflowed and came up to Pennsylvania Avenue, but to show you . . .

HESS: Where did it overflow, at Watergate?

DIVERS: I think--my recollection was that it overflowed further up the river, that it was up around Key Bridge or someplace up there. It could have been because of an ice jam in the river because I remember also that the Potomac was frozen over a couple of those winters. It was frozen all the way down to where the other river comes into it. Where's that?

HESS: Anacostia?

DIVERS: The Anacostia river came into the Potomac. To show you how different things were in those days, I had a Buick sedan, 1932 Buick, when I
[31]

first came to Washington in '33 and I used to drive instead of walking. I would drive from my apartment up to the office which was a matter of six blocks, and find a parking place right in front of the Interior Building without any difficulty and then come out in the evening and get into the car and drive back six blocks and find a parking place right in front of the door of the apartment house.

HESS: That's one thing that's changed isn't it?

DIVERS: It certainly has and we also had a--I shared this apartment with another lawyer from PWA and we had a girl who cleaned some of the apartments there in the building, and she came

in every morning, washed our dishes from breakfast and from dinner the night before, made the beds, cleaned the apartment (straightened up the apartment I should say), and she also did our laundry, our shirts, shorts and so on
[32]

and so forth I think for two dollars and a half a week, which we divided between the two of us, a dollar and a quarter a week a piece, which is also different from today.

HESS: What were your duties on the legal staff with the Federal Emergency Administration?

DIVERS: Well, my duties were to examine applications from political subdivisions of the state or from states, applications for loans, or for grants, to assist in financing public works. The PWA had a program at first under which they would lend 70 percent of the cost and would make a grant of 30 percent of the cost and there was practically no market for the bonds which were used to finance the 70 percent loan so the Federal Government would buy the bonds and would sell and would give a grant for the other 30 percent. My duties were to see that the political subdivisions had the authority to construct the particular project and that they
[33]

had the authority to issue the bonds and that the necessary legal steps had been taken. If the application met the legal requirements, then it was passed along to the engineers and to the financial experts to see whether the engineering requirements were met, whether it was properly designed to accomplish its purpose and so on, and whether the municipality could afford to meet the principal and interest payments on the bonds after they were issued. If the application met these requirements, why, then it was also my duty to prepare a contract between the Federal Government and the political subdivision setting out all the terms under which we would purchase the bonds, and under which we would make the grant. These requirements, the Federal requirements, as usual, were rather voluminous. This was an effort to get the country going again and they had requirements with reference to minimum wages and with reference
[34]

to where the people would be recruited and so on and so forth. Then I also had to see that the contract was properly executed and after it was executed that then we would go about purchasing the bonds and see that the bonds were placed in an account where they could--the proceeds of the bonds were placed. in an account where they couldn't be used for other purposes and the Government would be protected so that the project would be completed, that the municipalities met the requirements of the Federal Government in connection with the contract and so on so that it was a rather tedious legal undertaking. In that connection I had looked into it some seven or eight years later just as a matter of curiosity to see how the Federal Government had come out with the bonds that they had purchased. At the time that we purchased these bonds there was no market for them, and the bonds almost all, as I recall, carried a coupon rate of about 4 percent and by the time inquired, some seven or eight years later, the bond market was very active, the rate had gone down to around 3 percent and as a result these bonds were all sold at a substantial premium and the Federal Government not only didn't lose any money on them but made
[35]

a substantial profit, almost enough to cover the administrative expenses in connection with the purchase of the bonds.

HESS: And you held that position here in town in '33 and '34 and then you went back to Columbus in '35 and '36 and then you came back here in '37, is that correct?

DIVERS: Yes. In '35 the PWA decided that their program was not working fast enough and they changed to a fifty-fifty formula under which they would make a 45 percent grant instead of a 30 percent grant and the municipality would only have to borrow 55 instead of 70 percent of the cost. And they also decided to decentralize their offices, and they had had offices in the states before, but the offices had no authority to take any final action on applications. So they didn't decentralize all of the authority, even at that
[36]

time, but they decentralized the operations. I went out as chief counsel for the Public Works Administration in Ohio with an office in Columbus and I had counterparts in the engineering and financial end and we examined the applications and passed on them and did all the legal work there instead of in Washington and it did speed up things considerably. And in addition to that it was much more convenient for the public officials of Ohio because they could come to Columbus much easier than they could come to Washington although I'm not sure they didn't prefer to make the trip to Washington.

HESS: At the taxpayers' expense.

DIVERS: Oh, sure. Well, there weren't so many people coming to Washington in those days and it was a big thing for the county commissioners, or the president of the school board, or
[37]

the president of the township, or somebody like that, to get an excuse to make a trip to Washington which could be later charged against the project in which the Government would pay 45 percent of it.

HESS: ,And your next position was as a member of the legal staff of the U.S. Housing Authority in 1938, correct?

DIVERS: Yes.

HESS: How did you make that transition? How did you make that move?

DIVERS: The Public Works Program was beginning to taper off and it gave signs of being a more or less permanent program of the Federal Government and was beginning to acquire a little age and bureaucracy and I wasn't accustomed to it yet, although I later became accustomed to it, and was looking for
[38]

something that was a little more exciting.

I might tell you about our work habits in PWA. We worked from approximately 8:30 in the morning, to about, an average of about 9 o'clock at night. Almost everybody, and this included messengers, stenographers, secretaries, bosses, underlings, we used to work. As a matter of fact, the first raise I got they told me that I was working double time and that I was entitled to be paid approximately for working two jobs, and it was no great hardship. Many of the people were single or their family hadn't moved here yet and the only exception to this work schedule was payday. At that time we were paid irregularly, and in cash, and once a month. We might be paid on December 15th for November. In those days it was great to have a job but it's also hard to stretch for six weeks between pay checks and when the word came out

[39]

that we were to be paid that day, plans were immediately made for a party at the Shoreham Hotel and all of those people who were so inclined, in the legal division, and that would include, oh, maybe fifteen or twenty of the lawyers, and we would all get dates and go up to the Shoreham Hotel, the Blue Room or the predecessor to the Blue Room, and have dinner and drinks and dance. Drinks meant carry your own, bring your own liquor. But as I recall, Barney was there, he was the orchestra leader, he was an institution at the Shoreham and was there for many years and that was--and we would celebrate that night and then we'd go back to our schedule of working about twelve hours a day.

HESS: How did you make the transition from PWA to the Housing Authority? Just looking for more interesting work?

[40]

DIVERS: David Krooth was Assistant General Counsel at PWA at that time, as I recall, and he transferred over first to the United States Housing Authority. The United States Housing Act of 1937 had just been published, just been enacted, and Leon Keyserling was selected as general counsel for the USHA. Nathan Straus was the administrator of it, and Keyserling and Krooth asked me if I would come over and join their staff and they explained to me that it would require a cut in pay but that they hoped to restore it sometime in the near future and although I had acquired a wife and a daughter in the meantime, why, the work looked interesting and challenging and so I went over to the United States Housing Authority where I did work which was not too much different than it was at PWA. In other words, it was limited to housing projects, whereas I had been working

[41]

on ones involving school buildings, libraries, sewer systems, water works, and so on. This was limited to housing projects. The formula was different because the United States would do a hundred percent financing in effect, but the procedure was not substantially different. In other words, it required an application from the municipality and a contract with the Government and supervision to see that there was compliance with all the requirements of the Government contract; all the requirements which the Congress had set up, and that's what I did for the next few years.

HESS: Let's take a few minutes to discuss the three men that you mentioned; Mr. Krooth, Mr. Keyserling, and Mr. Straus. What type of men were they? Let's take them one at a time, Just what type of men were they?

DIVERS: Well, Nathan Straus was the administrator
[42]

and he had been very successful in the hotel supply business, the supply of material, of equipment, that is used in hotels and hotel kitchens and so on and so forth. As a matter of fact, I'm not sure but what he may not have been with the predecessor of this company that's had [Justice William O.] Douglas as a consultant and that bought a casino recently.

HESS: Parvin-Dohrmann?

DIVERS: Yes, I think so. There aren't too many of these companies in this field. I mean that it's a--they specialize in hotel equipment. He had--Straus was wealthy. He took this job as a public service in the public interest. He did not need the money and he spent more money than he got in salary, I'm sure. He was from New York and was intensely interested in the problems in the slums of New York. His personality was such, he was pretty much
[43]

accustomed to having his own way. He was not accustomed--he was accustomed to giving orders, he was not accustomed to compromising, he was not accustomed to exchanging pleasantries with people except socially, I mean that businesswise he was not. He was generous, he was thoughtful, he was a .good family man and he had a lot of good characteristics, but he was not the best public relations man in the world I might say. He was constantly scrapping with the people from New York where he came from and also with a lot of other public officials including Mr. Ickes and Harold Hopkins, and others.

HESS: What were his relations with FDR?

DIVERS: His relations with FDR were very good at the beginning, the first year or two. FDR--well, he was from New York, I suspect that he was a substantial contributor to FDR's campaign.
[44]

I They had many mutual friends and his relations were good. And then Leon Keyserling was there because--well, I shouldn't get off onto Keyserling yet, but I just wanted to point out that Keyserling was a protege in effect of Senator Robert Wagner who was the author of the housing act and Wagner was also close to Roosevelt. I remember that Straus decided at one time that he should improve his relations with the public and with public officials and with the Congress and decided to start out on a trip. The first place that we were going to stop was--well, to go back a little ways, he was going to visit a dozen cities and he was going to visit the housing projects and visit with the Congressmen from that district, the public officials, maybe have a dinner with--tender them a dinner--and get all ready to go back to Congress the next year where he was getting a rough time occasionally. And the
[45]

staff was busy for thirty days getting booklets ready and get all the information with reference to anything, any question he might ask, or any question that the press might ask at press conferences along the way. He started up in New England as all trips seemed to do, and I was assigned to go with him from Pittsburgh west on this trip. So, I boned up on all the projects, some of which were in the territory that I was legal counsel for and other ones were outside my territory. And one of the other persons who was going on this trip was Theodore Granik, Ted Granik, who was a public relations man for Straus. And Straus' son went on this trip. He was not in an official capacity, he just went along for the trip with his father. This was before the days when everybody rode airplanes and we made the whole trip by train.

Each place we stopped Straus had a big

[46]

suite. I remember in Chicago, I think, that we stopped at the Drake Hotel, a very nice hotel, and Straus had a big suite, he and his son. At that time we got either five dollars or six dollars a day to cover our traveling expenses when we traveled for the Government. I think it was six dollars a day, so that I didn't make much money off of my six dollars after I stayed at a hotel like the Drake where I had to stay and eat my meals there.

HESS: What type of appearances did he make on this trip? Did he meet with small groups, large groups, did he make talks?

DIVERS: Well, in Chicago he visited the projects with the local public housing officials and I don't remember much of the details of it. Sometimes there was a groundbreaking ceremony for a new project, other times there was a ribbon

[47]

cutting for a completed project. All I remember is that he had a press conference at the Drake, in his suite, as a part of his visit. I was trying to be helpful and one of the members of the press asked him a question and Mr. Straus gave a reply and I said (I wasn't supposed to talk to the press but I said), "Mr. Straus maybe you would like to mention to the press so and so and so and so." And he turned to me and he said, "Mr. Divers," he said, "I wish you hadn't brought that up." Just as much as to say, "Close your mouth, be quiet." It was a reprimand in front of the press, and I kept quiet. I just remember a few of the high spots of this trip.

HESS: And the low spots?

DIVERS: Details, and the low spots. I remember another one. We went out to--when we stopped in Omaha, Nebraska, Phil [Philip M.] Klutznick

[48]

met us. Phil was the counsel for the Omaha Housing Authority and later was a representative at the United Nations. He was very prominent in the housing field. He built one of the largest developments outside of Chicago after World War II and just recently I understand has completed a similar project, or is building a similar project east of Denver. But Klutznick met us and we were taken on a tour of the housing projects and Phil knew that the local Congressman

was bitterly opposed to Straus, but that he might be softened up, and he would be softened up if Straus paid some attention to him and said something nice about him in the newspaper and so on. So Phil made arrangements to stop by this Congressman's home for a visit coming back from one of the housing projects. Well, it was a hot day and we started out and we visited one project and this
[49]

usually meant tramping around through some mud and boards and dust and nails and glass and so on and so forth. Then you get in a nonairconditioned car and drive another fifteen miles and tramp around through some slums with their odors and so on and along about-after we had done that for three or four hours they said, "Well, now we will. go visit the Congressman and have lunch with him."

And Mr. Straus said, "I'm not going anywhere except to my hotel. I'm going to my hotel, have a bath and lie down and have something to eat."

Mr. Klutznick said, "We've arranged lunch with the Congressman."

Mr. Straus said, "You go."

So, the luncheon had to be called off which I'm sure didn't make the Congressman unhappy or happy either one. But there was also a dinner that had been arranged that night for
[50]

Mr. Straus to meet all the members of the local housing authorities, the mayor and some other prominent people, and about 3 o'clock Mr. Straus called up and said, told Mr. Klutznick, "I've changed my plans, I'm going to leave on an earlier train for Denver and please express my regrets to these people."

Well, Mr. Klutznick already had this dinner arranged and he had to send messengers out to find these people to tell them the dinner was off, at least Straus wasn't going to be there. So, he just cancelled the dinner and I had dinner with Mr. Klutznick that night and we shared our sorrows at a dinner in the coffee shop of the local hotel and then he took me down to the railroad depot to get on the train that I was originally scheduled to depart on, which left around midnight and there were Straus and his son sitting there waiting for the
[51]

train. They had not changed their reservations. They had just used that as an excuse and this was one of the things that really got him into trouble a lot of times, was that he would not do the direct thing and say, "Look, Joe, I've had it. I don't feel well, please excuse me, but I've got to go up to my room," which businessmen would understand I'm sure, or politicians. But instead of that he would use the excuse--he also had a fetish for cleanliness and some of the groups who came in to see him were working men and as he was introduced to them he would shake hands with them and then he would excuse himself and immediately go in and wash his hands before he would sit down and talk to you. So, he was--he didn't make friends easily and this is his big problem. And he didn't, get along with Congress any better than he got along with other people.

[52]

He blew hot and cold as far as the staff was concerned. One day he would be praising them all over the place and trying to get a raise for everybody and the next day, why, he would be unjustly and unnecessarily critical and would be-trying to find somebody else to do the job, so that I can't say that it was anything more than interesting working for Straus.

Roosevelt eventually, got tired of him and decided to reorganize the Government and put the United States Housing Authority under the Federal Works Agency, I think it was at that time. I've never told this story to anyone so far as I recall and I suppose it's all right to bury it in the Archives. It's one that I'm not particularly proud of. But I think it may have been one of the few times that it may have happened to a top official. But at one time things got so rough that one of the top men in the United

[53]

States Housing Authority, I guess it's the man who was the closest to Straus, came to me and told me that it was just intolerable working there and that the program would suffer unless the President got rid of Straus and that the President wasn't inclined to make the change for a lot of reasons, but he thought that the President would be happy if he resigned. I don't know whether the President had ever been contacted on this or not, I doubt it. I think it all originated in the staff. But, anyway, this person prepared a round robin letter asking Straus for his resignation and signed by the members of the staff and I think that the top twenty-five or thirty people on the staff, including me, signed the letter asking for his resignation, and he resigned. I've never heard of that happening before or since. And I said that I wasn't very

[54]

proud of it because in retrospect, I don't think it was--I think it was kind of a cowardly thing for the people on the staff to do. It was an early day demonstration you might say and I would much preferred that we express our views to him personally and give him an opportunity to give his side of the story rather than signing around robin. But he did get out. I'd have to almost--it was almost around that time when Clark Foreman was put in as head of the public housing. And it was also about that time that the Defense Housing Program started and that was under Mr. Carmody, who was head of the PWA and also head of Public Works, and so on.

That's a good place to stop for today, my throat's getting tired.

HESS: Fine and we will come back to Keyserling and Krooth on our next session. Thank you very much.

[55]

Second Oral History Interview with William K. Divers, Washington, D.C., February 12, 1970.
By Jerry N. Hess, Harry S. Truman Library.

HESS: Mr. Divers in checking your scrapbooks last week, I found several clippings of interest and I would like to start off today by quoting from one. It was a clipping from the South Omaha

Sun of March the 21st, 1940 giving some of your background. Some things I think we had better check on. It says:

“Mr. Divers assisted in drafting the limited dividend housing law enacted in Ohio in 1932, and the Ohio housing authorities law enacted in Ohio in 1933, which was the first housing authority law enacted in the United States.” What can you tell me about the background of the--what came to be the first housing authority law enacted in the country?

DIVERS: I'm not sure that the report is correct. I do not recall whether Ohio was the first housing authority or New York State had the
[56]

first housing authority law. I do know that Ohio did not--if it did not have the first one, it had the second one. You know of my interest in housing, and my connection with housing, and I was brought into this by Ernest J. Bohn who was subsequently the executive director of the Cleveland Metropolitan Housing Authority. Ernie Bohn, as he was widely known among public housers, was very active in housing legislation in Ohio, and he solicited my support, which I gladly gave, from the southern part of the state, and he had--he was widely known and respected and active politically in the northern part of the state. And together, we were successful in rounding up enough support for this law to get it enacted. At that time, legislators were quite willing to pass legislation which had any prospect of creating jobs and improving economic conditions. And it was not difficult,
[57]

really, to get legislation through. Our principal problem was an educational job, to explain the legislation to the appropriate committees, to answer their questions and to follow up to see that it was passed in suitable form to perform the functions we proposed. Actually, I would describe my part in this as minor compared to that of Ernie Bohn and some others who worked on the legislation.

HESS: All right, fine.

At the end of our last interview we were discussing Mr. Nathan Straus, Administrator of the National Housing Authority, and had mentioned Mr. Leon Keyserling and David Krooth, the general counsel and the assistant general counsel of the National Housing Authority. What can you tell me about those two men?

DIVERS: Well, Leon Keyserling is a lawyer who has
[58]

become rather widely known as an economist. He was the general counsel of the United States Housing Authority. He had worked with Senator [Robert F.] Wagner in having the housing legislation passed and subsequently was selected as general counsel by Senator Wagner and Nathan Straus. Keyserling was one of the most able men that I have ever run into, in or out of Government. He had some faculties which I wish I had.

HESS: What were those?

DIVERS: I have seen him dictate a twenty or twentyfive minute speech to his secretary, read it over once, and make a few corrections, and then get up, and without a note, deliver it word for word. He had a remarkably photographic memory and once he saw this on paper and had dictated it, he was able to reproduce it word for word,
[59]

period for period, paragraph for paragraph. I mean you could see the punctuation when he delivered it and he was a very convincing speaker in addition. I did not agree with his philosophy at times or his approaches, but I have always recognized his ability.

HESS: In what areas did you disagree with him? On what particular program, plans, or perhaps methods of carrying out those plans?

DIVERS: Well, I think that Mr. Keyserling was primarily interested in promoting programs with which he was identified and where he was prominent. I tried at all times to take an overall view and to try to work in any programs on which I was working with other Government programs, and frankly, to consider the interest of the public as being the prime factor in all of the decisions that were made. I think
[60]

too seldom is that position taken in Government that--even today we see Government agencies that are pushing their own programs hard with reference to other Government programs or other Government agencies and not putting the interest of the public first in their deliberations.

HESS: Do you feel that there were times that Mr. Keyserling did not put the interest of the public first?

DIVERS: I would say this, that he probably put the interest of the public first as he saw it, and I put the interest of the public first as I saw it, and we didn't see things the same way.

HESS: Can you remember an illustration of a particular program you were both interested in that might show some of the differences that we have been discussing?
[61]

DIVERS: Oh, I think I can. I think one example stands out in my mind. This is the question of the amount of subsidy that would be used to reduce rents in the low rent or low income housing which was being produced by the local housing authorities under contract with the United States Housing Authority. The United States Housing Authority was granted, by Congress, a limited amount of dollars and these dollars could be used either to reduce the rent, for example, on a hundred thousand units paying fifteen dollars, or fifty thousand units paying thirty dollars a month, and the more the subsidies were used to reduce rent, the lower the income of the families you could serve. I felt that Congress had given us a directive to serve the lowest income families that we possibly could serve, and at that time there were ample families who met those require-
[62]

ments, and we were thinking primarily in terms of widowed mothers who had children and who had to work and, at that time, were lucky if they made twenty-five dollars a week. We were thinking in terms of families where the principal wage-earner might have been injured in an accident and was unemployable either for life or for a period of several years. And I was in favor of using the number of dollars we had to reduce the rent as much as possible and to reach the lowest income families we could reach. Mr. Keyserling and some others in the Authority, who prevailed I might say, felt that by using a limited number of dollars they could spread the program and maybe build twice as many units. I felt it was more important to build half as many units to reach the lowest income families possible and I felt this way for another reason. T felt that by
[63]

serving the lowest possible income group, we couldn't possibly have any conflicts with private enterprise. As a matter of fact, I'm not sure, but this decision by Keyserling and his--and the people who agreed with him may not have been the beginning of the end of the popularity of the low rent, low income housing program, because . . .

HESS: Who did it become unpopular with first? Homebuilders?

DIVERS: Well, I suspect that it was always unpopular with some homebuilders and FHA was also nibbling at the heels of the low income housing program and trying to demonstrate how they could build housing which was suitable for low income families, but the National Association of Real Estate Boards was one of the principal opponents. I guess the United States Savings and Loan
[64]

League was also in that category. I think if the leaders of all these businesses could have been brought together with the Housing Agency in one room, and the press was not present, that they probably could have agreed on a set of objectives which all of them could support.

HESS: Why wasn't that done?

DIVERS: Well, I guess one of the reasons is that it's seldom done in Government.

HESS: Is that a failing of Government in these programs?

DIVERS: I think so. I think so. I think that there's too little cross-fertilization between private business and Government, and I'm happy to see that a program is under way now which I read about recently in which three hundred to five hundred Government employees would go
[65]

into jobs in private business each year, and three hundred to five hundred private business executives or junior executives would go into Government for periods of eighteen months to two years. I really think that many of our troubles arise out of the lack of effort by Government to draw the business community in, I mean that the whole effort now is being made to draw the community into Government planning and I think it's just as important that we draw the business

community in. After all we're all proud of the achievements of American business and it seems to me that it only makes sense to make use of them as much as possible in connection with Government programs.

HESS: Who were a few of the individuals that saw things the same way that Mr. Keyserling did on the housing matter that we were discussing?
[66]

DIVERS: Warren J. Vinton, who was the chief planning officer, I think, of the United States Housing Authority, was the principal supporter of Keyserling, and I think that Jacob Crane who was the assistant administrator for construction felt the same way that I did. Dave Krooth was in the Keyserling camp and I don't recall any other people who might have been in the line-up. You mentioned Marion Beers who was an assistant to Nathan Straus and who was quite active in the early days, but I think that she played less and less important parts in any policy decisions that were made from time to time.

HESS: What were her general duties? Do you recall?

DIVERS: No, I think that I'd just be guessing. I'd say that in the early days that she was an assistant to Straus and undoubtedly he delegated some minor decisions to her. I think she was also an appointments secretary for the admini-
[67]

strator and, perhaps, social secretary as well and handled a lot of affairs for him both in and out of Government.

HESS: And we have mentioned Mr. David Krooth several times. He was assistant general counsel. Did he have any other duties other than just working for Keyserling?

DIVERS: No, I don't think he had, but I think that Dave Krooth was primarily responsible for all of the legal work. Keyserling oversaw the legal work, but was primarily interested in the overall policies of the agency and their relations with Congress.

HESS: Was Keyserling, at this time, looking at things more as an economist rather than a lawyer?

DIVERS: Well, I'd say that maybe one-third economist,
[68]

one-third lawyer, and one-third politician. That's about as closely as I can describe it.

HESS: And one of the other gentlemen who worked for the Housing Authority at that time was Robert C. Weaver, who since has become well known in housing. What do you recall of Mr. Weaver at that time?

DIVERS: Well, my principal impression is that I did not have many contacts with him, but that he was very pleasant, very cooperative, and we always seemed to see eye to eye on the subjects of mutual interest that we, discussed. I don't recall ever having had any difference of opinion with him, but my recollection is that he was what was called the racial relations specialist at that time.

HESS: The Adviser on Negro Relations.

What problems arose along those lines
[69]

during this period of time?

DIVERS: Well, the principal problem was the problem of occupancy of the new dwellings that were built to replace slums which were cleared. And also the problem of who would occupy dwellings in projects which were built on vacant land. First of all with reference to slum dwellings, since the blighted areas, or slum areas, which were cleared were usually in the core of the city, you would think that they might be occupied primarily by Negroes, but you want to remember that back in the late thirties it was-the Negro population in some northern and western cities was very, very small, a very small percentage of the population and that the mass migrations of World War II and post-World War II period had not yet occurred. It was in the core areas of the southern cities, and the border cities, that the Negro families
[70]

predominated in the slums and the blighted areas. The local housing authority was primarily responsible for picking the site of slum clearance and low-rent housing projects, and in Cleveland, for example, they might pick several sites. One might be one in a Negro slum and one in a white slum, another in a suburban slum. And then the question would come up as to who was going to occupy these units and I think, at that time, it could pretty well be shown that the need was equally great between the low income white families and the low income Negro families. And, consequently, they usually followed one of two procedures. Either they would put back on the site, a percentage of whites and a percentage of Negroes equal to the percentages that had been cleared from the site, or they would put them back on a basis of relative
[71]

populations in the city, or relative populations in the low income group. And usually any of these were satisfactory to us and satisfactory to Weaver. The only problem arose where you would go into a city and clear out an area which was primarily white, but had some, a 10 percent Negro occupancy, and the local housing authority might want to put 100 percent white families back into the project, and this is where Weaver came in and would file his report and we'd look into it and probably insist that they put at least as many Negro families back in this project as they had there before they cleared it.

HESS: Can you recall a project that he may have worked on? Did he work on the Sojourner Truth in Detroit?

DIVERS: I don't know whether he worked on the Sojourner Truth project. I think that by that [72]

time possibly he may have been working in the War Manpower Commission rather than in the Housing Authority.

HESS: This was a little later.

DIVERS: This was a little later. I want to mention at least two things that I was intimately connected with during my time in the United States Housing Authority and which were novelties as far as our office was concerned, and the housing program, and maybe as far as the Government was concerned. The first one was the so-called cooperation agreement which was required between the Federal Government and the local government. This was an agreement that provided, among other things, that the local government would eliminate a number of unsafe and unsanitary housing units equal to the number of housing units that were going [73]

to be built. And this was a requirement and a Federal legislation, and had to be done in order to qualify for Federal financial assistance. The next thing was that the local government had to make a continuing contribution to the project, to the cost of the project, in terms of the annual rent and this was usually done by agreeing not to charge any taxes, to make it tax-free. Now, the local government usually was willing to make the project tax-free, but they wanted to charge for some local services that had to be rendered like water, sewer, and some other services. Obviously they were going to continue to educate the tenants' children in the schools, so they could not--they in effect reduced the taxes subsequently without making the project free of taxes for all the services which were going to be rendered. And the first such agree- [74]

ment was negotiated by me with the city of Youngstown, Ohio and they were the first ones to execute, to authorize--have the city council authorize, and the city officials execute such a cooperation agreement with the Federal Government. Subsequently, because I had negotiated the first one, I was called upon to negotiate a lot of other ones including the first one with the city of Los Angeles which was one of the big housing programs they had. And I also negotiated them all through the Midwest with Cleveland, Chicago, Milwaukee, Minneapolis, a lot of other cities in the Midwest.

Another thing is that these housing projects were financed with loans from the Federal Government. The Federal Government was authorized to lend them the money to build the projects and the minimum rate at which the Federal Government could lend them the money, [75]

at that time, was one-half of one percent above the cost of money to the Federal Government. I believe, at that time, the cost of money to the Federal Government was two and a half percent and the minimum rate at which the money could be loaned to the Housing Authority was three percent. Warren Vinton, whom I mentioned before--no, the director of the Syracuse, New York housing authority, whose first name was Sergi (Grimm), came to Washington and saw Mr.

