Oral History Interview
with
ROBERT R. NATHAN

Chairman Planning Commission War Production Board 1942-1943. Deputy Director Office of War Mobilization and Re-conversion 1945. UN Korean Reconstruction Agency 1952-1953.

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by Niel M. Johnson, Harry S. Truman Library

JOHNSON: Mr. Nathan, I want to start by asking you when you were born, where you were born, and what your parents' names were.

NATHAN: I was born in Dayton, Ohio on Christmas Day of 1908, a twin; I have an identical twin brother. My father's name was Louis Nathan and my mother was Hannah, and her maiden name was Schnee, translated into Snow. Some of the family took the name Snow and some took Schnee.

JOHNSON: Were they immigrants, by the way, your parents?

NATHAN: Oh, yes. My dad came to the United States from what had originally been Austria and then it became Poland when he left. Now it's in Russia since World War II, near what's called Lvov now, used to be Limburg. He

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came in 1900 and left my mother and the two oldest siblings there. Then he scratched hard, I'm sure, and saved, .and brought my mother and the two older family members here about 1902, after a couple of years. The four other children, we were all born in the United States.

JOHNSON: So you had how many brothers and sisters?

NATHAN: There were three boys and three girls in the family. We sort of violated the statistical rule, because under present analysis, the longevity of life of women is longer than men, but in this particular case, all three brothers are still alive and all three sisters have passed on.

JOHNSON: That is very unusual. Were you among the youngest or the oldest?

NATHAN: I was the youngest by fifteen minutes. I have an older brother who is 89 at this `time. The oldest one was a sister and she died about two years ago at 89.

JOHNSON: I don't know if it's coincidence, but it seems like I've been talking to the youngest brother on most of these interviews. Did you get your education in Dayton'?

NATHAN: Yes, I went through grade school there and also

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through high school in Dayton. We didn't have much money at ail. My dad was a fruit peddler, and he never accumulated any particular amount. My twin brother and I both were admitted to the Wharton School at the University of Pennsylvania. Although I think: we did apply to Ohio State and were admitted, we went to Penn. You know, I was interested in business, but I can't say I was interested in economic policy at the time. We went to the University of Pennsylvania and worked our way through. We had the benefit of living with a brother which reduced our cost. I entered in '27, which was a marvelous time to study economics, and graduated in '31. I came in at the height of the sort of mad, crazy 1920's speculative boom, and was an undergraduate through the worst part of the downward phase of the Depression. I got my masters in science and economics in '33, so I had that whole sweep. I then came to .Washington to work for the Government.

JOHNSON: And that was at Wharton where you got your masters, too?

NATHAN: Yes, I got my masters also at the Wharton School.

JOHNSON: Who would you say was perhaps the most important influence on you by this time?

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NATHAN: Well, from the professional point of view, there is no question that it was Simon Kuznets, who was my professor in graduate school in economics. Kuznets later became a Nobel laureate, probably one of the greatest quantitative economists that ever lived.

JOHNSON: Econometrics, was that what they called it then?

NATHAN: No, this was pre-econometric data, when you could understand economics. Not everything was fouled up in complicated formulae that only the mathematician can understand.

No. Kuznets later did a lot of work in econometrics. But at that time he had only been in the United States, I think, ten years. He came from Russia at the age of 21 or so. He got a masters and Ph.D. very quickly, and was an outstanding scholar and professor. I took. courses under him for two years from '31 to '33, but then I decided that economic theory was not really my forte. I wasn't that much interested in theory.

And secondly, I really thought for a while that law would be my profession, so I came to Washington and went to law school at night. I worked during the day and worked hard, and I finally got a law degree. I'm a member of the bar but I've never practiced.

It was a wonderful coincidence, because I think

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Kuznets really had a second impact on me. When I decided to come to Washington I had an offer from a former professor of mine who was in the Department of Commerce as head of the Division of Economic Research. When I reported for work. I walked into the office there at the brand new Department of Commerce, in those days, and there was Kuznets. He said to me, "What are you doing here?" And I said, "Well, what are you doing here?" I had told him I was leaving Wharton and not finishing my graduate work, and he really criticized me bitterly; he wanted me to stay.

Anyhow, when I asked what was his role, he was here because in 1932 Senator Bob LaFollette, the young Bob from Wisconsin, introduced a resolution into the Department of Commerce calling on the Government to develop official national income accounts. Most people are shocked when I tell them that in 1933 there was no such thing as national income measures, officially, such as GNP and all that. There wasn't any such thing. They had been tried abroad, and there were some theoretical treatises. Kuznet had written a fair amount on national accounts and income. Anyhow, he. had been brought in by the Department of Commerce to supervise and direct this first development of national accounts. That afternoon the other professor of mine, Fred

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Dewhurst, who was the head of that division, said, "Kuznets asked if you could be assigned to him." He said, "Would you be willing?° I said, "Willing, I'd love it." So I was assigned there, and I worked on the very first estimates this country ever had.

This was a wonderful break for me because after a brief interval I went up to Harrisburg for a few months as Assistant Director of Research of the State Relief Board there. This was after my first year of law and finishing out the estimates on the national income, and preparing the base for the second year study. After a few months I was asked to come back to head up the national income work, which was sort of heady. I was only 25 and I was made chief of a section. Two years later, it was made into a division and I was made chief of the National Income Division, in ’36.

JOHNSON: How did you get into the Government in the first place?

NATHAN: Well, I was in touch with a few people I knew in Washington. In Philadelphia, at the end of my junior year, one professor asked me if I would be interested in working on an unemployment survey in Philadelphia. You know, who worried about unemployment? There hadn't been a problem in the '20s. So I said I'd love it, and I

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started in the spring working part-time for what they called the industrial Research Department in the Wharton School. It was wonderful. It was headed by the Dean, Joe Willits, and Dewhurst was supposed to handle this unemployment survey. We developed a .sampling technique, very primitive by modern techniques of sampling. But then we picked out blocks in the city of Philadelphia and then houses within them, and we did these surveys. I used to go out with the enumerators. We had these women. I bought an old car, a "Moon," a big sedan for $50 in 1930. I used it to go out and carry my enumerators around. Then we checked them out, and I did that. So I developed unemployment numbers in Philadelphia by composition by age, and by jobs and duration, and so forth, of unemployment. These were really pioneering statistics because that was the subject about which very little was known. I also headed up that same study in '31 and 1932. The surveys were published by the U.S. Department of Labor, as special reports. I knew Dewhurst because I was co-author with him on one of those reports that was published by the Department of Labor. I don't know whether I talked with him or wrote to him, but he said, "Oh, we'd love to have you: we need more economists."

Already by then the New Deal had begun to have some

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pickup of excitement, and so they offered me a job. It was good; I was getting $2600 which was a P-2, a Professional 2.

JOHNSON: Now, what month and year was that?

NATHAN: In 1933. I started literally in June of '33. Then I came into the Department; I saw Kuznets there my first day and I was assigned to him. I worked on national income. Then, I had decided pretty much in my first year of law that I didn't want to go on with law. I was frustrated and disappointed. Anyhow, I decided in law school, after briefing cases and cases and cases, that the one who lied the best was the one who won. I had a wonderful ethics professor, a Father Lucia, a bright, personable Jesuit; for whom I had great admiration. We argued and, argued endlessly about the ethics of law, and he was right, you know; everybody had the right for the best professional help, and so forth.

Well, anyhow . . .

JOHNSON: That's at Georgetown Law School?

NATHAN: Yes. I had an opportunity to go to Harrisburg. Here, another associate of mine at Penn had gone to Harrisburg as director of research on the State Emergency Relief Board, and he needed a deputy. So he

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offered me $3600, and, you know, $1,000 more was pretty large money in those days. I was not too happy at Commerce then; I liked the person who took: over, but frankly, he didn't quite have it to carry on. And it was a period of developing the concepts as well as really collecting and operating with data that were pretty much inadequate.. You know, it's hard to believe how limited the statistical sources were 56 years ago. But, nonetheless, I didn't feel I wanted to stay, and so I went to Harrisburg. I only was there for three months, when I came back. part-time with the President's Committee on Economic Security to work on unemployment. During my first work: on national income, one of the things I did was to work with employment data, trying to figure the composition of labor. As a result of my estimates of employment in different fields, I was able to estimate unemployment, by the difference between the workers and the labor force. My numbers were published by the ILO, International Labor Office, and I became a source of unemployment figures then. So, that's why I was invited back to the President's Committee on Economic Security.

About two months later, I had a call from [the Department of] Commerce asking if I would come back as Chief of the National Income section. It's funny. They

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offered me $3,200. I said, "This is crazy; I'm earning $3,600." Well, they couldn't figure paying a guy twenty-five and a half and then $3,800, that was P-4. They wanted me to come back for a P-3,, and I said, "No." So they finally got me approved at P-4. Then about a year and a half later, they made it into a division, a separate division, and I was chief of that division.

So this is why Simon had such an influence on me. In a sense it was a tremendously good break, because as the national income numbers began to get into the press-it wasn't a household word like GNP almost is today-but as it got into the press, and as the numbers began to be recorded, people began to try to figure what the hell was this. What are they measuring? Are they measuring dollar transaction, are they measuring retail sales, is it a measurement of circulation of money, is it a measurement of wealth, or yield on wealth? So there was a great interest in it, and I began to get involved; I got to know Cabinet officers. I knew Henry Wallace and knew Harry Hopkins well, and Frances Perkins. It was a great opportunity to get involved.

JOHNSON: You were chairman of the Planning Committee of the War Production Board. You were Assistant Director of the Research and Statistics Office of Production Management in the Defense Advisory Commission, Chief of

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the National Income Division in the U.S. Department of Commerce, and consultant on unemployment with the President's Committee on Economic Security. In May of '43 you volunteered for service in the Army, and after serving for seven months you were given a medical discharge.

NATHAN: Yes.

JOHNSON: I've got that on a press release, December 4, 1944.

NATHAN: Well, that's accurate. The first real contact that I ever had with the then-Senator from Missouri, Harry Truman, occurred on the mobilization side. In June of 1940, President Roosevelt established and named the National Defense Advisory Commission to sort of begin to do some planning and programming on the mobilization effort. I was called by Leon Henderson, who was a member of that National Defense Advisory Commission, and was asked if I wouldn't leave Commerce arid come with the mobilization program.

They offered me the job as Associate Director of Research and Statistics, of the Defense Advisory Commission. The Director was Stacy May, whom I had met. I didn't really know him well, but I knew Leon Henderson well, because I had a lot of tie-ins with some of the people during the Temporary National Economic Committee.

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study in 1936, '37. '38. That was a period when they were trying to analyze monopoly and concentration and so forth, and Leon Henderson was very active in that. That was the TNEC. So I resigned from Commerce literally in the first month of the Defense Advisory Commission, and went over there as Associate Director of Research.

It was a very long, interesting experience. I was involved for almost three years. The big problem, in 1940, was trying to do a sort of a mobilization plan, or what the country could achieve in an all-out effort, but it was almost impossible to get requirements because if I'd go to see the Army or the Navy or the Air Corps or the Merchant Marine, any ones that would be deeply involved in mobilization, and if you said, "What are your requirements?" they'd say, "Requirements for what? For an air war, a land war, sea war, European war, or American continent war, or Asian war, what?" I was in no position to tell them what kind of military or strategic assumptions to use, and nobody else did, you see, because we often forget the environment we were working in at that time.

