Oral History Interview
with
DR. WALTER S. SALANT

Head economist, Research Division, Office of Price Administration and predecessor agencies, 1940-45; economic advisor to the Economic Stabilization Director, 1945-46; economist for the Council of Economic Advisers, Executive Office of the President, 1946-52; and consultant in the economic and finance division of the North Atlantic Treaty Organization, 1952-53.

Washington, D.C.
March 30, 1970

by Jerry N. Hess, Harry S. Truman Library

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NOTICE
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[1]
HESS: Mr. Salant, to begin with will you give me a little of your personal career. Where were you born, where were you educated and what are a few of the positions that you have held?

SALANT: Yes. I was born in New York City and went to school, from the first grade through the end of high school, at the Ethical Culture Schools, which became known as the Fieldston Schools, in New York City. I did my undergraduate work at Harvard, then did a year of graduate work at Cambridge University and then I came back, in

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September 1934, to the United States and got a job in the Treasury Department, where I remained for a year and a half in the Research and Statistics Division. Then I went to New York to see what a Wall Street brokerage firm was like and decided what I really wanted was to do more graduate work.

In September of '36 then I went back to Harvard to do two years of graduate work, the second of which was in the Littauer School, which was just beginning. While there I spent my second year almost entirely, at least in the first semester, in what has since become the famous Fiscal Policy Seminar that was run by Professors Alvin Hansen and John Williams. In the second semester I also was an assistant in the Economics Department.

In the summer of 1938, I came down to the SEC where I assisted Raymond Goldsmith in making the first estimates of individual saving by a method that has since been used to supplement the methods used by National Income Division.

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Instead of estimating saving as the difference between income and consumption, this was an attempt to estimate it by measuring the changes in the assets and liabilities of individuals. That has since become the basis of a regular quarterly statistical release.

In the autumn of 1939 I joined a new division in the Department of Commerce, in the Secretary's office, where Harry Hopkins was then the Secretary of Commerce, called the Division of Industrial Economics, which was under the direction of Richard Gilbert. This division was to advise the Secretary, who wanted to play a more active role in economic policy, as many Secretaries of Commerce since then have tried to do. One of the notable contributions of that division, perhaps, was the Annual Report of the Secretary for the fiscal year 1939, which many people do not seem to know about, which is perhaps the first statement in

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an official document of what is now called the "new economics." At least that is my recollection of that statement, although, if I went back and looked at it again, I might find that my memory has played tricks on me.

HESS: Who was instrumental in the drawing up of that statement?

SALANT: Well, this little team in that division consisting of six or eight people, but the main person was Richard Gilbert who was the director of the division, and the spark plug of the advice that Secretary Hopkins got, and who played a very considerable role later, although an unsung one, in economic policy during the war.

In September 1939, when the war broke out, this division was more or less converted into a staff for the Price Commissioner, the Price Commissioner being Leon Henderson. When I refer to the Price Commissioner I'm talking about

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one of several members of the National Defense Advisory Commission which the President appointed. I'm not sure I have the title of that organization exactly right, but that was a commission of a few people, each with functional responsibilities. Leon Henderson was given the responsibility for price developments, and this little group which Richard Gilbert was to head, moved more or less bodily over to helping Leon Henderson. That group subsequently became the Economic Adviser group to the Office of Price Administration and Civilian Supply, which subsequently became known as the Office of Price Administration, of which Henderson was the first head. You might say that the wartime price controls were -- got their first start in that group and then developed further as it became an operating agency.

I was with the Office of Price Administration until April 1945, when I went over to the Office of Economic Stabilization and became economic

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advisor to the Stabilization Director, who was then William H. Davis. I remained there after Mr. Davis was, let us say, unceremoniously dumped by President Truman and...

HESS: Why?

SALANT: I don't think I'm in a good position to answer that, but I can say -- and this perhaps might be an interesting little bit of oral history that you wouldn't have gotten from anywhere else.

HESS: That's exactly why we <u>are</u> here.

SALANT: Mr. Davis had no forewarning of being dumped. He went to the White House to a meeting, I recall, in the East Wing and the President was at the same time having a press conference in the West Wing. The President said at the press conference that he was appointing, I can't remember who it was now, to -- oh, that he was moving the functions

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of the Office of Economic Stabilization to the Office of the Director of War Mobilization and Reconversion, and a reporter said, "Mr. President, what does that do to Will Davis?"

And the President said, "I guess that leaves him out of a job."

Apparently somebody ran over from the West Wing to the East Wing to tell Mr. Davis this, and it was a completely stunning blow to him. I recall how that came to us at the office, at Mr. Davis' office. Mr. Davis had been driven over to the White House conference in the office car by the office chauffeur, Herbert, and after the press conference ended, Herbert came back with the car but without Mr. Davis, and I recall that Mr. Davis' secretary said, "Herbert, what did you do with Mr. Davis?"

And Herbert said, "He said he wanted to walk back to the office. Kind of looked like he had something on his mind."

HESS: Do you know why that move was made, why he was ousted?

SALANT: I don't know. There was much talk that the President, who was then fairly new in the office, just wanted to have somebody whom he knew better in that position. Well, the position already existed, but he wanted the powers, I think, put into that man's hands.

HESS: About what time was this?

SALANT: This was in the summer, if I recall correctly, of 1945. The President, you recall, President Roosevelt, had died in April. President Truman was at first far from comfortable in the office. Of course, this was generally regarded as a rather gauche way of handling things and there were accusations that he wanted a crony, as people said, in the position, but nobody else was in a position to speculate or say anything

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authoritative about what the reasons were.

HESS: I believe it was about in June when John Snyder was appointed as head of the Office of War Mobilization and Reconversion.

SALANT: That's right, it was John Snyder, now that you remind me of it.

HESS: He was the one that was taking over OWMR at that time.

SALANT: Yes, then a -- but an appointment was made to -- that thing's [reference to the tape recorder] still going isn't it?

HESS: It's still going.

SALANT: I hate to waste the time while I speculate about this.

The office was left in a cut-down form and a district judge from Kansas City who was a friend of President Truman's, was appointed named Judge J. Caskie Collet, if I remember correctly.

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HESS: You do.

SALANT: I can't remember the exact timing of all these things and, in particular, I can't remember the relationship of the Bowles appointment to the position of Economic Stabilization Director in relation to Collet's appointment, but it must have come later. Well anyway, without moving out of that office, I subsequently became the Economic Advisor to the Price Decontrol Board, which was set up in the legislation of the summer of 1946.

When most of the price controls were dismantled, shortly before the 1946 election, the Price Decontrol Board in effect went out of business. At that point Dr. [Edwin G.] Nourse, the first chairman of the newly formed Council of Economic Advisers, invited me to become a member of the staff of the Council and I accepted that position. So, that was the end of my period

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with the Price Control, but you can see from that that I was with it from the time it was a gleam in the eye until its burial.

HESS: Fine. <u>That</u> we will want to come back to and go over in detail. Now, after you were on the Council of Economic Advisers, I believe in 1952, you went to NATO. Is that right?

SALANT: That's right. I was on loan, supposedly, but I had in fact to resign formally in order to become a member of the Foreign Service Reserve, which was a necessary condition for my taking my family to Paris for the NATO job. While I was in Paris the election occurred.

HESS: And the Republicans came in.

SALANT: And the Republicans came in and I was -- I went back and I helped Arthur Burns for a few weeks and then left, left the Council.

HESS: Where did you go at that time? What positions

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have you held since the Truman administration?