Straus and tried to explain to him what program that he thought would reduce the cost of money to the local housing authorities and also reduce the construction cost to the Federal Government. Straus referred him to Warren Vinton; Warren Vinton referred him to Jake Crane; Jake Crane referred him to Keyserling; Keyserling passed him along to Krooth, and Krooth passed him along to me. Sergi spoke

[76]

with a very decided accent and it was difficult to understand what he said, let alone understand what he meant. But he had an idea, and I listened for a long time and it finally got through to me. He was proposing that instead of lending money at 3 percent that we agree to lend the money if the Housing Authority called upon us at some future date. The Housing Authority could then issue their notes in anticipation of the loan we agreed to make, and these notes would be tax-exempt because they were the notes of political subdivisions of the state. And being short-term notes instead of long-term obligations, they would probably sell at a low rate of interest. And actually, we went along with this plan and then I went back and explained it to Krooth and Krooth explained it to Keyserling, and Keyserling explained it to Crane, and Crane explained it

[77]

to Warren Vinton and Vinton explained it to Straus. I mean that we went back through the whole line and finally everybody agreed to it. Then we found out there was a constitutional amendment going into effect in New York which would have an adverse effect on what we were proposing to do, and we only had about ten days in which to go through with this plan.

So, we got the Chemical National Bank in New York interested in buying these notes, and their lawyers, and the lawyers for the Syracuse Housing Authority came to Washington and we all worked night and day for seventy two hours, about, and got out the necessary papers, advertised the notes for bids and got a bid of sixty-nine hundredths of one percent. Now, the advantage of this was, that by the Syracuse Housing Authority borrowing money at roughly two-thirds of one percent instead of

[78]

three percent they saved two and one-third percent, and this money, the interest that the Housing Authority had to pay was capitalized into the cost of construction of the housing project as is done with any project of this type, so that if they borrowed their money for an average term of one year during construction, and they saved two and one-third percent on the cost of construction, and since this was a program of several billion dollars, why, we wound up saving over two percent of several billion dollars in connection with the cost of this housing program.

HESS: That's a big savings when you get to working with money like that.

DIVERS: Well, they're still doing it too. I mean, in other words, it's been done on the entire housing program and--Sergei Grimm is the man's

[79]

name--and he was responsible, he was the gentleman who had the idea originally that saved all this money.

HESS: Where is he today, do you know? Is he around here?

DIVERS: I think he's probably retired. You want to remember that I was a young lawyer in those days doing business with a number of men who were middle-aged and since I'm sixty-four and will be sixty-five in April, most of these people I'm talking about have long since retired.

HESS: One other man who worked for the U.S. Housing Authority at that time was Lee F. Johnson, assistant to the administrator. What do you recall about him?

DIVERS: Well, he was from Colorado and he was a friend of Senator [Edwin C.] Johnson of [80]

Colorado (not a relative, but a friend). Lee was a protege of some Senator from out there who was very much interested in safety in the mines in Colorado. I forget who it was. But Lee Johnson had--principally had charge of liaison with Congress and spent most of his time up on the Hill, and he had a tough job because, I explained to you before that Nathan Straus was a fine man, but his relations with the Hill were not the best and I think that Keyserling had kind of worn out some of his friendships by promising things for several years which hadn't happened, and as a result Lee Johnson was--had had a real tough job. Lee later resigned and became head of the National Public Housing Conference which, I think, later changed their name and included slum clearance, urban rehabilitation, as well as housing and I suspect by now Lee may have retired. I haven't [81]

seen him for several years.

HESS: How did he go about his duties of congressional liaison? Was it more in testimony before committees or was it in . . .

DIVERS: No, Keyserling did all the testifying--and Straus--did all the testifying before committees. Johnson's was more in terms of trying to get votes for legislation which was necessary for a continuation of the program. After all we had an annual appropriations bill for administrative expenses in addition to other things and we had a staff of a couple thousand people and it was--I think that the program was kind of slow getting started and Congress was very much interested in WPA and relief programs that seemed to have a more immediate effect and the real estate interests were always lobbying against any more public housing, so that Lee Johnson had a real tough [82]

job selling Congress and keeping them sufficiently sold, and if it hadn't been for Roosevelt, the housing program probably would have died on the vine.

HESS: Did he use his good relationship with Congress to help push the . . .

DIVERS: I'm sure that he did and that's the only way it got through, but you've also got to remember that Roosevelt's interest was not--Roosevelt's influence was not nearly so great in the later years of his term as it was at the beginning. At the beginning, all he had to do was suggest something and he'd get it, but later on people began to question his programs. And in addition to that, Roosevelt was one of the men who foresaw the United States involvement in World War II and prepared for it and by 1939 and 1940 I think Roosevelt was more interested, and properly so, in preparing this country for involvement
[83]

in World War II than he was in domestic programs. And as we got into 1940 and '41, we became defense housing minded and began to provide housing for war workers rather than for low income families.

HESS: On that same subject, I found a clipping in your scrapbooks, and from 1940 dealing with military housing, and the clipping was as follows:

The U.S. Housing Authority may ask President Roosevelt, probably next Tuesday, to approve direct allocation of USHA funds to the War and Navy Departments for construction of 3,950 dwellings to house increased personnel and civilian workers at ten Army and Navy posts.

This would be an entirely new procedure for USHA which heretofore has made loans only to local housing authorities for slum clearance and low-cost dwellings.

Authorities said that USHA legal staff was working overtime studying the question of outright grants, because of a bottleneck in housing facilities at key posts.

DIVERS: I think this was a ploy, Mr. Hess, I think
[84]

this was invented by the United States Housing Authority to get the job of building all the housing for Army and Navy installations and war workers and so on and so forth. They knew that we were--that civilian housing was going to be stopped for all practical purposes and I think that this was just an effort by the staff of USHA to get for themselves the job of building the housing rather than having it done by other Federal agencies.

HESS: Were you ever in on a discussion when that was

DIVERS: Well, I don't know. I'm sure that I was in on discussions, I usually was and that's the impression that I have. Actually, I don't know that I can recall the chronology exactly, but the Army and Navy began to build their own housing. The housing which was made available was not
[85]

made available to the United States Housing Authority. It was made available for defense housing and was put under John Carmody who was the head of Public Works at that time, and

one reason I know is that Carmody asked me to negotiate agreements with the cities for the military housing as well as for the civilian housing. And we also negotiated rates for electricity and gas and other utilities--water, whether it was furnished by the municipal utilities or whether it was furnished by private utilities. And usually we got a wholesale rate for utilities in these housing projects which reduced the utilities substantially, I mean almost half of what they might be if everybody had it on their own meter. It was a great saving to the utility company too because they didn't have to--they'd put in a master meter instead of having to meter all of the--and read every

[86]

month, read all of the meters. So, I became involved in the negotiation of contracts with municipalities and with the local utilities on all housing projects that the Government was building, whether they were being built by the Army, the Navy, Federal Works Agency, or Housing. And then there was a Division of Defense Housing which was set up under Clark Foreman and I don't even know who was paying--where I was getting my paycheck in those days. All I know is that I continued to do the same job and .

HESS: That was in 1941 wasn't it when you . . .

DIVERS: Yes, that's right. And this was done and along about that time the President signed an Executive order which may have been 9070, which formed the--created the National Housing Agency and the Federal Home Loan Bank Board was abolished

[87]

and put under a single administrator. FHA was put into the National Housing Agency and the Federal Home Loan Bank Board was put in and the United States Housing Authority, and the Division of Defense Housing, the Federal Works Agency Housing, and so on, and at that time I continued to do the work with reference to utilities and local agreements, agreements with the local officials, public officials, and then subsequently, they set up regional offices and asked me if I would take the one out in Cleveland which at that time covered the states of Michigan, Ohio, Kentucky and Tennessee as I recall.

HESS: West Virginia.

DIVERS: I guess it was West Virginia instead of Tennessee.

HESS: Instead of Tennessee.

[88]

DIVERS: Yes.

HESS: All right. Before we move on with that, can you tell me what kind of men that Clark Foreman and John Carmody were? What do you recall about those gentlemen?

DIVERS: Well, John Carmody was an engineer. He was--and all I can say is that he seemed to make a lot of sense to me. I mean he conducted his office efficiently. He made decisions

promptly and it was a pleasure to work for him. I think that he--I would call him a first-class public servant and I know that the only times that I ever saw him was when he would ask me why there was a delay in something, which I think is the appropriate function of a boss during a defense program, but we got along very well together as I did with Clark Foreman. I think I might say without any--it may seem immodest, but I'd

[89]

say that my work was proceeding so close to schedule compared with the work of other departments and divisions, that usually I just sat in on conferences and listened to all the troubles that other people were having.

But while I was still regional director of USHA for the Midwest--no I guess it was--yes, USHA did do some housing, I mean they did do some defense housing. They did it on the theory that the housing would be built, used for defense workers, there was a great need, and then subsequently it would be converted over to low income housing. And they wanted to show how fast they could do it and I remember that we had a site selected and we had a permanent project to be constructed out of brick, as it was planned, and in the interest of speed we went to frame construction of five hundred dwelling units at an average cost for these

[90]

units of about twenty-five hundred dollars and that they were done in less than six months. The whole job was done in less than 180 days.

HESS: Where was that site?

DIVERS: This was in Illinois. I think it was at Rantoul and it was done for a munitions company. Munitions companies were the first ones to feel the effect of rearming and so on. I mean they had to get some supplies and munitions. This-I think it was Rantoul, it could have been down at--around--well, I'd have to look at a map to find out, but it was down on the Mississippi River. It was down around Alton, East Alton, Wood River. There's a big United States arsenal on an island there in the river--Wood River I think it's called. And this was housing to be used in connection with this United States arsenal. They began expanding their production at the Government arsenals before they got around to

[91]

letting contracts for the construction of new plants by the private munitions manufacturers.

HESS: Was that satisfactory construction to move from brick to frame like that? Did they hold up?

DIVERS: Well, I never heard of any complaints.

HESS: Was it during this period of time that you were involved with the Sojourner Truth housing project?

DIVERS: It was around that time and Z am glad you asked because the Sojourner Truth project was a permanent project. It was built for low income housing as I recall, but it was converted to war housing during the course of its construction and so when it was ready for--was going to become ready for occupancy--I mean, when it was nearly ready for occupancy, the question came up as to who would occupy it. And it was in a
[92]

predominantly Polish neighborhood. I'm not sure whether it was in Detroit or in Hamtramck, but it was--it was not downtown Detroit. And there was a lot of local hard feeling about whether it would be occupied exclusively by whites or whether it would be a mixed project of whites and Negroes. I think that you want to remember that back in those days that mixed projects were not looked upon with any great favor by a great majority of the citizens and we were a little bit ahead of our time in some respects. As I recall, the Detroit Metropolitan Housing Authority first recommended to us that the project be a mixed project based upon the population of the city of Detroit--based upon those ratios--and we agreed with their recommendation even though there was a lot of pressure, shall I say, from other influences there in Detroit to not go along with them. But we took the position
[93]

that the local people knew the situation best; that they had planned the project; that they let the construction contract, they were going to manage it; and that this was not a Federal program, but it was a program with Federal assistance and that the decision was up to them and so long as the decision was not wholly irresponsible or without foundation that we should go along with their judgment. Well, shortly thereafter they changed their minds and passed a resolution to the effect that it should be--in effect would have made it an all white project. And if we were going to be consistent with our position, we almost had to take the position that this was their decision, and it was up to them, and since this had formerly been a white neighborhood, why, we couldn't argue with them.

A few weeks later they changed their mind again and went back to their first position, and all hell broke loose. There was a lot of
[94]

picketing and pushing and shoving and so on and so forth and eventually--and we went along with them, and it was of sufficient interest that the White House reviewed our decision, I might say, but agreed with our position. And eventually the Michigan National Guard had to be called out to carry out the effort that the Detroit Metropolitan Housing Authority--Detroit Housing Commission it was called--of the Detroit Housing Commission, to put some Negroes into the project. This was a long time before Little Rock, but it--and it may have been the first time that the National Guard had to be called out in order to provide an integrated facility.

HESS.: On this general subject of integrated neighborhoods and adequate housing, just what is the relationship, what do you see as the relationship between inadequate housing for low income groups and domestic unrest, riots and so forth?
[95]

DIVERS: Well, I suppose that it's a contributing factor. I don't know how to answer that because it's so complicated, the whole thing's so complicated. I would say that all the housing that I had anything to do with was really designed for working people rather than people who were on welfare and was for the lowest paid employed people. And people who--and these people who we were trying to serve were people who'd had misfortunes, either financial or physical, but they were still actively interested in providing a home for themselves and their family and they were industrious. And they were just as industrious about taking care of their home and taking care of the grounds of the project, and so on and so forth, so that I really never had experience with a group of tenants who abused a project, damaged it, where there was a lot of vandalism and where that some of the tenants were
[96]

in fear of their safety from other tenants. And I think that, I don't know--you see at our-I think that as far as we went, when I was with the Housing Authority was, that we would permit a percentage of welfare recipients based upon the percentage in the community, so that it would never get over 10 percent, you might say, of the occupancy of the housing project and the same things would still apply to them. Actually, some of these people had to be taught how to live in a project which had a flush toilet, and a bathtub and a stove, gas or electric stove. Many of them were accustomed to outhouses. They were not accustomed to bathtubs. And a small percentage of the tenants we took in had to be taught how to use these facilities and how not to abuse them.

HESS: What can be done when you have a tenant that persists in abusing property?

DIVERS: Well, we were able to put them out. And we
[97]

put them out. And I think that probably the reason that low income low-rent housing has fallen into its present state of disrepute is because management was not sufficiently tough at the beginning. They didn't get rid of the one bad apple, and some of them were maybe too interested in, or too influenced by, social workers, and so on and so forth, and they didn't operate it like a housing project should be operated in my opinion and, as a result, the people didn't take care of the project and it's too bad because it's given this type of housing such a bad name that it's practically been stopped.

I'm sure that you've read the stories of housing projects in New York where the people commit nuisances in the elevators and so on, and where the stairwells have to be screened because people were throwing garbage down the stairwells, and they have had to put guards on the elevators so people wouldn't be robbed or
[98]

assaulted on the elevators going to and from their apartments. So, I'm sure, I'm quite confident, that it's a small minority in these housing projects, just like it's a small minority in our cities, that has caused trouble. And it's because we haven't been sufficiently insistent that this small minority follow the rules of society that we're having the trouble in the housing projects and in the cities. I don't think that we'll see any improvement until we reverse that trend.

HESS: Greater police protection and also more responsibility on the part of management?

DIVERS: And a smarter Supreme Court.

HESS: I see. You were regional representative of the National Housing Agency, as we have mentioned, for an increasing number of states in the Midwest from 1941 until 1945, correct?
[99]

DIVERS: Yes, I mentioned the four states that I was originally representing.

HESS: Ohio, Michigan, West Virginia and Kentucky in '42; and then Illinois, Indiana and Wisconsin were added to that number in '43 and Minnesota, Iowa, North and South Dakota, Missouri and Nebraska in 1944.

DIVERS: Yes, did you mention Iowa?

HESS: Yes. Minnesota, Iowa, North and South Dakota, Missouri and Nebraska in 1944.

What were your main jobs, What were your main duties other than the ones that we have discussed?

DIVERS: The sole duty was to work with the military and with the War Manpower Commission to provide housing wherever needed for the production of guns, ammunition, tanks, airplanes, and all the other things that were necessary including hush-hush projects like the one down
[100]

in Tennessee, the atom bomb . . .

HESS: Oak Ridge?

DIVERS: Oak Ridge.

HESS: Did it make any additional problems when you were trying to build such a large complex that was so hush-hush? Were there times that you really couldn't tell people why you wanted so much material for something like that?

DIVERS: Yes. We took hundreds and hundreds and hundreds of houses out of New Albany, Indiana and shipped them down to Oak Ridge, Tennessee. Just cut them up in sections and shipped them down there which was the fastest way of getting in there, and material was short and we didn't need them any longer at New Albany so we shipped them down there and all we knew was that there was a lot of manufacturing going on down there,
[101]

and we didn't know what was being manufactured. I suspected that because everything was going in and nothing was coming out, that it must be some unusual type of high explosive, but

that's the closest that I ever came to being aware of what was going on down there. It was just my own suspicion.

This was a very interesting period of my career. I spent a lot of time with military. I went around to camps, stayed in the Bachelor Officers Quarters, in the BOQs, and traveled by all sorts of conveyances around the clock and also met quite a few large industrialists, including one of the Fords. I forget his first name now, I'll think of it in a minute. He was the one who died from undulant fever, the fever that you get from drinking unpasturized milk.

HESS: I'm not sure which one that was. It wasn't the son, Edsel was it? That's just a stab in the
[102]

dark, I really don't know.

DIVERS: It could have been. But anyway, one of the biggest problems we had at this time was to provide housing for the bomber plants that Henry Ford was building out at Willow Run, Michigan, near Ypsilanti. And the Detroit Housing Commission wanted to build--well first of all I'd say that the War Production Board and the War Manpower Commission wanted this plant built in Detroit because then it would be close to the manpower pool that was needed. A lot of automobile workers were absorbed in making tanks and airplane wings and engines and so on and so forth, but there was still a pool of skilled labor that was available in Detroit. Materials were scarce and gasoline was scarce, rubber was scarce and they didn't want to move people any further than they had to in order to get them into factories to produce the tools of war. Some way
ox another
[103]

the decision was finally made that this plant could be placed at Willow Run and the story that was told at that time was that Henry Ford had most of his interests in Dearborn, Michigan which was in Wayne County Detroit, and that he foresaw that after the war there would be a lot of unemployment and there would be a lot of high taxes and problems and one thing and another and what he wanted to do was to have this plant over in the adjoining county which included Ann Arbor and Ypsilanti and the University of Michigan and a lot of nice homes and so on and so forth and he could foresee that he would have a lower tax rate by putting a plant over there which he hoped to convert to civilian use after the war and he wouldn't pay for the unemployment of the people who lived in Detroit and worked at the bomber plant. Well, the bomber plant was a long time being built and the UAW-CIO began to yell about
[104]

needing housing out there which there is no doubt they needed. A lot of housing was needed there. And this was in my region and the Government decided at first to build 2500 houses out there and the UAW saw this as an opportunity to have some low income housing after the war for people who might be employed in the Willow Run plant. So they asked that it be a permanent construction and this was argued around for awhile. And in the meantime, the War Manpower Commission was increasing the estimates of the number of employees that would be occupied in this one factory, and I forget what their top figure was but it was over a hundred thousand employees. And they could not provide rail transportation, the railroads could not provide

transportation back and forth from Detroit, they thought that it would be impossible to provide gasoline and rubber for them to commute back and forth, and
[105]

everybody in the Government decided that the thing to do was to build housing for them out there, particularly since it appeared that they would have to recruit a good number of these employees from other parts of the United States and you'd have to provide housing for them when you brought them in.

Well, I guess that books have been written on the subject, but I might just hit a few of the high spots. It was a horrible experience. I think it probably was the most fouled up bureaucratic experience all the way through.

We had absolutely no cooperation from Henry Ford. He and his labor man [Harry Herbert] Bennett, I forget Bennett's first name. We wanted to put the housing as close as possible to the plant for purposes of utilities, roads, and we saw where we could--these employees could walk to their work. They could put it
[106]

within a half a mile or so and the property was owned by Ford, and we had the right as the Government to go in and have it surveyed, and we sent our surveyors in and they put their stakes down and Henry Ford came out and pulled their stakes out. He didn't want anybody down there. It was choice land and he wanted to keep it and put cows on it or something of that kind. This was interesting because you remember Ford's peace ship back in World War I. Well, in World War II he might as well have been sending a peace ship out for all the good he did, because I suppose you remember that by the time they got the Willow Run bomber plant finished, the Government had cut back their bomber production by about 80 or 90 percent and they really never did need or use this facility and also didn't need the housing--really. I mean when it came right down to it, the whole thing was just a great big
[107]

fiasco.

HESS: Did the real estate interests of Detroit, were they in opposition to building the houses because they wanted their houses in Detroit used?

DIVERS: No. No, they, so far as I recall, they never raised any objection at all to what we were doing out there, particularly when the delays became such that we finally had to go to temporary housing, and finally wound up building dormitories for most of the people out there. And what happened was that we scheduled a certain number of dormitories for single people and a lot of these workers who came in turned out to be single. They didn't bring their families with them, for a variety of reasons. And we wound up with dormitory accommodations for maybe twenty-five thousand
[108]

single men and women, and including cafeterias, busses back and forth to the plant, and so forth and so on--and those were the principal facilities that we used.

HESS: Was there some fear among the local residents that the housing might turn into a slum after the war?

DIVERS: Yes. Yes, that's Washtenaw County, and the people of Washtenaw County, including a lot of top executives in the automobile industry who lived out there, were very much opposed to the housing, and they were right in their forecast that it did become a rural slum.

HESS: And in your scrapbooks I found a clipping where you and your boss John B. Blandford, Jr. who at that time was administrator of the National Housing Agency, testified before the Truman Committee on this matter. Can you recall that?
[109]

DIVERS: Yes, I recall that. I also recall that Mr. Blandford did about 99 percent of the talking and the only thing that I said really was--I mean, Blandford was a very able public administrator, very likeable man, very hard worker, and he was quite aware of the details of everything that was going on and he knew in his own mind all of the information that the members of the Senate could possibly want to know.

HESS: Do you recall Mr. Truman was there the day that you testified?

DIVERS: It seems to me that he presided. I think he presided. This was not one of the standing committees; this was one of the ad hoc committees that Congress set up, it was the-first called the preparedness committee or something like that, War Production Committee or something. What was it, The War Investigating
[110]

Committee--the Committee to Investigate War Practices or something like that.

HESS: The National Defense Program.

DIVERS: Yes.

HESS: Was this the first time that you had ever seen Mr. Truman?

DIVERS: I believe so, I mean that--I believe so.

HESS: Was his special counsel Hugh Fulton--do you remember Mr. Fulton there at that time?

DIVERS: Oh, I remember him very well. He was a former prosecuting attorney as I recall. I had been an assistant prosecuting attorney and I not only didn't have anything to hide, but I was anxious to cooperate with them in any possible way to further the war effort and I--so we got along all right. Fulton was over and interviewed me
[111]

a couple of times and I think we even met out in Detroit, and out in Ypsilanti.

HESS: What was Fulton's view? Did he want to see the housing constructed at the plant?

DIVERS: Fulton wasn't in it at that time. In other words it was after the decisions were made as to the location of the housing and how much was to be built and things of that kind and I think that the investigation into the housing was collateral to the investigation into the lack of production at the Willow Run bomber plant where hundreds of millions of dollars were spent and they still hadn't got out an airplane.

Henry Ford's idea was that you could build airplanes the same way that you build automobiles, that all you needed was a big enough assembly line and you could run them down and he
[112]

was going to produce a bomber a minute. This involved the making of machines for presses that were twenty-five times the size of any parts that they had ever manufactured for automobiles. And then the airplane was more complex, it had more parts, and they had never done it before this way, and as a result there was an accumulation of all the delays that you could think of, and finally I think they gave up this idea and got around to--the War Production Board insisted on them following the conventional methods for construction of airplanes. And, as a result, they first began to make parts for other airplane manufacturers, eventually got around to making subassemblies.

I talked to Bennett--I never talked to Henry Ford--it was impossible to get along with him. They would never make an agreement and never keep it. Bennett kept himself armed in his
[113]

office.

I finally made the arrangements, I forget how, to have the matter of housing for the Ford Motor Company employees delegated to Edsel Ford. And I went out to Detroit and I had lunch with Edsel Ford and some of the other Ford executives. I think [Charles E.] Sorensen was one of them at that time, and never had any trouble from that time on. Edsel Ford was very cooperative, understood our problems and we tried to understand his and we got along fine from that time on. I also had a lot of interesting meetings with the housing committee of the UAW-CIO. They had a housing committee that had--and the CIO asked for, I might say demanded, participation in the design of the houses. We met with them all the way through, I mean every step practically; in site selection, selection of architect,
[114]

selection of planners. This was a city we were planning, really, I mean when you think of the ten thousand dwelling units and accommodations for thirty thousand single people, you know I mean this was, we were talking about over a hundred thousand people. Utilities, roads, schools, stores, everything. It's a big project. Bigger than any of the planned cities that you talk about now. mean that Reston, or Columbia or places like that, I mean are chicken feed.

HESS: We are just about down to the end of the reel.

[115]

Third Oral History Interview with William K. Divers, Washington, D.C., February 19, 1970. By Jerry N. Hess, Harry S. Truman Library.

HESS: Mr. Divers, in our last interview we mentioned that you and Mr. Blandford had testified before the Truman Committee regarding the housing at the Ford bomber plant. Just what were your impressions of Mr. Truman at that time?

DIVERS: Well, I think I mentioned once before that my father was from Missouri and a lifelong Democrat, and as a result, I was favorably disposed toward any Senator, any Democratic Senator from Missouri. I was not disappointed. I was very much impressed by then Senator Truman. I felt that he was completely objective, he asked pertinent questions. He was a little bit sharp at times but it was only in the interest of obtaining information and getting on with the job.

Generally speaking, I was very

[116]

much impressed by him and also felt that we had been treated quite fairly when we testified there.

HESS: You also mentioned that Mr. Hugh Fulton was there at the time. Do you recall any other of the staff members of the Truman Committee who might have been there?

DIVERS: No I don't. I don't recall anyone outside of Mr. Fulton.

HESS: Did you testify before the Truman Committee at any other times other than the Lustron Company matter which we'll defer for just a few minutes?

DIVERS: Not that I can recall.

HESS: I have a few general questions that I think we should fit in at this time to keep things in chronological order and one: What do you

[117]

recall of Dorothy Rosenman's interest in housing matters? She was, of course, Mrs. Samuel I. Rosenman.

DIVERS: Yes, she was Judge Rosenman's wife and all I can recall is that she was important. I knew that she was important. I knew that she was influential. She never held any official position as I recall with the possible exception of one with the National Association of Housing Officials, NAHO. I think she held some position with that organization. I don't know, maybe we should mention that this National Association of Housing Officials was originally organized out in Chicago and was an offshoot of the University of Chicago group that was interested in housing.

Originally they were interested in all types of housing; privately financed, publicly financed, and all different prices I might say.

[118]

HESS: Who was involved in that? Do you recall any names?

DIVERS: Well, Coleman Woodbury was one of the organizers as I recall. And a man who taught out there and later became head of the Housing Administration, I forget his name right now, but I'll remember it later on. Subsequently, NAHO became interested almost exclusively in public housing and, as a consequence, they lost the interest and support of a lot of people who were interested in the overall housing picture and didn't want to just confine their efforts and their knowledge and their limits-I mean to public housing.

HESS: What do you think spurred their interest in public housing; the fact that they were a downtown urban university?

DIVERS: No, I don't--I don't think so. I think that

[119]

they were interested in organizing different groups of public officials. I think that they may have been responsible for organizing the mayors and the public safety officers and the different groups, and this was another group of public officials that they were interested in bringing together and organizing.

HESS: Was this a rather unique thing at the time? The cooperation between the academic and business world in the matters of housing?

DIVERS: I think it probably was. I know it was unique in the housing field and it may have been even unique in some other fields because it was at a time when business and the academic field were kind of far apart and didn't seem to have any interplay at all.

HESS: All right, moving on, where were you when you first heard of the death of President Roosevelt

[120]

and what was your reaction?

DIVERS: Well, I was in an elevator in a hotel in downtown--it was in downstate Illinois. I'm not sure whether--I believe it was in Peoria. And the elevator operator told us that we--that he'd just heard a flash to the effect that President Roosevelt had died, and I went down in the lobby and one of the things I remember was the shock I had when I heard some of the people there were exalting over the death of a great man. I was stunned and very sad to learn of the death of a great President. At that time I remember that a man named Joseph Karlson, who was the regional architect for the Housing Agency was with me and, as I recall, I called my wife that night so that we could exchange sympathies with each other, and with my children.