Roosevelt was running for his third term, an unprecedented event, of course, in American history. And when he decided to run, we weren't 100 percent out of the Depression, although certainly, it's crazy to say,

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we hadn't made an awful lot of progress from '33 to '40. But I think Roosevelt sensed the historical problems of the taking over of most of Europe by the Germans and the Italians and the nature of the Hitler expansionist efforts. It's hard to tell, but I think that was an important factor in his decision to run for a third term. But I think he also was sincere when he said he was pledged not to send American troops abroad. But in the meantime, there was this dilemma: no participation in the war, but we got to help our allies.

How do you reconcile those two? That's not easy. The result was that there was no basis that one could give. We enacted the lend-lease program, which was to provide equipment for the Allies, but when you look back, it's understandable that you couldn't get a big, a really big, lend-lease program because how much money could be put up? In those days a billion was an awful lot, and

Britain was in dire trouble. They were being bombed like the dickens. I suppose if Hitler really had made an invasion effort he may very well have succeeded. Nonetheless, lend-lease kept growing, but it was insignificant; it didn't require any major . . . .

As I was in charge then and I had done the national income work, we did an exercise on what later became known as the full employment GNP. In other words, what

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could the country produce at full employment? Here we still had 12 percent of the labor force idle, and at the bottom of the Depression it was 25, and then another 15 percent full-time equivalent, you know, of people working part-time. We were down then maybe to 15 percent of the labor force part-time; or full-time still lighter at 12 percent.

So, we took this GNP and projected at full employment what could we do, and what resources would we need. We worked on this and came out with figures in the fall of 1940 that showed we would need more steel and much more aluminum; and if part of that full employment production was military in nature, how would that shape and shift the patterns of resource needs. Obviously, for airplanes the key supply was aluminum. Obviously ammunition's key supply was copper, and for ships, guns, and tanks, it was steel. Going back into the records in the Archives, one will find that in the fall of 1940 we prepared an analysis saying that if there was ever full employment or all out mobilization, we would need ten million more tons of steel.

Well, the steel industry exploded. They said, "You are crazy! Heck, only six or seven years ago, in 1933, we were down to 15 or 20 percent of capacity utilization." Even now, as I recall, it was around 60,

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maybe 65, but there was still an awful lot of excess steel capacity, and they thought we were nuts. So there was a big battle over it, because this was a dramatic thing and finally either Roosevelt, or somebody high up at his instigation, said to the steel industry, "If you don't build ten million more tons of capacity, the Government will." Well, then they began to bargain over what the incentives should be. Well, my God, they got accelerated depreciation and assurance of orders, and so forth, and a very good deal. We did; we got a ten million-ton steel expansion. I don't know the date of the first contract on aluminum, but then we moved into Kaiser Aluminum, and Reynolds Aluminum, and there was one other that later came in, so they . . .

JOHNSON: Alcoa came in didn't they"

NATHAN: Yes, that's right. So, at least we began to get a sense of how to build for an all-out effort. It was fortunate we did that in '40, because in '41 these new facilities were being constructed at the time when we had the materials and the manpower and the technology and the technologists and so forth to do the thing. There were plenty of architects, plenty of builders, plenty of designers. But, to get the military items up was really tough.

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Late in 1940 there came to Washington, I think, one of the geniuses of the 20th Century; his name was Jean Monnet, from the Monnet brandy family back in France. He was a very unusual person. At a young age, he had been very high in the League of Nations, and was then in all kinds of maneuvering and operations in the '20s. He came here in late '40, and I don't know how we got together, but somebody apparently told him I was involved in military requirements. I met him and we got to be very, very close friends. Monnet had one idea, which in retrospect seems purely, "Oh, hell, that's simple, what's so great about it?" His idea was American mobilization, American production, was needed if we were going to stop Hitler. If we're going to win the war, the key factor is American production. This country with its tremendous productive capabilities--and you ,know, people say, "What's so bright about that?" Monnet was the kind of a person--I've never run across a better strategist. He would get a hold of an idea that was good and he would tenaciously stick to it and hang in. He didn't want to be bothered with minusucle. He didn't want to be bothered with details; rather, let's get to the principles.

Well, all during the spring of 1941 then, I used to meet with Monnet a lot. It's a long story, with

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breakfasts, and walks in Rock Creek Park and talks, strategizing what to do about this. By the way, I must say that Monnet was something, because he used to write cables for Roosevelt to Churchill, and he'd send the answers to his associates in London and they'd send the cable from Churchill back to Roosevelt. They knew what he was doing, but he was such an operator that it was admired and respected. He was a very effective person.

Finally Roosevelt, in the spring of 1941, decided to say to the military, "If we ever got into the war, what would you need to win the war?" Well, then they were in trouble. You see, they couldn't say to the President, "What kind of a war?" I mean, after all, this was the Chiefs of Staff, the strategists, defense leaders, and Secretaries of War, Navy, and so on. This came to them and they thought, "Oh, this is a crazy idea." By the way, he sent, I think, Bill Batt to Moscow and Harriman to London, or the other way around, to get the latest. Russia had been invaded about that time, and so they [Batt and Harriman] would bring back what they would need from the United States.

In poured these huge numbers, hundreds of thousands of fighter planes, of trainer planes, of bombers, escort planes, cargo planes, merchant ships, tonnages of all kinds, tankers, guns, tanks, and so forth. I had a

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little group working with me, and what we proceeded to do was translate these numbers, because we had what the Army and Navy called Tables of Allowances. They couldn't tell you the requirements, but they could tell you how much steel went into a tank, and how much copper and how much ammunition and so forth. So we decided quickly that you couldn't do a total analysis, all the way down to molybdenum or some other kinds of raw materials. You had to take a limited approach. So, we decided on four criteria: 1) steel, 2) aluminum, 3:) copper, and 4) the GNP. In other words, cost would be sort of an overall control of the real production total. We even had some information that indicated probably a maximum utilization of the economy could be achieved and maintained with about 40 or 45 percent of the total production going straight to the military. But we needed about 50 to 55 percent for food, clothing, housing, transportation, and the needs of people who work.

So, with that, knowing how much steel we had and how much aluminum was in the pipeline and was scheduled to be built and so forth, we were able then to translate each of these key elements and project out. You see, the military and the Russians and the British never gave us a time schedule. They said they wanted so many

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hundred thousand of this, this, and this. Well, this wouldn't mean anything unless you knew what you had. You had to flow your goals together with your supplies. So we worked out the goals for 1942 on major factors: airplanes, guns, tanks, shipping, military ships, etc. and these figures were by years, '42, '43, '44, and they were run over to the White House, I think: it was about October, in late October .[1941]. It was a big job. You had no computers then, so you did an awful lot of this with Monroe tabulating machines and such things.

So, the numbers went to the White House, I think in the fall of '41, about October, and Lord Beaverbrook, who was British, a big publisher and powerhouse, was visiting, and he got Roosevelt to push these numbers up a little bit. They came back to us, I don't know, maybe early November, and we went over them and tried to put them back a little because we realized then that if you're going to really achieve these goals, you had to have scheduling, you had to have priorities, you had to have controls.

So we tried to bring them around, and they went back to the White House and then came Pearl Harbor. You know, it saved the mobilization months and months to have this, because within days after Pearl Harbor Roosevelt got on the air and said, "We have a victory

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program. We are going to produce 50,000 airplanes in '42 and 125,000 in '43, and 25,000 tanks in ' 42 and 75, 000--and eight million tons of shipping in"--he named these numbers.

Well, you know, a lot of people said, "This is crazy," including a lot of the military. Other people said, "Boy, great, let's go." This really energized the country and the result was just explosive. The military, who used to go down and thought they were being very, very imaginative, in the fall of 1941, for asking an appropriation of $300 million or a half a billion dollars, suddenly began to go down for 5 billion, 20 billion, 10 billion.

Well, within two or three weeks, I remember going to Don Nelson. By that time I was already Chairman of the Planning Committee of the War- production Board. As soon as Pearl Harbor occurred, Roosevelt changed the name of it from the Office of Production Management and changed it to the War Production Board. Everything was centralized in the War Production Board, and Nelson as Chairman. He called me in, I think a day later, and asked if I would be Chairman of the Planning Committee. We set up a three-man committee, with a small staff to do the real mobilization planning.

Well, within two or three weeks--it couldn't have

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been more than--in the middle of January I went in to see Nelson. We said to him that if this goes on, and there isn't any real coordination in the military, it's hopeless. You know, the Army didn't give a damn about the Air Corps and the Air Corps didn't care about the Navy, and the Navy didn't care about the Maritime, in terms of orders. Everything went. I said, "You'd never have priorities. We'll set up factories to process 150 million tons of steel when we've only got 80 or 90, and it didn't make sense, you know." He said, "Well, what do you want to do?" I said, "Well, I think we ought to do a feasibility study, rough and quick. Let them get the appropriation but they have to spend in a sequence, in relation to what can be produced, or a little bit ambitious, but not so much that the whole controls will be meaningless."

So, we sat down and within about two or three weeks we wrote what's called a feasibility-study, and submitted it to Nelson. It wasn't big; as I recall it was 30 or 40 pages. It very clearly spelled out what our resources were--the summary of it--and what would happen if you didn't have your objectives clearly related to what was ambitiously feasible. Ambitious but feasible, that was the combination.

Nelson liked the report. He sent it around to the

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whole War Production Board, including the generals and the Secretaries of War, and Navy, so forth. It was the services. About a week: later he gets a letter from General Brian B. Sommervel, who was head of SOS, Service of Supply, of the Army. Brian B. Sommervel, he's a tough cuss, a sort of mean guy anyhow, but I had known him. We'd been in meetings a lot on requirements and couldn't get anywhere. But anyhow, Sommervel starts out by saying, "For two or three years now, these young theorists have been trying to push us to get bigger requirements and larger goals. Now that we've got the big goals, now they're trying to draw us back:. So what if we don't reach the goals in '42; we'll reach them in '43, and if we don't it will stretch into '44, but we're all out," and so on. He missed the point entirely about scheduling and so forth. He ends up his letter; I think the words were like this: "I have read this report carefully. I've studied it, and I've concluded that it is not useful nor reliable, and therefore it should be kept from the eyes of thoughtful men." He signed it to Don Nelson, "Very truly yours, Brian B. Sommervel."

So Nelson called me in and he showed me the letter. We laughed and talked about it, and I said to him, "Would you mind if I answered it?" He said, "Fine, here." I said, "I'll show you the answer." He said,

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"All right." So we went back and we worked, and we then did a condensation of the report, focusing mainly on an ambitious effort; it ought to be ambitious, it ought to be all out, but it's got to be feasible or it won't work. The urgency of the status of Russia, and the status of England, is such that you've got to get stuff quick. If you're going to jumble it around we pointed out, you'd have airplanes without wings, and you'd have wings without fuselages and you'd have tanks without treads, and you know, we spelled this out. Then I ended up the letter saying, "Your conclusion that the report is unimpressive, well, that you're not impressed so it should be kept from the eyes of thoughtful men, is a non sequitur. Very truly yours, Robert R. Nathan, Chairman."

Oh, God, Sommervel never let anybody do anything like that to him. But anyhow we won,. We prevailed, and I think this, along with the victory program, really gave us a surge.

Now, in that role on the mobilization side, I was called to testify before the Truman Committee. Not only that, but an old classmate of mine at Georgetown University, Charles Patrick Clark, a sort of a crazy, wild, funny guy, was on the staff of the Truman Committee. I forget now the head of the Truman

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committee, a big fat fellow; he was the legal counsel.

JOHNSON: Oh, Fulton.