SALANT: I was a sort of full-time consultant for a newly formed private organization, public service organization, called the Committee for a National Trade Policy, which was organized by George Ball, Charles Taft, and a number of others, mostly businessmen, and I stayed there until March 1954, when I was a visiting professor at Stanford University for the spring quarter. In September 1954 I came to Brookings.

HESS: Where you...

SALANT: Where I've been ever since.

HESS: Ever since, fine. Now, on several of the jobs that you have mentioned, the positions, you did mention some duties, but are there any other duties that come to mind? We'll just hit upon these just lightly, but at the time that you were on statistical research at the Treasury Department

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in 1934-36, any particular duties, anything of interest come to mind at that time?

SALANT: Well, I was hired on that job on a trial basis, my first job, as a senior statistical clerk, at the munificent salary of $1800 a year, and after one month I was promoted to the lowest of the professional ranks which was called what, junior economist or something, at $2000. I have trouble remembering any great continuity in that job. I did quite a lot of things of a general policy character, because at that time I was regarded as a rather advanced young man, having just come back from a year at Cambridge University where the content of [John Maynard] Keynes' still unpublished *General Theory* was being talked about. And so, I was able to give what are now conventional reasons for the use of fiscal policy under conditions of unemployment, and I also wrote memoranda about the effects of the exchange rate policy

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and wrote memoranda also on various proposals for currency reform, about which practically one in every ten people in the population had a suggestion. Washington was full of people who thought they knew what was wrong with the monetary system, and the Treasury was the focus of all those incoming letters and proposals.

HESS: What were your views at that time? What should be done to get the country moving and get the country out of a depression?

SALANT: Well, my views, which of course weren't worth anything...

HESS: As a junior professional.

SALANT: As a very, very junior professional, were strongly in favor of the use of budget, of government expenditures, to get income and private spending up and to fight the view that it would be very inflationary in the sense of price-raising

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rather than money-income-raising, to expand demand at a time when there was a great deal of unemployment.

HESS: During this period of time did you have any association with the Secretary of the Treasury Henry Morgenthau?

SALANT: No, I did not. I was...

HESS: Did you ever see him during this period?

SALANT: I may have seen him walking down the hall once or twice but that's about all.

HESS: All right.

SALANT: My main contacts were with Lawrence Seltzer, and at first I had some slight contact with Harry [Dexter] White, but the international and the domestic work were separated after Harry White came into the Treasury, and I went over and worked with Seltzer who was in charge

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of Domestic Research, or in effect in charge, although his title was Assistant Director of Research.

HESS: What was Harry White's title at this time? Do you recall?

SALANT: I don't recall exactly.

HESS: What seemed to be his...

SALANT: He was the director of monetary research, it may have been called the Director of International -- it may have been called the Division of International Research or something, but the function was international research. He did not, at least when I was there, worry about domestic financing matters, and things like that. He worried more about whether the French were going to be able to stick to the old gold parity in the face of declines in the foreign exchange value of sterling and the dollar. You remember

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the continental gold bloc was struggling to maintain the parities of their currencies with the old price of gold and things like that.

HESS: What seemed to be his basic economic theory at this time, or economic philosophy? Do you recall? Harry Dexter White?

SALANT: No, I don't think I could say anything much about that, that one couldn't get from, you know, better...

HESS: More informed sources.

SALANT: From other sources, yes.

HESS: As you know, he was very much in the news just after Mr. Truman left office.

SALANT: Yes. I know about that. There are, of course, many people around town, some still around town, who are in a better position to talk about him on that score than I, but I never was much

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impressed with the charges made against him personally.

HESS: Then, after you came back from Wall Street and from Harvard, you were with the Securities and Exchange Commission and you touched on some of the duties that you had there. Is there anything else?

SALANT: Those were pretty much my only duties at the SEC, but I did write memoranda on the charges made by anti-New Deal policy people saying that the spending policy was hampering recovery and played some sort of kibitzing role in the -- in planning some of the hearings that were being planned in connection with the TNEC hearings at the time, before they got into operation. I have loads of -- copies of loads of memos on those things, but I haven't referred to them prior to this taping.

HESS: One point, while the tape is running, I will

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mention the fact that we would also like some papers. If you have any papers and documents, personal papers, that go back over this period of time and if you would like to deposit them in the Truman Library, we would be very glad to place them there.

SALANT: I have some.

HESS: Good.

SALANT: Memos that I wrote. I don't know how far up they ever got, but...

HESS: Well, one never knows.

Now, when you were at the Department of Commerce in 1939 and '40, we have also mentioned some of that. Does anything else come to mind?

SALANT: I think that there might be some things that might be of some interest, more to members of the economics profession than to others.

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For example, I wrote a memorandum, under pressure of Dick Gilbert, which I probably would have been too timid to, on professional grounds, to have written without his pressure, attempting to estimate what level of Government expenditures would be required to restore full employment.

What's of some possible interest about that memorandum, is the techniques that were used -- or perhaps I should say, abused, because the national income figures were available for only seven years and it's a statistical crime to do what I did, as I knew at the time, with such a short series of figures. It is really not terribly different, although very much cruder, than what is being done now in econometric models. This memorandum, which never got past the mimeographed form, because it was only for internal circulation, was on the subject of the magnitude of the recovery problem and it attempted to estimate how much increase of

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Government spending would be required to restore more or less full employment, taking into account multiplier effects, that is the indirect cumulative effects of Government spending through its effect on private income and private consumption, and also taking into account the fact that increased output per man over time would tend to reduce the amount of employment associated with each additional dollar of expenditure. It was crude in taking relatively few things into account, and criminal from a statistical point of view, in using data for a period that was too short, although the period was as long as the period for which there were data. But the essential idea was pretty much the same as what was done later -- what has been done later.

HESS: And then you were at the OPA in 1940-45 through the war years.

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SALANT: Yes.

HESS: What other duties did you have there? We discussed some, but what other duties did you have?

SALANT: My duties were partly in the field of the direct -- the theory of OPA operations, the economics of the price controls and also general issues involved in setting and adjusting the price ceilings. I had a lot, I spent a lot of time on the subsidies which were instituted to reconcile paying adequate prices to producers with keeping down the prices paid by consumers for a limited number of products. And in that connection, one had to develop some theory of the price rise, which one might say was interpreted by us as not being entirely a result of excess -- not only a result of excess demand, but we took into account what's called the "cost-push" element of inflation, although it wasn't called that at

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the time, and the price subsidies were intended to limit the cost-push side of the inflation. In the first years of the war, the main thrust of that group under Dick Gilbert, who as I said was a power in economic policy here during the war, was to restrain or to discourage what we regarded as a premature restriction of demand by taxation. "Premature" because we were so far from full employment that we were afraid to prevent demand from growing while there was still so much unused capacity. In other words, we were afraid that -- well, we wanted to get all-out production, and our estimates of how high production could go were regarded generally as wildly exuberant by other people, although in the event, even our estimates turned out to be too low. It was in connection with that kind of argument that I had some correspondence with Keynes which has been sort of immortalized in [Roy Forbes] Harrod's biography of Keynes and

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all of which I've just been asked to send to the Royal Economic Society, which is getting out a complete edition of Keynes' writings, including unpublished letters.

HESS: What was the nature of the correspondence?

SALANT: Well, you might summarize it by saying that Keynes was a little bit shocked when he came over here and had a session with us, that we were more "Keynesian" in the popular sense, than he was. He was concerned about our being too slow in getting set for anti-inflationary fiscal policy, and he estimated the potential expansion of output really at a substantially smaller amount than we did. When I say, "we," I now refer to the group led by Richard Gilbert and Bob Nathan.