We used to go to Denver for vacation. My
[121]

wife is from Denver, Colorado, so we went out to visit her family each summer and I--one of my earliest political recollections was of my younger daughter who was then about two, parading through the club car of the train with a--announcing to everybody that she was for Roosevelt.

HESS: She was getting into politics early.

DIVERS: Yes, she was getting into politics early and she's always been interested in politics.

HESS: Had you ever met President Roosevelt in person?

DIVERS: I had met him at a reception before the war started. I'm sure that I met him--you know it's--I don't think I imagined it now, but I can't place the time or the date.

HESS: Do you recall what your impressions were of him at the time?
[122]

DIVERS: No, I don't. I was probably so young and so stunned that I didn't have any real impression. I'd never talked to him. I never talked to him, I know that. And, likewise, I shook hands with Mrs. Roosevelt and never talked to her, never had any discussions with her. When I came to Washington in 1933, I was just twenty-eight years old and had a minor position in the Government as a fledgling attorney so that I didn't have any immediate contacts with any of the important people in Washington.

HESS: Shortly after hearing the news of President Roosevelt's death, and at that time, just what kind of a President did you think that Mr. Truman would make? Looking back on those days.

DIVERS: I would say that I probably thought that he would make a better than average President. The Presidents that I remembered were Roosevelt, who was--who had been President a good part of my adult life and whom we all thought was a very great man and a great President. And there was Hoover, who had not had very good public relations, and the newspapers had probably given us a little
[123]

distorted view of the man because I think he probably would have done a better job than he was credited with.

HESS: You think he deserved better than he got?

DIVERS: Yes. And Harding, who was not classified as a great President by the historians, certainly, so that

HESS: What about "Silent Cal?"

DIVERS: Well, Coolidge was--had a good reputation and had taken us through some good times so that-and I guess that that takes me back a good ways. So, I thought that Truman would probably-at that time I had the impression that he would be below Roosevelt and above the others in terms of the Presidency.

HESS: All right, moving back up to a little closer to our time period. In October of 1945, now that
[124]

was near the end of your period as Regional Representative of the National Housing Agency, and in October of 1945, wartime restrictions were removed from the use of building materials for forty days, and at the end of that time, the restriction had to be reimposed, and the person responsible for their removal was John W. Snyder, who at that time, was Director of the Office of War Mobilization and Reconversion. Do you recall that? When restrictions were removed for forty days in the fall of 1945 and it was found that they had to be reimposed?

DIVERS: There was a difference of opinion at that time as to whether it would be desirable to remove restrictions or to continue them. Some people were of the opinion that the Government regulations were hampering the flow of materials and the distribution of them. That there were ample supplies and that if the restrictions and
[125]

regulations were taken off that everything would be--everything would take care of itself.

HESS: What was your view?

DIVERS: As I recall I thought that it was too early.

HESS: To remove the restrictions?

DIVERS: Too early to remove the restrictions. I thought that we should work towards the idea of removing the regulations, but I thought that this was too early for us to do it. There was a terrific pent-up demand for construction of all types. And since the people who would build could make more money from building commercial structures, or industrial structures, the materials and labor all gravitated in that direction, and as a result, it created even greater shortages in materials that could be used in both types of buildings. I mean both commercial, industrial,
[126]

and residential. And the residential suffered because of even greater shortages of materials than they'd previously had. Actually, the builders of homes, the limited number of homes that were permitted, after V~E Day and before V-J Day, the builders suffered from shortages of materials and had to use substitutes and I'm sure that the quality of construction was not up to prewar standards, but they did manage to find materials that they could use with the priorities that they were given by the Government agencies. And I think that, as I recall, that it was largely as a result. of the complaints of the homebuilders that they couldn't get materials, that the regulations were reimposed.

HESS: Do we have part of that problem remaining with us today? Is it more economical for a builder to go out and build an office building, for instance, rather than a residential building?
[127]

DIVERS: Today there isn't any shortage of materials. There is some skilled labor that is short, but I don't think it's in the building trades now. That the shortage today is in money and the lending institutions can get a higher return on their money by lending it to people who are investing in commercial or industrial structures, than they can by lending it on residential properties. And, as a result, a higher percentage of the money is going into commercial and industrial properties, and a smaller percentage than usual is going into residential.

HESS: Should that be rectified? Could that be changed to make more money flow into residential housing?

DIVERS: I think it will take care of itself because the indications are that the volume of money to be spent on plant improvements by industry in
[128]

1970 is going down and will probably be less than in 1969. The commercial portion includes high-rise buildings with apartments in and so on and so forth which adds to the housing supply. And, it's really been the one-family home market that has suffered over the course of the last eighteen months as a result of the shortage of money. But, I think that this will begin to ease up. This money has to--the money that goes into housing, into single-family homes, has to come from some place, and the Government can't print the money and supply it because that would just create more inflation and we would be worse off than we have been the last year or two with an attack of inflation. So, the money has to come from savings, really. And during the course of the last two years the savings have--people haven't, have not been putting as much money into the savings banks, savings accounts, and savings and loan associations,
[129]

and savings accounts in commercial banks as they had been before.

HESS: Why?

DIVERS: Well, the reasons, so far as we know are these: That they've been taking money that would ordinarily go into savings accounts, and in 1968, and the early part of 1969, were putting it in the stock market. And since the middle of 1969, they've been investing it in United States Government bonds, corporate bonds, short-term obligations of Government agencies where they could get 8 percent or more instead of the maximum of 5 percent that they might get from savings institutions.

HESS: Do you think that inflation may have eaten up a good deal of that, what at one time they might have placed in a savings bank, now has to be spent at the grocery store perhaps.
[130]

DIVERS: No, I don't think so. I've just read an article last night in U.S. News and World Report to the effect that we've had inflation, but the people still have a higher standard of living than they had five years ago or ten years ago, that there are more cars per family, and more color television sets, and stereos and things like that that we hadn't heard of ten years ago probably. I guess that the airconditioning is going on at a great pace. The country will be all air-conditioned I suppose before long so that I don't think that inflation has eaten it up at all.

HESS: What could be done to draw more money into the savings market?

DIVERS: I don't know. The Federal Home Loan Bank Board recently has authorized savings and loan associations to pay a higher rate on savings.

[131]

Where the maximum that they could pay under any conditions in 1969 was 5-1/4 percent, they now may put up to 7-1/2 percent on certain types of accounts. This appears to be attracting some money and--but it was--these higher rates were only authorized less than a month ago, so it's too early to tell.

There's one other thing that the National Association of Homebuilders are pressing at the present time, and apparently will get some consideration by Congress, and it's a variation of a plan that has been tried and tried successfully, by a number of other countries; Germany, England, Brazil and other South American countries, and that's to make savings, make the income from a certain amount of savings, or a certain amount of dollars that are income from savings, tax exempt. And I think that the proposal, the latest proposal I saw was to make up to \$750 in savings--in interest

from savings accounts, tax free.

HESS: Think there is a possibility that might be passed, might be put through?

DIVERS: I think there's a possibility and that would probably do more than anything else to attract savings and to loosen up money for--and I'm not sure, but what it may not be a good long-term policy to encourage people to save and have a savings account. That's seven hundred and fifty dollars--I forget what that would represent as income. That must mean something like \$15,000 at 5 percent, so that if people were encouraged to save, small savers, I mean that young couples--that they could get up to three thousand dollars in savings accounts and not have to pay any income tax on the income from it. I think that not only would it encourage them to save, but it would provide a wonderful bulwark

[133]

for them to take care of any unforeseen expenses if they ran into illness or if the man lost his job temporarily or something of that kind, and it would probably prove to be maybe even a money-saver for the Government in the long run.

HESS: Next I want to introduce a subject that is very broad and we'll probably come back to from time to time, and that is the Taft-Ellender-Wagner Housing Bill and bills. But, on

November 14, 1945, Robert F. Wagner and Robert A. Taft and Allen J. Ellender introduced their first housing bill. What were your views on their housing bill? Do you recall back when they first brought that out in 1945?

DIVERS: I don't recall many of the details about that bill. I think that the grand idea, the grand scheme, was that we all--well most people in public positions recognize that there was a [134]

great demand for additional housing. The normal supply of housing had been shut off for five or six years. People who had--men who had been in the armed services were being released by hundreds of thousands and were marrying the girl they left behind and wanted a place to live. And many of them, particularly in smaller communities, that meant a home of their own rather than doubling up with somebody else. And, in addition, there were a lot of people who had worked long hours, some with overtime, during the war, and that hadn't had things available that they could spend their extra income on so they piled it up and these people were also looking for improved housing. The Taft-Ellender-Wagner Bill, as I recall, was an attempt to aid the privately financed housing and the publicly financed housing.

HESS: One of the controversial portions of the bill, [135]

of course, dealt with public housing, and in our first interview we did mention the fact that Robert Taft, who was quite often regarded as an arch conservative, was supporting public housing. But also--and when we list the three men, Robert Wagner, Robert Taft and Allen Ellender, certainly Allen Ellender should also be mentioned as a conservative. Why do you think that Allen Ellender had an interest in housing, particularly public housing?

DIVERS: Well, I suspect that he had a real interest in improving the living conditions of American citizens, he probably was sold on the idea that public housing would be helpful in meeting the needs. And in addition to that, I suspect it was probably a popular political position for an important man in the Democratic Party to take.

HESS: Of course, the third man was Robert Wagner of [136]

New York, who was a liberal. What do you recall about Robert Wagner?

DIVERS: I don't recall much about Wagner except that he was--had always been interested in housing. I think that anyone that comes from New York City and is a politician would necessarily have to be interested in housing because, of all the problems in the world, I suppose the problem of how to house the people of New York is probably the number one problem. I think it probably will be easier to settle the Vietnam war than it will be to take care of the housing problem in New York in the long run.

HESS: On that subject, what could be done, what could be done to improve public housing. We discussed this a little bit last time. What needs to be done to improve the situation as we now see it?

[137]

DIVERS: Well, I haven't considered this for a little while, I've been out of that field, but I think that one thing that I would recommend would be that the sites in the slums be cleared by the city government probably rather than the Housing Authority or the Redevelopment Agency which would eliminate one great delay or the bickering between the two governments locally. I would--and there is no question about the condemnation power of the city usually. They usually have it staffed and are ready to go to work in terms of acquiring property. And then I would just write that property down from whatever it cost the city, to whatever is necessary, an economic price, to build some kind of privately owned, privately financed, privately managed housing. And I don't think that it necessarily need be the type of housing or a rental which would take care of the people who formerly lived on this site.

[138]

I think this is one of the unattainable objectives that a lot of the public housers have striven for. I subscribe to the school that thinks that if we continue to add a substantial number of well-constructed homes in convenient locations each year to our housing supply, that this is the best and quickest way of taking care of the problem rather than attempting to build--to continue to build the supply of housing for low income people in the core areas of the city. I think that that can only lead to a perpetuation of the problems that we already have and will mean a continued increase in taxes in the city and a continued flow of people from the city. But if the mayor of Washington would attempt to tear down housing in the--well he has attempted to go along with the rehabilitation or redevelopment plan, where they would tear down some existing slums and put up fashionable row houses,

[139]

everybody screams that they are not taking care of the poor people. Actually the poor people cannot afford to pay an economic rent for the convenient areas in which they live at the present time and the--neither the Federal Government nor the local government is wealthy enough to provide all of the money that would be necessary to provide them with desirable, new housing in these locations.

There is one other thing that I must mention in terms of how to improve housing, and that is this: That the police powers of the municipalities have never been used, to my recollection, in making--in improving housing conditions. There may be one exception. I remember in Milwaukee some ten or fifteen years ago when they adopted a landlord and tenants code, and they required the landlord to put the properties in a safe and sanitary condition. And had a vigorous

[140]

inspection system, seeing that the landlord kept the toilets operating, the heat was suitable, and so on and so forth. They also had a tenants code and the tenants were required to keep the place clean, to keep the garbage collected in covered cans and things of that kind. The tenant was also

required to replace the glass that was broken in the windows in his apartment, lightbulbs in the hall, and things of this kind. That seemed to work and I don't know what happened to it, whether there was a change in administration or whether it is still going on, but it's essential that you divide the responsibilities and the duties between the public as represented by the city, and the landlord, and the tenants, because it doesn't make any difference how much the Federal Government or the local city government tries to improve housing conditions, if they can't get the cooperation-

[141]

tion of the tenants and the landlords, they're never going to get anyplace. And they could get the cooperation of the tenant and not have the landlord's cooperation and they're out of luck. They could get the cooperation of the landlord and if the tenant ignores them, why, they can't do much.

HESS: When you do have urban renewal that tears down the housing in an area where the low income people live and then you build back more expensive housing than those people could move into, such as we have in southwest Washington here, just where are you going to move the people that were there, though? Doesn't this create social problems in other sections of the city when they have to move into a crowded area?

DIVERS: Well, it would if no other housing were being provided anyplace else in the city or if

[142]

there were no vacancies anyplace else in the city. But the whole--I mean the whole history of our country has been one of moving up or down depending upon your income and as incomes have gone up, people have tried to get into better accommodations. And as people move into better accommodations, they leave satisfactory accommodations behind them for people who have lesser incomes who are gradually moving up. So, that in my opinion, it's primarily a question of the overall housing supply in the city. And, in addition to that, it doesn't seem reasonable to me for the Federal Government to go into an area down in southwest Washington and build housing units that cost \$25,000 a unit and the Federal Government foots the entire bill of the cost of construction, and requires that the local government charge enough to cover the cost of maintenance of the housing and any taxes that are paid.

[143]

And now, in addition to having the Federal Government supply the entire cost of this housing, they are also proposing that the Federal Government pay part of the maintenance in order to reduce the rent. Now, it seems inequitable to me for the Federal Government to do this for somebody who has an income of \$3,000 a year and not do a damn thing for the person who has an income of \$4,000 or \$5,000. And I would prefer, really, to see that the local government, if they had to, rent private dwellings and put relief families in and insist on them taking care of those places.

HESS: Now, one reason I wanted to bring that up is because of the objection and the comment that we both have heard many times from the-by some of the civil rights workers that urban renewal is actually Negro removal.

[144]

DIVERS: Well, I've heard that, but I don't think it's true. I know up to the present time, I know that here in Washington for example, that they've built a lot more dwellings on the lot where they rebuilt, they built a lot more than they took off, because they took off one or two story buildings and built high-rises. In addition to that they built--they have purchased apartment houses in formerly all white neighborhoods and put Negroes in there so that . . .

HESS: Out on Connecticut Avenue.

DIVERS: Out on Connecticut Avenue so that I would certainly think that efforts to rebuild downtown Washington should not be stopped if it results in industrial properties which provide jobs, office buildings to house the many workers that come into the city; facilities for them in the way of restaurants, stores, and all the things
[145]

that are needed. Or housing for some of the people who want to live downtown. After all there are quite a few Negroes that you might classify as upper income and middle income here at the present time and they certainly could live in these places, in addition to any white people who want to move in.

The same civil rights workers who are complaining about this are urging the Federal Government and the local government to spend a hell of a lot of money on busses to take white people into--the white children into Negro neighborhoods and put them into schools in Negro neighborhoods and I can't understand their reasoning, if they object to white people living in these presently Negro neighborhoods.

HESS: And moving on, in December of 1945 Mr. John Blandford appointed you as Assistant Administrator of the National Housing Agency and your
[146]

base of operation was shifted from Chicago to Washington. Correct?

DIVERS: That's correct.

HESS: What was your main job? What were your duties?

DIVERS: Well, I took over the duties of Coleman Woodbury, who was my predecessor in that office. And we had two assistant administrators as I recall. One of them was Lew [Lewis E.] Williams, who directed the business end of the organization, you might say, and I was the assistant administrator for policy and for planning, legislation, and generally speaking you might say the housing policies and programs of the Government.

HESS: When did you first meet Mr. John Blandford?

DIVERS: I first met him shortly after he was appointed as National Housing Administrator which was back in 1940, '41.

[147]

HESS: '42. He was from Cincinnati. Did you know him in Cincinnati?

DIVERS: I had never met him in Cincinnati, but . . .

HESS: He was director of public safety from '31 to '33, at the same time that you were assistant prosecuting attorney.

DIVERS: That's right and . . .

HESS: Of course, you held a county post.

DIVERS: Yes. And before that I think that he had been with Municipal Bureau or . . .

HESS.: Cincinnati Bureau of Governmental Research.

DIVERS: Cincinnati Bureau of Governmental Research.

HESS: From 1926 to '31.

DIVERS: Right. No, I don't--if I met him down there I didn't remember him and, of course, we [148]

had mutual friends and we found out one very unusual thing later on when I became better acquainted with him, and that was that he and his wife when they were in Cincinnati, when he was safety director, he lived at 2222 Auburn Avenue, and when he moved out my mother and father moved in. So, we were both quite familiar with this delightful old home there in Cincinnati.

HESS: What kind of a man was he?

DIVERS: Well, he still is . . .

HESS: Still is.

DIVERS: He still is the kind of man he was. He's .

HESS: Do you know whether . . .

DIVERS: I saw him not long ago.

HESS: Do you know where he lives?
[149]

DIVERS: No, I don't.

HESS: Does he live around here?

DIVERS: Yes, he lives in the Washington area. And I'm glad you asked about him because I should get in touch with him. John Blandford in my opinion was--was and is, a very able man. He was a trained public administrator. He has a good sense of humor. He never took himself too seriously and he recognized that the world and the Government would go on even though John Blandford might not. He made a serious effort to recruit a non-political staff which was relatively easy to do during the war. I mean you could ignore the politicians; they really went underground for the first few years of the war. And he was hard-working, very intelligent, and quite able in diagnosing the housing problems of the Government during wartime and meeting those
[150]

problems. I think he's a very able administrator and wonderful man.

HESS: Why did he leave in 1946?

DIVERS: I don't think that he left really. I think he was kind of eased out.

HESS: Why? And by whom?

DIVERS: Well, I really don't know. I was quite close to him at that time and I think that possibly that some people in Government may have felt that the--that housing was a major issue, and they may have been looking for somebody who was more dynamic to lead the fight for housing. I think they probably were mistaken in their appraisal of the situation, but I don't know who was responsible. It could have been the homebuilders. They might have had something to do with it, although he seemed
[151]

to get along well with them. Do you know?

HESS: No. But, would the homebuilders really want someone brought in who was more dynamic, more of a boatrocker?

DIVERS: Well the homebuilders . . .

HESS: Now, what I had in mind is what they got was Wilson Wyatt, and I don't think they particularly liked that did they?

DIVERS: They loved him at first. They--and actually Wyatt did a lot for the homebuilders. You want to remember we're still talking about this time when materials were tight, particularly the materials. And the homebuilders needed help from the Government in order to get materials and Wyatt made some--made a big enough fuss in certain circles that the builders could get enough nails and things like this to at least get
[152]

started on this big post-World War II housing program.

HESS: He was brought in as Housing Expediter in December of 1945. Just what circles did he have to create a fuss in to get a little action out of? Who were the bottlenecks? Mr. Truman told him to break the bottlenecks.

DIVERS: Well, as I recall, it was a fight between the housing industry and other industries over the limited supply of material.

The War Production Board or its successor was very much interested in getting factories built, factories reconverted to provide jobs, and I have already described the great demand for housing at that time. And I think that we ought to recognize that probably it's not unlike today when there are--when the demand is greater than the supply and I think it was just a question
[153]

at that time that the demand for materials was greater than the supply and the question of how they were going to be allocated. Well, they had all of the industries on one side and the housing industry on the other and it was not too much unlike Dox Quixote tilting at the windmill.

HESS: Now John D. Small who was Chief of the Civilian Production Agency. How did he and Mr. Wyatt hit it off?

DIVERS: Well, on the surface they were friendly and they were cooperative.

HESS: Only on the surface?

DIVERS: I would think so. I don't think that their-their friendship didn't last long and I think that after they were both in office for about sixty days that they were trying to get each other replaced.
[154]

HESS: That we will go into a little later, but let's go back and discuss Mr. Wyatt just a little bit. What had been his background?

DIVERS: Well, he's from Louisville, Kentucky where he had been mayor as I recall, and dynamic, sparkling individual, with a great amount of energy. A very personable individual. Avery poor administrator.

HESS: Why do you say that?

DIVERS: Well, I say that because he didn't know how to organize his office or organize his time and I think he also used poor judgment in making a lot of decisions that he did.

HESS: Such as?

DIVERS: Well, one thing was his staff. I mean that he had--he went to the colleges to get about half of his staff and the men he hired were
[155]

long on theory and short on experience, and came up with some of the most impractical answers that you could ever imagine. Let me just mention one of them. There was a shortage of plywood at the time and most of the doors--many of the doors--were made of plywood or partially made from plywood. And so, one of these professors got the bright idea that what we'd do would be just let the builders have three doors for each house. They'd have a front door, a back door and a door on the bathroom--on one bathroom--and they could get along without a cellar door--door down to the basement--let the kids fall if they wanted to. And they could--if they had two baths, why, they could--they'd have to do with a door only on one, and they didn't have any on the closets; didn't have any on sleeping rooms, so on and so forth. Well, the result was that they were only going to manufacture front doors and back doors and a limited number of doors
[156]

for bathrooms. And the builders just took the doors and cut them down to fit whatever purposes they need, any one they could get their hands on, and the shortage of doors was about ten times as great; whereas I think that somebody who was practical would have looked into the bottlenecks of the materials that went into the doors, the bottlenecks that confronted the manufacturers of doors, and would try to have increased the supply of other materials that was being made available for housing. But--they did all sorts of--all sorts of silly decisions and things that were--and they'd make these decisions and sell them to Wyatt without ever discussing them with anybody who had ever built a house.

HESS: Who do you recall as being one of those who may have offered some of this type of advice?

DIVERS: Well, I don't remember their names even.
[157]

HESS: Well, the list of . . .

DIVERS: I've never seen them since hardly.

HESS: No, let's see if they were on the list of special assistants. I took this off of the organizational chart. You were the first special assistant, Judson Hannigan was the second, David Kadane, Nathaniel Keith and Robert Sevey. Any of those?

DIVERS: No. None of those were in . . .

HESS: Do you recall anything about those gentlemen?

DIVERS: Oh, I remember them. Nat Keith is still in town here and he's still active in the housing field. And Hannigan, I don't know what happened to him, but I think he went with the Army or someplace. He was kind of in charge of public relations I would say. Kadane was not

[158]

there long. I mean he came in late as I recall and he was--I think he was the one who was in charge of the material. And . . .

HESS: S-e-v-e-y.

DIVERS: Sevey.

HESS: Robert Sevey.

DIVERS: He was a kind of a deputy to Wyatt and he didn't know anything.

HESS: And also Leon Keyserling was there as general counsel.

DIVERS: Yes, Keyserling was there.

HESS: Who had recommended Mr. Wyatt for the position?

DIVERS: I don't have the slightest idea.

Let me say this, that I was very much interested in housing--always have been, and I

[159]

recognized that this was a very critical problem at this particular time. Shortly after Wyatt was appointed, he asked me if I wanted to stay on in the housing field and I told him, "Yes " He said, "Well, what would you particularly like to do?"

And I said, "Well, as I see it, about 98 percent of the total housing supply has been supplied with private funds and private builders, and so on, and less than 2 percent of it is public, but I think that that will go on during this postwar period. I don't think Congress is going to (they were cutting the budget right and left at that time), and I don't think they're going to provide a lot of funds." I don't think they should. I think that the people who have the money to do it should be entitled to the first crack at this--these short materials.

[160]

So, I said, "I would like to be your representative with the private building and private housing interests."

And he said, "That's fine." He said, "I hadn't thought of that before, but they ought to be represented on my staff and ought to have a place where they can come and so on."

So, my contacts were with the National Association of Homebuilders, the savings and loan people who were providing most of the money for this at the time, plus the mutual savings banks. And the National Association of Real Estate Boards, because we had programs to improve the existing housing supply as well as to build new houses and so on. So, this was the

job and I took with me from the Housing Agency, a man named John Sink, and John and I had offices together and were the two people who represented private business you might say, in that whole

[161]

catacomb of offices down there.

HESS: Did you find your duties as a representative of private business an arduous one in this atmosphere?

DIVERS: Yes, we had almost daily arguments with other people on the staff who were primarily interested in public housing, public accommodations of one kind or another, and who seemed to be interested in getting any materials that were needed, for these reasons and so on so that--yes we did--and I think we probably did our job to the satisfaction of private industry in such a way that we didn't have many friends on the staff when we parted, no lasting friendships anyway except with Sink and I. I mean we worked together all the time.

Wyatt almost became the--almost became the biggest man in Washington. He almost became

presidential candidate caliber, shall I say.

HESS: Do you think he had that in mind?

DIVERS: Oh, yes. I'm sure that he would have been very happy to have been tapped for one of the top jobs; President or Vice President. He certainly had politics in mind. He made speeches at any time he was invited, wherever he was.

HESS: Do you think that he may have had it in mind to try to do an excellent job on this particular project to use it as a jumping-off point for his political ambitions?

DIVERS: Well, I think that he had that in mind, but at the same time, I would also not discount his desire to perform a public service. I mean that he--his intentions were good and certainly he worked hard and long hours. He did the best he could, but I think he went the wrong direction sometimes.

I can't help comparing him with Blandford. Blandford had no aspirations other than to perform the best job that he could for the Government--for the people of the United States

[163]

and I think that he--and he was so much better in terms of being an administrator. Now, I had arguments when I was on Blandford's staff and we used to sit up until 2 and 3 o'clock in the morning sometimes and be screaming at each other. But this was--but the next day we were all back at work and all working together and we recognized the abilities, we recognized the objectivities of the other staff members, and we used to push our own views without fear of retribution, you might say. That was an entirely different atmosphere than it was in Wyatt's shop

where most people seemed to be pressing their own position for their own selfish reasons, for reasons of promotion and things of that kind, or for reasons of being the current favorite, the office favorite, rather than for purposes of getting ahead with the job. And there didn't seem to be any cohesiveness--
[164]

one month why, somebody would be the favorite and he practically giving orders to everybody else in the organization and the next month it would be somebody entirely different.

HESS: It's almost 12 o'clock, did you have a lunch appointment?

DIVERS: I do, yes.

HESS: All right then, let's shut it off.
[165]

Fourth Oral History Interview with William K. Divers, Washington, D.C., March 12, 1970. By Jerry N. Hess, Harry S. Truman Library.

HESS: Mr. Divers, in our last interview you mentioned that you told Mr. Wilson Wyatt that you'd like to be his representative with the private building and housing interests. Just how did you carry out those duties?

DIVERS: Well, I think that it's desirable to review briefly what conditions were at that time. The greatest war in history was just over. The young men who had been in the armed services were coming back and were being demobilized, were anxious to get married, to go to school, to go back to work, to find a job, and there was probably a greater mobility to the country than there had ever been before, and a pent-up demand for housing, because there had been little housing built during the war and not too much built during
[166]

the thirties.

In addition to that, the money was available because people had saved money during the war, they had not been able to spend it on traveling or on luxury items, so they had accumulated savings and they had substantial money available for down payments. This money had been accumulated in financial institutions, and the financial institutions were in fairly good shape in terms of money available for lending. So, the money was available, and the land was available, but materials were very scarce.

One of the things I undertook was to try to work with the homebuilders and the financial institutions in breaking bottlenecks in connection with the production of housing.

There were some financial bottlenecks, too, because a lot of the veterans wanted to get their loans under the GI program, which was a
[167]

very low interest rate. It was 4 percent to start with. And sometimes the procedures would be so cumbersome that it would be desirable to unravel them and try to streamline them in that effort to encourage the financial institutions to make these 4 percent loans rather than the 5 or 5-1/2 percent they could get on conventional mortgages.

There were a number of materials that were scarce. Just such things as nails were very scarce, and sometimes we'd, get reports that nails were in ample supply, and we'd find out that they were the kind of nails that were not useful for building small homes. And other materials of the same sort.