NATHAN: That's right, Hugh Fulton. Well, I knew him well, so I used to have a lot of conversations with them, other than testimony. They really did a magnificent job. I've often said that you seldom have had in history---there have been times, I don't mean there hasn't been--there have been times in history when leaders in the Congress just became great, great men by a non-partisan or bipartisan role, and the one thing nobody could ever have said was that Harry Truman was political in the slightest respect as chairman of that Truman Committee, never: Never was there any indication of favoritism to a Missourian who wanted to get a big contract like you're seeing now out of the HUD [Housing and Urban Development] investigations and some of the things that have occurred in the last few years. The integrity of the functioning of that committee, the objectivity of it, the non-partisanship of it, I think: was sensational. Basically, it wasn't that they had such a tremendous y difficult assignment, because especially in the earlier days of the war mobilization, '41 and '42 especially, there was concern about the world, the threats of the world. Hell, ships were being

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sunk from onshore sites in Florida and South Carolina, and the threat, dangers, and what happened to Pearl Harbor shook. this country to a point where its confidence was almost shattered. What they needed was very strict discipline. While there were not many men who came to Washington under the dollar-a-year program, or under other arrangements, that showed any signs of favoritism to their industry, nonetheless, they were watched and they knew they were. The Truman Committee hearings on the dollar-a-year men, and the steel expansion, and the incentives for industry, and the excess profits tax were so frightening to the chiselers. There are always some [chiselers]. Hell, I had people come to me and argue that the excess profits tax was criminal. They were working night and day. There was one guy who came to me from my home town; somebody asked me to see him. His company made a half a million dollars; I don't know whether it was '41 or '41-'42 there. His brow was wet and he sweated and he worked night and day and so forth, and I said, "Well, how much was the most you made before '40,or '39?" He said, "$25,000." I said, "Don't you think: the war had something to do with it^" "Oh, no, hell, it was my effort."

Well, there were some people like that, but on the

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whole, I think most of the people who came to Washington were very patriotic. Nonetheless, some of the people brought in recruited others who after the war were very helpful to them and their relationships. Still, on the whole. I think the kind of corruption or sleaziness that one sees these days just didn't occur then. But the sacrifices were sensational, and the Truman Committee did a major job.

JOHNSON: Truman in one of his early reports, did say that in nine out of ten cases, if you offered a contractor a sort of a choice between patriotism and profits, he was likely to chose profits. Perhaps he did have what we might call a healthy skepticism about the motives of ordinary people, and therefore he was on guard.

NATHAN: Well, I think that on the profit side, the war mobilization achieved a fairly good balance of relying on human greed and acquisition instincts on the one hand, and taking away the excess profits on the other hand, and watching against favoritism and corruption.

See, the fascinating part of the American mobilization effort is the blending between the regulation that was needed and it was done, and it effective. There were priorities, allocations of materials, excess profit problems, but on the other

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hand, they had incentives to invest in new facilities to use money to get synthetic rubber and so forth. But they took: it back you see. That was done more than having Government build plants and own them. Many people had the crazy notion in the '30s that Roosevelt and the New Deal were all socialists. Someday, you know, they'd have the Government owning all enterprise. My God, the war was the exact opposite of it. If ever a President had an opportunity [to adopt socialism] if he felt like socialism was better, it was Truman, at the end of the war. He could have done almost anything, you know, to have Government plants stay [in Government hands] and take back this and do this, but it went right back to private owners. That was his philosophy. So, while I think that the profit motive certainly dominated, nonetheless it was constrained by the excess profits tax; and by very careful priorities.

Sure, look:, one might say that the auto industry was not patriotic; one could argue that, because when the time came in the very early spring of '42 we knew that we had to have these facilities that were producing cars now to produce military materiel. And the auto industry would come in and say, "Oh, we're all for it, but we have so many engines relative to bodies now laying around, let us make another 100,000 frames or

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bodies, and then we'll get out. We can do it in three months. Give us three months." You'd say, "Hell no, we'll give you a month." A month later, they'd come back: and say, "But we've got so many carburetors and springs, give us another month." "No, we'll give you another two weeks." Well, that went on and finally, "bing" and it was down. By the time it went down, they converted so fast; that Ford plant out there in Michigan went from autos to tanks unbelievably. Tanks were flowing out of those places.

JOHNSON: Willow Run?

NATHAN; Willow Run. You know, it's a great tribute to American ingenuity. We don't seem to have it these days; rather, it's the Japanese. I don't know whether it's affluence, or what the hell is going on. But now, we don't have that kind of fervor and that kind of commitment, the kind of devotion of talents. But I think that anybody who ever had fear that the New Deal was anything but a moderate free enterprise institution should have seen what's happened in the war and the immediate postwar, and how well it was done. It was a blend, as I say, of Government control, Government vigilance, Government review on the one hand, and the inducement of the private sector on the other.

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You know, a lot of people thought, "Well, you'll have to really beat the auto industry over the head to have them take orders." Hell; that was not true at all; they wanted those orders. Before you knew it, the bidding for contracts was tremendous. People wanted to keep in production, and of course, a lot of them had brains enough to realize how much benefit they would have from new machinery, new equipment, new technology at the end of the war, and so forth. It was done with great care, and I think that the Truman Committee never had one piece of scandal that I ever ran across.

JOHNSON: Do you recall what you were testifying on, that first time?

NATHAN: On the mobilization and cutting down civilian production, things like that. I have those testimonies somewhere; I'll have to try to find them.

JOHNSON: Did you testify fairly often?

NATHAN: No. I may have testified over that year and a quarter, four or five times. I'm not sure. But I did see the Committee staff, and often I talked to Committee members too.

JOHNSON: When did you first meet Harry Truman?

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NATHAN: I first met Harry Truman as a witness before the Committee. I think I saw him once or twice to talk about something that a staff member recommended. I think he was very appreciative of what we were doing, on the planning side. He was aware of this. We had to be careful on things like this feasibility study because a lot of this was secret, you know, in those days, about how big the program was.

JOHNSON: Yes.

NATHAN: Nobody ever knew what our goals were, beyond what President Roosevelt announced.

There were people that were close to Truman, too. I think Leon Henderson used to see him quite a bit and Nelson and I would prepare things for them often when they were going up. We had a wonderful little group that used to work together. I was a bachelor yet then, and I had an apartment right downtown on 18th Street, right there at Connecticut and 18th. There were about a dozen or fifteen of us who used to meet every Monday night. It was called the "goon squad." Oh, there were people like Joe Rauh, who used to come before he went to the service. Joe Rauh, Phil Graham, publisher of the Washington Post later, and oh, Lauchlin Currie from the White House, Isador Lubin from the White House, and Leon

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Henderson, and Richard Gilbert . . .

JOHNSON: This was during the ward'

NATHAN: Oh, this was in '41, '42 even. We'd meet and if we thought anybody was sort of playing games, or hurting the program, or even the thought of a personal benefit. We knew Drew Pearson well, and we knew Al . . .   well. This "goon squad" really was non . . .

JOHNSON: I suppose the threat of exposure was certainly . .

NATHAN: Very frightening.

JOHNSON: Yes, intimidating enough that this helped to keep them honest.

NATHAN: But, you know, certain people that really were suspect, it was important not to, hopefully, allow them in. It's like, if you feel liberal about civil rights, you wouldn't be very happy about some of the appointees to the Supreme Court. So you'd fight it, and there were some appointees that we were concerned about. But this group met. Well, Joe probably didn't mention the goon squad, in which he was involved. Oh, there were a lot of people. There was Richard Gilbert, who was, as I say, from OPA [Office of Price Administration]. One of the

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people who used to come occasionally was Lauch Curries; he is still alive. He lives in Bogota, Columbia.

JOHNSON: When did you become Deputy Director of the Office of War Mobilization?

NATHAN: Well, I didn't come until April, but let me tell you. In the spring, the early part of 1943, I became quite frustrated and disillusioned too, frankly, about what was going on. There was the bickering, the backbiting, the sniping that began to be involved in regard to authority and power. By the beginning even of '43, there was almost no question we were going to win the war. You know, it wasn't over by any means, and I didn't know anything about the nuclear weapons, or that program, but the increase in our production was so phenomenal, and the paths of the Atlantic had become cleaned up not totally of the German submarines, but, my God, they were bombed out like mad and the escort ships were there. We really were moving in North Africa, and the whole picture looked so hopeful. This didn't mean that everybody tried to get out of the mobilization by any means. We still had a hell of a job to do in the country, but it was buzzing along.

Don Nelson, I regarded him as one of the brightest that was involved here in that period, but unfortunately

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he was somewhat soft. He was really the target of a lot of guys who wanted to get him. The military never forgave the civilians for getting as much power in the war as they did, you know. Don Nelson, I used to characterize his relations with Sommervel, and it's not fair to Don quite, but it wasn't so much an exaggeration. I'd say Sommervel would come along and stick a knife in Don's back, and Don would reach around and pull it out and say, "Pardon me, General, is this yours?" and Sommervel would say, "Oh, yes, thank you. Thank you, Don." Then he'd turn around and stick it in the other side of Don's back and Don would reach out and say, "Pardon me. General, isn't this yours?" And he'd say, "Thanks." Wouldn't even say "I'm sorry." Sort of a cabal formed. Forrestal was shooting at Don Nelson. [Ferdinand] Eberstadt was a very bright guy; he was a deputy, but he was very competent. The military favored him some. There were two Charlie Wilsons, "Engine" Charlie and "Electric" Charlie. Engine Charlie was from General Motors and the other was from General Electric. Well, Electric Charlie was also vice-chairman of the War Production Board, and I know many would disagree with me maybe, but he was somewhat of a phoney. I mean he was a big fellow, with a heavy voice, not quite as deep as mine, but heavy and loud, and he'd pound the chair and

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talk tough, tough, but when the chips were down, he would back off. He was involved, and there were people whom Nelson had brought in.

Others I know around him began to do the carving up of his carcass and getting him out. I just said, "To hell with it,, I don't want any more of it." I wanted to get out. I was very supportive of Don and I liked him very much. We tried to help him in the press and with the Pearson stories. I finally went to him, oh, I don't know, it was February '43, and I said, "Don I want to get out. I want to go into the Army." He said, "You're crazy. You know you're in the center of this; we need you so much. You've done so much here, and this and that." I think: the Planning Committee had done a tremendous job. He argued, and urged me not to. But I said, "Look, if you don't lift my deferment, I'm going to resign. You can't prevent me from resigning, and then I'll volunteer to go into the service." So, he said, "Okay." There was a big party and a farewell and stuff. I made a mistake by going in and volunteering because if I had waited a week: later, I would have gone into the limited service. I was wearing a steel brace most of the time.- I had a very bad back that I had had for some years, and stupidly, I went into basic training. I went in the same day with David Ginsburg,

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who was General Counsel of OPA, under Leon Henderson. I lasted; I went through basic training. I was eating aspirin like chewing gum you know, and crawling on the bivouacs and rifle range like crazy. I ended up and came back here. Then I began to have an atrophy of one leg from the pinched nerve there. The sciatica was terrible. I was in OSS then. I was assigned to OSS but I ended up in Walter Reed for two months, or three. They wanted to operate, and they weren't sure if I had a disc or not. I was so fortunate; I had a doctor who knew the chief surgeon and he talked him out of operating. They were experimenting with discs then and they operated on a hell of a lot of soldiers. Really, they learned a lot about disc surgery, but it was unfortunate.

So I was discharged in November and they wanted to give me a disability discharge of 10 percent disability. I said, "I don't want any disability payments."