We had some interesting discussions with Keynes. We had at least one interesting discussion -- two interesting discussions I would say.

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I remember one at the National Press Club and one at the house of Lauchlin Currie, out of which grew this correspondence; some letters back and forth between Keynes and me.

I said before that one of my duties was connected with the theory of price controls and with making estimates concerning subsidies. The other main function I should say probably was to act as a -- to sit for OPA on some interdepartmental committees, especially at the Treasury, in order to get some coordination between the fiscal aspects of anti-inflationary controls and the price control operation, so that I was concerned with some of the tax aspects of the anti-inflationary policy which the operating people in OPA were not much concerned with.

HESS: Who else sat in on those committees from the other organizations, from Treasury? Do you recall?

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SALANT: Well, I remember that there was a group working for the Treasury on how to prevent inflation by taxation under Carl Shoup, Milton Friedman and Ruth Mack. Milton Friedman was not then as famous a man as he is now. A number of agencies were represented there. I can't remember now, but almost any agency that had a concern for taxation or anti-inflationary policy, was on that committee.

I should have mentioned that I also represented OPA on the Trade Agreements Committee, an interdepartmental committee that considered proposed tariff reductions under the Trade Agreements Act.

HESS: And then you moved to the Economic Stabilization. You were Economic Advisor to the Economic Stabilization Director.

SALANT: Economic Advisor, yes, to the Economic Stabilization Director. That was in...

HESS: '45 and '46.

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SALANT: April '45.

HESS: Was it at this time that you were working on the establishment of the Council of Economic Advisers, or was that when you were with the Price Decontrol Board in '46?

SALANT: Are you referring to the material in Steve Bailey's book?

HESS: That's right.

SALANT: I did that actually before, when I was in OPA. I can't remember really having done quite as much as he says, but I think that may be partly because I wrote a few memoranda which I then left at that, and didn't participate for long and actively in that. But in the very early stages when James Patton was spearheading a particular kind of full employment bill I wrote some memos, I think, for Senator [Robert F.] Wagner's committee, Banking and Currency

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Committee. That was before I left OPA; before April '45.

HESS: Good. Let's get into that. What can you tell me about the setting up and the drafting of the full employment bill?

SALANT: I really don't recall very much about that that isn't in all the standard -- in the works on the subject. The initial, rather naive idea, was to have some automatic compensation for a change in private demand in the form of compensating changes in Federal expenditures. That was strongly opposed by the opponents of the new fiscal ideas, but also I think any sophisticated proponents of them would have regarded them -- the proposals that were first made -- as too mechanical. But my recollections of that are not at all clear now.

HESS: I was just reading a little bit from Stephen

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K. Bailey's book, *Congress Makes a Law: The Story Behind the Employment Act of 1946*, about the initial drafting. I will read this one paragraph and get your opinion of it, page 45:

> "[Bertram] Gross' first move was to call Russell Smith of the Farmers Union and tell him what was in the air. Through Smith and other contacts, Gross was able to organize an informal committee, the most faithful members of which were: Louis Bean, V.0. Key, Gerhard Colm of the Budget Bureau; Emile Benoit-Smullyan, representing the views of John Pierson of the Bureau of Labor Statistics; Walter Salant of the O.P.A.; James Earley, representing the views of Richard Gilbert of the O.P.A.; James Maddox of the Bureau of Agricultural Economics; Russell Smith of the National Farmers Union; and finally, Kurt Borchardt of the War Contracts Subcommittee staff."

What do you recall about that group?

SALANT: Very little. I recall more (and that's not very much), about a group that met at the Federal Reserve for some time prior to that with Alvin Hansen who was a consultant for the Federal Reserve and Gerhard Colm, Lloyd Metzler. I don't really remember this group very well. I really

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don't remember it at all, to state it more accurately. Jim Earley I worked with at OPA so I remember these people as individuals, but I don't remember much about meeting with them as a group.

HESS: What, in your opinion, seemed to be Mr. Truman's attitude in connection with the Council of Economic -- the budding Council of Economic Advisers at this time? What do you think he foresaw as the functions and the duties of this new organization?

SALANT: I can't really tell. I was the youngest senior staff member of the Council and I was not -- and my responsibilities were, in a way, not in the field in which the Council members themselves were most interested, which is one reason I was overloaded with work. My responsibilities developed to be almost entirely in the international field. I was the only senior staff member responsible for international work. All

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the others were distributed over various parts of the domestic economy, and that's what the Council was really most concerned with. So, I would say that I -- I didn't have any assistant in this either -- so that you might say, in the first place because I was young, I was probably not regarded as one who participated with the Council members themselves directly in what they were sending to the President, but rather tended to do it through Gerhard Colm, who had an undefined leadership role among the staff members. And also, they didn't really spend much time on international stuff. In the first report, for example, there's only about one paragraph, I think, on international problems.

HESS: Was that an error perhaps? Should more of -- more interest and more time been spent on international matters that early? Should more attention have been given international matters?

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SALANT: Well, I think it could have had more attention, but then of course, it began to command more attention when the British used up the Anglo-American loan very quickly and it became clear that something was going to have to be done which developed into the Marshall plan, and in fact, the Council was given an assignment in connection with the Marshall plan as to the effects it would have on the U.S. economy.

HESS: What was that assignment?

SALANT: To write a report. The President had three reports written by three different groups; the [Averell] Harriman group, I forget what their assignment was; and a group under Mr. [Julius A.] Krug, who just died the other day, on the mineral resource aspects of it, and a report by the Council on whether we could afford it and what it would do to the U.S. economy, which I guess

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got the least attention.

You asked about the attitude of the President. I think that there were times, in the early stages at least, when perhaps the Council, perhaps Dr. Nourse felt the President wasn't getting all the -- giving all the attention that Dr. Nourse would have liked to the report to the President. I think that (this is a personal guess), that the first drafts of the report that were sent to the President probably were not well adapted to the requirements of the presidential office, that the President probably felt that he was reading the first draft of a Ph.D. thesis. The first report was rather too long and the President doesn't have time for such things, and I think that Dr. Nourse probably took as an indication of a lack of interest what may really have represented a mistake in what was being given to the President.

HESS: Was there anyone on the White House staff that

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tended to act as liaison with the Council? Who was your point of contact on the staff?

SALANT: Well, at first Mr. [John R.] Steelman, I can't remember the time relationships so that I can't remember who it was at the outset, but I think there was substantial rewriting of the very first report by -- in the White House itself, then it came back to the Council. But at late reports...

HESS: Do you know who rewrote it in the White House?

SALANT: Well, a team. I think that one of the -- I remember that there was a man who was in charge of the sort of writing and public information activities named Anthony Hyde, and an excellent economist who has been at the U.N. since or almost since it started, named Jacob Mosak, participated I think in that writing. At that stage I can't remember whether Robert

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Turner was -- did any work on that or not; he may have.

HESS: Now, one question on Mr. Nourse himself. Before...

SALANT: Oh, excuse me, may I just add one thing more? I know that Turner was a point of contact at a later stage, I can't just remember when he came into the White -- because a member of the White House staff, and another economist, I forget who he was.

HESS: Do you recall what particular messages -- was it a particular message, or a project with which you worked with them at the time that they were a contact?

SALANT: Well, I worked with them on various sections of particular reports -- economic reports of the President. My most vivid recollection of contact -- and this is perhaps one of the most important things I felt I had some kind of

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hand in -- was in connection with the point 4 program.

HESS: Tell me about that.

SALANT: I think nobody knows the full history of that, so all I can tell you is my own participation in what may, or may not have had, anything to do with it.