So, my assistant, John Sink, and I served as liaison between the homebuilders and the home financing institutions and the various Government agencies that worked with the housing expeditor in trying to provide the materials that were
[168]

necessary for the builders. I don't remember the figures now, but I'd say that the acceleration in the rate of home building was probably the greatest that the world's ever seen because we went from almost a standing start up to a couple of million units a year. Does that answer your question?

HESS: Yes.

DIVERS: I really think that I might add one thing, Mr. Hess, and that's this, that I've always been interested in private enterprise. I've always felt that the future of housing in this country and that the possibility of reaching our objective of decent housing for every American citizen, depended 90 percent on private enterprise and I felt, frankly, that I could do a lot more for the housing program by working with the private builders, the Home Builders Association
[169]

and the real estate boards and the U.S. Savings and Loan League and the National League, I could do lot more there than I could by fostering some more Government regulations or getting embedded in red tape.

HESS: Did you feel that you were successful in what you were trying to do?

DIVERS: Partially. I think that John and I were successful in eliminating a lot of roadblocks, and possible roadblocks.

On the other hand, we were continually frustrated because there were things from time to time that we couldn't get done or couldn't get done as rapidly as we thought we should be able to do them. In addition to that we were frustrated because we felt that the--that some of the staff were more interested in theory than they were in practical solutions to some of
[170]

these problems.

HESS: Who?

DIVERS: Oh, I don't--I don't know that I can even remember their names now, I haven't seen them for so long. But there were a few people on the staff who were recruited from the academic community and who had never been engaged in business and they seemed to think that it was useful to indulge in debate for a month over what should be done rather than to do something immediately.

HESS: I believe that the goal was for a two million seven hundred thousand new homes to be built within two years. Is that correct, do you recall that?

DIVERS: I believe there was something like that, yes.

HESS: Was that a realistic goal?
[171]

DIVERS: Well, it probably was unrealistic based upon conditions at the time, but Wyatt almost made it, so that I guess you must say that it was a possibility.

HESS: Did he come close to meeting that goal with his completions? Or was it mainly starts that
...

DIVERS: Well, if the starts were principally privately financed you didn't have to worry about whether they would be completed or not, they were going to be completed, they-were going to be completed as rapidly as possible, and usually for building a home that means ninety days or less. So that--I wouldn't say that his efforts failed because he just had starts instead of completions. I'm just looking at the record* here and I see that in 1946--well, in 1946 there were one million fifteen thousand starts. In 1947, there were a million two hundred sixtyfive thousand, or a total of two million two hundred

* Savings and Loan Fact Book '69, United States Savings an Loan League, 1
[172]

and eighty thousand for the two years. And when you consider that there were three hundred and twenty-five thousand in '45, you can see the acceleration. And you want to remember that many of the materials for these homes came from factories that had to be converted from war production over to civilian production after the end of the war so that there were--and some of the factories that converted had difficulty getting machinery because the machine tool producers had to go from producing machine tools for war production over to machine tools for civilian production.

So, there were bottlenecks all the way along the line, but I think that the--everybody in Government tried and it was really--I think Wyatt's accomplishments were great. The only thing that I regret is that he didn't accomplish more because I think that he could have accomplish-
[173]

ed more.

HESS: How?

DIVERS: Well, probably by listening to some different people.

HESS: Who?

DIVERS: Nor, I think one of his weaknesses was that he listened to politicians. It was no secret that he had a lot of political ambitions and he always had time to visit with the mayor of a city for an hour when--and might not have time to visit with one of the--to meet with one of the top staff members who was postponing some important decisions until he had an opportunity to see Mr. Wyatt or--and I can't, I really can't put my finger on it. I'd say that was more that the--that he relied too much upon people who thought that things could be--that the rate of production [174]

of housing could be increased by more legislation, more regulations, and things of that kind rather than that you could find out more about the problems and get more possible solutions from talking to the people who actually produced the houses, the moneylenders, the--I mean the financial institutions, the architects, the engineers, and the builders, and the people who produced the materials that went into the houses.

HESS: To bring up the terms, liberal and conservative, did you think that Mr. Wyatt was perhaps a little too liberal?

DIVERS: I don't know. I mean that he probably was in the center of the administration at that time.

In other words, I think that I would not put him either to the right or to the left within the Truman administration. I think that some of his ideas might have been a little impractical, [175]

or impossible, but he had a million ideas and a lot of them were good, and were productive. I mean there was no doubt about it and I don't want to give the impression that I'm trying to undercut his great accomplishments because he did accomplish a lot of things. He may have been influenced too much by people who were too liberal. I think that he probably was.

HESS: Who were some of those advisers?

DIVERS: Well, Keyserling was one of them--and I don't even remember the names of these people. Maybe you, if you have a list of the people that were there, then I could refresh my recollection, but all I remember is that there were several of them who came from colleges and had never worked in a factory, never worked in an office, and he seemed to put too much store in their advice. I mean they had some fancy [176]

theories that would never work and by the time they got through trying them out, why it was too late to do anything about it.

Sometimes I felt that the great surge of the home building that we had at that time was in, almost in spite of some of the efforts of the housing expediter, rather than because of him. And, as you know, this question finally came up when the War Production Board, or whatever the name of it was then, took the priorities off of materials, took the controls off, wanted to go back into free economy, and Wilson Wyatt wanted to keep them on for housing only. And I'm sure that Mr. Truman made the right decision by taking them off for housing too.

HESS: What would you list as Mx. Wyatt's greatest accomplishment at this time?

DIVERS: Well, I think that he focused the attention of a lot of people on the desirability of producing
[177]

great quantities of materials for home building.

Without somebody to constantly keep the public aware of the housing shortage and of the tremendous needs for material and furniture and everything that was needed to overcome this shortage, I think that the rate of production might have been substantially lower and there might have been more disappointment over the housing facilities and the housing supply in the Nation.

HESS: Now, did he have some difficulty with some of the other people in the Government who wanted materials used for other things besides housing?

DIVERS: Oh, yes. I don't remember who they were, but I know that they were . . .

HESS: The one I had in mind was John Small.

DIVERS: Well, there were two philosophies. I mean
[178]

one of them was that the greatest need of the returning soldier was for a job, that was John Small's philosophy.

HESS: He was Civilian Production Administrator.

DIVERS: Yes. And Wyatt's philosophy was that they needed housing and I suppose that both of them were right.

You want to remember that a lot of these men who came back married immediately, or had married while they were in the service, and when they came back they moved in with his folks or her folks, and it was all right as a temporary arrangement, but certainly it was not all right as a

permanent arrangement. And many of them were going to college. And the colleges had the accommodations for single people, but they didn't have the accommodations for married people.
[179]

And, in thinking back, it's possible that the use of the war housing for married couples at colleges may have been one of the bigger accomplishments. Because we took a lot of trailers and dormitories and picked them up and moved them to the colleges and provided a lot of accommodations at the colleges both for single and married GIs, which was very necessary and very useful, and was used for eight or ten, twelve years probably even though it was temporary housing.

HESS: When I attended Kansas University in 1956 and '57, Sunflower Village was still at the foot of the hill, which was dormitories that were brought in after the war.

What do you recall about the Lustron Company's attempt to produce inexpensive assembly line steel homes?
[180]

DIVERS: I never sat in on any of the negotiations with Lustron, and had little knowledge of it until it hit the headlines because of a high level quarrel that was going on, high level negotiations. As I recall there was a war plant out in a suburb of Chicago that had been used for making airplane engines during the war.

HESS: Willow Run, is that right?

DIVERS: No. No, it wasn't Willow Run, it was south of Chicago.

HESS: Oh.

DIVERS: Willow Run was out west of Detroit. And this was a big plant that had been used for I think for airplane engines and it was declared idle so it was available for private purchase or lease, and Lustron applied for this plant and also for a loan to provide housing. As I
[181]

recall, Mr. Wyatt had authority to make or to guarantee loans for the production of housing. And some other people were interested in getting the plant, but I don't think that that interfered with the Lustron plans because I feel sure that-I think Wyatt had the priority for the use of this plant. But some questions came up about the experience of the Lustron organization. They did have a metal panel that they proposed to use in the assembly of these houses. It had not been tested in the field as I recall. Nobody had ever lived in a house that--or there had never been any small pilot project in the production of such houses. The people who were to produce them had had little experience in providing housing, finished housing, and the Government was considering putting a lot of Government assets into this project and was--at that time some question was raised about whether too much
[182]

influence was being brought to bear on some of the public officials to get this done, and I don't exactly recall what the--who was involved particularly. I think that, if I recall correctly, that David Krooth was one of the people on the staff of Wyatt who were negotiating with Luston. Who else was I don't know. But I had had a call from somebody who was interested in pushing it and I referred them to Krooth and that was all I knew about it.

HESS: Did you mention, in one of our previous interviews, that you went up to the, what used to be the Truman Committee, the Senate Committee to Investigate the National Defense Program?

DIVERS: Yes.

HESS: To testify about Lustron.

DIVERS: Yes, I did, but I think that, as I recall,
[183]

the extent of it was that I told them that I had one call and I told them who it was from and told them how I handled it and that I was not handling the Lustron negotiations, had no part to play in them, I was intensely interested in it as a possible answer to the housing problem, but . . .

HESS: Did you think it was feasible?

DIVERS: I didn't--I hoped it would be feasible. I was anxious to see some effort made to produce housing on an assembly line, but I was not convinced of the--I didn't know enough about it really to make a--to arrive at a conclusion because other people in the office were handling all the negotiations and I never had seen any plans, specifications, or anything. I think that my greatest interest was this: I had been interested in housing for a long
[184]

time. I had been interested in the materials that go into housing. I had been interested in cutting costs. And when we look at a wall that's built in a brick house or a frame house, there's been very little improvement or change in it in centuries, so that a lot of us in housing were looking for some wall material that could be assembled in a factory instead of on a site that would have the characteristics of the brick and/or wood covering, insulating qualities, the effect of the air space that's in the wall now, possibly vermin proof, and insect proof. It would not—it would have a lack of conductivity. In other words, it wouldn't let the cold come in and wouldn't let the heat go out. It would provide an insulating barrier without providing the moisture that comes with many of the insulating materials that have been proposed, and would have exterior surface that would be readily cleaned
[185]

and wouldn't require painting or maintenance, and an interior surface that would meet those same requirements. And this is what people had hoped that Lustron might be providing. But I suspect that if it met all of these requirements, that it probably would have been done privately by now.

HESS: What went wrong with the Lustron plans?

DIVERS: I don't know. I only--I'd have to reconstruct it, but what I would say is this, that Lustron didn't have any money to back him up. He didn't have any financial capital. He wanted the Government really, as I recall, to put up practically all of the money for him and as soon as the Government starts putting up all the money for anything there is a lot of competition.

HESS: Well, the first time that he went to the
[186]

Government he tried to get a \$52,000,000 loan, but that was blocked by George Allen who was on the RFC. Do you recall that? Do you recall any of Mr. Allen's involvements?

DIVERS: As I recall, and this has been many years ago, the RFC was supposed to be the source of funds for housing, for projects that Mr. Wyatt approved. If there was a shortage in some particular material for example, and a supplier was willing to double his capacity but needed money for it, why, Wyatt would so certify to the RFC and the RFC would get them a loan from a bank or lend them the money. And I think that there were probably very few loans. There probably was little need for such loans because money was not tight at that time and banks were willing to make loans wherever it seemed to be of business-like purpose, so I don't think there was any real need for it,
[187]

HESS: As I understand, after Allen left, and was not longer there to block it, Lustron did get a thirty-seven and a half million dollar loan some time later.

DIVERS: They got a commitment. I don't think they ever got the loan. They got a commitment for the loan, conditioned, as I recall it, it was upon getting the production facilities, the plant. So, until they had the plant they didn't have the loan and that enabled the people when they were going to do some--I think that what they really did was they wanted to second-guess the desirability of this thing, by holding back the plant they were able to cancel the commitments of the loan.

HESS: At the time that you were up on the Hill testifying before the committee was, of course, when Mr. Truman was in the White House and
[188]

he was no longer with the committee. Who do you recall as being there that day that you testified before the committee that used to be the Truman Committee?

DIVERS: I don't remember. I'd have to look up the hearings to find out. Do you remember? Have you looked at the hearings?

HESS: No, but James Mead was chairman from October the--he was chairman after Mr. Truman left, until October the 1st of '46.

DIVERS: He wasn't chairman, he was the counsel for the committee, wasn't he?

HESS: George Meader was chief counsel.

DIVERS: Oh, yeah, that's right. You're right.

HESS: Then Harley Kilgore came in and served as chairman from October of '46--October the 1st until
[189]

January the 6th of '47. He was in there just a short while and then Owen Brewster was the last chairman.

DIVERS: Yeah, I don't remember any of them. My appearance was very brief. I was only there for five minutes as I recall, and I answered a few questions. Most of the questions involved a call that I had had from Ted Granik as I recall. Granik was a Washington lawyer who had been-- Theodore Granik--he had been in housing, he'd been in housing with me and he was producer of this radio and television program titled something like "America Wants to Know" or something like that, but it was one of the early discussion programs and was very well-known, and very successful for a time. It was a predecessor of a lot of these other Sunday afternoon discussion programs.
[190]

HESS: What was the nature of his inquiry? He was just trying to find out what was going on?

DIVERS: No, he, as I recall, he was financially interested. Either had a piece of the action or was an attorney for Lustron or both, so that he was very much interested and would have been happy if I had been willing to do what I could to push it, but I didn't know enough about it and I knew that he knew Dave Krooth and Dave Krooth was handling it and I suggested to him that he talk to Krooth.

HESS: And during this period of time, in about November of 1946, was the Republican victory at the polls when the 80th Congress came in. Did that cause any particular difficulties or call for any changes?

DIVERS: No, I don't think it made any changes at all in terms of the operations of Wyatt's office.
[191]

That was when?

HESS: '46.

DIVERS: '46. No . . .

HESS: November of '46.

DIVERS: No, that made no changes. I guess that it may have been the occasion for closer scrutiny on Capitol Hill of what was going on in every Government agency, particularly in some of these emergency agencies. But in terms of staff, our relations with other Government agencies, our relations with the public, that had no effect at all.

HESS: In a letter that I found in your scrapbooks dated December 10 of '46 from Wilson Wyatt to you at just about the time that you were both leaving, he said:

I want to take this opportunity to express my thanks to you for the truly splendid
[192]

job that you have done during the last year. You handled a very delicate relationship with tact and poise and have been a great credit to the program and a source of personal satisfaction to me. I know that your interest in the program continues as does mine. Best of luck for the future. Wilson W. Wyatt. Just what was that very delicate relationship that he referred to? Was that working with the homebuilders?

DIVERS: I think that he meant working with the homebuilders and the home financing institutions, and real estate boards and so on and so forth because none of them had ever had any Government regulation you might say, prior to World War II. And most of them were not active during the war, so that when they began to go in and they had to get priorities for earthmoving equipment to get a site cleared, and then priorities for reinforcing rods to lay foundations, and priorities for pipe and so on and so forth, it
[193]

was a whole new ball game for them and they brought their--all their grips to Frank Cortright who was the executive vice-president of the National Association of Homebuilders, and Frank would take them directly, usually to Small's office and then if he didn't get a satisfactory response, then he'd come to me and I'd try to get Wilson Wyatt to get a satisfactory answer from Small's office. It's hard to imagine, but one of the most difficult jobs that we had to do as I recall, was to get chicken wire for home building. None of the smart people in Washington knew that chicken wire ever went into homebuilding and they . . .

HESS: The college professors did not know that.

DIVERS: Well, it wasn't only the college professors, it was architects and engineers and so on and so forth. But it seems that there is a large
[194]

section of the South where they use it as reinforcing for stucco, the stucco facing that they put on the houses and it had been used that way for decades and it's the best material that's available for the purpose, it's the cheapest material if it's available, and if they were going to continue to construct houses in the traditional way, they needed chicken wire. And we couldn't get any priorities for chicken wire, and Small's office wouldn't give them any, and of course, wire of any kind was short at that time. And finally, some place, Z mean after a lot of meetings and conferences and everything, we finally got them a supply of chicken wire.

HESS: Were there ever any times when John Small and Wilson Wyatt were successful in working together?

DIVERS: Well, their staffs recognized the necessity for working together and . . .
[195]

HESS: Who did you work with the most on Small's staff?

DIVERS: Well, I don't remember . . .

HESS: One man was C. Ray Davisson. Do you recall him?

DIVERS: Yeah. He had a job, as I recall his job was somewhat similar to mine, working with the homebuilders, and I think he was the gentleman who went with me and people from the homebuilders to meet with homebuilders in some of the larger cities of the country and he was--he represented Small's office at these meetings. He understood most of the problems, but I'm afraid that he didn't carry too much weight when he got back to the office.

HESS: Do you think that perhaps in the same way that you carried more weight with Wyatt than he did
[196]

with Small?

DIVERS: Well, I suspect that I did because I've always been independent and I have always tried to tell the man I was working for exactly what conditions were whether he liked to hear them or not, and as a result, I mean my reports to Wyatt were never glowing. I was usually the bringer of bad news. I didn't bother him unless there was something that I thought was important that needed to be done, and tried to do it myself and if I couldn't do it myself then I called it to his attention. I guess that on my infrequent visits with him, and they were infrequent because I didn't want to bother him, I guess that he knew that it was worthwhile to listen, and he usually agreed with me and tried to accomplish what I proposed.

HESS: Why did Mr. Wilson Wyatt resign?
[197]

DIVERS: Oh, he resigned because he didn't get his way I guess, that he wanted to--wanted President Truman to continue giving priorities on materials for construction of homes and Mr. Truman thought the time had come to end controls, and I agreed with Mr. Truman. I think that one of the people who were ready to end controls was Ray Foley who was then Administrator of the FHA.

HESS: All right, we'll get into Mr. Foley's episode in just a second, but why did you leave as Assistant to the Housing Expediter? You left around December 10 of '46 I believe.

DIVERS: Well, after Wyatt left, Ray Foley was appointed as Housing Expediter in addition to a--he was appointed as a successor to Wyatt as the head of the housing agency.

HESS: Administrator of the National Housing Agency.
[198]

DIVERS: That's right. And also as the successor as expediter as I recall.

HESS: Did Mr. Frank Creedon . . .

DIVERS: No, I guess Creedon was in the . . .

HESS: He came in, I don't think that Mr. Foley did, but I think they split the two.

DIVERS: Creedon was from Small's staff I think, and Foley offered me a job as Assistant Administrator to the National Housing Agency, which I had formerly been. I don't know whether I held that title while I was with Wyatt or not. I don't think so. And along about that time the Housing and Home Finance Agency was created, a few months later. So, the post-World War II housing seemed to be with the--critical jobs seemed to be fairly well accomplished and it looked like more of a long term job, and Mr. Foley asked me
[199]

to go with him and I told him I would.

HESS: Do you know why Mr. Foley was chosen to be the Administrator at this time?

DIVERS: Well, I think it probably, he represented Mr. Truman's views better than anybody else who was on the horizon. I mean that--it's a funny thing--I mean I used to go up before committees of Congress and I would speak very glibly about what the views of Mr. Truman were on the subject of housing even though I had never discussed it with him and it had always seemed to go over real well and I never got called down for anything I said about it. But I always had the impression that he wanted to do everything that he possibly could do with private financing and with private enterprise and that he only wanted the Government to go in where there was some major problem or some major purpose that
[200]

could be accomplished by going in and that was my philosophy and that was Ray Foley's philosophy.

HESS: What special qualifications did Mr. Foley bring to the job and just what had been his background?

DIVERS: Well, Mr. Foley had been--and I want to quit pretty soon incidentally, because my voice is getting tired.

HESS: O.K.

DIVESS: Mr. Foley had been the FHA commissioner and prior to that he had been the FHA State Director out in Michigan, and prior to that he had been a newspaper editor out in Flint, Michigan, I believe, or Pontiac, I forget where. He was very knowledgeable about the private financing and private production of homes. Michigan had been one of the states where there had been a great surge of private homebuilding before the
[201]

war. He was politically astute. He was--he is a man of courage, he's a man with a--he has an unblemished reputation and I think that he was kind of appreciated by the mortgage bankers, other groups and the homebuilders.

HESS: Why?

DIVERS: Well, because he took the time to understand their problems and to try to make it easier for them to operate while he was still looking out for the public interests. So, I had known Mr. Foley when he was the State Director in Michigan. And, as a matter of fact when Abner Ferguson, I think it was, resigned as the FHA Commissioner here in Washington, I recommended Ray Foley for the job. He might have gotten it anyway, but anyway I was the--at that time I was the regional representative of the National Housing Agency and was theoretically supposed to
[202]

coordinate the activities of the Federal Home Loan Bank system and the FHA and the HOLC and other housing agencies within my district, which was a good part of the Middle West including Michigan, and Ray Foley and I met frequently in Detroit. We fought the battle of Willow Run together, and we usually saw eye-to-eye and respected each others' views, so I thought he was a good choice for FHA commissioner, a good choice for administrator to the Housing and Home Finance Agency and this is--if you want to interview him I can tell you where to find him.

HESS: All right, where could I find him?

DIVERS: He is now out in a suburb of Detroit and he's president of a savings and loan association. He's still pretty active. He's president of the Colonial Federal Savings and Loan Association in Grosse Pointe Woods, Michigan.
[203]

HESS: That sounds like a high rent district.

DIVERS: Well, he was on their Board of Directors and the manager went to Florida to attend a meeting and had a heart attack and died, so they asked Mr. Foley to take it over, You notice I still refer to him as Mr. Foley because he was my boss for a while . . .

HESS: Do you want to cut it off?

DIVERS: . . . for some time.

HESS: Want to shut if off for today?

DIVERS: Yes, I'd like to.

[204]

Fifth Oral History Interview with William K. Divers, Washington, D.C., April 2, 1970. By Jerry N. Hess, Harry S. Truman Library.

HESS: All right, Mr. Divers, in our last interview you said that even though you had not discussed housing matters with Mr. Truman, that you always had the impression that he wanted to do everything possible through private financing and private enterprise, and that he only wanted the Government to come in where there was some major problem or some major purpose that could be accomplished by going in. What gave you that impression?

DIVERS: I don't know. I suppose it was the speeches that I heard him make, the comments and remarks that he had made before the committees, when I was present. He did not tell me that directly. The only message he ever gave me directly was, that he wanted me to do everything in the public interest, that he--and he wanted me to run the

[205]

Federal Home Loan Bank Board with the interest of the public as the prime objective that the Board should have. And as a matter of fact, that was the only overall direction that he ever gave me. And it may be because of this that I interjected my own philosophy about doing everything that was possible with private financing and only using public financing, or public assistance, where I felt that private financing was not meeting the needs of the public.

HESS: Approximately how many times did you meet Mr. Truman and do you recall the occasions?

DIVERS: I'd say approximately a dozen times.

HESS: Any particular occasions come to mind?

DIVERS: Oh, there were several--no, I--there were gatherings, there were small gatherings and large

[206]

gatherings. There were meetings at the .White House. I went over with Ray Foley who was head of Housing. I took the Federal Savings and Loan Advisory Council over to meet with him, really just to introduce them to him. I took the Federal Home Loan Bank presidents over to meet him, I took my family over to meet him, and these were the only occasions I came in contact really with him, because I don't recall ever having spoken to him on the telephone. And I also recall only one telephone call from the White House.

HESS: What was that about?

DIVERS: Well, I don't remember.

HESS: Who was it from?

DIVERS: I don't remember the gentleman's name, but-maybe I do. I think it was a Colonel Vaughan,
[207]

or General Vaughan.

HESS: General Harry H. Vaughan?

DIVERS: General Harry H. Vaughan.

HESS: What was the nature of his phone call?

DIVERS: He gave the impression that the President would like to see a particular action taken with reference to a pending application before the Federal Home Loan Bank Board.

HESS: What action?

DIVERS: I don't remember whether it was the approval of a charter, or the approval of a branch, and I don't even remember the association that was involved. I do recall that it involved one here in the District of Columbia.

HESS: Was this something in the nature of pressure from the White House?
[208]

DIVERS: It was supposed to be, but I didn't believe General Vaughan, and I told him that Mr. Truman had never interfered in my operations in any way, or intervened in them, and that as far as I was concerned I would want to see it in writing from the President of the United States before I assumed that it was his action.

HESS: What did General Vaughan say to that?

DIVERS: Well, he blew his top a little bit, but he didn't argue with me and I just let him talk.

HESS: What was the outcome of that action?

DIVERS: The outcome of the action was that our Board took an action that was contrary to the view of General Vaughan.

HESS: Were there any other times that you received any calls from the White House, or did you have any dealings with members of the White House staff?

[209]

DIVERS: No.

HESS: Are the names familiar: Clark Clifford, Charles Murphy, Matthew Connelly?

DIVERS: No, the only one that I--the only one that recall was Matt Connelly.

HESS: In what context?

DIVERS: Who called me only in connection with social matters and never in connection with any business matters.

HESS: Regarding Mr. Wilson Wyatt, do you recall if there were any disagreements between Mr. Wyatt and John Snyder who, during the period of time from July '45 to June '46, headed the Office of War Mobilization and Reconversion?

DIVERS: No, I don't recall now. I mean I had the general impression that Wyatt was pushing for [210]

things which Snyder wouldn't give, but I would suspect that it was just in a framework where Snyder had to look at the overall situation, and Wyatt was pushing housing and trying to get priority for housing over other matters.

HESS: Some people thought that the public housing program was an effort to socialize the country. Did you ever run across very much criticism of that type, of that nature?

DIVERS: Yes I have. I think that there's some merit to the charge. I think that the people who were really responsible for the promotion of public housing would not have been adverse to having all housing controlled by the Government. I think that we must also recognize that there were a lot of people who were interested in promoting public housing who had no such idea and to whom the idea would have been abhorrent. But [211]

the people who were at the--I shouldn't say the people, I should say some of the people who were interested in promoting public housing were people who thought that the Government could run things better than private business could, and I would have generally characterized them as Socialists.

HESS: Who held that view?

DIVERS: Oh, it was not an unpopular view in 1933 and '34 and '35. There were many people who didn't particularly like socialism, but who were disappointed with the product of our capitalistic, or private enterprise system, and they were searching for something else. And I don't know that I could even, almost forty years later, put my finger on any one, two or three people,

but generally I would say that a substantial sector of the people who were interested in public housing, including the staff of the Public
[212]

Housing Agency, were people who sincerely thought that the Government should move into the housing field and they didn't care how far in the Government moved. If it was--and as far as they were concerned the Government could continue to move in and dominate the field, if not taking it over exclusively.

HESS: And do you think that some of the feeling of this nature say in '33, '34 and '35 was--wasn't that more or less a natural reaction to the depression?

DIVERS: Yes. And the further away we got from the depression, why the more they declined, although as a result, I think there was general acceptance over the course of the next fifteen or twenty years and perhaps even today there is general acceptance of the theory or philosophy that public housing was needed in order to fill out
[213]

the whole spectrum of housing needs, that private enterprise could not take care of the lowest income people.

My own views were that in 1935 I thought that it was necessary for public housing to do part of the job for the lowest income group. By 1955 I would say that my views were that private enterprise could take care of the great bulk of the housing, and that if public housing were needed, it was needed only for a small segment of the population, and by now I'm inclined to think that the country would be much better off if they had no public housing, and maybe even if they had had no public housing.

HESS: None at all?

DIVERS: None at all, because the tenants in the public housing project--public housing projects in many cities have been the organizers of trouble,
[214]

and it was because there was a concentration of people in certain income groups and even with certain political beliefs, that created a lot of problems in our cities I think. This would not have happened probably if we had followed the same pattern which we had in the years before public housing when private enterprise furnished the housing and the people found housing in the community based upon their income. I don't know that I can add anything to that now.

HESS: A11 right. In your scrapbooks I've found an indication, I believe, along during the wartime when you saw the danger of moving a high concentration of public housing people into the units, and not having them interspersed with people who were not on welfare.