Then I was asked by the head of the Zionist movement in the world, Chaim Weizmann, whom I had met here during the war. He was here and I had gotten to know him. I didn't know anything about Zionism or Palestine or anything. I didn't come out of that kind of background. I came from an Orthodox family in Dayton, but I didn't know much about the homeland

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concept. I met with him a lot of times in '42 and '43, and he got in touch with me when I was in Walter Reed. I went to see him and he asked if I would be willing to undertake a study of the absorptive capacity of Palestine. In other words, he said they were working, trying to get the homeland for the Jews and the refugees or whatever would come out. I didn't know then, by the way, of the Holocaust, the magnitude of it at all. Even though I had access to top secret documents, I had never heard anything about it.

So, anyhow, they put together a group and they hired me; I got two associates and in the year of '44, we spent nine months here analyzing and pulling together every datum, every analysis, every report, every article that had been written on Palestine from any kind of an economic point of view. Then in December of '44 we went to Palestine. The war was still on. I went to London for ten days to talk to the Colonial office trying to get their cooperation. I said this was going to be an objective study, and it was. Anti-Zionists contributed to the study, as well as pro-Zionists, and that was true. We wanted to analyze the economy and they promised they'd cooperate and so forth. God, the V-2s were falling all over London when I was there. Then Paris had been liberated, and I went and

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spent two or three days in Paris with one of my former staff members of the Planning Committee, War Production Board, Matty Fox,. He had been executive vice president of Universal Pictures at 26; he came and worked on the staff through a friend of mine who knew him and recommended him to me. He was a dynamo; he was a wild, funny guy.

I spent a couple days in Paris sort of laying the ground work. Then I flew to Egypt and spent two or three days there talking to the people from the Middle East Command of the British. I then got into Palestine between Christmas and New Years in 1944 and spent three months there. I went over that country one end to the other. I met with the Jewish Agency leadership, Ben-Gurion and Golda Maier, and later all these cabinet officers. Anyhow, we spent three months there and we came back.

When I was there I had a cable that Fred Vinson wanted to see me as soon as I got back. I had known Fred but not well, because he had been involved in a variety of measures and somehow in the New Deal I got to know him. So, when I got back about the last of March, I went to see Fred Vinson. At that time he had already taken over from Jimmy Byrnes. Jimmy Byrnes was very, very unhappy, you know, and he was so mad at Roosevelt

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he could have shot him in cold blood almost, because he wanted to be the Vice President when they dumped [Henry] Wallace in '44. He had been thus and that, and he wanted to be the Vice President. Roosevelt didn't name him when they dumped Wallace. Truman got the assignment, which was fascinating.

By the way, in the '44 period Leon Henderson came to me and said he wanted to form an independent committee for Roosevelt and Truman, and would I be co-chairman with him, or director of research or whatever. I said, "Sure." So I spent a fair amount of time in '44 working on the Roosevelt-Truman campaign. We raised a lot of money. One of the greatest things we achieved, and I have it somewhere in my archives or files; it was a speech by Dorothy Thompson and in all the political stuff, I never remember one speech that was as good as that one. She wrote about she'd rather have Roosevelt's seat and Truman's head; there were rumors around about the Roosevelts, that he shouldn't be running, because he had infantile paralysis and he couldn't walk. They were so emotional about Roosevelt and what he did with no mobility, and how he pulled and dragged himself around, and the commitment. You ought to get that somewhere. It must be in the files; it should be in the Truman Library, on the Roosevelt-Truman campaign.

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Well, anyhow, I saw Truman some, but not very much. He knew we were operating; it was Henderson and I. We got a group, and we raised a fair amount of money, but Dorothy Thompson's speech was our greatest contribution, and it was just magnificent.

JOHNSON: You got that into many of the newspapers them.

NATHAN: Oh, yes. Oh yes, this was excellent.

Anyhow, I came back in late March of '45 and I went to see Fred Vinson. He said to me, "You've had more experience on the economic side of mobilization than anybody else, and we need the same kind of thinking on the demobilization and getting out of the controls and the meshing of the continued needs." By then it was so clear that Europe was hanging on by its nails, and the Germans were just about out of it. They wouldn't surrender yet, but this was the first of April. People were itching to get out; now they didn't want any more contracts, because they wanted to get back into civilian production without the controls and so forth. And they wanted to get rid of the excess profits tax. It was understandable, you know, get out first and you lead the pack, and you'll do better. Even though we would have won the war with what we already had produced, you still couldn't take a chance. You didn't know when [it would

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be all over]. That was a very difficult period. Fred Vinson said, "You know this whole damn picture," and so forth. Well, I didn't really want to go back: in. I said, "Well, I'll give an answer in a couple days."

See, our book on Palestine: Problem and Promise was just being written and I was the principal author, the principal leader of that team. So I went and talked to Oscar Gass and Dan Creamer who were my associates on this. They said, "Well, probably you ought to take it. We'll go ahead and write it." I said, "I'll try to do what I can. I'll read the stuff, and on weekends I'll try to write some." They said, you know, "You ought to really do it; it's important." And I talked to some others.

I even called Henry Wallace who was then the Secretary of Commerce, and I remember he said, "Well, let's have lunch." I think: the lunch was set for February 13th, but by then I had decided yes, I would go in. I went to see Fred Vinson on the 2nd or 3rd of February, whatever the date, and I said, "Okay, I'm not happy, but I agree with you that it's important," and so forth.
On April 12 Roosevelt died. Even though I had a lot of respect and affection for Truman, I just didn't want to go back in. You know, it wasn't a negative

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toward Truman, but it was the absence of the drama of the Roosevelts.

So I went to see Vinson, the next morning, on the 13th, and I asked to be relieved. He said, "Bob, you're crazy." He said, "If ever you were needed two weeks ago, you're needed ten times more now. This guy, do you know how long he's been Vice President?" He had only been Vice President for, you know, literally a few weeks. He said, "He doesn't know the executive branch; sure, he's been great, he's followed the mobilization effort, whatever the hell Commerce does, what Labor can do, all this stuff." But he said, "This is silly. We're ten times more important now." I said, "You're right." I couldn't argue with him.

I think after I talked to Vinson I went over to the Commerce Department and had lunch with Henry Wallace. The thing that was exciting or stimulating, or provocative to my thinking at that time was, here's the man who, but for the dumping of '44, would have been the President. And I wondered how it would be if I had gone to see Jimmy Byrnes and he would have said, "That son of a bitch," you know, referring to Roosevelt. Wallace showed not the slightest bit of remorse or bitterness against the guys that dumped him, the political party leaders. He talked about the difficulties that Truman

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would have, you know, the problem of experience and the help he needed. He said to me, "God, I'm glad you're going back in," et cetera. Watching him, you know, you could tell that this guy was really a great human being, Wallace.

I gave sort of a live history to John Culver, former Senator from Iowa, who is writing a book on Wallace now. I did about an hour, but I ended up by saying that I thought it was better off for the country and the world, that Truman was the President then. Well, we had a long argument about whether or not, you know, Truman didn't overreact to the Communist thing and so forth, and I said, "Well, I didn't feel that way."

Anyhow, I think it was good that Truman was the President, but Wallace was very cooperative. He must have had some resentment in his stomach or head, but he never revealed the slightest. He was very supportive, but anyhow, I went over and took that job. I loved working with Fred Vinson. You know, he was moderately liberal; he wasn't a conservative. He had a wonderful instinct about policy in the sense of the achievable, the political elements of it, and he was a delight to work with. You could present a position, and he'd argue with you then. He was like a judge and we would argue and argue, and he finally would say, "All right, I

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think you're right, go ahead." We'd discuss the problems of the orderliness of the mobilization; we were writing reports and memos. We had a small staff, a good staff, and I enjoyed it tremendously. Then suddenly, in early September or late August, I forget the date, President Truman named him Secretary of the Treasury, and named John Snyder as the Director of the Office of War Mobilization and Reconversion.

Personally, I never had any problem. We got along well, but there was no more challenge. There was no more real discussion. There was no more give and take, in which you felt you could be persuasive on policy. Snyder, you know, just didn't have the feel for the policies and the complexities and the depth of issues.

JOHNSON: He was non-theoretical, would you say? More so than Vinson?

NATHAN: It was different from theoretical. It was profoundness. Vinson was not a theorist either, but Vinson had a penetrating capacity that John Snyder didn't have. Vinson had an instinctive policy feel that Snyder didn't have. Snyder would always be concerned about what it meant for Truman. He was as loyal to Truman as anybody could be. I've often said that if Truman had said to John Snyder, "Look, John, we're in

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trouble with the administration and my place in this and to each other; if you don't jump off the Washington Monument we're in real trouble." John Snyder would have jumped off the Washington Monument. He was a very loyal person but there wasn't the depth of conception, the grasp, not just theoretical understanding but policy aspects. You know, we sort of just felt that the office was fading away and it didn't have a meaningful role. I suspect he saw Truman even more than Fred Vinson did, because they had a great social arrangement. They played poker and so forth. But as far as a real contribution was concerned, the OWMR was a wasting asset to the Government. I stayed until December 31st, but I'd say a month or so after the Japanese were out, the war was over, I wanted to get out. He asked me to stay on, and I felt a responsibility to Truman.

JOHNSON: I suppose there was a general agreement at that time that traditionally we'd had these boom-bust cycles and we were very fearful of a postwar depression. This was in the back: of your mind all the time.?

NATHAN: Oh, yes, there was no question. It was clear though that even more than the postwar cycle was the problem in the immediate postwar period of the disruption of the conversion. We went around and tested industries. We

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discussed the auto industry. How long do you think it will take to convert from tanks to automobiles? "Oh,. we've got to bother with design, and we've got to retool," and they'd say six months, or nine months. You see, you had several things you had to try to put together. One of them was the pure technical time of converting from war production to peacetime. A second question was what do you do with demobilization: how fast will these ten million guys get poured out of the Army, how fast will they want to get into jobs, how many will go into the academic world, to catch up on training. Veterans rights were already under consideration, if not assured. Then there was the farm to non-farm population. All these things you're trying to anticipate were very difficult.

I remember that in the third quarter of 1945, we put out a quarterly report, which is in your files of the Library., and that quarterly report says we might get up as high as eight million unemployed. This is transitional, not cyclical. When the demobilization occurred, and war contracts were cut off, my God, the steel industry was putting cars out in three or four months, not nine to twelve months. The ingenuity and the managerial capabilities of American industry really did a hell of a job of re-conversion. It was much faster than expected. Unemployment got up

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around four million, as I recall, but nothing like eight. We didn't talk about the long run.

JOHNSON: There are a lot of women employed during World War II that had never been in the work force before, and many of those went back into the home after the veterans came tack, so they were voluntary removals from the work force.

NATHAN: Yes, they were removals from the labor force. So they weren't counted as unemployed.

JOHNSON: That helped the situation somewhat, did it not?

NATHAN: Yes. They weren't counted as unemployed, because the definition of unemployment on those surveys was "able, willing and seeking work." They weren't seeking.

JOHNSON: But that did help the situation.

NATHAN: Oh, yes. And the troops, a lot of them didn't go back to work, didn't report themselves as actively seeking jobs right away.

JOHNSON: Many of them went back into college on the GI bill.

NATHAN: Oh, a lot of them went to college, but a lot of them took two months or three months off. They got the war out of their system a little bit, so that it wasn't

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nearly as bad as it appeared. I think if it hadn't been for the speed of the conversion by industry, we could have had a temporary phenomenon. There was no question then that there was an awful lot of loose money out in the economy. If I were to look back over World War II and say:, "What was the biggest economic mistake we made?", the biggest economic mistake we made was not having more taxes to pay for the war. Instead of selling the government bonds, we should have taxed for it.

JOHNSON: It was about half and half, wasn't it?