Around in late 1948, we were concerned -- those of us who were concerned about international payments problems were concerned about the need of Europe to obtain imports from the United States when they did not have financial resources owing to low export capacity and the depletion of their international monetary reserves, and clearly they needed aid. But at the same time I was concerned and was interested in the position of less developed countries and the need for development. That seemed to be an important thing to me, although I don't know

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how many other people felt so at the time, and it seemed to me that as European export capacity increased, there was a possibility that we could gradually shift the direction of foreign aid from Europe to less developed countries and that the expenditure of aid that we gave less developed countries would go partly to Europe as Europe's export capacity increased, and that Europe could earn dollars in this indirect way. In December, I think it was, of '48, I recall making a lunch date with David Lloyd, who was on the White House staff, and put this idea forward and he showed great interest, in fact what struck me as a rather extraordinary and surprisingly urgent kind of interest in this idea, and asked me if I could give him a memorandum on those ideas, and I said that I could. It was a hard -- a peak period for the Council, whose economic report was due in January, and I asked him when he wanted it and he said, "By 6 o'clock

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tonight."

And I said, "I can't give you a memorandum, but I can make an outline just, you know, sort of listing the points."

And he said, "That would be all right."

And I did that, and a little while later he said that he had passed these ideas up and there was considerable interest in them, and he said they would be -- he thought they would be very useful for a major speech by somebody very high up. I recall with embarrassment at my naivete, that at first I couldn't think of what speech it would be. The continuity of the administration was something I had more or less taken for granted after the election, and I just forgot that the President was going to have to make an inaugural address. And a little later Dave Lloyd called me again to come down to his office and read me a passage, a few paragraphs I think it was, from a speech that was to be

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given, which turned out to be a draft of the point 4 paragraphs of the President's inaugural address. Shortly before Inauguration Day, he told me that it was going to be in the inaugural address. I recall that that put me in a somewhat embarrassing position because I think the draft of this address had not gone to the Council and he asked me to tell the chairman of the Council, Dr. Nourse, that this would be in the inaugural address and I didn't have the wit to say, "You ought to tell him," or something. I was put in the embarrassing position of having to tell Dr. Nourse that I knew of something that was going to be in the inaugural address and had been asked to tell him about it, when he apparently didn't know it. He shouldn't have heard it from me. What embarrassed me was that he might think I had been trying to put something up to the White House not through channels, whereas in fact I had just been trying out this idea at a

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luncheon with Dave Lloyd, with whom I had lunch every now and then anyway. It all started out as a sort of casual thing from my point of view and developed into this.

Now, it turned out that a lot of other people -- well, some other people had been sending ideas up to the White House, too, although they were different. My idea was a capital investment idea;

that is to say I was discussing the use of funds. A man named Benjamin Hardy had been pressing unsuccessfully, through the State Department, and I understand then communicated his ideas directly to the White House -- he had been pressing the idea of technical assistance. These ideas came together in Clark Clifford's office, I believe, and for all I know so may similar ideas of other people, too. I just had heard about the Hardy one. Everybody knows only what he sees and happens to hear about and doesn't know too much about what other ideas head up to the President's

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office. Clifford probably would know, but even for somebody in a central position, the identity of the people who send things up probably gets lost, so I doubt if anybody really has the whole picture. But anyway, as the message read, it was not clear whether the point 4 idea was intended to be <u>totally</u> one of technical assistance, as it was subsequently interpreted to be, or whether it was sort of neutral between technical assistance and capital funds. It is true that there wasn't much stress on capital funds, and one can easily see that, to the President, technical assistance would be much more appealing because it would involve less money.

HESS: Do you think it would have been more successful if it had stressed capital funds more than it did?

SALANT: Well, I don't think it really mattered very

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much because before we got finished we were providing capital funds too, and it took a long time to get the whole idea started. The State Department appears to have been caught quite flatfooted by the point 4 proposal. In fact, the State Department really rejected the idea when Hardy suggested it.

There would be a great story for the oral history which you may have, about what happened to Hardy's ideas when he tried to get them put forward through channels. I understand that they were discussed in a State Department meeting and there are people around who can tell you what happened at those meetings. I remember being <u>told</u> a story that the fiscal officer said, "Oh, the budget's already in, it's too late," you know. Here is an interesting example, if that story is true, of a major policy idea being pushed aside on what, in the light of history, one would have to regard as an essentially bureaucratic

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ground. If I recall correctly, two of the people who participated in those meetings were Wilfred Malenbaum, who I think is at the University of Pennsylvania now, and Joseph Coppock, who is at Earlham College.

HESS: Where's that?

SALANT: In Indiana. And I guess, of course, Willard Thorp, who was the Assistant Secretary for Economic Affairs, would know more about it, but I never talked to him about that. The reports that I got came from one of the other two, if I recall correctly. But that would be something to go into, I think, if you don't already have it. I had the copy of the memorandum I gave to Dave Lloyd and I mentioned it once to one of your predecessors who was working on oral history, I can't remember who it was, a few years ago. I mislaid a little folder that I had on the origins of point 4 and I've never come across it in my

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house since; it's probably in the basement somewhere.

HESS: When you find that let's send it out to the Truman Library. That will be the heart of the Walter S. Salant papers in the Truman Library.

Have we answered our question of whether or not Mr. Truman took a close interest in matters pertaining to the Council of Economic Advisers and if not, why not? Did you feel that he paid as much attention to the recommendations of the Council of Economic Advisers as he should have?

SALANT: I have no means of being able to judge that. I think <u>very</u> few Presidents really -- until President Kennedy -- had any real interest in anything but the results of economic policy or policy recommendations.

HESS: Why was he the exception?

SALANT: Well, I think he had a more analytical mind

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than most, that's my impression. Economics has gotten better at explaining the short-term developments that Presidents tend to be most interested in, such as the economic outlook. We can now say something more sensible than talk about business confidence. Also, he was more exposed to economists. I don't know whether he was so much an exception in the light of all those who've come later, as he was the first of a new breed in being interested in those things. After all, President Roosevelt was interested in hearing any details about economic policy, Churchill wasn't.

An interest in economics usually is associated with a degree of analytical capacity that almost unfits a man to be a great leader. It takes almost a certain degree of irrationality, I think, to exercise a great degree of leadership. You have to be a real romantic. Consider Churchill's position before the Battle of Britain.

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A rationally calculating man might have said, "Well, the odds are clear. We should give up." It would take a very sophisticated rational calculation to figure, as he probably did, that they could hold on for a certain length of time, long enough for the U.S. to come in and so forth, but there's real question whether the people who have that charisma (to use the current word), and who can exert moral leadership, could do so if they were close calculators.

HESS: Does one have to be a close calculator and completely logical to be an economist?

SALANT: One has to be pretty analytical. You don't have to be a computing machine, but the technical details of many things -- things in which President Kennedy seemed to show more interest than any predecessor that I know anything about -- don't have any appeal to people who are interested

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in rather broad issues. They want to know the answer. Of course, Roosevelt was interested in economic policy, that was a major -- in the first part of his administration that was the major problem, but I don't know that he would have been interested in hearing much about the economic effects of a change of the exchange rate before he devalued the dollar. He would just want to know, "What does it do; tell me what it does and don't tell me how or why." I think President Nixon's statements show clearly that he has a quite good understanding of some of the things he gets from the Council, and this is probably true also of President Johnson. This is why I say perhaps President Kennedy was the first of the new breed, so that he won't look like an exception but merely the first of the string, looked at from an historical point of view.

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HESS: Do you think that General Eisenhower had a good understanding of what the duties of the Council of Economic Advisers were?