DIVERS: Well, 1--yes, some of us who were administering the public housing and setting the policies for it

[215]

saw the danger of just having welfare people in there which, in other words, that we were for taking the lowest income people, but there are two types of low income people. There are the people who work for a living and there are the people who don't work for a living. We didn't object to taking a percentage of the tenants from welfare and usually what we did was, we let them take the same percentage that there was in the population of the city or the population of that area even, which might have meant 10, 15, 20 percent from welfare and the other percentage from people who were earning their income.

HESS: In some areas today, the percentage of welfare people would probably be higher than that, would it not?

DIVERS: It would be 100 percent probably in some
[216]

cases, New York City for example.

HESS: O.K. . . .

DIVERS: As a matter of fact, what they do there is if the people make a living of their own, why, they move them out.

HESS: A11 right, on December the 20th, 1946, you were appointed to the position of Assistant Administrator, I believe this was still for the National Housing Agency back in 1946, and you were Assistant Administrator for both of the Divisions of General Program and the Division of the Lanham Act Functions, and as Adviser on Industrial Relations.

DIVERS: Was that in '45?

HESS: '46 I believe. All right?

DIVERS: No, I think . . .
[217]

HESS: Well, we can check that date, but what were your duties, just what were your duties in that position?

DIVERS: This is the National Housing Agency?

HESS: That's right. As Administrator for the Divisions of General Program and the Division of the Lanham Act Functions.

DIVERS: Well, my recollection is that it was the end of 1945. The war was over and they asked me to come back to Washington and take over as Assistant Administrator to succeed Coleman

Woodbury who was resigning and we came--I came in, and generally speaking, I was John Blandford's assistant for all the functions except legal and housekeeping.

The reference to programing was that the war was over, there was a big demand for housing from veterans, and from non-veterans, there was a rising interest in the housing on the part of [218]

Congress and this was--the main responsibility was to work with Mr. Blandford and Mr. Keyserling on preparation of legislation which would assist in furthering the housing effort.

The Lanham Functions are a reference to the administration of housing which had been built for war workers, and was still being occupied by these people, but the war plants, the contracts at the war plants, were terminated. War production had come almost to a stop. We had a problem of disposing of surpluses rather than producing more and we had to think in terms of the best use to which this housing could be put after a war instead of during a war. So, these were the principal functions.

HESS: And . . .

DIVERS: One of the earliest actions we took was to give a priority for vacancies which occurred in the Lanham Act housing, war workers housing. [219]

We gave a priority to returning veterans.

And we also had a lot of temporary housing that was movable, and in this we gave priority to the schools and colleges so that they could move it to their campuses and set it up and use it for housing for returning veterans, many of whom were taking advantages under the GI Bill of Rights to go back to college.

HESS: And then shortly after, you started working for Mr. Raymond Foley. Is that correct, as his first assistant administrator?

DIVERS: Yeah, right, at the National Housing Agency. No. No, after that interlude I went with Wyatt, and then after Wyatt with Mr. Foley.

HESS: O.K. When did you start with Mr. Foley?

DIVERS: Mr. Foley must have been appointed in either the end of 146 or the beginning of '47, and I [220]

went with him immediately when he was appointed, and we had offices in the Social Security building down on Independence Avenue and then later we moved up to K Street and had some nice new offices fixed up, which I never got to occupy.

HESS: That's when you moved on to the . . .

DIVERS: That's when I went on to the Federal Home Loan Bank Board in '47.

HESS: All right, fine. Before we move on, I would like to get your opinion, this is a contrast between Raymond Foley and Wilson Wyatt, this is from the book Housing Reform During the Truman Administration, by Richard O. Davies, and this is on page 60:

Foley's quiet demeanor and his concept of the role of the federal government in housing typified the Truman Administration's endeavor to achieve a rapprochement with the business community. While Wyatt had assumed that the housing industry had failed and that only the employment of strict federal regulations would produce favorable results,
[221]

Foley praised the past record of private housing and encouraged better production in the future; while Wyatt had antagonized the real estate and construction groups, Foley openly solicited their friendship. Do you think that's a fair appraisal of the two men?

DIVERS: Well, I think it's a fair appraisal as far as Foley goes, I think it's very, very accurate. I mean that he had been the FHA commissioner in Michigan which was one of the principal housing production states, you might say, along with New York, California, Ohio and Michigan, and had been close to the builders, recognized their weaknesses, but also saw the many fine men who were in this field. I think that secretly that Wyatt also admired the production of the builders, but that he thought that he could get more out of the builders by beating them with a club, and Foley thought he could get more by patting them
[222]

on the back, I mean I think that this was more the difference between the two men. Wyatt did things to antagonize the builders and I should know because, as you recall, I was the contact between Wyatt and the builders.

HESS: What did he do that would antagonize them?

DIVERS: Well, he listened to some of the professors on this staff and adopted regulations which they immediately recognized as being undesirable, unenforceable, and unworthy of a big operation.

HESS: You mentioned the one where the--about the regulation of where there would only be three doors for each house; front door, back door and a bathroom door.

DIVERS: Yes, there were others. I don't remember them at the present time, but there were others.

HESS: O.K. Now Reorganization Plan #3 of 1947 . . .
[223]

DIVERS: They also, I might add, the builders have had a lot of blame for it, the crackerboxes that they built immediately after the war, but these were largely designed as a result of Federal regulations which were adopted in order to save material, and as I recall, there were regulations that only a certain percentage of the houses that they built could be three bedrooms and have a certain number of square feet, and that the great bulk of the houses were one or two bedrooms and were limited to maybe a thousand square feet of floor space so that the builders couldn't build bigger and better houses even if they wanted to. As a matter of fact, for some time we had a price limit on as well as a limit for the area that the house could cover.

HESS: Do you think it was unwise to have those regulations?
[224]

DIVERS: Oh, I wouldn't quarrel with them. I think they could be defended as regulations which were adopted for the benefit of the whole society. But I think that the unfair part was that many of the same people who enthusiastically adopted these regulations then criticized the homebuilders for building a lot of crackerboxes and putting them--stringing them along on gridiron patterns where they could save on utilities and everything when the Government was probably the one who was responsible for a good part of the design.

HESS: Now, Reorganization Plan #3 of 1947 transferred you in your position to the Housing and Home Finance Agency on July 27, 1947, where you were still Assistant Administrator, is that correct?

DIVERS: That is correct.

HESS: Were there any changes in your duties?
[225]

DIVERS: No.

HESS: All right, now just a short time after that on December 20, 1947, President Truman appointed you as Chairman of the Home Loan Bank Board, correct?

DIVERS: That's right.

HESS: O.K., now this brings us into--this was your top position that you held in housing, correct?

DIVERS: Right.

HESS: All right, what were the main duties? Could you tell me how the Home Loan Bank Board was set up and just what were its functions, and what were your duties?

DIVERS: Well, the Federal Home Loan Bank Board was established in 1932 as a result of a housing conference which had been called by President Hoover. At that time the Federal Reserve

system had been in effect since 1913 in order to act as a means of liquidity for commercial banks, and the savings and loan business was
[226]

successful in getting President Hoover to help create a Federal Home Loan Bank Board which would serve a similar purpose for savings and loan associations.

The principal functions of the Federal Home Loan Bank Board were really added by subsequent legislation. In 1933 they passed legislation--1934 I guess it was--they passed legislation which authorized the insurance of savings accounts in savings and loan associations by the Federal Savings and Loan Insurance Corporation.

The Federal Savings and Loan Insurance Corporation was set up with funds provided by the Federal Home Loan Bank system and it was administered by the Federal Home Loan Bank Board.

The subsequent legislation also authorized the Federal Home Loan Bank Board to charter, regulate, and supervise, the Federal savings and
[227]

loan system.

Congress set up a Federal savings and loan system with the idea that it would incorporate all the best features of the state chartered savings and loan associations and we would have a uniform, recognizable system throughout the United States. And, in addition, they think that the use of the word "Federal" in connection with savings and loan associations had much to do with re-establishing the confidence of the people in the financial institutions, the same way as National banks were considered safer than state chartered banks by some portion of the population.

There were also other duties that were placed on the Board. The members of the Home Loan Bank Board not only served as trustees of the Federal Savings and Loan Insurance Corporation, but also as directors of the Home Owners Loan Corporation which had been the largest Government housing
[228]

undertaking up to that time. I also found that we were the officers of the War Housing Corporation which had been set up in World War I and was still operating several housing projects at shipyards in the eastern part of the United States.

HESS: Were there enough hours in the day to effectively administer all of the different duties that you found?

DIVERS: Well, it took about twelve hours a day for six and a half days a week to familiarize myself with the duties. I was not totally unfamiliar with them for several reasons. One of them was that the Federal Home Loan Bank Board was under the overall jurisdiction of the

Administrator of Housing and Home Finance Agency, and before that, under the National Housing Agency so that I was generally aware of their functions; responsibilities. And a second one was that

[229]

when Reorganization Plan #3 became effective in July of, or June of 1947, President Truman had appointed John Fahey as chairman and J. Alston Adams and Nathaniel Dyke as the other members of the Federal Home Loan Bank Board. The three members began to argue so vociferously with each other that they, instead of calling it the "Board Room" down there, they called it the "Rumpus Room" and

HESS: They didn't see eye-to-eye.

DIVERS: They didn't see eye-to-eye, and Messrs. Adams and Dyke began to make life miserable for John Fahey who had been there since 1932 and who was--or '33 I guess, and who was--had a few autocratic ways, shall I say.

One of the matters that came before this board involved the sale by an Arkansas savings and loan association of more mortgage loans than

[230]

they were permitted by regulations of the Federal Savings and Loan Association, the Federal Savings and Loan Insurance Corporation. This Arkansas association was operated by a brother of Nat Dyke's, and Mr. Fahey voted against permission to violate the regulation, or to exceed the regulation, and Mr. Adams and Mr. Dyke voted to permit the association to exceed their quota, and Mr. Fahey complained to Mr. Foley and Mr. Foley asked me to look into it.

So, I interviewed Mr. Fahey, Mr. Dyke, and Mr. Adams and the only thing that the three of them were agreed on was that I should keep my nose out of it. But as a result I made a report. I felt that Nat Dyke should not have voted on the matter, that he should have excused himself, in which case there would have been two votes, and since one was on one side and one was on the other, the association would still have been in violation of the regulations, and

[231]

supervisory action could have been taken if the Board still wanted to do it. I felt that Nat Dyke did not have a proper sense of the responsibilities that went with the position, and I also felt that it would be impossible for Mr. Fahey and Mr. Dyke to work together. Mr. Foley asked me for my recommendations, and I recommended that successors be appointed for Mr. Fahey and Mr. Dyke because they had not been confirmed by the Senate, and that Mr. Adams be continued as a member. And apparently, Mr. Foley took my recommendations over to Mr. Truman, Mr. Truman concurred in them, and the next thing I knew I was out in Cincinnati and got a call from Mr. Foley saying that Mr. Truman wanted me to be chairman of the Federal Home Loan Bank Board, and I demurred and said I would be glad to serve as a member, but I thought he ought to get somebody else maybe for chairman. And Mr. Foley

[232]

called me back a day later and said, "You're going to be the chairman." And they had an FBI check in 24 hours, which was customary, and I was appointed the next day. So, it all happened very sudden like.

HESS: Now, was this the time that Mr. O.K. [Oscar] LaRoque was brought into . . .

DIVERS: No.

HESS: Was that a little bit later?

DIVERS: That was later. I was appointed and designated chairman and J. Alston Adams was re-appointed as a member and within a week after Adams was reappointed he had a very serious operation on his stomach and was laid up for a couple of months, which meant that I was the only member of the Federal Home Loan Bank Board and I ran it by myself.

[233]

My recollection is that we didn't find a third member for the Board until, oh, at least six months later, maybe nine months later when Oscar K. LaRoque was appointed.

LaRoque was president of the Federal Home Loan Bank of--it wasn't Raleigh, it wasn't Durham--oh, Winston-Salem. He was president of the Federal Home Loan Bank of Winston-Salem, and prior to that time he had been a supervisor for the--state supervisor for the State of North Carolina, so that he had experience as a supervisor both in the Federal law and of the state laws. And Adams had been the manager of a savings and loan association under a state charter and also his association had converted to Federal charter, so he had experience operating under Federal charter, and he also had been elected to, and had served a couple of terms, on the Federal Home Loan Bank in New York on

[234]

their board of directors, and I was familiar with the operations of the bureaucracy in Washington, both the executive branch and the legislative branch, so that together the three of us had pretty good knowledge of--had a pretty useful pot of knowledge that we could use in administering the affairs of the Federal Home Loan Bank Board.

HESS: What kind of men were they? Were they cooperative and easy to work with or not?

DIVERS: Generally speaking, yes. I mean that we were--the friendship among us grew steadily and we were always very good and close friends and we met together socially on frequent occasions. I was probably the most deliberate one of the three and tried to see that all viewpoints were given consideration, and that all the factors were taken into consideration, that we had the

[235]

views of the industry and that we had the views of our staff, we had the views of the Federal Home Loan Bank presidents, the views of the Federal Savings and Loan Advisory Council, before we acted on any policy matters or any important matters.

J. Alston Adams was a very strong Republican; LaRoque and I were Democrats. Adams, his nickname was "Buck" and the reason was that he was always "bucking" the establishment and he had some views that were different than mine from time to time, and we had a few sessions in which we screamed at each other, but we always respected each other's opinions, and we never got into any personalities or anything which would prevent us from continuing to work together, so that--and we needed each other really.

LaRoque was a southern gentleman who was
[236]

twenty-five years older than either of us and he really took a--he didn't play quite as important a part in the deliberations although he was--his views were asked on everything. He was quite agreeable to go along with anything that the two of us decided.

I think that I was--I tried to get unanimous decision on every major question that came up, you know, and on the minor ones we never had any differences, I might add. And it wasn't--it wouldn't be important, I mean it wouldn't be sufficient, I mean on minor questions, I mean, why raise a fuss or raise an issue. On major questions I tried to get a unanimous opinion because there were only three and it wasn't a matter of getting a consensus, it was more a matter of trying to, get a position that all of us could support, which might require some compromising. And, in all the time we met,
[237]

I don't think that there were more than two or three cases where we didn't agree and those were not particularly important.

HESS: What were some of the major decisions that you had to make?

DIVERS: Well, most of the financing that was done by the Bank Board was so-called open market operations where the bank system borrowed from people, generally, financial institutions and so on, large amounts of money, billions of dollars, and we had the last word, the last word on what interest rate would be placed on these obligations and we wanted to fix a rate which would raise the money but not be any more than enough to raise the money. We had the advice of a fiscal agent who the banks maintained in New York, and also the advice of the Treasury. Generally speaking, we accepted the advice of the Treasury
[238]

which was usually the same as that of our fiscal agent.

HESS: Who did you work with at the Department of the Treasury?

DIVERS: We usually didn't work directly. You see Mr. Bob [Robert Reyburn] Burklin, who was on our staff and was in charge of the operations of the Federal Home Loan Bank system for the Federal Home Loan Bank Board, he had the contacts in the Treasury and the man whom he contacted most frequently, his name was [William T.] Heffelfinger, who was an assistant secretary I think.

So, we--but we did do some innovating, for example, when we needed some money around year end and the Treasury didn't want us to go into the open market, we reminded the Treasury that the Treasury could use the Federal Home

[239]

Loan Banks as depositories for United States Government funds, for Treasury funds, and as a result, they deposited twenty-five million dollars in the Federal Home Loan Banks, which was the amount we needed at the particular time, which was a precedent, I mean it had never been done before.

I might--I'd like to mention a few of the things that I consider accomplishments of our Board. Following Mr. Truman's policy (which he may not have heard about), that everything should be done with private money wherever possible, our Board started on a procedure of trying to recover, for the United States Treasury, monies that the Treasury had invested in the Federal Home Loan Bank system, the Federal Savings and Loan Insurance Corporation, the HOLC, War Housing Corporation, and savings and loan associations.

[240]

The first thing we undertook to do was to dispose of the assets of the War Housing Corporation which were managed by HOLC and we got an offer. Part of the property was taken over by other Government agencies for their particular uses in connection with the shipyards, and part of it we sold after advertising for bids, and we liquidated that World War I corporation.

At the time our Board was appointed, the United States Government owned about 97 percent of the stock in the Federal Home Loan Banks. It originally put up a hundred and thirty-two million dollars, I believe it was, to finance the banks, and the legislation contemplated that the Government's investment in the stock of the Federal Home Loan Banks would be replaced by stock purchased by the members of the Federal Home Loan Bank system and the individual savings and loan associations. And very little had been

[241]

done up to that time by the Federal Home Loan Banks toward retiring the Government stock, and we encouraged all of the Federal Home Loan Banks to voluntarily prepay the Government for the stocks they put in to retire that stock and, as a result, by the time I left, as I recall, all of the Government stock, the 132 million, had been repaid into the Treasury, either all or all except a minor part. I know that at least some of the banks had retired all their stock and a good strong program of reduction was on the way.

The Federal Government had also put up a hundred million dollars to start the Federal Savings and Loan Insurance Corporation and we succeeded in getting legislation through Congress which provided for the retirement of that stock, and by the time I left the Board over half of that stock had been paid back into the Treasury and a

[242]

good strong program for the retirement of all of it was under way.

We also directed our attention to the HOLC and the HOLC still had money invested in savings and loan associations, which were members of our bank system, and members of the insurance corporation. And the savings and loan associations, some of them, were not anxious to retire these loans because they thought it inspired more confidence on the part of the country if they could say that they had loans from the United States Treasury and--but we urged them and encouraged them in every way that we could to pay these loans back and we gradually got them paid back so that they were all paid back.

Then we looked at the portfolio of the HOLC, and as I recall, when I was appointed chairman they still had a hundred thousand loans on their books out of the one million a hundred thousand that they had originally made, and out

[243]

of the three million--more than three million-applications they'd received immediately. We first did some peripheral liquidating. We closed up the regional offices of the HOLC and consolidated their operations in New York where, incidentally, they really had one of the early forerunners of the computer. They had a device which recorded all of their loan payments and kept current records on each of their more than one hundred thousand mortgages. It was all done by automatic bookkeeping and I don't know that it would be any different than the records and reporting would be on a computer today. They were very advanced. They were recognized as one of the, as the most efficient mortgage servicing operation in the United States, the lowest cost. And this was done before we were in the picture so we can't claim the credit for this. It was a very well managed operation.

[244]

However, the manager of the HOLC thought that, as Mr. Fahey, my predecessor, did, savings and loan associations and other lending institutions in the post-World War II era were making loans that were too high, had too high expenses, were paying too high salaries, that we were going to have another depression, and needed to keep the HOLC organization. However, the Board members were of the opinion if we had a need for another HOLC in the future that it would be a lot better to start in with entirely new personnel, younger people, people who would be current, have current thinking and that we wouldn't be waterlogged with people who had an excellent reputation but were really still thinking in terms of the 1933 depression. So, we tried to diplomatically encourage them to work themselves out of a job and we told them that--we almost had to force them into doing it, but we insisted

[245]

that they liquidate the assets of the corporation. Before we did it we recognized that there might be some political repercussions because there were a lot of people who had 4-1/2, 5 percent loans from the Government and they felt confident that as long as they were in the Government's hands, these loans were made by the Government, that they need never worry about foreclosure or harsh treatment or anything of this kind. On the other hand, we felt that most of these loans were about twenty years old, the houses, a lot of them, needed substantial repairs and no refinancing could be done, rehabilitation, remodeling, as long as these loans were outstanding. We were selling the loans on a basis that the same interest rate would apply in the future that

applied, and the purchasers had to agree that they would only charge the same interest rate. But we recognized that some of the people,
[246]

some of the public, would probably complain to their Congressman and the Congressman would indulge in their favorite pastime of belaboring some of the agencies of the executive branch. So, before we did anything, Mr. Foley and I went over to the White House, told the President what we wanted to do, and he gave us his blessing, and we told him we couldn't do it until after we had clearance with the appropriate congressional committees. So, Mr. Foley and I went to the Senate Appropriations Committee, the House Appropriations Committee, and the Senate Banking and Currency Committee, and the House Banking and Currency Committee, and told the chairmen of each one of these. And I don't recall, I think that we discussed it with the chairman and he in turn probably discussed it with the staff and some of the top committee members, but in any event they
[247]

said it was perfectly all right to go ahead. We also talked to the Bureau of the Budget about it, the Treasury, we conferred with everybody in the Government that we thought might be interested, everybody in the executive branch as well as the legislative branch. And then we had them package up the mortgages for one state (I believe it was Pennsylvania), and we advertised them at public sale, we let all of the potential bidders come in and examine the records of the HOLC, and look at the mortgages, and they usually went out and looked at a sample of the properties that were secured by the mortgages. We gave ample time, we set a date six weeks ahead, maybe, when the bids would be received and we asked for bids, cash, for the Government. And we got bids for a premium, over and above the face amount of the mortgages, and we accepted the bid and went on to having sales in other states. And
[248]

there were one or two states where the portfolio was so large that we split up the state and took two or three sections of the state and advertised the mortgages.

The staff of HOLC did a magnificent job because there was a tremendous amount of clerical work involved in transferring these mortgages, but we were successful in getting bids of premiums on almost all the states. As I recall the only ones where we had to sell the mortgages at a substantial discount were in Puerto Rico and Maine, and overall we sold the entire portfolio at a premium, returned all the money to the United States Treasury, and paid off all the money that HQLC had borrowed, paid all their administrative expenses, and returned a profit of about thirteen million dollars to the Treasury. There are a couple of things I would like to comment on. One of them is that--I forget the total
[249]

amount of the portfolio, but say, I think it was on the order of two hundred million dollars.

HESS: Exactly.

DIVERS: Pretty good. And after we had advertised and sold the first--the mortgages in the first state--we received an offer from Philadelphia, I think it was a man named [Albert Monroe] Greenfield, who was the biggest real estate operator in the eastern part of the United States. He came to us and made an offer to take off--take the entire remaining portfolio at a, I believe, a premium of around one eighth of one percent. This was a fabulous offer, a fantastic offer, we told him we thought it a fair offer, but we didn't see how we could dispose of two hundred million dollars of Government property at a private sale and that we had already told the White House and the congressional committees that we were going to
[250]

sell at a public sale and that we would have to refuse his offer, but we would be happy to see him bid on the mortgages at any of these sales that were coming up and hoped he'd get them. I think that was a wise decision because the best way to do it was to sell it at public sale after advertising and so on.

There was never any question raised about any favoritism, any kick backs or anything of this kind in the whole operation. As a matter of fact, the whole question was never raised in connection with any members of our Board at the time that I was on the Federal Home Loan Bank Board.

We were not wealthy people, the Board members, all of us were people with modest circumstances. When I was appointed chairman, the salary was \$10,000 a year and I didn't even use a car as my--a Government car, as my prede-
[251]

cessor had and as my successors have. I rode the bus back and forth to work and didn't use a Government automobile for that purpose.

I didn't accept any favors from anybody in the savings and loan business.

HESS: Were they offered?

DIVERS: They were offered, and I would say that I would give the benefit of the doubt to the people who offered them. Some of them were things that they customarily distributed at Christmas time, and if it was a bottle of liquor or a ham or something like that, why, we took it and thanked them for it. If it was a piece of silver or a set of silver, something like that, we sent it back with our thanks.

We all followed the same policy. We turned down the trips to be their, guests on cruises or at Mardi Gras or things of this kind. We didn't
[252]

accept any gifts from individual associations, but where the trade associations came in at Christmas with a bottle or something, why, we usually accepted it and then gave them a bottle which made us even and under no obligation. So, we were never under--we never took anything where we'd be under any obligation.

In connection with the HOLC there is another interesting factor and that is this: When we took over, they had a warehouse over in Brooklyn that was filled with their files, and I forget, it was nine or ten stories, and they had guards, and they had telephones in all the file rooms and so on, and so forth. Part of the material that was filed there was the applications for loans which had been made in 1933 and 1934 and had been turned down, and this was twenty years later, and they said oh, they got inquiries about the title, and they
[253]

had abstracts of title in some of them, and sometimes the Congressmen inquired and so on and so forth. And we said we'd take the responsibility for telling them we destroyed the files. You bundle up all these files and get rid of them.

Well, these files were thick, and they immediately then disposed of three million files and they disposed of the--they sold the paper, which was then selling at a good price. They sold the filing cabinets which were also selling at a good price; they were able to get rid of the telephones in all these file rooms; they were able to get rid of the guards; they didn't have to pay rent; and it was a telescoping--it had a telescoping effect, so that the costs were being cut right and left. And then as the files were closed on the cases where we sold the mortgages, we turned over the files to the purchasers of
[254]

the mortgage so that they had the files. We got rid of all the files of the HOLC that way. We also closed up the regional offices. We cut the staff as the amount of work that they had to do was reduced, and at the end they had about, I think, about a hundred and thirty-five employees left out of the more than a thousand that they'd had a couple years before.

At that time I took it upon myself to establish a terminal leave policy for the Federal Government which they did not have, which Civil Service has never, would not approve of, because it was not in the legislation and they didn't want to go in and ask for legislation. And I told each one of the remaining employees of HOLC that they could take one week to look for a job, without reporting to the office, for each year that they had been with the .HOLC. Some of them had been there twenty years which
[255]

meant that they got twenty weeks to go out and look for another job if they wanted to, or if they were retiring they took twenty weeks and then took their retirement.

We helped people get located with other Government agencies and the largest number of employees went with a large mortgage company in New York who bought the New York mortgages. This company not only bought the mortgages at a premium, but also took over enough HOLC employees to service these mortgages and on their permanent staff, which was a good recommendation for the employees who were there that a private company would take them over at the same salaries or better. And, when it came down to a final analysis, I think there were only ten to thirteen employees who were either not relocated or retired, which was pretty good. And during the course of our

[256]

closing down the HOLC, a few of the New York Congressmen became concerned and got in touch with us and didn't want us to let certain employees go or give up a lease on a certain warehouse or something of this kind, and we were able to tell them because of our preliminary work that we had cleared this operation with the Bureau of the Budget, with the White House, with the congressional--appropriate congressional committees, that they told us to go ahead, we had reported to them regularly and so forth, so that we--there was--we forestalled any congressional complaints, investigations or anything of this kind, which all proved to us that we thought all along that by putting in more time, longer hours, to pave the way for something like this, why, it could be accomplished, it could be accomplished under existing law. There was no specific authorization by Congress

[257]

to do this, they didn't direct us to do it, we used our own judgment and we never got in trouble, even though in some cases we maybe even violated the law.

HESS: In what cases?

DIVERS: In some cases we violated the law by giving these people terminal leave for example. We had no authorization for it, but we took the responsibility for it. We thought it was an intelligent policy and we were willing to defend it if anybody raised any questions about it.

HESS: Did anyone ever give you any flareback on that?

DIVERS: Not that I know of. As a matter of fact, the Government subsequently adopted some policy like that.

HESS: We're about to run out of tape and it's ten minutes after 12, shall we shut it off?

[258]

DIVERS: Are we through?

HESS: No.

DIVERS: Do you think it will take another session?

HESS: I think so.

DIVERS: All right, yeah, I'd like to quit.

HESS: A11 right.

[259]

Sixth Oral History Interview with William K. Divers, Washington, D.C., April 16, 1970. By Jerry N. Hess, Harry S. Truman Library.

HESS: All right, to begin with this morning, sir, let's discuss the Long Beach case that you mentioned just after we turned the machine off the last time. What's the history of that case?

DIVERS: Well, I'll be glad to mention it because it was the most important piece of litigation during the seven years I was on the Federal Home Loan Bank Board, and it had a lot of ramifications. A man named Tom [Thomas A.] Gregory was manager of a savings and loan association in Long Beach, California, known as the Long Beach Federal. I believe at that time he may also have been a director of the Federal Home Loan Bank of Los Angeles. This would have been about 1945.