NATHAN: Well, yes. You see, we had savings that couldn't be spent, so these were liquid. The war ends and my God, you know, people who weren't used to this had a thousand dollars in Government bonds, or three thousand or fifty thousand, and they were anxious to "Let's live it up now." They were anxious to get new beds, get a better car, get a washing machine, get a sewing machine, get a vacuum cleaner, get a new refrigerator, or freezer.

JOHNSON: Had to get a new house first, many of them.

NATHAN: That's right.

JOHNSON: Was housing the major problem with re-conversion?

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NATHAN: Not really. The capacity to build housing was, of course, very great. There was very limited construction during the war, but nonetheless there had been a lot of temporary construction because of the work force needs. Actually, it helped create a boom, there's no question, and housing could be built faster than people thought. You could start on a house right away, the day after peace. The automobiles we thought would take eight months, twelve months, to really get them off the line, but they just poured out. So the disruption was there, but it wasn't in a meaningful degree a great hardship, except for one factor that sort of shaped my company.

When I left at the end of '45 to go out of the Government, I opened this company [Robert R. Nathan Associates] in '46,at the beginning. Myself and one of the associates that had been working with me on the Palestine book, and a secretary who would be an office manager too, we rented a little building.

JOHNSON: What were the names of these people?

NATHAN: Oscar Gass, and the other was Dan Creamer. Dan's dead, and Oscar's still alive. Oscar never went back into the Government. He had been in the Government in the Treasury during the war. He was a very, very bright, very brilliant person. He had, sometimes, [a

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problem with] personal relationships; he was somewhat impatient with slow thinkers. But he was a very, very competent fellow. One of the things that happened very early when this company was set up was the fact that Truman tried to slow the decontrol of prices. That just didn't work. Everybody wanted to get the hell rid of everything, no more controls of any kind.

JOHNSON: What was your position on that?

NATHAN: Oh, my position was we should have held on to controls for most of '46. The result was that when the prices were decontrolled, very early in '46, prices skyrocketed. The result was that you had a very sizeable rise in the cost of living, GPI, but labor couldn't share in it, because most of labor was under contract for a year or two. You see, there weren't usually three-year contracts then, but one- or two-year contracts. Of course, you had a soft labor market, with the soldiers coming back:, so labor unions got terribly upset. Phil Murray came to see me; I had gotten to know Phil very well during the war mobilization period and so forth. He had been head of the steel workers and he was on the advisory committee of the Office of War Mobilization and Re-conversion. He said, "Look, we've

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got problems on this inflation business, and hell, the real buying power of the workers is just sinking like lead in water. What do we do, and could you undertake a study and advise and suggest a policy?" I said, "All right."

JOHNSON: This is your first major project then.

NATHAN: First really major project. Boy, did that hit the headlines. We came out in about June of '46, or July. It was June or July, and there was a great big press conference at the new Capitol Hilton at 16th and K. Hell, if there ever was a story that was in the headlines for weeks--you know the Chamber of Commerce attacked me, and the NAM [did the same]. We came out and said, "Look, here's what happened, here's what the prices did, here's what the wage thing did, here's the erosion of the real buying power of the wages, and the solution is either to stop raising prices and drop prices voluntarily, or give a big wage increase to labor. A 25 percent increase could be done without raising prices. It was not awfully long when that hit the headlines. There was a great big press conference; we had no television, but there was radio. I was on every network radio program: the American Forum of the Air, Town Meeting of the Air, Wake Up America; Ted

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Grannick had a program. Anyhow, oh, for weeks, and every time somebody would come out with a report attacking us, I'd be answering it. From then on we were certainly never going to be a middle-of-the road firm, we .were going to be a liberal firm. It was all right. We worked for AT&T; we've worked with some of the biggest shipping companies and airlines, and . . .

JOHNSON: That was a record year for strikes, in '46, and Truman did set up a fact-finding board.

NATHAN: That's right.

JOHNSON: And then apparently, the so-called "little steel formula," the 18-1/2 cents per hour was adopted, as a kind of guide or model for others.

NATHAN: Yes, that's right.

JOHNSON: But you were recommending even a higher increase.

NATHAN: Well, that they could give a higher increase without raising prices. Labor was happy to get 18-1/2.

JOHNSON: Did that come before or after your report, this 18-1/2?

NATHAN: Well, it was after, oh, yes, after.

JOHNSON: Your report then had something to do with that 18-

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1/2 cents?

NATHAN: Oh, no question about it. Our report undoubtedly triggered a lot of the labor disputes and triggered dealing with the matter. I don't think there's any question about it.

JOHNSON: Now, labor's purchasing power had been reduced somewhat by the termination of overtime apparently during world War II.

NATHAN: Yes.

JOHNSON: A lot of their income came from overtime. Well, of course, that ended after the war, so then their purchasing power went down.

NATHAN: Went down for that reason, too, but you see, the other reason, the inflation, was the kind that one would call an insidious reason. It wasn't that the Government was benefiting or anything. It was that the workers were contributing. The profits rose tremendously.

JOHNSON: Well, you know, I'm not sure this is very enlightening, but this is in the editorial.

NATHAN: Oh, if you had the time I could turn you lose on scrapbooks, one or two big scrapbooks that are nothing but this battle. It was the headline, and I became

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notorious.

JOHNSON: The editorials tended to be very negative, I Suppose.

NATHAN: Yes. "The Nathan Report's Absurd Proposal." That's right. And the NAM [National Association of Manufacturers] just called me about every name they could think of, and the Chamber of Commerce did, and so on.

JOHNSON: Even with the 18-1/2 cent increase, they still managed to make very good profits I suppose.

NATHAN: Oh, sure.

JOHNSON: And how about the Employment Act of '46? It started out, I think, with the name "Full Employment Act" and then the Congress took "Full" off of the title. So I suppose there was some significance in taking "Full" out of the title. Did you have any input into the hearings, or testimony?

NATHAN: I don't believe that I testified, frankly, but I was involved in discussions with Senators and Congressmen, because I had just come out of the whole mobilization demobilization effort. I'd have to try to go back, but . . .

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JOHNSON: It established the Council of Economic Advisers at that time too. Was this a kind of acceptance of Keynesian economics?

NATHAN: Sure. Oh, there's no question this was a kind of a basic step. You see, what they called for were annual reports of the Council of Economic Advisers, a report of the President to the Congress, the Advisers' report to the President calling for what was needed to do full employment, to come forth with programs for full employment. There's no question that by then the fiscal policy was recognized as a very critical one.

You see, the full employment concept could have been almost entirely focused on employment. Private industry does provide jobs and Government should provide jobs. Make work; the Government ought to do this and this and this and this. These were parts of job creation, but the key on the full employment measure was the fiscal policy that our expenditure patterns and our Government regulatory patterns and incentive patterns and the whole figure ought to be taken into account to try to avoid booms and busts and keep the economy on a growth trend and on an even keel.

JOHNSON: A counter-cyclical policy.?

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NATHAN: That's right, a counter-cyclical fiscal policy.

JOHNSON: The Federal Government as employer of last resort?

NATHAN: Last resort, that's right. Not step in and provide guaranteed jobs to everybody. You see, that's when really your fiscal policy was accepted, that deficits were inherent, or inevitable, and couldn't be avoided in the times of depression and recession, but in boom times you try to go for a surplus. So the counter-cyclical fiscal policy became an accepted virtue, and the Committee for Economic Development, which was made up mainly of big business guys that were reasonably liberal-moderate, accepted it.

JOHNSON: In other words, were the majority of the Congressional leaders, as well as the White House ready, if they had to, to set up successors to WPA, PWA, and CCC? Were we ready to go back to that sort of route?

NATHAN: Well, I don't think that one could say yes or no to that, because I don't think it ever came down to an evaluation of whether we had the big make-work jobs. The purpose mainly was to try to do it through fiscal policy, but to the extent that you couldn't, then Government ought to provide jobs. There was the

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recognition that there was a hell of a lot of public things to do in terms of building schools and court houses and jails. We'd learned from the CCC about the conservation of our forests and woods and recreation. During World War II there was a gap in building public facilities and rebuilding schools and enlarging them with the growing population. That offered opportunities, of course, that would not be make-work; there was a tremendous need.

JOHNSON: This pent-up demand, I suppose . . .

NATHAN: That's right. And so the important thing was to try to schedule meeting that need cyclically. In other words, if there was softness in the private sector, focus in there. I'm sure in the back of the minds of many of the legislators that supported the Full Employment Bill of 1946 was the thought, "Well, if necessary, we will have another WPA." But mostly we'll have PWAs, Public Works.

JOHNSON: Wasn't it more of the "trickle down" process through PWA, whereas WPA was intended to improve directly the purchasing power of the consumer?

NATHAN: Well, yes, but PWA also was to keep jobs for the long term. Even then there were some economists arguing

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that public works was very important, yes, but it couldn't handle the cyclical [factor] because public works take time. Over the next 2o years there was a lot of argument of economists that you couldn't deal with a cycle through public works, because if you dealt and started to place contracts, some of these bridges and highway programs, and conservation dams, and big power dams, they take years. So if you start them in the recession, you'll be hitting your peak in the boom when you don't want it.

So, the use of make-work versus basic public works has always been a controversy, but I think the great contribution of the Employment Act of '46 was the acceptance of Keynesian fiscal measures that you ought to spend and, if anything, cut taxes in a recession. You'll have deficits, but the deficits are inevitable anyhow as the economy declines, because unemployment occurs, profits drop, and therefore revenues drop. If anything, Government expenditures will rise due to relief and due to unemployment compensation, so that you'll have this compensatory fiscal policy concept that the Government ought to welcome and engage in deficit financing in times of recession and depression and then ought to shoot for surpluses to be anti-inflationary and also to encourage private investment in the boom times.

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So the whole counter-cyclical concept was pretty well accepted then, and, of course, it's been a phenomenal success because for more than 40 years now we've never had a depression.

JOHNSON: Lon Hamby in his book on Truman and liberalism says that the liberals hoped that Truman would name you, Alvin Hansen or Harold B. Smith to the Council of Economic Advisors.(1) Russell Smith of the Farmer's Union was another possibility.

NATHAN: Yes.

JOHNSON: Apparently the President was somewhat slow in naming people to the Council, but he settled on Leon Keyserling, Edwin Nourse, and John Clark.

NATHAN: Well, Edwin Nourse was the first chairman. I don't remember, frankly. I wouldn't have wanted to go back into Government anyhow. I had had 15 years by then.

JOHNSON: You don't think you would have taken it if it had been offered?

NATHAN: I suppose if he had offered the chairmanship, I might have taken it.

1. Alonzo Hamby, Harry S. Truman and American Liberalism, 1945-1948 (Columbia, Mo.: Missouri University Press, 1965), 69.

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JOHNSON: Now, this was a motley crew in a sense. Of course, Truman said that he appreciated the fact they had differing views and he wanted it that way. What do you think Truman had in mind?

NATHAN: Well, I guess he often said, in effect, "You put economists end to end and you still won't get an answer."

JOHNSON: That started with Roosevelt didn't it?

NATHAN: Yes, that's right, but Truman felt that way too. Truman, I think, respected economists, but he wouldn't let them make the decisions; he wanted to make the decision. But I think that having diverse views was very good. He was very wise in doing this, because Ed Nourse was not a reactionary; he was not an ultraconservative. Nourse was a moderate, and he was a pretty sentimental, emotional kind of a humanist.

Leon Keyserling was a very, very bright guy, but very aggressive, and a hard pusher and a tough battler. You know, Leon wouldn't take lightly a conflict; he would really pound it in. I used to enjoy seeing him and Galbraith fighting because they both were as sharp as the devil and Leon got mad and Keyserling got sarcastic and funny. Leon made great contributions,

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there's no question. I think: Nourse was a good first chairman. I forget who was the third one.