SALANT: I doubt it.

HESS: Why?

SALANT: Well, there wasn't any -- ever much indication that I can recall, from anything he said that he followed these things closely.

HESS: Supposedly Mr. Truman took a great interest in matters pertaining to the Bureau of the Budget. Why would he, if this is true, why would he in your opinion show such an interest in the Bureau of the Budget and lack of interest in the Council of Economic Advisers?

SALANT: Well, I haven't said that he lacked interest in the Council of Economic Advisers.

HESS: I should not be putting words in your mouth.

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Very poor wording.

SALANT: So, that's not my statement. I said I didn't really know. But I think he might have been bored by material that the Council sent to him and that would -- if that was the case, I suspect that it was less because of the substance than because of the form in which it came to him. But one can certainly see why a President would be interested in the Bureau of the Budget, which is not purely an economic policy agency. It's the arm of the President in his relationship with all his executive departments. It manages the Government household for him, and under Harold Smith, the Budget Director was a man who knocked together the heads of Cabinet officers, and I guess it's been that way since, though, I don't…

HESS: Did you have any personal working relationships with the men who were the directors of the Bureau

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of the Budget; Harold Smith, James E. Webb, Frank Pace and Frederick J. Lawton? Did you have any duties with these gentlemen?

SALANT: No, but I knew well, and saw a good deal, of the people who were the heads of the Fiscal Division, a succession of them. Gerhard Colm you mentioned, and others, Griffith Johnson -- oh, Gerhard Colm and Griffith Johnson were both in this group of Richard Gilbert's in the Department of Commerce in Secretary Hopkins' office. Then, at one time, Professor Arthur Smithies, now at Harvard, occupied that position if I recall correctly. This is where the professional economists were concentrated at that time in the Bureau of the Budget. Now they are all over the Bureau, I guess.

HESS: How would you evaluate those gentlemen? Which of those gentlemen that you named would be most effective in that post?

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SALANT: Gerhard Colm was an extremely effective policy man. He was there all through the war and had a great wisdom, I think, and sense as a policy adviser.

HESS: All right. Just a few questions about some of the men who served on the Council of Economic Advisers. Of course, the first chairman was Edwin G. Nourse. Who else was under consideration, do you recall, who else was under consideration before Dr. Nourse was selected?

SALANT: I would have no way of knowing that. I was very busy with the work of the Price Decontrol Board at the time, which had a frightful job to be done in six weeks between...

HESS: Dr. Nourse anyway was the first chairman.

SALANT: Yes.

HESS: What kind of a man was he and what seemed to

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be his economic policy, economic theory?

SALANT: Well, he has stated his own views so often that I think it would be presumptuous of me to try to state them, but I will say that -- I'll make one personal observation about the conflicts that existed in the Council between him and Keyserling which have been written about...

HESS: Once or twice.

SALANT: ...ad nauseam, which are always presented, you know, as differences of views. There was a difference of view, clearly, concerning whether a Council member should testify before a congressional committee or not and how sort of neutral and above the battle in a way, you might say the Council should be, and Dr. Nourse is held to have taken the view that it should be, the Council should be sort of a Supreme Court, bringing the best professional judgment and so

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forth to bear on the economic policy problems of the country. I think there were real differences of view, but I think a good deal of the difficulty was really temperamental. Dr. Nourse is a scholarly, judicious type and one might have said, people did say, sort of academic, and he had a certain tendency to, I think, to resort to ambiguous language which sometimes covered up hard issues.

Keyserling is a much more activist, aggressive kind of personality, and much more action-oriented,. And he, for example, couldn't stand, I think, having Council members and Council staff sit around in sort of seminar-like discussions when they should be sitting down writing drafts, in his view, of a report. But I wouldn't want to say any more about that. Keyserling has been charged with being more "political" in the sense of partisan politics. He, I think, has defended himself against that charge and with what effectiveness I think should be

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left up to other people to decide. I remained on good terms with both of them.

HESS: What about the third member, John Clark?

SALANT: He was a man of strong views with a remarkable versatility of background. He had been in business. He had retired after making a fortune in business, and done graduate work in economics when he was in his forties, I think, so he was something of a professional economist, and then he became Dean of a business school. He was very positive in his views -- one might say opinionated and arrogant, at least in relation to the staff, but I don't know what went on inside the Council. He was quite politically oriented, I guess, and presumably he and Keyserling often lined up against Nourse, I guess, gave Nourse a hard time, or so it must have appeared to Nourse. But on particular issues, I think they managed usually to get together in a compromising kind

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of way. I think probably they were somewhat impatient with Nourse's emphasis on exhortation, an emphasis which appears often in that first report of the Council, not the economic report, but the housekeeping report, where there's kind of a literary essay about the Employment Act and I think a setting up of two extreme views about economic policy which, I think, are a little artificial, with the Council being able to go down the middle very easily. I think that probably reflects Nourse's type of rhetoric more, and probably made Keyserling a little impatient and perhaps Clark, too, but I don't know enough about Clark's views on anything except monetary policy, where he was a strong, low interest rate man. He held Midwestern, you might say Populist, views about monetary policy which resulted in his having issued the one dissenting statement that has ever been in a Council report.

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HESS: Dr. Nourse left I believe in October of 1949, someplace along in there; why did he leave?

SALANT: I don't think I can answer -- I'm not in a position to answer that question.

HESS: How would you evaluate his success or failure of administering the Council during the years that he was there?

SALANT: Well, I think it's hard to know what -- how much to attribute to him and how much to attribute to the other Council members. At that time, the chairman was less dominant in relation to the other two members than he was after Burns came in. The Act was rewritten in some respects and gave the Council chairman more power after Burns came in than he had before. When they saw the President they <u>all</u> went to see the President. Now, only the chairman goes, normally. So, getting back to

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your question: no doubt some of the organizational features represented the views of a combination of the three Council members. The Council's organization started out with everybody reporting, all senior staff members reporting to individual Council members and no clear chief of staff. I think it might have been better if there had been one.

There was a very obscure situation there. I found out only later that Gerhard Colm thought he had a formal responsibility to be chief of staff. There is a discussion in Nourse's book about the question of whether there should be a chief of the Council staff and in that book Nourse takes the position that the Council, being professional economists, should be, its own chief of staff and that there shouldn't be a chief of staff. At least that's my recollection of his conclusions there. But it appears that, or I have the impression from things that were

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said later, after I left the Council in fact, that Colm had the understanding that he <u>was</u> the chief of staff and this must have created a difficult situation. Imagine your position if you were supposed to act as chief of staff and not tell any of the staff members that you are! I think there must have been a messier situation from his point of view than there should have been, if my present understanding is correct. But the use of a committee structure among the Council staff I think was a fairly satisfactory arrangement. The idea was that the staff members were all supposed to be fairly distinguished and there was a question whether any could be put in charge of others. They were all, you know, pretty senior. An indication that there must have been, let us say, more diverse views about staff leadership than I ever realized at the time is that when Paul Homan, one of the original senior staff members, died in the summer of 1969,

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his obituary said he was chief of staff of the Council. That must have come from his family or a friend, who must have gotten it from him.

HESS: After Dr. Nourse left, there was some time before Keyserling was appointed. Do you know if there were others under consideration?

SALANT: Well, the lapse of time certainly suggests that the President had some feeling that maybe Keyserling wasn't the ideal fellow. This may be because he was a controversial person. I don't know what was behind that. But the lapse of time certainly suggests that he would have liked to find someone else.

HESS: And the new man that was brought in was Roy Blough.

SALANT: Yes.

HESS: What kind of a man was he, what was he like?