[260]

The president of the Los Angeles Home Loan Bank died. The Board of Directors at the Bank recommended a successor. The successor had to be approved by the Federal Home Loan Bank Board here in Washington, or by the Administrator of the Federal Home Loan Bank Board, since there was just a single administrator, John Fahey, and no three men or five men board at the time this happened. Mr. Fahey refused to approve the nominee of the directors, whose name I believe was Hurford.

A lot of political pressure was brought by the Californians on Mr. Fahey to approve Mr. Hurford. Mr. Fahey believed that Tom Gregory was using the Long Beach Federal Savings and Loan Association, and the funds of the Long Beach Federal, to conduct a lobbying campaign against Fahey here in Washington, and he took two steps. One of them was he put a conservator in charge of the Long Beach Federal Savings and

[261]

Loan Association, and he also consolidated the Federal Home Loan Bank of Los Angeles with the Federal Home Loan Bank of Portland into one large Federal Home Loan Bank in San Francisco.

Well, this action in turn disturbed some of the Senators and Congressmen in the Pacific Northwest, because they'd had their own Federal Home Loan Bank before that time and now they had one in San Francisco, but Mr. Fahey was able to withstand the pressures, and along about this time I was appointed to succeed Mr. Fahey as chairman of the Federal Home Loan Bank Board.

The Californians then began to bring their pressure on me and on the other members of--on the other member of our Board. You'll remember that there were only two of us at that time in 1947 and early--the first half of 1948.

Mr. J. Alston Adams, who was the other

[262]

member of the Board at that time, leaned in the direction of the desires of the Californians to have the Federal Home Loan Bank of Los Angeles re-established and to remove the conservator from the Long Beach Federal. I was influenced to some extent by Adams' opinion and also by

the opinion of Oscar Kreutz who was the head of the National League of Insured Savings associations and was a good friend of mine.

Incidentally, the United States Savings and Loan League also at this time was strongly in favor of rescinding the actions that John Fahey had taken so that all the calls I received from Congressmen, trade associations, so on and so forth, were all in favor of taking this action--of rescinding Fahey's action.

I looked into the merits of the case as thoroughly as I could. I spent a dozen nights
[263]

reading all of the transcript of testimony and all the hearings and the court cases up to that time. And finally decided that it would be best for everybody concerned if we would remove the conservator from the Long Beach Federal, but not re-establish the banks at this particular time. So, Adams and I had a meeting with Gregory and his attorney and with one of the California Congressmen who was particularly interested in this case. He was Congressman either in the district that Gregory was from or from the adjoining district. He was from Southern California and he . . .

HESS: What was his name?

DIVERS: Oh, well, I'll find it..* He may be still over there, I'll get out a Congressional Directory and find it for you, but--my secretary

* Chet Holifield
[264]

would probably know.

We told Gregory that we would remove the conservator if he would call a new election for the Board of Directors of the Long Beach Federal, which was a mutual institution, that he would send a notice out to all of the shareholders that they'd be entitled to put up their own candidates for Board--or their own nominees for Board of Directors, and that he, Tom Gregory, would not try to manipulate the election in any way so that he would be returned as manager of the association. We recognized that he might be returned as manager, but we wanted the shareholders to have an opportunity to select another man if they wanted to have a new Board of Directors.

We took our action, as we had promised Long Beach Federal, and within about forty-eight hours they began to break their promises. And
[265]

about a week later we put another conservator in after having removed it. He was only out for a week or ten days. Well, of course, each time a conservator is appointed for a financial institution there's a lot of publicity in the paper about it and it may even start a run so that-Fahey's action had started a run and there were pictures of hundreds of people standing in line waiting to get

their money out. When we put our conservator in there was no run because we explained to people that their accounts were insured by the Federal Savings and Loan Insurance Corporation. (This was done for the protection of the shareholders.) ~So, that there was no run even though Tom Gregory tried to start a run on his own institution by getting all of his friends to withdraw their money.

HESS: Why did he do that?
[266]

DIVERS: He wanted to get some evidence to show us, to show the congressional committees, and to show the courts, that the Federal Home Loan Bank Board was ruining his institution. i could spend a lot of days telling all about the details of this. At one time the--when one of--when a new Board member.-was appointed, the attorneys for the Long Beach Federal sued him, and the marshal for the Federal District Court when he served the papers on the new Board member had to get a hand truck to hold all of the documents that were being served on this one Board member.

The litigation was handled for the Board by the Attorney General of the United States. And, as I recall, most of my--well, man of my conversations were with Howard McGrath, and others were with Tom Clark.
[267]

HESS: Did they handle it in a skillful manner?

DIVERS: Yes, they handled it in a--with a high degree of legal expertise and they were understanding of the position of our Board. After all, I had only one thing in mind, and that was to do whatever was the best for the public and for the savings and loan business. I think their interests were both the same in this case, there was no conflict.

HESS: What was the final outcome?

DIVERS: But I was not--but, the action by the Congressmen who were interested in the congressional committees they were on--the name of the Congressman who was particularly interested was Chet Holifield from California. I still don't speak to him although my wife is a good friend of his wife.

HESS: What was his particular interest in this?
[268]

DIVERS: Well, all I can do is to say that I was suspicious.

HESS: Do you think he had a financial interest?

DIVERS: No, I wouldn't go that far, but I think that there were some very heavy donations to his campaign funds.

HESS: I see.

DIVERS: He had a . . .

HESS: By one Mr. Gregory?

DIVERS: Yeah. He had an administrative assistant who later became a lobbyist here in Washington, and I think there may have been some connection between this administrative assistant and Gregory.

HESS: What was the final outcome of that case?

[269]

DIVERS: Well, let me tell you one more thing about it.

HESS: A11 right.

DIVERS: John Fahey, my predecessor, spent several days briefing me on the Gregory case after I was appointed, and he had had the FBI looking into the matter, and also some other investigators who had been hired, and he told me of all sorts of ramifications. About Gregory buying control of newspapers and gold mines in Mexico and things of this kind. You want to--actually when he put--when Fahey put a conservator into this association he sent in a conservator with several dozen examiners who had been deputized to go in and put Federal seals on the vaults and on all of the tellersI cash drawers, and so on and so forth. This was a real take-over, so that there were a lot of hard feelings

[270]

between Fahey and Tom Gregory and also between Fahey and Congressman Holifield. I shared Fahey's views with reference to the Congressman, but I never had any personal animosity towards Tom Gregory. I mean I didn't like most of the things that he did, but it never aroused my emotions. I mean I was discouraged by the many impediments that he would put in the way of settling the case, but I was never emotionally involved about it.

HESS: In a book I looked at yesterday entitled The Federal Home Loan Bank Board, by Thomas B. Marvell, it states that Mr. Fahey thought that Gregory had hired private detectives to try to find out if there was anything unsavory about his past. Do you recall that?

DIVERS: Well, that's quite possible. That was not mentioned to me by Fahey, and I would say that it

[271]

was not the first time that members of the Board had been investigated by people who were doing business with the Board. After I left the Board I found out that I had been--that people who wanted things from the Board had investigated me on several occasions trying to find some shadow in my past that they might use to blackmail me to get a charter or to get a branch or something of this kind.

HESS: I trust they never found anything.

DIVERS: Well, no, not that I know of. I mean, at least I was never--nobody ever tried to blackmail me while I was on the Board.

You asked about what were--the outcome of the case was. I can't just summarize. I mean I'll have to tell you one other--tell you a little bit more about it.

Negotiations to settle the Long Beach Federal case were carried on for over a period
[272]

of a year and a half or two years and several times we thought that we had a firm settlement with Gregory, but there were--the conservator for the Long Beach Federal had borrowed a substantial amount of money from the Federal Home Loan Bank of San Francisco to pay withdrawals to people who were disturbed over the publicity about this financial institution. (This was before my time.) And as a result the Federal Home Loan Bank of San Francisco is holding a note of this Long Beach Federal for eight million dollars or something like this, and so they were parties to the litigation and were parties to any possible settlement.

Several times we thought that we had got the agreement of the San Francisco bank to settle on terms that we thought were just and equitable so far as the shareholders of the institution and the public were concerned.

[273]

And several times either Tom Gregory or the Federal Home Loan Bank of San Francisco would kick over the traces after we'd met.

I went out to the west coast--in the course of negotiation I suspect I went out at least once a month for a year and we usually met at Portland which was a neutral ground. The Attorney General's office would not let me go into California while this litigation was pending because they were afraid that I'd be served out there. They were not afraid of me being served in Washington, but they were afraid of me being served out there.

So, I stayed out of California, and with the exception of one secretive trip during the--I stayed out of California for three or four years as a result of this litigation.

HESS: Did that trip involve Tom Gregory?

[274]

DIVERS: Yeah. Yeah, I met with him and other Board members. It was during the negotiations. I mean we--and his attorney agreed not to try to serve me while I was out there.

But, this thing dragged on and on and on and I was really of the opinion that we never would get it settled as long as Tom Gregory or his lawyer were alive. And one of the actions taken by the Long Beach Federal, they sued me personally for thirty-two million dollars.

HESS: They must have thought you had an awful lot of money.

DIVERS: Well, I thanked them for the compliment, but to somebody who is--whose future lies in the financial field, it was not a very happy thought to have a suit for thirty-two million dollars pending against you. When I--oh, one
[275]

other thing I must mention is this that when I went before--when my term, my first term as chairman of the Bank Board expired, President Truman was good enough to nominate me for another four-year term, and his appointment was--my appointment was sent up to the Senate by him and a hearing was set before the Senate Banking and Currency Committee. And in the meantime, and prior to this, the--one of the House committees on oversight, or administration or something, of which Congressman [William L.] Dawson of Chicago was chairman, had been holding a series of hearings on the Long Beach Federal, during which time I was before the committee for a solid week testifying. Congressman Dawson usually was not there, but Congressman Holifield was there and acted as acting chairman of the committee and there was a lot of pulling and tugging because Holifield was--would go over the
[276]

conduct of the Bank Board with me, three or four times held go over the same grounds trying to find some discrepancy in my testimony, and so we finally made arrangements to get the Republicans to come to the hearings and it was really the Republican Congressmen who prevented Holifield and Dawson from making a mockery of justice with one of their congressional committees. I--there was a lot of pulling and tugging behind the scenes. The Congressman Holifield and the staff that he had hired, tried desperately to get out a report which would criticize the Bank Board and the chairman of the Bank Board for the actions that they had taken and the policies that they had adopted. We tried just as hard through our friends on the committee to avoid the issuance of such a report, and we were successful.

HESS: Who were your friends on the committee?
[277]

DIVERS: Well, two men, I don't remember their names. One of them was an elderly Congressman from Michigan who was a great fisherman. He was very well-known, he was known as kind of a watchdog of the public morals and the congressional morals, and he was very influential in the Congress part of this time and then it changed again. I don't remember his name. It was, I--well . . .

HESS: We can add their names later to the transcript.

DIVERS: Well, I'll think. And the other one was [William] Miller who was the vice-presidential candidate at the last election. Was it the last election, the one before . . .

HESS: '64.

DIVERS: '64. He ran with Barry Goldwater I guess.

HESS: Goldwater and Miller.
[278]

DIVERS: Yeah.

Miller was a former prosecuting attorney from upstate New York and so that--those were the two men who helped us. Now . . .

HESS: What attitude did Congressman Dawson take?

DIVERS: Congressman Dawson turned the thing over completely to Holifield and he was disinterested. He, in my opinion, he did not exercise the supervision that the chairman of a committee should have exercised over the operations of this committee. I think that actually that Holifield ran that committee and Dawson was just kind of a figurehead in the committee anyway.

HESS: Do you think Congressman Dawson understood the financial ramifications and the financial maneuvering?

DIVERS: He was a Chicago politician, I'll let you decide. But, anyway, this--no report was
[279]

issued--was ever issued by this committee although they conducted hearings for six months, something like that, which is very unusual.

HESS: What happened?

DIVERS: My nomination was before the Senate Banking and Currency Committee and Holifield was successful in getting about six or eight Democratic Congressmen from California to join him in appearing before the Senate Banking and Currency Committee and objecting to my confirmation by the Senate, which is also an unusual thing. I was rather naive, I didn't start any backfire against the actions by Holifield. I mean they were really by Gregory, but Holifield was acting for Gregory. But some of my friends who were not quite so naive went to work and, notwithstanding the opposition and the appearance before the committee of these Congressmen, these
[280]

Democratic Congressmen, I was confirmed unanimously, including the votes of the Senators from California, so that Holifield was given a good slap in the face by the Banking and Currency Committee of the Senate.

HESS: What happened to that thirty-two million dollar suit? Did they drop that?

DIVERS: The suit was not settled, the litigation was not settled by the time I left office. It was pending all the time, the seven years I was at the Bank Board, and was still pending when I left. Walter McAllister, St. succeeded me and the litigation was still pending when he left as chairman. Al [Albert J.] Robertson Succeeded Walter McAllister, and my recollection is that the litigation was still pending when he .left.

HESS: Was this a personal suit against you, or in
[281]

your position as chairman?

DIVERS: Both.

HESS: Both.

DIVERS: Both. So that it was still pending against me.

And Joe [Joseph] McMurray succeeded Robertson as chairman and he made a great effort to settle it, and thought he had it settled and--I wouldn't call it a settlement, I'd call it a give away. But anyway, it was--one of the conditions of the settlement was that this suit be withdrawn against me, and it was withdrawn, oh, ten, twelve years after it was started. So, that the--even though the papers were put in the court and the judge approved the settlement and everything, it was only thirty days later after this settlement that the litigation popped up again and I understand that it is still going
[282]

on today. Still haven't finally settled the case although it was started in 1945, that's twenty-five years ago.

HESS: Is Gregory still in charge of the savings and loan out there?

DIVERS: Gregory has passed away and his--I'm not sure whether his lawyer was--is still alive or not, but as I--I couldn't tell whether the lawyer was acting for Gregory or Gregory was acting for the lawyer lots of times. You want to remember that I think this lawyer at one time received a three hundred and fifty thousand dollar fee as partial compensation for his services, and that was a lot more money in those days than it is now, so that it was not a small matter. As a matter of fact, when J. Alston Adams was a member of the Board with me he used to say that he would raise his teenage son to be a lawyer and
[283]

have him assigned to the Long Beach Federal case so that he would be assured of a good living throughout his lifetime and . . .

HESS: Make a career out of it.

DIVERS: The funny part about it is that the boy did go to law school, took the California bar exam, and went into the law office of the law firm in San Francisco that was representing the Federal Home Loan Bank of San Francisco all through this and actually did go to work on this case and may still be working on it for all I know.

So, I think that about winds up the Long Beach Federal case, but it's a classic in litigation, I would say.

HESS: Yes, it sounds like it.

Well, you mentioned your presence before the Congress at the time of the hearings. Outside
[284]

of this, just roughly what percent of your time was given over to matters of--pertaining to congressional hearings, both the preparation for the hearing and for the actual appearance on the Hill? Was this an important part of your job?

DIVERS: Do you mean aside from the Long Beach Federal case?

HESS: Yes, aside from the Long Beach case.

DIVERS: No, I didn't spend a lot of time up there. Now, I did appear every year before the Senate and the House Appropriations Committees which all Federal administrators do not do. I mean, sometimes they send people from the staff to do this, but I wanted to present things way, and the only way that I could do that was by getting prepared and, going there. And this meant preparing yourself with all the details
[285]

so that you could answer any questions that the Senators had. But I liked to do it that way, and I always had very good relations with both the House and Senate Appropriations Committees.

HESS: Did you also deal closely with the Senate and House Banking and Currency Committees?

DIVERS: Yes, I did. Brent Spence was chairman of the

HESS: House.

DIVERS: . . . House Banking and Currency Committee and I used to meet with him. I was very fond of him I might add. I was a great admirer of his, and I thought he was a wonderful man and I used to take him a token gift at Christmas time. I'd go up, I'd call on him, and usually would take a bottle of Kentucky bourbon up to him, which was his favorite drink and was from
[286]

his native state. The . . .

HESS: Jesse P. Wolcott was the other man wasn't he?

DIVERS: Yeah, he was the ranking minority leader and was also the chairman of the committee.

HESS: In the 80th Congress.

DIVERS: In the 80th Congress.

HESS: What kind of a man was he?

DIVERS: He was a good politician. He was from a small town. He knew politics, he had been in Congress for a long time and--but I would say that his intentions were good and that he was-gave us fair treatment whenever we appeared. I don't know whether I told you of one incident. I may be repeating myself, but Brent Spence and Jesse Wolcott were sitting up on the dais at one of these hearings and I testified on a
[287]

piece of pending legislation, and at the end of it I stated, as was the custom, that the--I was authorized by the `Bureau of the Budget .to say that these views were in accordance with the views of the president of the United States andbecause of the Budget :Bureau always cleared any proposed legislation or testimony before legislative committees--they cleared it for the President. So, I made this statement and Jesse Wolcott, who was the ranking minority member at this particular time, leaned over and said to me, "Young man," he said, "you have testified that these are the views of the President of the United States. Now, do you mean to tell me that so and so and so and so are the views of the President of the United States?"

And I said, "Yes sir." I said, "That's his view."

He said, "Would you elaborate a little bit
[288]

about it?"

I said, "Surely, I'll be glad to." And I went on at great length to tell about how Mr. Truman was intensely interested in the economy, that he wanted to do everything that could be done through private enterprise without using public funds. Public funds were only to be used as a last resort, that he wanted all of the agencies of the Government to be cautious in their movements and to make their dollars stretch, to economize and so on and so forth. Of course, the newspapers were there taking all this down all the time, and finally Wolcott said, "Thank you." And shortly thereafter the committee adjourned their meeting and Wolcott leaned over and said, "Come up here." And so I went up and Brent Spence was standing there and Wolcott said to me, he said, "I just want you to know, Divers, that that's the damn
[289]

best Democratic political speech that I've heard in the last five years." He said, "I know .that you never talked to the President about :this." He said, "You were making it all up, but you've made it up so well that nobody'll ever deny it." And we had a lot of laughs.

Brent Spence had trouble with his eyes. He was almost blind in the later years of his service, but I'd go up with my bottle of bourbon and we might even have a drink together and he'd say to me, "Well, what do you want in the way of legislation this year?"

And I'd say, "Congressman, I've only, got one request to make. I don't want any legislation for us, I don't want any legislation against us. If you'll just leave us alone and let us do what we are

already authorized to do," I said, "I think we've, got all the authority, all the powers that we need."
[290]

And he'd say, "Gee, I wish that the rest of the Government agencies would take the same attitude."

HESS: Was that really a problem trying to get Congress to leave you alone?

DIVERS: Not Congress, but individual Congressmen. One of the great troubles we have at the present time is the voluminous legislation that's being passed by the present Congress, and immediate past Congresses. They complain about the increase in the cost of living and I suppose that Congress is probably more to blame for the increase in the cost of living than any other single factor. I'm not talking just about their increasing their own salary 40 percent or something--or 60 percent or whatever it was which psychologically was the worst thing that could ever have been done in order
[291]

to--at a time when they were concerned about inflation. As a matter of fact, I'm not--I don't think they're--as a body they're not concerned about inflation. They're not concerned about balancing the budget, and I'm not so sure that they are concerned about the future of the country frankly, as a body. I know that this--I'm not speaking about individuals, but I think they're--I think that they're just . . .

HESS: What makes you say that?

DIVERS: Well, I think that they are just temporizing it. They are thinking more of their own good than they are of the future welfare of this country. I'm not accusing them of being unpatriotic, I'm just accusing them of being dumb and thoughtless.

HESS: Shortsighted.

DIVERS: Shortsighted. But every piece of legislation
[292]

that they pass--for example, if they pass, as they did last year, they passed a bill which increased the Social Security payments that have to be made, by employer and employee. Now, this increase--this reduced the take-home pay of all employees in the United States that are subject to the Social Security system, which was another factor in demanding wage increases. They were successful in getting some wage increases, and of course, the portion of these wage increases that was attributable to the Social Security part, the employer had to find some way to pay that, and the only way he has in the final analysis, he can either absorb the price or he can increase the cost of his product and whichever he does it's going to be reflected in the--eventually in the cost of the product. Then, in addition to that, the employer had to increase their contribution to the Social Security fund, which meant an increase in the cost of production,
[293]

which meant an increase in their cost to the consumer.

Now, if you would take this--take as an example a mine, we'll say a coal mine, or a copper mine. The person--the company that owns the copper mine has to increase their Social Security costs, so does the--all their employees have to pay more into the fund. The cost of copper goes up. That copper has to be transported to the smelter. The cost of the trucker has gone up when this was done, the cost to the employees of the truckers had gone up so that their cost is added on. It's an acceleration of this cost all the way from the mine to the people that transport it to the smelter, to the smelters, to the wholesaler, to the distributor, to the people who make the wire, and so on all through the channels. Every time Congress takes an action like that they automatically
[294]

increase the cost of living by several percent.

Now, I'm not saying that this may not have been justified, but what I am saying is that I doubt very much that they're aware of the results of the action that they take. At least I've never seen anybody testifying to that effect or any committee report which indicated that they appreciated it. So that--these are the reasons I say that Congress maybe unintentionally is doing more to increase the cost of living than anybody--than any other factor I know of.

HESS: If there were times when you were seeking legislation, what method would you use to place your views before Congress? Congressional liaison.

DIVERS: Well, I was part of a team. You want to remember that the Housing and Home Finance Agency was overall supervisor. We were part of their
[295]

organization, and annually I would meet with--I mean I met with Ray Foley who was the administrator of HHFA. I would meet with him frequently. I mean I would see him at least every month and would be on the telephone to him several times a week, but the legislation was sent up in a package usually by the HHFA, and it included legislation that was sought by the constituents, including the Federal Public Housing Authority, the Fanny May [Federal National Mortgage Association], the Federal Housing Administration, the FHA, and the Federal Home Loan Bank Board, and many other--and the office of the administrator.

HESS: At this time was there someone on the staff in charge of congressional liaison, congressional matters?

DIVERS: Not in our office.
[296]

HESS: No, but I meant on the . . .

DIVERS: I never had anybody, I. did it myself. I took all the congressional calls myself.

HESS: Did you find that more successful?

DIVERS: Yes, I did. I mean I wanted to know what Congress thought about our operations; I wanted to know what their questions were, what their complaints were if they had any, and I not only took them, but I handled them myself.

HESS: Did you even take Mr. Holifield's calls?

DIVERS: Yes.

HESS: That was back when you two were speaking, is that right?

DIVERS: Yeah, that's right. I even remember going down to the office on Saturdays and having him come over with his constituents, spent several
[297]

hours at the office in an attempt to reach some settlement, some common ground.

HESS: Well, in the Senate the majority and minority leaders were Charles Tobey and Robert Wagner. Did you have any dealings with those gentlemen?

DIVERS: Not with Wagner. Tobey presided at the hearing when my nomination went before the Senate for my first term. I remember that, as was customary, Senator Tobey who was then about seventy-five, I guess, and I was forty, and the Senator looked over to me and said, "We're glad you're here Mr. Divers. The President sent your nomination up; we're holding this hearing to inquire into your qualifications. Tell us what you know about the Federal Home Loan Bank system, and the savings and loan business."

And I said, "Well, Senator," I said, "I
[298]

think I would be misrepresenting to this committee if I said I know anything about either one of these things." I said, "I would rather just say that I don't know anything about either one of them."

And he said, "This is very unusual."

And so then Senator Bricker, John Bricker, from my own state of Ohio, who was on the committee I believe, he came down and around behind my chair and put his arm over my shoulder and said, "Mr. Chairman," he said, "Senator Robert Taft and I want the committee to know that we endorse President Truman's nomination of Mr. Divers 100 percent and hope that the committee will confirm him." And that was that. There were no other questions. They did ask me--I guess they did ask me a little bit about my background, where I'd come from and where I'd--what I'd done.
[299]

HESS: Was your answer at that time factual?. I mean why did you give them that answer?

DIVERS: Well, I felt that my knowledge was so limited that I didn't want to pose as--I didn't want to pose as an expert in the field and if I had gone on at some length about what I knew for five minutes, then they would begin to ask me all sorts of detailed questions and I'd frankly had to say I didn't know the answers to them or try to bluff and . . .

HESS: That's a poor place to be bluffing, isn't it?

DIVERS: Oh boy, I would say that it is! So, I really felt that I was a novice, and under the circumstances, I thought the best thing to do was to admit it.

HESS: Senator Joseph McCarthy, who later came to
[300]

fame, was also on that committee. He was also on the Senate Banking and Currency Committee. Did you ever see him at any of the . . .

DIVERS: No, I don't remember his existence on the committee. It's quite possible that he was there. Really, after Tobey there was a gentleman from South Carolina who was chairman of the Senate Banking and Currency Committee. Do you remember his name?*

HESS: No, I don't. I've just--I've written down . . .

DIVERS: Well, he was--of course, he was prominent, being the chairman of the Senate Banking and Currency Committee. And I remember one incident when our Federal Home Loan--our Bank Board proposed a change in the regulations and this change was contested vigorously by the American Bankers' Association. And the American Bankers' Association went to the chairman of the

* Senator Burnett Maybank of South Carolina.
[301]

Senate Banking and Currency Committee, Maybank, and he made a public statement to the effect that this regulation would never go into effect and that he'd see that it didn't. So, we were in touch with him and with his staff, and O.K. LaRoque who was then a member of the Federal Home Loan Bank Board, was from North Carolina, he went over to see the Senator and the Senator told him that--told LaRoque, "Now I promised that this will not go into effect and I don't want it to go into effect. So," he said, "I've promised the American Bankers' Association that I won't let this go into effect and I don't want it to go into effect with any affirmative action from me." But he said that, "I know you people want it, you need it," and he said, "what will we do?" So, O.K. LaRoque suggested to him that I tell the other Board members I was going to vote for this, and then they'd say that they'd vote
[302]

for it. And then I would disappear and leave LaRoque in charge of the Board (he was the vice-chairman), and I would be incommunicado, and the chairman could always blame it on my absence.

So, I went out to Colorado and went up in the mountains and spent ten days out there with my wife and my daughters, and every day I'd get the mail and the American Banker. American Banker is a newspaper, a daily newspaper, and the Washington papers and the New York Times and so on and so forth would be saying that the Board had acted contrary to the wishes of the Senate and Senator Maybank.

HESS: What was that provision? Do you know?

DIVERS: Oh, I remember now. It was a provision for a new charter for Federal savings and loan associations and it was the first time that they were authorized by the charter to use
[303]

certain terminology including "withdrawals." Prior to that the Federal charter--the charter for Federal savings and loan associations calls the savings account a "purchase of shares" and when you went to withdraw any money, technically, you re-purchase shares in this mutual Federal savings and loan association and this was very awkward terminology, but the bankers always insisted that we use it in all of our advertising, and as a result there was not as much advertising as there would have been.

HESS: And what there was wasn't clear.

DIVERS: And the savings and loan associations didn't grow, so that when this new charter was adopted a forward step was taken and they could use the terminology "savings account" which they couldn't use before, "withdrawal" which they couldn't use before, and I guess they still use "payment."
[304]

We didn't go so far as calling it a "deposit." Now, fifteen years later, the present Bank Board has authorized the use of the term "deposit."

HESS: Which of the men on the Hill did you think was the most financially knowledgeable? Brent Spence, and Wolcott, and Charles Tobey, anyone else that you dealt with up there, who seemed to know the most about housing, finance, home finance?

DIVERS: John Sparkman. I think John Sparkman--well, John Sparkman and Robert Taft. Taft was knowledgeable about anything that had to do with financing, money, finance. And the Federal agencies were primarily in the business of either making loans, for building houses, making loans for other people to build houses, or making loans to financial institutions that would re-lend the money, or guaranteeing
[305]

mortgages, or insuring mortgages, and I'd say that those two men--you see I didn't know Wagner, and Wagner's interest was primarily in the field of public housing which didn't take any

knowledge really of finance. All you had to do was to know how to get an appropriation bill through. And so those two, they were both Senators. And in the House, Spence and Wolcott-I mean they were both knowledgeable, they both worked well together, they were the closest friends, and even though one was the top Democrat and the other was the top Republican on the committee, and they switched positions several times, they kept the same staff, and they were close friends, and I guess that's the way--that's a great way for government to work.