JOHNSON: John T. Clark:.

NATHAN: Oh, yes. He was quite moderate too, but I suspect that in those rooms there were some pretty bitter battles, with Leon against both Clark and Nourse.

JOHNSON: Leon was more the Keynesian than the others?

NATHAN: Oh, yes, very, very heavily. But I don't think: Nourse was anti-Keynesian. I think: Nourse was a little more cautious about the degree to which the Government gets involved. Leon was a more aggressive seller of policy on the Hill, and therefore, I think he may have achieved more, but he also made the opposition more vigorous. So, Leon had the plus and minus the plus of being able to convince a lot of wobbly people over the side, but if they leaned the other way, some of them went off again. But Leon was tremendously productive.

JOHNSON: Did he ever talk to you about economic policy in that period?

NATHAN: Oh often, yes. I used to see Leon quite often. We had gone back to earlier periods.

JOHNSON: In other words, you may have had some influence on

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the Council of Economic Advisors through your friendship with Leon Keyserling?

NATHAN: That's possible. I don't remember really. Well, Leon was pretty strong-willed and both of us had been working with labor and been in the mobilization. I know we discussed issues quite often, because I came to be quite close to Leon, but how I might have been of influence, I don't know.

JOHNSON: Since Keyserling didn't have his Ph.D. in economics, may this somehow have added to his combativeness, or do you think it affected his feeling towards professional economists?
NATHAN: I don't think so. In those days, a Ph.D. was still, more or less, regarded as an academic union card, not a policy. See, one has to realize that economists go way the hell back, to Adam Smith, on capital, but until you had the Great Depression, the role of economists in Government policy was not that great. There were a lot of brilliant minds; [William T.] Foster and [Wadill] Catchings had had Keynesian stuff even in their [book] going back: to the 1920s, but we do have a degree of liberalism and conservatism. You had the Alvin Hansons on the

liberal side, but their role in Government was very limited in the pre-Depression period. If you sat

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down and said, "Let me do a thesis on economists and economic policy, pre-1930," you'd have a pretty tough time to find [a role for the liberals or the academics].

JOHNSON: It stayed in the text books.

NATHAN: That's right. It stayed in the text books; it stayed in the ivory tower. I remember when I opened this company in January 1946, we were trying to think of a title in our brochure. The title I finally adopted was, "Three Steps From the Ivory Tower." The first step from the "Ivory Tower" was the war on the Depression, when the academics really came into being and came to be respected and had a real impact in the '30s.

The second one was the war mobilization. The economists really played an important role. Simon Kuznets came down and was chief economist of our planning committee when I was named to that. We had the best: Kenneth Galbraith, Richard Gilbert; and all the economists wanted to contribute to winning the war.

The third step from the Ivory Tower I said was going to be the postwar mobilization and the developing world. That really was from the Ivory Tower. I think that if one were to try to imagine a scale of effectiveness, I would say that in 1930 the economists' impact on policy may have been on the order of 5 percent

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or 10 percent on an effective scale. Now, I'd say it's 80 percent or 90 percent, because they're effective in trade associations and the business world and the government—including state and local. Almost everybody today has economists around.

JOHNSON: Hamby says that by early 1946 Bob Hannegan had assembled, in his words, "an informal brain trust of aggressive young liberals," including Leon Henderson, Paul A. Porter, yourself, Wilson Wyatt, Ed Pritchard, Josiah DuBois, Jr., and Gael Sullivan.(2)

NATHAN: Yes. Well, Gael was not an economist really.

JOHNSON: Well, he calls Sullivan the "generalissimo" of the group.

NATHAN: Well, we met but it wasn't . . .

JOHNSON: Do you know much about Gael Sullivan? We've had inquiries at the Truman Library about Sullivan and his role. I think he was a kind of a go-between with the Democratic National Committee.

NATHAN: Yes, sure, he was active in the Democratic National Committee.

Ibid., 81.

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JOHNSON: Was he kind of a link between this group and the DNC?

NATHAN: Not really, except maybe in calling meetings or something, but I don't think he was a policy-oriented person.

JOHNSON: So he was not a major figure in this group at all?

NATHAN: Oh, no. I think if you look at it maybe from management, often you will have a kind of a committee or a policy group, and then you'll have a kind of a secretary, an active secretary, a convener. But, no, Gael Sullivan, to the best of my recollection never had a real policy impact.

JOHNSON: Well, of this group, is there anything that stands out as to the contributions of any particular individuals?

NATHAN: Well, you see, it was a difficult period to evaluate. Paul Porter was extremely bright and personable; a wonderful personality and marvelous storyteller. Later, you know, he became more active in the price controls in the Korean war. Leon Henderson was active all around the place, but he had been bitter about the OPA and the conflict there.

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JOHNSON: He never got into the Truman Administration

NATHAN: Not really.

JOHNSON: But Paul A. Porter did.

NATHAN: Oh, yes, Paul Porter did.

JOHNSON: And Wilson Wyatt had.

NATHAN: Wilson Wyatt was head of housing. Wyatt, you know, became a powerhouse in '46; he was a very, very competent person.

JOHNSON: Ed Pritchard.

NATHAN: Well, Pritchard was everywhere. Pritchard was one of the most loveable, imaginative, creative, articulate minds. Ed had just a little bit of larceny in his soul. You know., he loved to maneuver, not for personal benefit. Pritchard never did anything for himself; for his benefit. That damn ballot business down in Kentucky was tragic, because I think Pritchard would have been Governor of Kentucky, and may even have been a national officer because he had such a marvelous capacity to work with people.

JOHNSON: Are you able to explain why he did that? I guess it involved stuffing the ballot box.

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NATHAN: That's why I say to you, that I think Pritch always had a sort of a little touch of fun. He loved to play games; he loved to rib people. He'd come to you and say, "A11 right, Johnson, now you said something, but here's somebody, what's his name. Why don't you guys have it out? You fight each other, and I'll watch." I loved Ed Pritchard. He was truly a great person it's just tragic what happened because of that tremendous talent he had. He could have been a justice of the Supreme Court. Joe Rauh could have. Joe Rauh—his problem is that he won't give. He. wants 100 percent. He doesn't want to settle for 90. Well, in the real world, often you're damn lucky if you can settle for 90 or 80. Truman had that capacity. Truman would fight for things, but then when the going was awfully—he says, "Look, let's take 80 or 70, and then we'll get the other 30 in time." But Joe, no; Joe was a 100 percenter or nothing.

No, I really think with Pritch, it's a great tragedy.

JOHNSON: Well, now, you did meet as a group?

NATHAN: Yes, but not very often. It wasn't important.

JOHNSON: Where did you meet when you did meet?

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NATHAN: I think we met at the Democratic National Committee, or somebody's office; it wasn't mine.

JOHNSON: DuBois, what is his background there.

NATHAN: Not really active. You know, people put together stuff, and then they fade, and you'd get notoriety when it was announced. There'd be two meetings, and it just was never heard of again.

JOHNSON: But you did have some input into the DNC with economic ideas?

NATHAN: Oh, yes, sure. I ought to go back and look at articles and stuff, and testimony. I may have testified on the full employment bill [Employment Act of 1946] because I know I .testified often thereafter on the full employment proposal.

JOHNSON: Hamby implies that Truman's impulses were "confused and contradictory," but adds, "the liberal critique of the President was often ill-considered and shallow." (3) What does this mean to you? How might we interpret that kind of statement'

NATHAN: Well, Truman certainly wasn't the idol of the 100 percenters--you know, all or nothing. Now, this is a great problem with liberals. I was national chairman of

3.Ibid., 83.

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ADA [Americans for Democratic Action] in the late '50s, and we had a lot of problems. I remember that so much. When the liberals want something, they don't compromise. They really knifed Hubert Humphrey in the 1968 campaign. This was a great tragedy because Hubert had been liberal all his life. He got in the wrong bed with Lyndon on Vietnam, I know. I talked to Hubert. I headed up Hubert's task forces in the '68 campaign. I spent seven months, seven days a week, volunteering, running 33 task forces, preparing papers and getting out policy statements and so forth. Hubert was a man of peace. Goddamn it, Hubert was not for war. I think even Lyndon got screwed up by advisors that weren't flexible. Nonetheless, those liberals that were against Hubert were the ones that say, "All or nothing." I'd say to them, "My God, how can you forget what Hubert did "Hubert is no better than Nixon." "How can you say this'?" And they say, "Well, Vietnam." I'd say, "Is that the only issue?" "The only issue."

There's no question that Truman was a meaningful liberal in my mind. He favored liberal legislation but on the other hand, Truman was never a 100 percent dogmatic person. Hell, Leon Keyserling must have had in his memoirs or in his interviews you got of him, times in which he was saying that he was frustrated. He

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wanted Truman to do this, and Truman wouldn't go that far. A lot of liberals were on and off the wagon with Truman. You know, Truman in 1948 didn't have all the liberals! some of the liberals were pushing for the Democrats to get Eisenhower. It's sort of silly because Truman had done a hell of a job. Of course, a lot of people never forgave him for the nuclear explosion. But, you know, a lot of people are single issue persons, and a lot of liberals are, and a lot of liberals, if they're not single issue, they are rigid demanders of total results.

JOHNSON: When did you get into ADA?

NATHAN: I was not in that first meeting. I think I attended, but I was not a member. I got into ADA probably in early '49 or late '48. I became chairman of the Executive Committee of ADA in '52 and was the head of the Executive Committee when we were fighting with McCarthy. God, ADA didn't let up on him for five minutes. That son of a bitch; you know, he activated ADA, and it was really one of the worst periods in American history.

JOHNSON: Did you have any role in the '48 campaign?

NATHAN: In the '48 campaign--I'm trying to think what my

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role was, because I was very strong for Truman in the election, no question about it. He was by far the desirable one. My role was in contributing and talking and writing some stuff. I forget now who was his task force leader on papers.

JOHNSON: Of course, [Clark] Clifford and David Lloyd were prominent speech writers.

NATHAN: David Lloyd. Well, I had known David for years; we had been friendly going way back. David Demarest Lloyd. He was a wonderful person. I know I had lots of meetings with David during that period.

JOHNSON: So some of your conversations might have ended up in speeches that related to the economy?

NATHAN: That's right. Yes. I talked with David an awful lot, frequently. But, see, I also felt strongly about what Truman did in respect to the whole Palestine-Israel thing, going back: to '47 and into '48. I was really very close on that. I told you about that story.

JOHNSON: Were in rather frequent conversation with David Niles?

NATHAN: Oh, yes.

JOHNSON: And Philleo Nash possibly.

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NATHAN: Oh, sure, I knew Philleo Nash.

JOHNSON: These two in particular.

NATHAN: David mostly.

JOHNSON: On American policy towards Palestine, and Israel.

NATHAN: And the partition.

JOHNSON: The partition, yes. Do you want to comment further on that?

NATHAN: Well, let me say that when our book Palestine: Problem and Promise finally was published in the spring of '46, it was a positive book; it was not a political book. It was positive in the sense that it said that we thought that Palestine could absorb a sizeable number of immigrants. We thought that a million immigrants in the Jewish state--whatever it would be, or how it would be established--could be absorbed economically. We had studied, and we got a feel of the zeal, and the capabilities of the new concepts, and how the place was building up. The Palestinians by then had benefited a lot more. In 1940 when the war started, I said the

Palestinians were the most advanced among the Arabs, except the Lebanese Arabs. There was a lot of new jobs, science, universities that were going, too, with the

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Jewish students, etc. So we came out with a fairly positive report.