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SALANT: He was a careful and conscientious, well-trained economist, and especially highly qualified in the field of public finance. I don't really know what influence he had. When did he come in now? I can't remember. Was that in…

HESS: In '50. That was about the time that Keyserling took over.

SALANT: Yes. I was in and out, by the way, in that period. In the late spring and summer of '50, of 1950, I was on loan for six months to Gordon Gray in connection with the writing of the report on foreign economic policy. Although the office was in the same building, I did nothing for the Council really for about six months in that time. And I don't have vivid recollections (partly for that reason I guess) about Blough's role. In any case, I did not report directly to him.

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HESS: H ow would you evaluate the success of Keyserling in administering the Council?

SALANT: Well, I think he administered it effectively. He antagonized some people, I guess. I got along fine with him as I did with the other, nearly all the other Council members. I had one run-in with Clark on one occasion on a non-substantive matter. The organization of work, I think, was, you know, more effective and more like an organized operation, less like a seminar discussion under Keyserling.

One important point relating not to Keyserling's administration of the Council, but to his contribution to substantive economic policy was his emphasis on economic growth. He always stressed the need to include growth in the norm by which the performance of the economy is judged. His point is now taken for granted universally, and economic growth has been a major

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concern of academic economists now for many years, but I think Keyserling was ahead of them all in the stress he placed on it, and that he does not get the credit due him. He constantly stressed that for the economy merely to do as well as in the preceding year was not satisfactory performance, and he stressed this long before economic growth was the rage in academic circles.

HESS: What can you tell me about your duties in relation to writing the Economic Report and was there any difference in the way the report was written when Mr. Nourse was chairman and then the way that the report was written when Keyserling was chairman; The President's Economic Report.

SALANT: There probably was, but I can't really remember what it was. My own duties consisted of writing drafts of what I thought should go in on the international side--but I also read

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and commented on drafts relating to domestic matters, as that had also been my interest. In fact, when I first came, Nourse--and this shows, by the way, how little international matters figured--thought I should cover both international matters and cyclical developments. I was supposed to be the business cycle fellow. Well, of course, it was impossible to separate business cycle matters from other aspects of domestic work.

I can give one other illustration--one illustration by the way of the, I would sort of say, the low emphasis put on international things. From my private point of view, what I thought was a coup on my part was to anticipate the British devaluation of 1949, not just in a general way, but in the sense of having a concrete memorandum about it ready just before it happened. I recall vividly having prepared a memorandum the week before it happened and having it typed and
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ready. I was quite sure, and won a bet as a matter of fact with a man at the New York Fed on when it was going to happen, the precise weekend (these things always happen on a weekend when the markets are closed), and I recall that I had the memorandum typed, took it home with me on the Friday before I thought it was going to happen, and I remember sitting at the radio Sunday for a long time waiting to hear if there was going to be an announcement of the devaluation. When I did hear it, as I did, I drove into the office (I then lived in Alexandria), and put a copy of this memo on the desk of each Council member. The memorandum said what the effects would be on the United States and proposed what the chairman, Chairman Nourse, should say if he was asked about these effects at a press conference. There it was, on their desks Monday morning, but I didn't hear a word about it from them, and there was never any
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statement by them. It wasn't a big thing for them, although I guess there were about sixteen other countries that devalued at the same time and the whole international position, relative prices of the dollar and sterling, and the sterling currencies were changed by this. I thought getting that memo on their desks that Monday morning was something of an accomplishment. It was not appreciated.
Getting back to my duties on the staff, I felt that apart from the direct congributions to writing the semi-annual reports--we wrote midyear reports then, as well as January reports-I had to maintain good contact with the whole executive branch on international economic matters between report-writing periods. My role on the CEA staff enabled me to operate in what might

be called a rather free-wheeling way. I kept good communication with people in other departments, especially State, Treasury, Commerce and on one
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issue the Export-Import Bank, as well as with people in the Bureau of the Budget and the White House staff who were concerned with international matters. I also maintained contact with people in the World Bank, that is, the IBRD, and in the International Monetary Fund. I already knew many of these people, nearly all of them economists, because I had been in the Government a long time, and was on a number of interdepartmental staff committees--in fact, so many that it was hard to get enough time to do the work I needed to do in the office, especially before I acquired an assistant. I also knew some through prior professional associations. This frequent contact made it possible for me to get a good sense of the thinking in the other departments and at the same time for me to make my own observations, comments, and suggestions to them on a purely informal basis.
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HESS: Now, since you were involved with international matters were you also involved on the matters pertaining to the Truman Doctrine, to our going into Greece and Turkey, or giving aid to Greece and Turkey in '47?

SALANT: I don't recall that I did anything on that or that the economic aspects of it were considered very major. It was a mainly political act.

HESS: Thinking back can you tell me about your first meeting with Mr. Truman? When was the first time that you saw Mr. Truman in person, do you remember?

SALANT: I don't know that I--let's see, did I?

HESS: I don't know.

SALANT: No, no, I don't think I did. The closet I got to that was, you know, during the war when I went to see Byrnes or somebody like that.
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HESS: What do you recall of the political events of 1948? Were you surprised that Mr. Truman was reelected? Just a political question.

SALANT: I imagine I was, but I can't remember now, I don't think one should trust one's memory about these things.

HESS: Many people were amazed that year.

SLANT: Many people were amazed. I think some of those who were supposed to have forecast it were not equally amazed, but I don't think they forecast it.

HESS: In the President's mid-year economic report of 1949, the following phrase appeared:

“A moderate downward trend characterized most of economic activity in the first half of 1949. And I believe that was one of the first indications of the mild recession that began to appear in 1949. “Do you recall that?
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SALANT: I can't remember the timing now, but I recall that the Council was charged with having continued to advocate anti-inflationary policies when the recession movement was already in sight.

HESS: Let's flip the tape over.

SALANT: Yes.

HESS: All right, we are recording again, sir.

SALANT: There's one episode connected with my early views about how long foreign aid would be needed, that, perhaps, is worth mentioning, although perhaps it has more entertainment value than any other value. The technique for getting the report out required that some members of the staff go up to the Government Printing Office at night, just before the galley proofs were put into--before the page proofs were put into the final shape for actual printing. Gerhard Colm and Frances
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James, who is still in charge of the statistical work at the Council, and I went up at night to do that job on the first Economic Report of the President. These sessions lasted into sometimes 3 or 4 o'clock in the morning. About midnight of that night, as we were reading the proofs sitting up on the stools there in the Government Printing Office, I came across a passage in the section that I had written which referred to the necessity of aid to foreign countries.

HESS: This is in the first report.

SALANT: This is in the first report, the one that is dated January 8, 1947. It seemed to me that the statement as to how long aid would be required was worded in a way that made it seem like a shorter-term matter than I thought the public should be prepared for, and I wanted to change a few words. At this time, of course, the wording down to the last comma, was all supposedly fixed, and I said to Gerhard Colm, who was the senior
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person there, "I think this is misleading. We ought to give some indication of how long this aid is going to have to be continued in the future." The words didn't give any particular time period, but they sort of suggested two or three years and I thought something like, you know, "for some time in the future," would be better. So, we discussed whether we should do what we were to do in this last resort, which was not to call a Council member, but to call Mr. Steelman, who was The Assistant to the President, because the thing had been okayed by the President as it was. And we finally agreed that it was of sufficient importance to run the risk of waking Mr. Steelman up. I

guess it was about half past midnight or something. We did so, and Gerhard put the argument for the change to him and he said, "Okay." We were working with two sets of proofs, one of which was to be the one from which the changes
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were taken. After going through all this torture about whether to call Mr. Steelman at this late hour of the night, getting his consent to make the change, we made the change, I guess I was the one who made it, on the wrong copy.