HESS: All right. Shall we move on to another subject: The events of 1948? And in your scrapbook I found a certificate for sustaining membership in the
[306]

Truman-Barkley Club. What do you recall about the political events in 1948?

DIVERS: Well, let me say that I--I'd been a member of the Duckworth Democratic Club down in Cincinnati from 1928 on. I mean from the time I graduated from the University of Cincinnati, and I had made contributions to Al Smith's campaign. I had worked for Al Smith in 1928. I'd worked for Charlie Sawyer, who was a Democratic candidate for congress in 1930. He was unsuccessful, I might add, but later on he was our ambassador to Belgium and the Secretary of Commerce. I looked on him as my political godfather.

HESS: Now, he's from Cincinnati, is that right?

DIVERS: Cincinnati.

HESS: And did you know him when he was . . .
[307]

DIVERS: Oh, yeah, I knew him down there and I worked-and I worked a campaign for him.

HESS: Tell me about your early association with Charles Sawyer.

DIVERS: Well, he was a lawyer there in town and he was a member of a very prominent law firm and the law firm represented Proctor and Gamble. Charles Sawyer married one of Gamble's daughters, and as a result, he had no financial worries. But, he was not the kind of fellow to sit back on his laurels. He was very ambitious, very energetic, a wonderful man really. And he decided he wanted to run for Congress in 1930 and I tried to help with his campaign. I made several speaking engagements for him and tried to help out, both at the university and in some of the small towns in the western part of the county.
[308]

Sawyer was not--Sawyer only lost by about twenty-five votes out of a couple hundred thousand and I think that all of us who had worked for him, felt personally responsible because we felt that if we had worked just a little harder, given up a few more nights during the week, during the campaign, that we could have overcome that margin and he would have been successful. If he'd been successful I probably would have come to Washington with him, but I was crushed when

he lost by twenty-five votes and I expressed my sorrow to him and dropped out of touch with him.

And in 1932 the first Democratic prosecuting attorney for Hamilton County Ohio was elected, Bob [Robert Nestor] Gorman, who later was on the Supreme Court of Ohio, then--and this was the depth of the depression. It wasn't '32, it was '30, 1930. I guess it was the same time that [309]

Sawyer ran and was defeated, that Gorman ran and was successful. If Sawyer had been elected I would have asked him for a job probably, but since he was defeated it didn't occur to me to go to him. But Gorman called me one day and asked me to come up and I went up and he said, "How would you like to be assistant prosecuting attorney?"

I said, "I'd be delighted." I said, "I can't--I can hardly pay my office expenses at the present time and any paycheck would be welcome."

So, he made me one of his assistants and several years later I found out that Charlie Sawyer was responsible, that he had called Gorman and asked him to give me a job. Gorman had agreed. I mention this because it is typical of the kind of man that Sawyer was. In other words, a [310]

lot of people would have called me up and said, "Look, I got you this job and I want you to..." that some day you may have to do something for me. But Sawyer never mentioned it to me and I found out through other people. As a matter of fact, I suspect he tried to keep it quiet.

But I was active in the Democrats. I was with the Federal Government, an employee of the Federal Government from '33 on, so that my activities were circumscribed to a certain extent, but I did--I was able to raise money, and I tried to raise it from the staff and from people who did business with us. I did it openly and used to ask them, and they knew they weren't getting any favors, but a lot of people it didn't occur to them and all they needed was a reminder. I expect there might be a lot of fuss now if you did that. It might even be illegal. But I think that if you go about it in the right way . . . [311]

HESS: Was that before the passage of the Hatch Act?

DIVERS: I guess it was. The Hatch Act must have passed around 1940--yeah. But anyway, there are different ways of doing this and I think that if you're open and aboveboard, don't try to hide it or masquerade it, or try to get somebody to pay money to somebody else to give to you for political contributions or something of that kind, that you don't run into problems and nobody ever raised any question about the propriety of it. I didn't raise a lot of money; but I raised it every year.

I know that when--when they had the annual Democratic dinners, Jefferson Day dinners here in Washington when I was here, at the Federal Home Loan Bank Board we always had several tables, and we were considered then as a relatively small organization, and I think we had more tables than some of them. I know that

[312]

we had more than some of the Cabinet officers brought down to the meeting.

HESS: During the time that you were chairman of the Federal Home Loan Bank Board and Mr. Sawyer was Secretary of Commerce, did you have any working relationships during those years?

DIVERS: No. No, we used to see each other at some Government functions and at some Democratic functions, but that was about the extent of it. When I was with the Federal Emergency Administration of Public Works, the PWA, Charlie Sawyer was Chairman of the Board of Education in Glendale, Ohio, a suburb of Cincinnati where he lived, and we did have several contacts and conversations about pending applications for grants for construction of school buildings in his school district and things of that kind. But then I didn't hear anything from him until

[313]

he came to Washington and I called on him several times when he was Secretary of Commerce, but we never had any business.

HESS: As you know, he has recently written a book, Concerns of a Conservative Democrat, would you classify him as a conservative as opposed to liberal?

DIVERS: I didn't even know he had written a book. If I knew he had written a book I would have bought a copy and read it.

HESS: It came out last year or something like that.

DIVERS: I'll have to get one.

HESS: Concerns of a Conservative Democrat.

Were you surprised when Mr. Truman won the election in 1948?

DIVERS: Not very. I travelled a lot and I went out,

[314]

particularly to the Midwest, and I covered the region from--pretty well from Washington west to Denver, which is--and south maybe to Tennessee and Missouri. And everywhere I went I found a lot of people who admired President Truman. They were not noisy people, they were the silent majority as it turned out.

HESS: Not Mr. [Spiro] Agnew's silent majority though.

DIVERS: I'm not sure. They may be the same people. But I really thought that he would win. Of course, I was hoping he would win, but I really thought he might surprise them all and I so

advised my father-in-law and my father-in-law won quite a bit of money on the election, because he was able to get some fantastic odds from people who believed the newspapers and the radio.

HESS: Did you go to the convention that year in
[315]

Philadelphia?

DIVERS: No, I don't think I did. I think that--I forget how many--I only went to a couple of them. I remember the one in '32 where Roosevelt was nominated out in Chicago, but from the years from '33 on when I was with the Federal Government and not in a top position, my bosses would be going to the convention, and I didn't go.

HESS: In the President's Mid-Year Economic Report of 1949, the following phrase appeared, "A moderate downward trend characterized most phases of economic activity in the first half of 1949." Now, I believe that is one of the first official indications of the minor recession that began to appear in 1949. Do you recall anything in particular about that recession of 1949?
[316]

DIVERS: No, I don't. The--it was minor. It was a readjustment. The savings and loan business was experiencing a very good year and there may have been a minor recession, but our business was booming so that we were not particularly concerned about it. It did not--my only recollection is that there was a very small rise in the percentage of delinquent loans and you--ordinarily from year to year out of the entire portfolio you may have 1 percent delinquent and there may have been an increase to 1.3 percent or something of this kind, but it was a minor fraction, and that's the only recollection that I have and it was--and most of the savings and loan associations extended the term of the mortgage and when these people got back to work, why, they paid up what they owed and the delinquencies were reduced.

HESS: And on June the 27th, 1950 the President
[317]

signed, and he used a pen that I--it's on the wall right behind me here. It's framed, hung on your office wall, he signed the Federal Home Loan Bank Act, "An act to amend the Federal Home Loan Bank Act, as amended, and title IV of the National Housing Act, as amended, and for other purposes." What do you recall about that particular piece of legislation, since you have a pen on your wall?

DIVERS: Well, that piece of legislation did several things. One of them was that it increased the insurance of accounts from \$5,000 to \$10,000. And as a matter of fact, we had \$10,000 coverage for several months that the banks didn't have. And as a result we got quite a bit of savings out of their . . .

HESS: I don't suppose the bankers liked that, did they?
[318]

DIVERS: No.

The second thing that that bill did was that it authorized the Treasury to purchase up to one billion dollars of the notes of the Federal Home Loan Bank system. That was the first time that the savings and loan business had had direct access to the Treasury of the United States, and although we had no intention to use this authority and have never used it, we wanted it for standby in the event of an emergency. If our marketable obligations we couldn't market, or the Treasury didn't want us to go out on the market, why, they could buy these obligations.

And another thing it did was that it authorized an amount of money, I'm not sure what it was, but I think it was a billion two hundred and fifty million of support for the Federal Savings and Loan Insurance Corporation in the event of an emergency. It authorized the
[319]

Treasury to buy that many obligations, so that these provisions were known as Treasury Support. As far as the Bank system, the savings--and we thought it was a very fine piece of legislation at that time and . . .

HESS: Did you have to work to get it through?

DIVERS: . . . true to our--true to our predictions, it never had to be used. But it's there.

HESS: Did you have to put out any special effort to get that passed? Do you recall?

DIVERS: No particular effort. The banks opposed it, the commercial banks. The American Banking Association opposed it, but . . .

HESS: Isn't that an awfully strong lobby to be opposing it?

DIVERS: No. No, I never found any trouble up there
[320]

on the Hill. We usually got what we wanted even though they opposed it. I frankly don't think that they're nearly as effective as they are supposed to be, but we never noticed them really. I'm still trying to think of the name of that Senator from South Carolina, three syllables. It wasn't Satterfield or such, but it was . . .

HESS: I should have written it down.

DIVERS: He was quite a guy.

HESS: We can look it up.

DIVERS: Yeah.

HESS: We're about to end the reel of tape here.

DIVERS: A11 right, well, let's stop.
[321]

HESS: We'll stop.

DIVERS: Let's stop, it's 12:14 and I've got a date with somebody from New York at 12:30, so . .
.
[322]

Seventh Oral History Interview with William K. Divers, Washington, D.C., April 21, 1970. By Jerry N. Hess, Harry S. Truman Library.

HESS: All right, to begin today sir, in one of your scrapbooks I found a reference to a letter you wrote to J. Howard McGrath on April 11, 1952 concerning his resignation and I'll quote: "I am disappointed that you are no longer Attorney General of the United States, but I admire you for having the courage of your convictions." And the scrapbook also contains Mr. McGrath's note of thanks in reply to you dated May 1st. What do you recall about the events surrounding the resignation of J. Howard McGrath?

DIVERS: Oh, I think there was some difference of opinion between him and other members of the Cabinet. I don't remember really what the situation was, do you?

HESS: Well, it was the questionnaire by Newbold
[323]

Morris. Newbold Morris had been called down from New York City and had been given, or worked up, a questionnaire on financial matters of a good many members in the Government and they were going to send the questionnaire around and various people in Government did not like that. Do you recall that, Newbold Morris?

DIVERS: Yeah, I recall something about it. I wasn't familiar with the details because Raymond Foley, who was then at the Housing and Home Finance Agency, was very strict about any outside interests of anybody in his organization. He didn't believe in accepting gifts from anyone, or free trips, or . . .

HESS: Hotel bills or anything like that.

DIVERS: . . . family accommodations at the Eden Roc for year after year like Senator [Birch] Bayh had just admitted he accepted. So, we weren't
[324]

particularly interested in this situation. I do think that with such things, that it's better to make them prospective rather than retroactive, and I had the impression that that was Howard McGrath's principal objection to it. In other words, that he thought that after men had been appointed by the president, qualified and possibly confirmed by the Senate, and had been

performing for several years, that it was out of order to bring somebody in from the outside to probe into their past almost. And I doubt whether Morris' questionnaire, if it was used, ever accomplished anything. I don't recall any scandals in the Truman administration, there were a couple of little things that were blown up out of all proportion, but, generally speaking, I think it was one of the most honest and conscientious administrations in our national history.

HESS: We mentioned in our last interview that you worked
[325]

with J. Howard McGrath in connection with the Long Beach case. Were there other occasions--were there many occasions when you worked with the Attorney General?

DIVERS: No. No, it was primarily confined to litigation like the Long Beach case. That was the principal one I remember, but we did have conferences from time to time. For example, establishing policies with reference to the actions that the Federal Home Loan Bank Board would take when our examiners might find evidence of violation of Federal law, but some of my predecessors had taken it upon themselves to have the staff evaluate the evidence and decide whether or not it should be sent over to the Attorney General. On the other hand, I thought that that was the Attorney General's responsibility and his--and he was more expert in the field. And our Board, at my request adopted a policy
[326]

of sending all evidence of violation of Federal law over to the Attorney General and let him decide whether there should be a prosecution or not.

HESS: Now, J. Howard McGrath had been Chairman of the Democratic National Committee in 1948 at the time that he was a Senator from Rhode Island. Do you recall anything in particular about him or were you particularly acquainted with him at this time?

DIVERS: No, I was not closely acquainted with him, but I did know him, because his brother Russell McGrath, was then and is now, a managing officer of a savings and loan association, a Federal savings and loan association in Rhode Island. As a matter of fact, I'm not sure but what I believe Howard McGrath was the managing officer of that association before he became Senator.
[327]

And, in any event, Howard McGrath was--came to savings and loan meetings with his brother Russell, and it was there that I met them and their wives, and I really have been closer to Russell McGrath than I have to Howard although Howard did have a home up near Woodrow Wilson High School here in the District which was just a few blocks from where we lived.

HESS: And also in your scrapbooks I found an invitation to you to attend a reception at the White House on May 19th, 1952. Would you recall if you went to that particular reception? Why I ask, this is not too long after Mx. Truman had said at the Jefferson-Jackson Day dinner, that he was not going to run for--that was on March 29th and this was at a period of time that they were having a little difficulty getting someone firmed up for the Democratic nomination. Do you recall if you went that time?

[328]

DIVERS: Well, if I had an invitation I'm sure I went.

HESS: Do you recall the President saying anything about the difficulty they were having getting someone to run for the Democratic nomination?

DIVERS: No, I don't.

HESS: Were you present at the Jefferson-Jackson Day dinner at the National Guard Armory that night when he announced that he was not going to be a candidate for re-election in '52?

DIVERS: I certainly was. My wife and I were there and we had--I'd made arrangements for a substantial number of people . . .

HESS: Your usual large group.

DIVERS: Yeah, And when Mr. Truman made his
[329]

announcement, there was a pause, a shock. I mean you could just feel the shock going through the crowd and then there were spontaneous cries of, "No! No! No!" all over the auditorium and then there was a buzz of people that I doubt whether they heard the rest of what he had to say almost. It was a memorable evening. I recognize the reasons why he didn't want to run. I think that the principal reason was Mrs. Truman, but I still feel that he would have made an excellent President for another four years.

HESS: After his announcement that he did not intend to run, who do you think would be a strong, or the strongest candidate that the Democrats could put up that year? Do you recall?

DIVERS: I suppose Adlai Stevenson.

HESS: What did you know about Adlai Stevenson at
[330]

that time?

DIVERS: Very little. I wasn't even acquainted with him.

HESS: What was your opinion of Mr. Stevenson after you became more familiar with his background?

DIVERS: Oh, I thought he had a nice personality, and I think that he probably would have made a better than average President. He leaned a little bit more toward the intellectual side than President Truman did, but I guess that the "intelligentsia" should be represented once in a while.

HESS: Were you present at any time that he spoke during the campaign? Did you go to the convention?

DIVERS: No, I didn't go to the convention, but--no, I don't--well, I'm sure that I attended affairs [331]

where he was present, but I don't remember what they were.

HESS: Do you have any other recollections of the campaign of 1952?

DIVERS: No, I don't. I don't have much recollection of that campaign. My only recollection (I don't think I've said this before in our discussions), my only recollection was after the campaign. Well, in the first place, after Mr.--I know I told you about taking my family over to the White House, my daughters, that was after Mr. Truman announced that he was not going to run again, because he had all the cares of the world on his shoulders prior to the day that he announced that he was not going to run. After he announced he was not going to run I didn't feel that I would be imposing on him if I took some of his time, otherwise it was my--I made an effort to relieve him of as much as I could, not bother him. [332]

HESS: Do you think he appeared--did he appear more relaxed after his announcement, when you saw him?

DIVERS: Yes, I think he did. I think that he was beginning to feel the weight go off of his shoulders.

I started to tell you about after the election, and when President Truman was leaving the White House and going back to Missouri. He went on the B&O Railroad, went through Silver Spring, and John Carroll, Senator John Carroll and his wife Dorothy from Colorado were on the same train. I mean the Trumans knew they were there. I mean they were--and I don't recall any big delegation accompanying the President out there. I mean that I think that it was rather limited. But Senator Carroll knew of my admiration for President Truman, so I took my wife and daughters out to Silver Spring at the [333]

B&O station, and when the train stopped there, why Senator Carroll had President Truman wave to me out the window. He tried to get him to the platform, but he didn't have time. So, we got to say good-by.

HESS: In your scrapbook, I've found an invitation from Stephen Mitchell who was Chairman of the Democratic National Committee, for you to attend the meeting at the Mayflower Hotel on election night in 1952. Do you recall if you went there?

DIVERS: No. No, I didn't. I didn't go, I'm sure that invitations were sent out to all of the substantial contributors, probably, and I probably went to bed early that night.

HESS: Were you surprised that General Eisenhower won or not?
[334]

DIVERS: I was surprised that he won by as big a margin as he did, yes. I thought he probably would win, but I didn't think he'd win the way he did.

HESS: What do you recall about the transition from the Truman administration to the Eisenhower administration and how did that affect you?

DIVERS: Well, when General--when President Eisenhower was elected I recognized that there would be some changes in the executive branch of the Government.

HESS: Did you think that you would be replaced as Chairman?

DIVERS: I assumed that I would be and I sent word, I don't know whether I wrote or sent word through one of the presidential assistants, that my resignation would be in the President's
[335]

hand any time that he requested it. My resignation as a member of the Board, because the new President had the power to designate any member of our three-man Board as Chairman if he wished without any resignations from me as Chairman. So, a man named Jack Martin, who had been Senator Taft's assistant (that's I. Jack Martin), who was later appointed to one of the Courts by President Eisenhower, Martin was one of the presidential assistants and I told him to tell Sherman Adams or whoever was the appropriate person, that as far as I was concerned, I wanted to cooperate with them in making the change.

HESS: Did you have any dealings at all at this time with Sherman Adams in person, other than this?

DIVERS: Yes, in the spring of 1953, the rumor factory had it that Walter W. McAllister, Sr.
[336]

of San Antonio, Texas had been selected to succeed me. Some question had been raised either formally or informally about his continuation of his relationship with the San Antonio Savings and Loan Association while he would be acting as Chairman of the Federal Home Loan Bank Board. Some people at the White House apparently thought that he should terminate his association completely. Others thought it would be proper for him to take a leave of absence, in effect, but hold on to his position at his association so that he could return to it.

HESS: Which course did he follow?

DIVERS: So far as I know, they finally decided to permit him to retain his position with his savings and loan association, and I must say, from the time I operated with him, that it
[337]

had no influence on his activities or his decisions at all. I mean that he was just as-he was completely honest and aboveboard in all of his decisions and took just as many of them that were probably opposed by the trade associations and were contrary to his former position as a manager of any institution, he took just as many of those as he did in favor. But the period during which McAllister was being considered was unusually long because of this question that had been raised, and it was several months after he was selected by the White House and the rumors were going around, before his name was actually sent up to the Senate.

In the meantime, the members of the Federal Savings and Loan Advisory Council came to Washington for a meeting, and Walter McAllister had made arrangements for them to meet President Eisenhower with him. He was going to introduce
[338]

them, and the White House decided that in view of the fact that this question was still unresolved about whether they would send his name up, they didn't want him to be present at the White House for this meeting with the Advisory Council. So, I had to introduce all of the members of the Federal Savings and Loan Advisory Council to President Eisenhower. And Sherman Adams was present when I took the members of the Advisory Council over and I remember saying to him, "I'm Bill Divers."

And he said, "You don't have to tell me who you are," or something like this.

HESS: He knew who you were?

DIVERS: Yes, I think that he was quite aware of it. Actually I represented the Eisenhower administration on four or five interagency committees. Shortly after President Eisenhower took office they appointed a number of interagency committees
[339]

in order to consider policies, consider possible changes. I'm not sure but what it seems to me that, no I guess that the Hoover report was later, but they--I was representing the Federal Home Loan Bank Board on several committees that were--on which the Treasury, the Federal Reserve, the Council of Economic Advisers, and the Controller General and so on were represented, and this was one of the reasons why that I thought that I should resign as a member of the Board. I was concerned that if any information got out that should have been kept confidential and might be important in terms of the Federal Reserve Board policies for example, or policies of the Treasury, that people would look to me and say, "Well, there's the place where it leaked," whether or not I had anything to do with it. And it was also for this reason that I thought that any President coming in should have his own man
[340]

in a position like this. So, I stayed on at the Board, with McAllister, long enough to acquaint him as well as I could with the staff and the policies, the procedures of the Board, the relations with the other agencies, and as soon as a second Republican member was appointed to the Board, why, I began to make arrangements to get off.

HESS: Now, Mr. [J. Alston] Adams was a Republican, was that correct?

DIVERS: That's right.

HESS: Why wasn't he selected to be Chairman? Any particular reason?

DIVERS: I think that--well, there were several reasons. I mean that I think the principal one probably was that he had been appointed by a Democrat and no person who has ever
[341]

been appointed by Truman would be acceptable as Chairman of the--one of the agencies. I think that a second consideration may have been that he was--had a mercurial temper, and people knew it. A third factor is that I think that there was a lot of pressure to replace anybody who had had connections with the Long Beach Federal case because the Long Beach Federal was still hoping that they would find somebody that would agree to some spectacular financial settlement of their litigation. And I might add that during the time that McAllister was Chairman, he took the same position that I had taken while I was Chairman with reference to the Long Beach Federal litigation, and although he pledged that he would look into it carefully, and he did, and he pledged that he would try to reach a settlement, and he tried, he wasn't able to make any progress any more than I could,
[342]

because it takes two people to negotiate and when one's adamant and just wants everything, why, it's impossible to do anything, especially when you feel that they're not entitled to anything.

HESS: The Republicans are generally regarded as being somewhat more conservative than the Democrats. After they came in in '53 were there any conservative policies instituted that affected the Federal Home Loan Bank Board?

DIVERS: No, the only thing that I could see is that I was criticized by my successor for only one thing; he said that I did not have a large enough staff. And the conservative Republican, during the course of the next two years, doubled the staff that the liberal Democrat had had before that.

HESS: Built a little bureaucracy there.
[343]

DIVERS: Well, I think he was probably sold a bill of goods by the staff.

HESS: Oh! Did you have any dealings with the Secretary of the Treasury, Mr. [George M.] Humphrey?

DIVERS: No. No.

HESS: Had you had very many dealings with Mr. Truman's Secretary of the Treasury, John Snyder?

DIVERS: No, not many. We usually did business in connection with our financing with assistant secretaries who were specialists in the financial field. I saw Snyder on some occasions, usually social occasions, both before and after Mr. Truman was in office.

HESS: Now, what was your evaluation of his financial knowledge?
[344]

DIVERS: John Snyder?

HESS: Yes.

DIVERS: Well, I didn't have any--I didn't have any facts on which I could base an opinion. If I had to guess, I would have guessed that he didn't know much about it.

HESS: Why would you make that guess?

DIVERS: Well, from the indications that he pretty much let people on the staff handle all the work and didn't seem to be involved in the decisionmaking process, and I just assumed that he was a real smart man who knew how much that he didn't know about it, and let the professionals take care of it and not interfere with it.

HESS: How would you evaluate the success of the Federal Home Loan Bank Board in terms of its role as a link
[345]

between Government and private business?

DIVERS: Well, I would--I think that it's--it has been very successful in this capacity. You must remember that my predecessor, John Fahey, was doing business as a strong government which had been called upon to revive a dying private business, during the depths of the 1932 and '33 depression, so that people who came from private business into the Federal Government had an attitude that there had to be a lot of changes made, and that the Government should insist on these changes, and the Government made financial assistance available through the Federal Home Loan Bank system on a rather autocratic basis.

By the time I took office, business had resumed part of its respectability and I think that Mr. Truman encouraged this strongly.

I always felt that the--and I made some speeches, especially in Texas, to the effect
- 346 -

that the savings and loan associations were one of the finest examples of small business in existence, because at that time there was no one association that owned--that had over 1 percent of the business, whereas in the steel field, in the automobile field, in other fields that I could--that are too numerous to mention, there would be only four or five companies in the business, whereas here we had six thousand savings and loan associations, none of them large enough to

control 1 percent of the assets of the business, so that I felt that we were encouraging a very fine example of private enterprise, small business, and I did everything that I could to unshackle them. And I think it was shown by the fact that the growth between 1947 and 1954, when I got off the Board was very . . .

HESS: This is in the Fact Book?
[347]

DIVERS: Yeah, was great. Just a minute and I'll find the figures for you.

HESS: All right.

DIVERS: At the end of 1947 when I was appointed Chairman of the Bank Board, the assets of all of the savings and loan associations in the United States were 9.8 billion dollars and at the end of 1954, just seven years later when I left the Board, the assets were 27.3 billion dollars, so that there was a 200 percent growth over a period of seven years, which is about the best performance that the savings and loan business has ever had. Last year they grew about 5 percent.

HESS: One of the men who came on the Board in 1953 was Kenneth G. Heisler. Who was he? What had been his background?
[348]

DIVERS: He was General Counsel of the Federal Home Loan Bank Board at that time. And prior to that he had been on the staff of the Bank Board since the early thirties. He was from Washington State and he had been educated at Harvard. He was--he had a farm up here around Point-of-Rocks, which he sold part of recently for a million dollars cash.

HESS: Oh, boy, some farm! I suppose they are going to build houses on that. Is that right?

DIVERS: Yeah. He saved enough land for the shopping center.

But he had been General Counsel, and without any reflection on him, when there was a vacancy that was caused by the resignation of O.K. LaRoque, we began to look for a replacement, and frankly, we didn't look to the staff. We tried to get Fred Greene who was then president of
[349]

the Federal Home Loan Bank of Des Moines, and his district included the State of Missouri, and who was a long-time friend and admirer of President Truman. The Federal Home Loan--the Des Moines Bank district also contained the Farm and Home Savings Association in Nevada, Missouri for which Mr. Truman used to be a salesman. But Bob Richardson was, I guess in his early sixties at the time and didn't want to make the move to Washington, and Fred Greene was--his wife had a terminal case of cancer at the time and we could understand why he didn't want to come. And I think that we sounded out a couple other people and some of them were satisfied that Mr. Truman was going to be succeeded by a Republican and didn't want to make the move for a short time.

So, after making several other selections, why, we looked around and found a gold nugget in our back yard and Mr. Heisler was nominated;
[350]

had general support from the savings and loan business, and from his own state, and took office and served until after President Eisenhower's election, at which time he resigned to become the executive vice-president of the National Savings and Loan League. And it was along about the same time when Mr. Adams resigned to become president of the Federal Home Loan Bank at San Francisco, and I was left to conduct Board meetings with myself until Walter McAllister was appointed, and then there were only two of us on the Board for some time until the next Republican Board member was . . .

HESS: Ira Dixon?

DIVERS: Ira Dixon, who had formerly been a clerk in the Senate Banking and Currency Committee and was a protege~ of Senator [Homer E.] Capehart of Indiana.
[351]

HESS: He came in in 1954. Do you recall what part of the year it was, how long you worked with Mr. Dixon before you left?

DIVERS: It was toward the end of the year as I recall. I think that Mr. Dixon and I were only on the Board together for two or three months.

HESS: And then you left the--on the last day of December of 1954.

DIVERS: Right.

HESS: And since that time, since January 1, 1955 you have been associated with the Savings and Loan Foundation.

DIVERS: That's right.

HESS: Would you give me a brief description of what the Savings and Loan Foundation is, and
[352]

your evaluation of its importance.

DIVERS: Well, the Savings and Loan Foundation was organized to promote thrift, home ownership and prudent money management. It was organized by people in the savings and loan business who had both a selfish and an unselfish reason for organizing it. The selfish reason was to help their business grow, and the unselfish reason was to--they recognized that by promoting thrift and prudent money management that they wouldn't get all the business that resulted, that a good part of it would go to their competitors, but they thought that it was important from the standpoint of the economy of the United States, and the future of the United States.