Well, the result was two things. One is that I was called on to make a lot of speeches, to talk about the economy. A lot of this was Zionist groups, or academic groups, but also every single commission that was established to study this issue, the Crossman Commission from England, the MacDonald Commission here--I testified before all of them. I testified before Congressional committees. Was this a viable development? If you had a Jewish homeland, could people be absorbed? You know, even old Weizmann, before I agreed to go over there, said to me, "Are we crazy?" He used the word "mashiga," which is a Yiddish word for being crazy. He said, "Are we mashiga or do we have something there? Are we building a place that will never be viable, never be able to absorb people, never have them work; and they will always be mashiba Buchers, you know, studiers of the Bible and so forth?"

We were the authorities on the economic potentials of the country, and the book sold quite well. It's been out of print, of course, for 30 years. It was even used as a text in Hebrew University in Jerusalem for a while.

Anyhow, I was called on to testify at these commissions. I had a good background, and I had gotten

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to know these leaders, Ben Gurion and the like. Now, when the problem of partition came up and what to do about it, I used to see Dave Niles a lot, all the time. I go way back:, knowing Dave, during the war and before the war. Dave Niles talked to me about the testimony I was giving, about the economic potentials and so forth There was no question that Truman and the Jewish people had a lot to do with this, of course. He didn't quite trust the State Department. There were guys like Loy Henderson who, to his dying day, denied he was ever anti-setting up the State of Israel. But my goodness, he didn't want it. All the diplomats that had worked in the Middle East didn't, and this was understandable. You know, when you work in a country, you begin to take on some of their thoughts and views. My God, I was advisor to Afghanistan on economics. We had teams in Afghanistan for ten and a half years in the '60s to '72, and were making progress. Then they had the coup, and then the Communists finally came in. It was sad.

But Afghanistan began to bother Pakistan about the Pushtu problem. There were big tribes of Pushtus; they are on both sides of the border and, I guess, most of the important Pushtus were in Afghanistan. They felt that the British had screwed them by making the demarcation somewhere back in history between Pakistan

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and Afghanistan, and denied them their full tribal rights. They were starting even to have little hostilities on the border, and I couldn't help but be somewhat sympathetic to the Afghans, although I thought it was nuts for this country. It couldn't have ever won a war with Pakistan. Anyhow, you see, all these guys in the State Department who have been Ambassadors in Saudi Arabia, Kuwait, and Abudabi, and Iraq, and Syria and so forth, so that they almost had a natural instinct to fear, all this new stuff, bringing in a new state, upsetting the Arabs. Others said, "you know, it just adds to trouble, and we've got enough trouble in the world. Why do we need more?"

On the recognition of Israel, I think David Niles was an important factor, and Jacobson, Truman's partner was, and Abe Feinberg.

JOHNSON: How about Feinberg?

NATHAN: Oh, Abe Feinberg was very important. He raised a hell of a lot of money. Abe was a very persuasive, bright, intelligent, personable guy.

There's no doubt that Truman was sympathetic to the thing, and he was worried about the State Department so he named General Hilldring, John Hilldring, as his special n

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representative to the U.N. on the partition issue. I knew John Hilldring during the war in the last days, mainly when I was in the Office of War Mobilization. Just why I worked with him, I don't know, but I did. He was a very personable, very bright, and sensitive guy. Sensible too. Hilldring started the work:, and I don't know how quick after he took on that assignment in New York that he knew he was in trouble. All of the Jewish organizations wanted to get their two cents worth in, you know, and this poor guy was pulled and hauled. He could have spent 23 hours out of the 24 hours talking to different groups on different ideas.

People think there's great harmony always among the Jewish community, but that isn't true. They used to say that if there would be three Jews in the country, there would be four synagogues, so each one had his own and they had the fourth where they'd meet to get back to their own. But they do differ and it was tough.

So, Hilldring said he had to have somebody, and Dave Niles called me. I didn't see Truman then, but Niles asked if I would serve as liaison between Hilldring and the Jewish organizations. With the Jewish Agency, Ben Gurion and all, I had a great and wonderful relationship with them, and they asked me if I would, too. I said, "Yes." I moved to New York for three months. I had

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Just gotten married; I married in the middle of July of '47, and I guess Mary and I went up within two or three weeks after we were married. I lived at the Sherry Netherlands. The Jewish Agency was there too. Then I'd meet with this Zionist group and that Zionist group, and then I'd meet with Hilldring and the guys around him, and then I'd talk to Dave Niles. I really even got involved with some of the politicking with countries about votes, and the petition. So for those three months I spent full time, night and day, on that issue.

JOHNSON: It got rather complex. At one point wasn't Truman saying perhaps it should be a U.N. trusteeship?

NATHAN: Well, you know, look, I think Truman's instincts were for the homeland, but I think that often he had-Dean Acheson, for whom Truman had great admiration, was against the homeland. It was hard for him to sit there and say, "You're a great Secretary of State on everything but the homeland." So he'd say, "Well, maybe we should try the U.N., so go and investigate this," or something. But I have a feeling he leaned toward the homeland country concept. But he'd be pulled back; this was not an easy issue to decide.

JOHNSON: It would upset the status quo.

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NATHAN: Oh, listen, a lot of people were bitter, bitter, bitter about that.

JOHNSON: Well, then, of course, we ended up being the first country to recognize the new State of Israel.

NATHAN: Oh, yes, that's right.

JOHNSON: I think that was May of '48, so that was prior to the convention in '48.

NATHAN: Oh yes, and the Jewish support he got in the '48 campaign was tremendous.

JOHNSON: You were on the ADA's Committee for Economic Stability headed by Chester Bowles. Was that active in the '48 campaign?

NATHAN: I don't think it was involved in the '48 campaign, but I was active with Chet. Chet was active in that campaign. Well, I'm not sure of the dates, but I was involved in all kinds of damn committees.

JOHNSON: Chester Bowles was another person that you had frequent conversations with?

NATHAN: Oh yes, Chet and I over the years were very close. I used to see him. He became a really good liberal. And so did Benton; Bill Benton I got to know. You see,

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they made a lot of money with Benton and Bowles, the big advertising agency. But Bowles was a remarkable guy because he was an American-Firster in 1940-41. He was with Charles Lindberg; he didn't want America to get involved. Then, Chet suddenly became a great internationalist. He had the ability to grow and to see.

JOHNSON: Were you and this committee strong boosters of the IMF and the World Bank?

NATHAN: No, I did not. I knew what was going on. You see, we [Nathan Associates] were already beginning to be involved in economic development but not fully. Our first major development didn't occur until '50 when we went to Burma, and we became economic advisers to Burma and then we really blossomed. Now, our company's working in over 80 of the developing countries around the world.

JOHNSON: Burma was your first international project?

NATHAN: Our first real international job; our second big one was Korea. We were hired by UNKRA, the United Nations Korean Reconstruction Agency in early '52, when the war Was still on, maybe late '51, early '52, to go and plan the economic potentials of Korea.

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JOHNSON: Were you hired through the UN or . . .

NATHAN: U.N. The United Nations Korean Reconstruction Agency, headed by Don Kingsley who was an old New Dealer that I had known for years.

JOHNSON: But that meant you had contacts with State Department too

NATHAN: Oh, sure, we worked closely with them, and the military too, because you know, the military were running Korea when I got there. They wouldn't let us go anywhere they didn't approve of and they didn't let us talk to certain ones that they thought might be strategic.

JOHNSON: When did you first go to Korea?

NATHAN: I think it was June of '52.

JOHNSON: It was kind of a disaster area, wasn't it?

NATHAN: Well, they had us down at Pusan, you see. We were down there in what they called Camp Hialeah; it's funny as hell, the names they give to stuff. We lived in Hialeah, but we met with the Koreans. See, the Korean Government was in Pusan then, because Seoul was just destroyed. We went there and I must have gone there

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three or four times in 1952-53, and '54. We were there from the middle of '52 until about the middle of '54; we were doing this big, big report.

JOHNSON: That borrowed heavily from your experience, of course, with both World War II and then the re-conversion experience.

NATHAN: That's right. This was the application of a country's potential, and how its resources were put together and whatnot. And it's a funny thing, but we came out reasonably optimistic, reasonably--but not very. Korea then had a reputation of brawn but not brains. Their very important mode of transportation then was a V-frame. It was like a saw-horse, where you put logs down to saw them, and you had these two legs on each end, and a big piece in the middle. They take that kind of an instrument, and turn it upwards and then into those two V-shaped things they pile bags. These guys would move three or four hundred pounds of goods, trudging along. This was Korea and this was its transportation, the image of a very primitive society.

JOHNSON: Wasn't it deliberately kept backward by the Japanese?

NATHAN: Well, I'd say it was kept back:, but also I think

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that the Japanese trained a few of them. Korea really, really owes a lot to the military, the U.S. military. You see the relationship between the Koreans and the Americans during the Korean war was very close. The Americans damn near--they didn't really run it--but they damn near ran that country, and everything was done jointly. We were the economic planning, and the economic rehabilitation, and the military operations and the reconstruction of fiscal facilities. The U.S. had pieces and parts of Koreans in almost everything, and the U.S. was involved. The U.N. had that title, but it was really the U.S.

In Vietnam it was exactly the opposite. Goddamn it, the Vietnamese went off to the north and the U.S. was to the South and the Vietnamese was for inflation and the U.S. was anti-inflation. I remember- I went to Vietnam twice in '66, I think; twice I went for Lyndon Johnson, and came back in the White House and reported and so forth. I remember I said, "You know, Mr. President, one of the great differences between Korea and Vietnam is you don't have a joint effort, you don't have a combined effort, like you had in Korea." He said, "What do you mean joint, come on." I said, "Well, you don't have an effort that combines our military and our aid program out there, and our diplomatic. It isn't

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really tied together." Henry Cabot Lodge was not a particularly astute guy and not a very good operator. I think that [Ellsworth] Bunker was excellent, but the President had no czar, sort of, out there, and we were going in all directions. I said, "You know it is nothing joint. Mr. President, they decide on certain fiscal things and we don't even know what they are doing." In Korea it was together; we were in there, providing everything. You could work that out. Korea was remarkable. I think the Koreans learned a heck of a lot from the U.S. in that military period of the '60s.

JOHNSON: Did you talk to Syngman Rhee, the President?

NATHAN: Oh, no, Syngman Rhee wouldn't see me. When I went there, I had trouble getting relations with some of the Korean government because Syngman Rhee told somebody, who I learned about later, that "Don't cooperate with Nathan's team, because Nathan is a Communist. He's worked with the CIO." Now, seriously. Isn't that funny that Syngman Rhee; oh, he was an old bastard. He got involved with all kinds of stuff, and his wife was the bag woman. He was married to an Austrian, and she's the one that got the loot, but hell, the guys couldn't even get a scholarship that was available to go abroad without his [Rhee's] getting a chunk.

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JOHNSON: It would have been all right if you had worked for the CIA but not the CIO. [laughs]

NATHAN: That's right. With the NAM I'd be great. Oh, he didn't know much. They called him the George Washington of Korea, but hell, he was no George Washington. There is no question he was a symbol of the liberation from the Japanese, but if you look at the record, Korea didn't begin to really move until '60 when they got rid of Syngman Rhee. From '52 to '60 there was very little progress. Once you got rid of him, the economy moved. Chung Hee Park was not a civil libertarian, but God, he really . . .

JOHNSON: He was willing to get the Government to invest in the economy?