HESS: And it did not appear.

SALANT: And it came out just the way I didn't want it. I think the passage in question is the one on the top of page 31 which now doesn't appear to be as closely related to aid, if you read it fast, as it really is--as it seemed to be at the time. But it says:

For a few years we cannot expect to buy as much from abroad as other countries buy from us. We will find it profitable to invest a part of our savings in developing the world's productive resources through sound loans and investments of equity capital abroad . . . and so forth. If I recall correctly, I wanted to change the words "for a few years" to "for some time to come" and give an impression maybe of decades
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rather than one or two or three years.

HESS: Take the word "few" out.

SALANT: "For some time to come" is what I wanted, as nearly as I can remember now. Well, this is what we got permission to change, and then changed on the wrong copy so that it came out just the way I did not want it.

HESS: I have a couple of questions . . .

SALANT: Apart from the entertainment value, that's an indication that I was thinking in longer term perspectives about aid. Well, we're still giving it, as you know.

HESS: Did that seem to be the general consensus of opinion at that time that aid would not be needed for very many years?

SALANT: Yes. You have to remember that this is two years before talk about aid to less developed
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countries. I say two years because it's two years before the point 4 program, announced in the inaugural address of 1949, and the aid that was being thought of was to Western Europe. This is in fact, even before the Marshall plan. Whereas this statement relates to--vaguely, it's true, because "developing the world's productive resources" is not specifically geared in the words, to less developed countries, but pretty clearly that's what's implied.

HESS: I have several questions not dealing with the Council of Economic Advisers, but before we leave that I would like to ask your general opinion of what you see as the success or failure of the Council of Economic Advisers to carry out the duties that were assigned to it and the mission assigned to it during the Truman administration and to date. Do you think that it--did it meet with success during the Truman years for what it
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was set up to do?

SALANT: I would say that it met with some degree of success. In the first place, it tried to pull together the different aspects of economic policy into some sort of whole. Of course, the President gets his advice--got his advice then, still gets his advice, and will always have to get his advice from a lot of sources, and so you can't say that the Council's views were dominant, but considering that it was just getting going, and had to, you know, establish itself, and the techniques were far less advanced than they are now, I would say that it was fairly effective. Especially in the process of circulating its reports while they were in draft form among all the other Government agencies, it was a vital part of the process of general economic policy formation. I think the success is not to be judged entirely by the influence that the report had after it was published, but in considerable measure, through the process
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of general economic policy formation. I think the success is not to be judged entirely by the influence that the report had after it was published, but in considerable measure, through the
process of its preparation.

I think it's true, as it is generally said, that the Council is an organization of greater influence now than it was at the time, but you have to remember also that it started from nothing.

HESS: All right. In George Elsey's papers, I have found a four-page memo to Mr. Elsey and to David Bell, from you dated May 2nd, 1950, subject: Comments on fourth draft for Fargo. Now this had to do with a trip that Mr. Truman took to the Western part of the United States in May of 1950. He went out to dedicate the Grand Coulee Dam. This would indicate to me that you assisted
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in the White House on other matters, perhaps not on economics. Is that right, do you recall writing that speech draft?

SALANT: I don't believe the I ever wrote a draft, but I certainly received--was asked to comment on drafts of lots of things. It seems to me that other people's propensities to give me drafts to comment on, were strong then and continue to be. That's one reason this office is such a mess!

HESS: Were your comments in the nature of looking at them from the view of an economist, or from a speechwriter, or what?

SALANT: Not from that of a speechwriter. Mainly, I should think from that of an economist. I don't have any specific recollection of that one at all, in fact I don't recall any speech at Fargo. Of course, maybe if I knew what was said, or what he was talking about, it might
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come back to me, but I don't recall that by reference to the place. I'm sure that you would--I don't know whether you would find many such things or not, but I did make comments on quite a lot of things, on request you know.

HESS: Who did those requests usually come from on the White House staff? When they came from the White House staff . . .

SALANT: They could have come from Dave Bell or Dave Lloyd or whoever was--presumably it was somebody working on international matters at the moment. I think they would have been most likely to ask about things having to do with international economics.

HESS: Did you work at times with both Clark Clifford and Charles Murphy, the gentlemen who held the position Special Counsel to the President?

SALANT: Never with Clifford. I did see a bit of
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Charles Murphy, but I can't remember whether it was much in that period or not. I think it was mostly through Dave Lloyd in that period, who in turn reported I think to them. My contact with Charles Murphy was first made, and I think until relatively recently, only made at the time when he was Counsel to the Banking and Currency Committee of the Senate in connection with price control legislation, when I sometimes went up to try to brief Senator Wagner on our views about legislation.

HESS: How would you characterize your relationship, your working relationship with the members of the White House staff? Did you get along, did you find that they were capable men? Did you get along well with the men that you worked with?

SALANT: Yes, I did. I found them very, very capable.

HESS: All right. Moving along to 1952, do you recall
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anything about the political events in 1952; Mr. Truman's decision not to run for re-election again, the convention and the campaign?

SALANT: No, I don't. I went to Europe on the NATO assignment in September, 1952.

HESS: What was that assignment?

SALANT: There was to be the annual meeting of the foreign ministers of the NATO countries in December, and the NATO staff needed some help from professional economists in its attempt to do a more ambitious job than they had done before as to the capabilities of the various countries to support NATO defense programs, and they wanted to get your consultants from various countries, including one from the United States. It was decided, by whom I'm not sure, that I should go for the United States, and Mr. Harriman asking Mr. Keyserling, I think, to
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lend me for the three or four months--three months.

HESS: What do you recall about the transition from the Truman administration to the Eisenhower administration?

SALANT: I was not here, but in Paris at the actual time of transition. I came back, I think it was in February, and the old members of the staff were really in a state of shock. It was like seeing a bunch of people who didn't know what had hit them, wandering around the hall, not knowing whether they were to stay or not to stay. And most of them in the end did not stay, and were extremely embittered. They thought that Dr. Burns didn't know very much about their work. He had interviewed each of them, apparently. You know, they had Civil Service protection, but of course, it's no protection. They felt, I think, that their
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work had not been appreciated, and they resented it. I don't know of how man this is true, some were already gone, but it was true of a few who were still around there, and they just didn't know what they were going to do. Some were so firmly, you know, psychologically, set for working in Washington. At that time, you have to remember, the Council staff did not come for just a few years the way it has done since, but they were-they regarded themselves as sort of a permanent Civil Service more like the British civil service, so that from the point of view of the old staff members, it was a rough period, you know, badly handled. The whole attitude of the Eisenhower administration when they first came in was that the people who were working in the Government under the Democratic administration were sort of incompetent loafers. They subsequently said they were mistaken, at least a couple of them did. I seem to remember a few
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Cabinet officers having taken a very nasty attitude at first and then sort of apologizing for it. But, you know, they made a lot of statements that indicated they didn't know anything about Washington life or how the Government was run, from the point of view of what permanent Civil Service people were doing. There were a lot of very good people who were treated rather badly all around Washington, and I think this is true of the Council staff, but I don't, and I didn't at the time, attribute that to Dr. Burns. The responsibility for almost insisting that they all be turned out came from, if I remember correctly, Congressman [John] Taber who was the chairman of the Appropriations Committee of the House, and if I recall correctly, he first insisted that everybody be turned out, and that if necessary to effectuate that, they would abolish the Council and reconstitute it. And Burns worked out an arrangement by which the