The Foundation was organized, largely through the efforts of a man named Ernest T. Trigg who was appointed in 1932 by President Hoover to serve as president of--as Chairman of
[353]

the Board of the Federal Home Loan Bank of Pittsburgh. Mr. Trigg served under Hoover, under Roosevelt, under Truman, and also under President Eisenhower.

To go back a little ways, while I was Chairman of the Federal Home Loan Bank Board, Mr. Trigg came to me and told me that he thought that it would be in the interest of the people at large if the savings and loan business would use national advertising to promote their business as well as the local advertising, to use national media such as magazines and television and network radio. At that time Mr. Trigg was also Chairman of the Federal Savings and Loan Advisory Council. The Council met twice a year with the Federal Home Loan Bank Board. The Council was created by Congress, by Federal legislation, to advise the Federal Home Loan Bank Board on matters current in the savings and loan industry.
[354]

And Mr. Trigg, with whom I had a close relationship, came to me and asked me if I would have any objection if he introduced a resolution in the Advisory Council to this effect. Mr. Trigg had formerly been the executive vicepresident of the National Association of Paint, Varnish and Lacquer Dealers and had served on the War Production Board during the war. He was the originator, I think, of the slogan "Save the surface, and you save all," and the "Paint up, Clean up," campaigns. And he was very enthusiastic about the savings and loan business although he had never occupied a paid position in the savings and loan business. I told him I had no objections to the resolution and he introduced it. It was passed by the Federal Savings and Loan Advisory Council, and as so often happens, the man who introduced the resolution was appointed chairman of a special
[355]

committee to

HESS: He asks for trouble doesn't he?

DIVERS: . . . organize the campaign. Mr. Trigg who was then in his eighties, did an almost unbelievable job in getting subscriptions from a thousand savings and loan associations and the Federal Home Loan Banks for six hundred and fifty thousand dollars a year for three years to finance the first three years of this campaign. And in October--no, and the money was--the pledges were in on July 1, 1954. The Savings and Loan Foundation held its first election and the trustees--the trustees of the Foundation held their first--the first elected trustees, held their first meeting in August 1954, and in September 1, '54 they made their first approach to me asking me whether I would serve as the executive officer of the Foundation.
[356]

I don't know whether you're interested or not, I mean the office was in Philadelphia at the time. I had a home here in Washington, my children were in school here in Washington, and I told them that I would not take the job unless they moved the office to Washington. And in addition to that

I didn't care for the salary that they offered me. It was more than I was getting on the Federal Home Loan Bank Board, but it was less than the presidents of the Federal Home Loan Banks were getting and I thought that this job at least should command that salary. So, there was a little negotiation and another meeting of the trustees, and they agreed to my proposals, my counterproposals, to their offers, and in November, in December, early in December I met with them in Philadelphia and I think by that time I had already sent my resignation to the White House and I have a letter on the wall
[357]

here from President Eisenhower thanking me for my services and wishing me well in my undertaking, and I might even read into the record the inscription that he put on the autographed photograph there which reads: "For William K. Divers. With greetings and best wishes to a distinguished American. Dwight D. Eisenhower."

HESS: His letter is dated December 14, 1954.

DIVERS: So, I think that you can see that that is not a customary inscription and that they did feel that I had cooperated with them in making the transition from the Truman administration to the Eisenhower administration.

Actually, so far as the Federal Home Loan Bank Board was concerned, the Federal Reserve, the Treasury, the Controller of the Currency, and so on and so forth, there wasn't
[358]

enough difference to be noticeable. I mean the policies were almost identical.

HESS: Fine. All right, what in your opinion were Mr. Truman's major contributions during his career?

DIVERS: Well, I think in the first place, that everybody recognized that it was possible for somebody with a background of self-education, almost, to reach the highest position in the United States.

I think that he was probably the--he certainly was the most outspoken President that I had--that it has been my experience to know, or not to know, but to know of even.

I think that, probably, he recognized the existence of and cultivated the silent majority long before it was recognized by a lot of other politicians. I think that this was Adlai Stevenson's,
[359]

for example, I mean that he thought that the only people who existed probably were the liberal philosophers, and the young people that he associated with.

I think that--I don't know that I can--I felt that he really was an outstanding example of honesty and integrity in Government even though some newspapers thought to the contrary. I think that that would about--were the most outstanding things that I think that he contributed. Of course,

I'm not going to go into the other things. There are people that are a lot better qualified than I am probably. I know that as a citizen, I mean, somebody who didn't have anything particular to do with it, that certainly as you look back, that the Truman Doctrine would be the most outstanding accomplishment of the United States during that period, and I think that the outstanding event of his time in office was the
[360]

dropping of the bomb.

HESS: What is your opinion of that? Do you think that the bomb should have been dropped?

DIVERS: I think so. There is no question in my mind but what it saved maybe a hundred thousand lives of people in the United States and I think that's a fair trade.

HESS: What is your estimation of Mr. Truman's place in history? Just, in your opinion, how do you think that he will be regarded about one or two hundred years from now?

DIVERS: Well, that's . . .

HESS: Strictly conjectural.

DIVERS: That's certainly conjectural, because I would--there are so many things that can happen in the next hundred or two hundred years. If
[361]

you ask me his place in history among Presidents that we have had, up to and including the present incumbent, President Nixon, my guess would be that Truman, and Roosevelt, and Eisenhower, would probably be listed pretty close to the top of the--of our Presidents at least would have been the top ten of the Presidents that we have had up to the present time. There's every day (not every day), but very frequently I now hear people say that they recognize that Truman was a very good President and even some of the people who were among his greatest detractors and who made fun of him while he was President, now recognize his qualities. I think there is one other quality that probably that should be mentioned and that's his leadership. I think that there was no question in the Government, while he was in
[362]

office, as to who was the boss, and no disposition to second-guess him. I mean all that we needed to know, really, was what direction he wanted to go and everybody was happy and willing to go in that direction. Of course, I admired all his policies, I mean, I didn't have any--he didn't do anything while he was in office that I disagreed with.

HESS: Now, one general question on General Eisenhower, President Eisenhower: Why would you rate President Eisenhower as high as you do? Why do you have such esteem for Eisenhower?

DIVERS: Well, I--it was--he gave the country what it needed at the time. It was more a matter of timing than anything else. We had to catch up after the war and he gave us an opportunity to kind of lick our wounds and take care of our personal needs and provided a climate in which
[363]

we could consolidate business and get ready for another advance in terms of our standard of living.

HESS: Do you have anything else to add on Mr. Truman, the Truman administration, or the Federal Home Loan Bank Board?

DIVERS: No, except this, that Mr. Truman was my kind of Democrat. I belong to the Democratic Party and supported it, so long as Mr. Truman was there. But the Democratic Party, I think, has grown away from the party of Mr. Truman. And just to show you how far I've gone, I mean that I voted for Mr. [Richard M.] Nixon in the last election, because his--the philosophy of the Republican Party now is closer to that of the Democratic Party of Truman's time.

HESS: You think the present day Democrats are too liberal perhaps?
[364]

DIVERS: Present day Democrats are not--well, in the first place I don't think they know where they're going, I don't think they know how to get there, and I think they'll also change their mind a few times before they get anywhere. I think that President [Lyndon B.] Johnson, and the Democratic Congress, contributed to a very unsafe and unsound condition for the country in terms of our foreign policy, in terms of our financial condition, in terms of our domestic situation, and I just hope that it's not too late for a Republican President and a new Congress (I don't care whether they're Democrats or Republicans, but I'd just as soon get rid of about 80 percent of the members at the present time), would come in and I hope that it's not too late for them to remedy it, because if we don't I can see possibilities of a dictator coming over the hill.

And it won't be a
[365]

military man, because I don't think the people would accept that, it would have the support of the military and I've got my man picked, but I won't put him in the record.

HESS: You won't put him in the record?

DIVERS: Oh, I'll tell you, if you want to know.

HESS: All right, who is it?

DIVERS: [Vice President Spiro T.] Agnew.

HESS: You think that he would make a dictator?

DIVERS: Oh, I think that--I think that the people who would support a dictator, would probably support him, and I'm not--believe me I'm not saying this lightly, I mean this is--I'm not trying to be flippant.

HESS: You think there is a real danger?
[366]

DIVERS: I've thought about this, and I think that if we continue to have disorder; if we continue to have and permit, an armed revolution, which is going on at the present time, sooner or later the people are going to insist on order, and we'll either have vigilantes or we'll have a dictatorship because people know that that will work. I mean you get a lot of other things you don't like maybe with it, and I'm not saying that I'm in favor of it either, I*mean I'm just-or that I would encourage it, but I just think the people in Washington, for example, are not going to tolerate for much longer being robbed on the street or in parking lots or in their homes, all you have to do is to read the account of the previous day's assaults and rapes and robberies and you see that you're not safe anyplace anymore. And this wasn't true when we had a different type Congress and Supreme Court.
[367]

HESS: As a man who is well versed in financial matters, do you see any danger in the present slowdown in business, snowballing and turning into a fullfledged depression?

DIVERS: Yes, I think there is danger. I think that the administration recognizes the danger and also recognizes that there--that they couldn't adopt the policies that they have adopted without it being dangerous. I can see that it would be quite possible that once the deliberate slowdown got to where they wanted it slowed down, that the deceleration would be so great that it would just carry on. But I don't think that that's going to happen. There are a lot of forces in our economy that are just being unleashed, which will, I believe, will pull us through to where we--I still think that the greater danger is inflation than recession. Yes.
[368]

HESS: What forces are being unleashed at the present time that you mentioned?

DIVERS: Well, just one of them for example, the increase in Social Security rates which go into effect this month, I believe, and the retroactive increase, a lump-sum retroactive increase will be paid out later this month. Another force is the built-in pay increases that depend upon the consumer index. Another force is the fact that the 95 percent of the people who are working, a good part of them are making more money than they ever did before, and have an inclination to spend it. Their spending has gone more in the direction of vacations and travel and things of this kind rather than conspicuous consumer items. I think this is indicated by the trends toward small cars rather than the large cars.

When I was in my twenties, my greatest aspiration was to own a Cadillac and now that I
[369]

could own any kind of car that I want, I don't have any desire to own a Cadillac anymore. I don't even want to live in a great big home. My wife and I want to live in a modest apartment and have an average car, and if people don't accept us because we don't have a big car or a big home, why, it's all right with us.

HESS: That pretty well bring it to a close?

DIVERS: Yeah.

HESS: Fine. Well, we thank you very much for your interest and your time and your cooperation.

DIVERS: It was a pleasure.

[370]

INDEX

Adams, J. Alston, 229, 230, 231, 232, 233, 235, 261-262, 263, 282, 340

Adams, Sherman, 335, 338

Administrator of Housing and Home Finance, 228

Agnew, Spiro T., 314, 365

Allen, George E., 186, 187

Alphonso Taft Hall, 6

American Banker, 302

The American Bankers' Association, 300, 301, 319

Ann Arbor, Michigan, 103

Arkansas, 229-230

Atomic bomb, 100, 360

B&O Railroad, 332

Banking and Currency Committee of the Senate, 280

Bayh, Senator Birch, 323

Beers, Marion, 66-67

Belgium, 306

Bennett, Henry Herbert, 105, 112-113

Bevis, Howard, 20

Blandford, John B., Jr., 108-109, 115, 162, 217, 218

 a discussion of, 145, 146-151

Bohn, Ernest J., 56, 57

Brazil, 131

Bricker, Senator John, 7, 298

Budget Bureau, 247, 287

Burklin, Robert Reyburn, 238

California, 221, 273

Capehart, Senator Homer E., 350

Carmody, John, 54, 85, 88
Carroll, Dorothy, 332
Carroll, Senator John A., 332
Chemical National Bank, 77
Chicago, Illinois, 74, 180, 275, 278, 315
Chicago "Black Sox", 14
Chicago White Sox, 14
Cincinnati, Ohio, 1, 2, 13, 14, 16, 20, 26, 28, 29, 147, 231, 306
 history of, 3, 4, 7-11
 prohibition in, 23-24
Cincinnati Bureau of Government Research, 147
Cincinnati Enquirer, 4
Cincinnati Reds, 13-15
Civilian Production Agency, 153, 178
Clark, Tom C., 266
Cleveland, Ohio, 26, 70, 74, 87
Cleveland Metropolitan Housing Authority, 56
Clifford, Clark, 209
Colonial Federal Savings and Loan Association of Grosse Pointe Woods, Michigan, 202
Colorado, 79, 80, 120-121, 302, 332
[371]

Columbus, Ohio, 19, 21, 22, 35, 36
Concerns of a Conservative Democrat, 313
Congress, and rise in the cost of living, 290-294
Congress of Industrial Organizations, CIO, 103, 113
Congressional Directory, 263
Congressional relations with the Housing and Home Finance Agency on housing legislation, 294-305
Connecticut Avenue, Washington, D. C., 144
Connelly, Matthew J., 209
Coolidge, Calvin, 123
Cortright, Frank, 193
Cost of living, rises in the, 290-294
Council of Economic Advisers, 339
Crane, Jacob, 66, 75, 76
Creedon, Frank, 198

Davies, Richard O., 220
Davisson, C. Ray, 195
Dawson, Congressman William L., 275, 276, 278
Dearborn, Michigan, 103
Defense Housing Program, 54, 83
Democratic National Committee, 333
Democrats, a discussion of, 363-364
Denver, Colorado, 48, 50, 120--121, 314

Des Moines, Iowa, 349
Detroit, Michigan, 71, 92, 102, 103, 104, 107, 111, 113, 180, 202
Detroit Metropolitan Housing Authority, 92, 94
Dickerson, Cap, 21-22
Divers, William K.:
 as Assistant Administrator of the National Housing Agency, 145-146
 as Assistant Prosecuting Attorney of Hamilton County, Ohio, 16, 18-23, 25-27
 background of, 1-32
 Congressional relations with housing and Home Finance Agency on housing legislation,
 294-305
 as a Democrat, 307-312
 Federal Emergency Administration, employed by, 32-.37
 Federal Home Loan Bank Board, as chairman of, 225-229, 231-257
 and Foley, Raymond, 219
 House Appropriations Committee, testifies before, 284 , 289

[372]

Divers, William K. (continued)
 and Keyserling, Leon, 57-66
 Long Beach Federal Court case, involvement in, 259-284
 and McGrath, J. Howard, 322, 325-327
 Ohio State bonds, issuance of, 18-23
 private construction and housing interests, as a representative of, 160-162, 165-172
 as Regional Representative of the National Housing Agency, 124
 and Roosevelt, Franklin D., 121-122
 and Sawyer, Charles, 306-310, 312-313
 Senate Appropriations Committee, testifies before, 284-285
 and Spence, Brent, 285, 286, 288-290
 and Straus, Nathan, 40, 41-54
 and Taft-, Robert , 3-7
 and Truman, Harry S., 115, 204-208, 358-362, 363
 and United States Housing Authority, 37, 39-41, 89, 98-99
 and Wolcott, Congressman Jesse, 286-288

Division of Defense Housing, 87

Dixon, Ira., 350-351

Doors, shortage of, 155-156

Douglas, William O., 42

Duckworth Democratic Club, 306

Dyke, Nathaniel, 229, 230-231

Eden Roc, 323

Eisenhower, Dwight D., 337, 338, 350, 353, 357, 361, 362-363
 transition to the administration of, 333-335, 339-341

Ellender, Allen J., 133, 135

England, 131

Fanny Mae (Federal National Mortgage Association), 295
Fahey, John, 229, 230-231, 244, 260, 261, 262, 265, 269-270, 270, 345
Farm and Home Savings and Loan, Nevada, Missouri, 349
Federal Emergency Administration of Public Works, 27, 28, 29, 31, 37-39, 40, 312
 and Divers, William K., 28, 32-37
Federal Home Loan Bank Act, a discussion of, 317-320
Federal Home Loan Bank Board, 86, 87, 130, 205, 207, 220, 225-229, 231-257, 259, 260, 261, 266, 270, 275, 276, 280, 295, 300, 301, 302, 304, 311, 325, 335, 336, 339, 342-343, 353, 356, 357
 Divers, William K.:
 as chairman of, 225-229, 231-257
 discusses, 220, 225-229, 231-257
 recruitment of new board members for, 344-351
 and transition to the Eisenhower Administration, 336-341 –
Federal Home Loan Bank of Los Angeles, 259, 260, 261, 262
Federal Home Loan Bank of New York, 233
Federal Home Loan Bank of Portland, 261
[373]

Federal Home Loan Bank of San Francisco, 261, 272, 273, 283
Federal Home Loan Bank System, 7, 202, 206, 235, 239, 240, 297, 318, 345, 355, 356
Federal Home Loan Bank of Winston-Salem, North Carolina, 233
The Federal Housing Administration, 63, 87, 197, 200, 201, 202, 221, 295
The Federal National Mortgage Association (Fanny Mae), 295
Federal Public Housing Authority, 295
The Federal Reserve, 339
Federal Savings and Loan Advisory Council, 206, 235, 337, 338, 353, 354
Federal Savings and Loan Association, 230, 302-303
Federal Savings and Loan Insurance Corporation, 226, 230, 239, 241, 265
Federal Savings and Loan System, 227
Federal Works Agency Housing, 87
Flint, Michigan, 200
Florida, 202
Foley, Raymond, 206, 220-222, 230, 231-232, 246, 295, 323
 as Administrator of the National Housing Agency, 197-199, 200-203, 219-220
Ford, Edsel, 101, 113
Ford, Henry, 102, 103, 105, 106, 111, 112
Foreman, Clark, 86, 88, 110, 116

G.I. Bill of Rights, 219
General Program Division of the National Housing Agency, 216, 217
Germany, 131
Glendale, Ohio, 312
Goldwater, Barry, 277
Gorman, Robert Nestor, 21, 308, 309
Granik, Theodore, 45, 189-190

Great Britain, 131
Greene, Fred, 348-349
Greenfield, Albert Monroe, 249
Gregory, Thomas A., 259, 263, 264, 268, 269-270, 270, 272, 273, 274, 279, 282
Grimm, Sergei, 75-79'
Grosse Pointe Woods, Michigan, 202

Hamilton County, Ohio, 16, 308
Hannigen, Judson, 157
[374]

Harding, Warren G., 123
Hatch Act, 311
Heffelfinger, William T., 238
Heisler, Kenneth G., 347-350
Holifield, Chet, 263, 267, 270, 275, 276, 278, 279, 280, 296-297
Homebuilders, 150-153, 192, 195, 221-224
Homebuilders Association, 168
Home Loan Bank Board, See Federal Home Loan Bank Board.
Home Owners Loan Corporation, 202, 227-228, 239, 240, 242
 a discussion of, 242-257
Hoover, Herbert, 122-123, 225, 226, 352
Hopkins, Harold, 43
House Appropriations Committee, 246, 284, 285
House Banking and Currency Committee, 246, 285
Housing, abuse of public housing, 96-98
Housing Authority. See United States Housing Authority.
Housing Authority Law, 55, 56
Housing Expediter, 152
Housing and Home Finance Agency, 198, 202, 224, 294-295, 32 3
Housing legislation, Congressional liaison for, 294
Housing Reform During the Truman Administration, 220
Housing, residential, 126-127
Humphrey, George M., 343
Hunt, Henry T., 27
Hynicka machine, 3

Ickes, Harold L., 43
Illinois, 90, 120
Indiana, 99, 100, 350
Inflation, 129-130
Iowa, 99

Jefferson-Jackson Day Dinner, 311-312, 328-329
Johnson, Senator Edwin C., 79
Johnson, Lee F., 79, 80-82

Johnson, Lyndon B., 363

Kandane, David, 157-158

Kansas University, 179

Karlson, Joseph, 120

Keith, Nathaniel, 157

Kentucky, 87, 154

[375]

Keyserling, Leon, 40, 41, 44, 54, 57, 67-68, 76, 80, 81, 158, 175, 218

a discussion of, 57-66

Kilgore, Harley, 188-189

Klutznick, Philip M., 47-48, 49, 50

Kreutz, Oscar, 262

Krooth, David, 40, 41, 54, 57, 66, 67, 75, 76, 182, 190

Landis, Judge Kenesaw Mountain, 14

Lanham Act Functions, Division of the National Housing Agency, 216, 217, 218-219

LaRogue, Oscar K., 232, 233, 235-236, 301-302, 348

Little Rock, Arkansas, 94

Long Beach Federal Savings and Loan Association Federal case, a discussion of, 259-284, 325, 341

Louisville, Kentucky, 24-25, 154

Lustron Company, 116

and "assembly-line" houses, 179-190

McAllister, Walter W., Sr., 280, 335-338, 341-342, 350

McCarthy, Joseph R., 299-300

McGrath, J. Howard, 266, 322, 325-327

McGrath, Russell, 326, 327

McMurray, Joseph, 281

Maine, 248

Martin, I. Jack, 335

Mathewson, Christie, 15-16

Maybank, Senator Burnett, 300, 301, 302

Mayflower Hotel, 333

Mead, James, 188

Meador, George, 188

Michigan, 87, 99, 200, 202, 221, 277

Michigan National Guard, 94

Miller, Congressman William, 277-278

Milwaukee, Wisconsin, 74

Minneapolis, Minnesota, 74

Minnesota, 74, 99

Missouri, 2, 99, 115, 314, 332

Mitchell, Stephen, 333

Morris, Newbold, 322-323, 324
Mosby, John, 12
Murphy, Charles, 209
[376]

National Association of Homebuilders, 131, 160
National Association of Housing Officials (NAHO), 117-119
National Association of Paint, Varnish, and Lacquer Dealers, 354
National Housing Act, 317
National Housing Administrator, 146
National Housing Agency, 57, 86, 87, 98, 124, 198, 201, 216, 217, 219, 228
National League of Insured Savings Associations, 262
National Public Housing Conference, 80
National Savings and Loan League, 350
Nebraska, 99
Nevada, Missouri, 349
New Albany, Indiana, 100
New York, 42-43, 55, 77, 136, 221, 237, 243, 256, 278, 323
New York Giants, 15, 16
New York Times, 302
Nixon, Richard M., 361, 363
North Dakota, 99
Norwood, Ohio, 11

Oak Ridge, Tennessee, 100-101
Office of War Mobilization and Reconversion, 209
Ohio, 26, 55, 87, 99, 221, 308
 court case involving issuance of state bonds, 18-23
Ohio State University, 20
Omaha, Nebraska, 47, 48

Parvin-Dohrmann, 42
Pennsylvania, 247
Peoria, Illinois, 120
Philadelphia, Pennsylvania, 249, 315, 356
Pontiac, Michigan, 200
Presidential Election of 1948, 313-314
Proctor and Gamble, 307
Public Works Administration (PWA), 27, 29, 31, 37-39, 40, 312
Public Housing, a discussion of, 136-141, 210-216
Puerto Rico, 248

Race relations, 68-71
Rantoul, Illinois, 90
Recession of 1949, 315-316
Reconstruction Finance Corporation, 186

Redevelopment Agency, 137
[377]

Renter subsidy, 61-66
Reorganization Plan No. 3 of 1947, 223, 224, 229
Residential housing, 126-127
Rhode Island, 326
Richardson, Bob, 349
Rixie, Eppa Jeppa, 14-15
Robertson, Albert J., 280, 281
Rosenman, Dorothy, 117
Rosenman, Samuel I., 117
Roosevelt, Eleanor, 122
Roosevelt, Franklin D., 43, 44, 52, 53, 82-83, 86, 121-122, 315, 353, 361
 death of, 119-120

Sallee, Slim, 14
San Antonio, Texas, 336
San Antonio Savings and Loan Association, 336
San Francisco, California, 350
Saranac Lake, New York, 15
Savings and Loan Association, 346-347, 355
Savings and Loan Fact Book 1969, 171
Savings and Loan Foundation, 351-353, 355-356
Sawyer, Charles and William K. Divers, 306-310, 312-313
Senate Appropriations Committee, 246, 284, 285
Senate Banking and Currency Committee, 246, 279, 285, 300, 301, 350
Sevey, Robert, 157, 158
Silver Springs, Maryland, 333
Sink, John, 160, 161, 167
Small, John D., 153, 177-178, 193, 194-195, 196, 198
Smith, A1, 306
Snyder, John W., 124, 209-210, 343, 344
Social Security, 292, 293, 368
Sojourner Truth, 71, 91-94
Sorenson, Charles E., 113
South Carolina, 300
South Dakota, 99
South Omaha Sun, 55
Sparkman, John, 304
Spence, Brent, 304, 305
 and William K. Divers, 285, 286, 288-290
State Teachers' Retirement Fund, 26
Stevenson, Adlai, 329-331, 358-359
Straus, Nathan, 57, 58, 66, 75, 77, 80, 81
 a discussion of, 40, 41-54

Syracuse, New York, 75
Syracuse Housing Authority, 75
[378]

Taft, Charles, 3
Taft-Ellender-Wagner Housing Bill, 133-136
Taft, Hollister, Stettinius, and Taft, 4
Taft, Martha, 4
Taft, Senator Robert A., 133, 135, 298, 304, 335
 a discussion of, 3-7
Taft, William Howard, 5-6
Teachers' Retirement Fund, 19
Tennessee, 87, 314
Tilden, Bill, 12-13
Tobey, Senator Charles W., 297, 300, 304
Treasury Department, 247, 248, 318, 339
Tri-City Tennis Club, 13
Trigg, Ernest T., 352-355
Truman, Harry S., 7, 109, 110, 115-116, 122, 176, 182, 187, 188, 197, 199, 220, 225, 229, 231, 239, 288, 298, 313-314, 328-329, 330, 341, 345, 349, 353, 357, 359, 363
 and William K. Divers, 204-208
 an evaluation of, 358-362
 Presidential election campaign, 1952, announcement that he would not run, 331-333
Truman, Mrs. Harry S. (Bess), 329
Truman-Barkley Club, 302
Truman Committee, 108-109

United Automobile Workers, 103, 104, 113
United States Housing Authority, 37, 39-41, 58, 61, 66, 68, 137
 cooperation agreement between the Federal Government and local governments, 72-74
 and defense housing, 83, 89-91
 and financing of projects, 74-79
 Sojourner Truth housing project, 91-94
 Straus, Nathan, as administrator of, 41-54
United States Housing Authority Law, 55, 56
U.S. News and World Report, 130
United States Savings and Loan League, 63-64, 262
University of Chicago, 117
University of Cincinnati, 306
University of Michigan, 103
Urban Renewal, 141-145

Vaughan, Harry, 206-208
Vinson, Warren J., 66
Vinton, Warren, 75, 77

[379]

Wagner, Senator Robert F., 44, 133, 135-136, 297, 305
War Housing Corporation, 228, 239, 240
War Manpower Commission, 72, 99, 102, 104
War Mobilization and Reconversion, Office of, 124
War Production Board, 102, 112, 152, 176, 354
Wartime restrictions on building, 124-126
Washington, D. C., 27-28, 29-30, 31, 75, 122, 201, 217, 234, 314, 366
Washtenaw County, Michigan, 108
Wayne County, Michigan, 103
Weaver, Robert C., 68-69, 71-72
Welfare Housing, 95-96
West Virginia, 87, 99
Williams, Lewis E., 146
Willow Run, Michigan, atomic energy plant, 102, 103, 180, 202
 the problems at, 104-114
Wisconsin, 74, 99
Wolcott, Jesse P., 286-288, 304, 305
Woodbury, Coleman, 118, 146, 217
Wyatt, Wilson W., 158-159, 160, 161-162, 163-164, 165, 171, 172-173, 174-175, 176-177, 178,
181, 182, 186, 190, 193, 194, 209-210, 219, 220-222
 as Administrator of the National Housing Agency, 194, 195-197, 198
 a discussion of, 151-153, 154-156

Youngstown, Ohio, 74
Ypsilanti, Michigan, 102, 103, 111