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Council was continued but changed in certain respects, including (as I mentioned before) the stronger position given to the chairman. But he clearly wasn't free to do anything he wanted. I don't know what he would have wanted to do. His treatment of me was extremely fair. In fact, he wanted to keep me on at first and then he was--he called me in one time and told me that he was not able to do that because there was a policy, from the White House, that nobody who had been questioned about security matters--questioned, irrespective of answers--could be retained and I had been asked whether I knew certain people whom I did know. He said that he regretted that. I recall at the time this policy seemed so incredible to me that I couldn't believe that that was the real reason in the White House mind, and thought that that was the story they were telling Arthur Burns as to the policy, because they--now I was guessing--they would doubt that

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he would accept the true reason, which I thought was that anybody connected with the Democratic administration was going to be thrown out. And I thought that was the true reason that they would not tell him, because he would have refused to accept it. Unfortunately I told that to somebody who got my impression wrong and said that I had thought that was his reason. That misinterpretation of my view got to him and he must remain with the impression, I think, that I had said the reason was that I was associated with the Democratic administration. I think he remains under the impression, which I never corrected, that I had not given a correct account of why I didn't remain with them. I did not want to correct that impression at the time because he was in office, and I didn't want to appear to be in the position of looking as if I wanted the job back. I intended, you know, when his term was over to straighten

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it out, but then I forgot. I was reminded of this-it's the only reason I think of it now--because when I was looking for some old papers about two or three months ago, I came across some correspondence about this which refreshed my memory and made me wonder whether now, at this late date, I ought to straighten it out with him. But it seemed too dead, and he had so many other things to do, that I--it seems out of the way to dig that all up. But I'm sure that I'm still in a bad light in his eyes because of this misunderstanding on the part of my friend.

HESS: During this period of transition was Sherman Adams in evidence?

SALANT: Not to me because I left--I was at that time, as a matter of fact, not on the Council staff, not back on the Council roll. I was still in the Foreign Service Reserve on a State Department assignment with the rank of

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a minister or something, and when I resigned from the Government, I resigned, I think technically, from the Foreign Service Reserve, although I always felt myself to have been only on loan from the Council and had expected to go back to the Council. So, you know, after about, I don't remember when it was, March or something, I was totally out of the Government and Sherman Adams was no more in evidence to me than he was to anybody else who read the newspapers.

HESS: What in your opinion were Mr. Truman's major contributions during his career?

SALANT: Well, of course, the Greek-Turkish Aid program was a major foreign policy move, but I'm not in a position to say anything that is worth recording certainly on non-economic matters. I would say in the field of economics, the foreign aid program with its focus on the less developed countries, and the Marshall plan,
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of course, before it. The Marshall plan followed a little more easily, I think, from what had gone before, the exhaustion of the Anglo-American loan and those other things. But I think aid to less developed countries was the newest departure which I would, perhaps because of my personal interest in it, single out as one of the most important things.

HESS: Do you know where the idea or ideas, as the case may be, for the Marshall plan originated? Who came up with the idea?

SALANT: My own impression, which my friend Charles Kindleberger, now a professor at MIT, who was very much involved in it at the State Department, tells me is wrong, is that it was more Ernie [Ernest] Bevin's idea than anybody else's. It's supposed to have been foreshadowed in Acheson's speech before the Delta Council in
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Mississippi. I recall the first draft of that speech which was brought over to the Council--I'm sure it was that speech. There wasn't anything nearly as specific in the first draft of that speech, as I recall it.

Now, I must be wrong because it seems to be so generally accepted by people who worked on that speech, that it was the first explicit foreshadowing of the Marshall plan. Whose idea it was, I don't know. I don't recall that in the draft I saw there was anything that indicted that an extension of a substantial program to Europe as a whole was in it.

There is an interesting story about how it got to Bevin which you can get from Kindleberger, with whom I car-pooled. Another member of that car pool was a man named Leonard Miall who was the BBC representative in Washington.

HESS: Still?
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SALANT: No, not any more, although I understand he is again in New York. And in the car-pool Kindleberger, you know, said to Miall (I believe it was in the car-pool) in effect, "You know, this speech is important. Do something, recognize it, this speech of General Marshall's."

HESS: The Harvard speech.

SALANT: The Harvard speech. And Miall, I think, communicated with London--whether it was with his home office or what I don't know--and said, you know, "A ball is being dropped in front of you, pick it up and run with it. That's what you're supposed to do." But if you want to get the story on that, it is better to get it from Kindleberger or Miall, if possible.

HESS: But Bevin's part in that was more or less picking up the ball, not formulating the ideas for the speech itself, is that right?
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SALANT: That's right.

HESS: As far as that goes he was in England.

SALANT: But the question in my mind, though, was whether that's what they meant when they made the speech. Or whether it only acquired that meaning after Bevin said, "Here's something to pick up and run with." Now, Kindleberger says that what subsequently emerged is what Marshall had in mind, and what the State Department had in mind in that speech. It's hard to see anything very concrete in that speech except the emphasis on European countries cooperating.

HESS: Did you ever hear the name of Will [William L.] Clayton mentioned in connection with the Marshall plan?

SALANT: Undoubtedly. I wasn't close enough to what was going on at the State Department then to know what his role was and what the role of others
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was. If I were to try to find out more, Kindleberger would be the one I would ask.

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

SALANT: I think it's--he will be, you know, one of the strong--he will certainly go down as one of the strong Presidents. Whether the strong actions were always wise is something that I'm uncertain about. History is what the historians write, and so I'm not even sure that time will clear these things up. You always have to answer the hypothetical question, you know, of what would have happened otherwise. But it . . .

HESS: What is one of the strong actions that you refer to?

SALANT: Well, I mean, the whole--the embracing of the assumptions underlying the cold war, you know, is the major thing. It is not as clear
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to me, or as absolutely beyond doubt to me, as it is to practically everybody else, that the Russians would have invaded Europe. It's very easy, when you're responsible for foreign policy and looking at another country, to assume that the foreign policy problems of another country are its most important thing because that's the only thing about them that worries you; it's easy to

forget the domestic problems of that other country. It's hard for me to imagine that a country that had the losses that Russia had was about to embark on further military adventures, and I don't know what evidence there is about it. I know that everybody was scared of it, but I don't know how hard the evidence is. Now, of course, everything that's happened since has been colored by that assumption, you know, that this was the great conflict. And as far as the Chinese policy was concerned, I think that might well have been different. And I think
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the whole course of developments might then have been different, but I've always assumed that I didn't know any more about that field than international relations experts know about economics--at least I started out on the assumption that presumably they knew more about it than I do. I'm not so sure now. I never knew on what basis they formed their judgments. Their apparatus of thought isn't very clear to me. It seems to me anecdotal and unscientific. In economics you have a framework of thought which is fairly systematic. I hoped, at one time, that the people who were in that field also had such a framework. I don't see any evidence that they have. I'm unable to answer the question of what would have happened if we hadn't assumed that the Russians would have taken over Western Europe. It seems fairly clear that we underestimated the potential conflicts between Russia and China and we had to be hit over the head about ten times before we were willing to recognize that there was
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friction. It should, it seems to me, have been obvious, long before we were willing to recognize it. I mean, this continued assumption that Russia, China and the eastern satellites of Russia were just one solid mass all headed in the same direction, seemed to me fairly questionable and then some what later, absurd, before it was admitted by people who were frozen into a cold war position from the beginning. So, that's the reason I'm unable to say whether the actions that were strong were also wise.

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

SALANT: No, I don't think so.

HESS: Well, we thank you very much for your time.

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