NATHAN: Oh, not only that, but the private sector, and stimulation. But they were also disciplined. We worked with them on all these policies. We worked with every five-year plan; we were in Korea until '75, from '52' to '54-'55, and then again from '60 to '75, resident teams. When they would give an incentive like concessionary interest rates to an exporter, producer of export goods, if that producer didn't have quality, and didn't have inspections, didn't have standardized stuff, they would

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cut him off like this, you know, "bang," and no more concessionary rates. It was a disciplined society, and they were tremendously interested in education. Hell, they were willing to send thousands abroad to be educated for their long run productivity, rather than the short run.

JOHNSON: Did you have any input into American trade policy, liberalizing of trade? Were you generally favoring low tariffs?

NATHAN: Oh, yes, I was in favor of a liberal trade policy. I began to have impacts here and there as head of the Executive Committee of ADA and then as national chairman. I'd testify for ADA as an economist. I would often be invited in the '60s and '70s to testify on revisions of the Employment Act, or because I was working with Puerto Rico on minimal wage, I would testify on the exemptions for Puerto Rico. Oh, I testified for years on foreign economic aid, how it might be changed, and why there was justification for it. I was always for it.

JOHNSON: On Marshall plan aid, did you testify for that'?

NATHAN: I never was active on the European rehabilitation. We got more into the Point IV side of the world development, rather than the Marshall plan.

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JOHNSON: You were impressed with the Point IV concept?

NATHAN: Oh, yes.

JOHNSON: How about the implementation and the funding for it?

NATHAN: I was pushing for more than we put in, but I think it was one of Truman's great statements. Truman in that period really put into words the realization that we had to live in a world where people had better opportunities. It was incumbent on those of us who had more resources, were more advanced, to help those who had less.

It's hard for me to identify his personal role in this, but certainly it was under his leadership that we saw the end of colonialism. When you stop to think how colonized this world was in 1940, and except for Eastern Europe, colonialism is almost brought to an end by '48, '49, '50.

I remember, I went out to Indonesia on an economic business mission out there in '48 and got into an awful battle with the Dutch because they wanted to stay another six months. I wrote a memo, by the way, that went to Bob Lovett that was brought to me oh, six months or a year ago. A guy wanted to declassify it, and he

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wanted to know if I minded his declassifying that eight or ten page letter I wrote to Lovett about how wrong we were in supporting the Dutch, and we ought to get off of that side. I just think that the historians have not paid enough attention to what the end of colonialism meant and how it occurred.

Sure, there were a lot of hardships. A lot of these countries thought, "Boy if we can only get rid of those colonial guys, [and get back] all the stuff they've taken away from us, we'll be rich, and we'll live like kings." Well, that was crap, you know, because the drainage wasn't that great. Nonetheless, when I went to work for Burma in 1950, I went out there twelve times in the seven and a half years we were there, until that stinker Ne Win took over and there was a dictatorship. In looking back, there was not a year between World War I and World War II when exports from Burma were less than double the imports, were double or more. They didn't put a hell of a lot in it, but they took. an awful lot out. Of course, in some countries they were better equipped to take over than in others, but I think the end of colonialism is something that Truman ought to get a real merit star for.

JOHNSON: You were advising France, I think, in '46?

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NATHAN: Oh, yes; Monnet, the one I worked with, you know . . .

JOHNSON: So you had a contract with France in 1946?

NATHAN: Oh, yes.

JOHNSON: Through Jean Monnet.

NATHAN: I went there twice. Monnet, before he got in to becoming "Mr. Europe," was the Chairman of the Commissariat du Plan, for planning the rehabilitation of France. He liked me; we had gotten along, and he asked me if I would come over. I made two trips to France. We got paid for it, and I served as advisor to the Commissariat du Plan. I worked with him, and with his senior associates, many of whom I had known during the war when he was surrounded by a little team. That was so different from the Point IV. That's why I say the Marshall Plan was a much simpler job. It was mainly money and capital. They didn't need our know-how; they didn't need our managerial ability; they didn't need our technical assistance. What they needed was money to buy new machinery, buy new equipment, buy cement, buy raw materials, build their factories, get tractors, you know.

JOHNSON: And a lot of that came from us.

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NATHAN: That's right. This was the Marshall plan and that was a great thing. I think: it's probably the first time in human history when a victor went in and not only helped his allies, really helped them out, but helped the enemy too. The Marshall plan was tremendous. But it was the Point IV that was the longer term vision of-we have to help those who are way the hell down, if we're going to have a peaceful world; or if we're going to have a world that has viability, where we can live together. I think that Truman's contribution to Point IV and the concept of helping LDCs, less developed countries, was a great one. There were a lot of countries in this world that in 1948 were not much different from 1748, or 1648. Burma was one.

JOHNSON: Now, wasn't it a mistake for some of these countries, and I don't know if we contributed to that entirely, to try to industrialize instead of perhaps improve their agriculture?

NATHAN: Well, some I think were pushed toward industrialization, but I don't think it was very long before the emphasis was on improving their agriculture, modernizing their agriculture, and then trying to create smaller industries. The problem was, it was a process that wasn't fully realized at the beginning of the
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timeliness. You had to educate the educators. Take Afghanistan--when I went to Afghanistan first in 1961, the literacy rate in that country was probably 10 percent; illiteracy was 90, maybe 95. The schools weren't much good. Hell, kids who went through the sixth grade became teachers.

Well, think of the process of how do you educate the educated. It's a hell of a time consumer, in building people and learning "how skills." People can learn, but then they didn't have capital, and they didn't have the management. The whole concept of technical assistance was a magnificent one, but it was [a question of] time. Some countries, like Korea, just blossomed with it, tremendously. Well, I think Malaysia benefited, as did Taiwan, Hong Kong and Singapore. Some of the Latin-American countries that had decent politics moved ahead rapidly. In Africa, it's been much tougher.

JOHNSON: So the problem that came about resulted from, say, the political system and perhaps a culture not adjusting to the potentials of technical assistance and capital?

NATHAN: I'll tell you, give me leadership. I'll give you some examples; Ghana. As long as Nkruma was head of that country--a dictator, corrupts self-centered—there just were no real opportunities. Ghana just lagged.

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Today Ghana is really moving ahead. It's not a great modern country, but it's really making progress. Nigeria under military dictatorship was very corrupt, had very limited competence, and very limited dedication. They even fought with the Ebos which is a tribe that was the most advanced. That's one of the problems of many of these countries.

Even in Malaysia for a while they had their ups and downs because some 40 percent of the population of Malaysia was Chinese, and about 50 percent were Malays, and then 10 were Eurasians or people that had come in from different parts of the world. Well, the Chinese were predominant in the faculty of the college, among the students in the colleges, and among bankers, financiers, and industrialists, and this created some difficulty. They finally have been working together much better. But then you get a guy like Ne Win who became a dictator of Burma and closed off the rest of the world. The Burmese are not stupid; they are bright people, and they like education, but they are not tough enough to take on a bastard like that and really get rid of him quick.

JOHNSON: He was intent on a so-called socialist system where the military would tend to run the country, under Ne Win?

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NATHAN: Oh, yes, totally. He said that U Nu was not tough enough on the Chinese communists, and this and that. Hell, he destroyed the economy, and the military ran everything.

JOHNSON: Back home in '49 we had our first postwar recession.

NATHAN: Yes.

JOHNSON: And you did an analysis for the CIO on what to do to combat the recession.

NATHAN: That's right.

JOHNSON: The Public Affairs Institute recommended a tax cut and the introduction of public works and other Federal projects. A bill to promote economic expansion was introduced in the Congress by a liberal bloc, but Truman failed to endorse it and the bill died. Apparently, the economy straightened itself out without these measures.

NATHAN: You have to realize that Korea helped turn it around pretty quickly. I don't think we were heading for a depression, because the compensatory fiscal policies alone had an automatic effect. Don't forget, before the Great Depression, our tax system was not very progressive, and when you don't have a progressive

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system, you don't have a responsive system, namely one that responds to business situations. See, with a fairly progressive tax system, when the economy gets soft, revenue drops fast, profits drop, and high incomes go off. If you have, say, a 3 percent decline in GNP, you will have a 10-15 percent decline in revenues, and you have some increase in expenditures, so you have almost automatically a stabilizing counter-cyclical force. At the end of the war we did have a much higher tax and it stayed fairly high; therefore, the fiscal operation began to be stabilizing automatically. But then the Korean war got rid of that recession quickly.

JOHNSON: Leon Henderson, during this time, apparently referred to Truman as a "budget balancer at heart." As if that might have been a handicap.

NATHAN: Well, I think that was an exaggeration.

JOHNSON: But we did have, I think, three balanced budgets during the Truman period.

NATHAN: We haven't had anything like three since.

JOHNSON: And they had a more progressive income tax than we've probably had since. When the Korean war started, Truman said, "We pay as we go."

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NATHAN: Yes.

JOHNSON: That meant taxing, and it meant a change in the progressive character of the tax, But he took this to Congress and the records indicate that it was mainly Republicans and conservative Democrats who resisted that, and got a lower tax, which, of course, meant borrowing to help pay for the war?

NATHAN: Borrowing, yes. And you did get a price jump, a quick price jump. It didn't last long, because they moved in with price controls, something which really wouldn't have been necessary if it hadn't been for the fiscal policy.

JOHNSON: Well, what about this stereotype then of the Democrats always being careless about budget deficits, you know "tax and spend" and don't worry about budget deficits? What's your comment about that kind of stereotype"

NATHAN: Well, I think that the Democrats, all during that period, were being blamed for deficits when actually Truman had an amazing record of price stability relative to . . . . .What I am saying is that the Democrats always were being blamed for deficit financing. Look, during the Roosevelt Depression that was the whole

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thing. They kept saying, you know, "Look at the big deficits, the big deficits," but it was Keynes who then gave it his stamp of approval. Nonetheless, all during the '30s the fight on deficit financing was always brought up by the Republicans. I don't think people cared much. You were recovering and to heck: with the deficit.

I do think that when you come down to the things like the Korean war, and people, you know, don't want to finance it, the conservatives fight against higher taxes and then they blame the Democrats for deficit financing. This is a political situation. It's like Reagan insisting for eight years that he's against deficits, you know, and then he turns around and cuts income taxes. He wanted a 30 percent cut in income taxes, and Congress stupidly gave him a 25 percent cut. Then he turned around with defense increases up to 100 percent. How the hell can you have a balanced budget? He was the greatest unbalanced budgeter, but he kept saying, and the American people believed him, "I'm for a balanced budget."

JOHNSON: These big tax cuts along with big defense spending increases did not add up to a balanced budget.

NATHAN: I know, but to this day you go walking down the

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street and say, "Do you think Reagan really was against a balanced budget?" "Oh, no, it's Congress; they spend." Well, who was it that pushed the Defense program? It was just unbelievable what that guy got away with.

JOHNSON: In regard to Truman, I suppose one could call him a fiscal conservative, but liberal on the social issues.

NATHAN: He was honest. Yes. He didn't want a deficit; he was for paying as you go, and let's have taxes, and they wouldn't go with him.

JOHNSON: But has this side of Truman ever been emphasized?

NATHAN: I don't think so. I think Truman was a very responsible guy.

JOHNSON: Well, times do change. The Korean war was a stimulus. I think we reduced civilian spending only about 3 percent.

NATHAN: See, the Korean war really wasn't that big, and if it had been a much bigger portion of our GNP and so forth, you would have had real problems. But the fact that he was prepared to go for a tax increase manifested political courage and political integrity, that I think

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was not fully appreciated.

JOHNSON: He used the term, "rich man's taxi" when Congress reduced the rates he proposed.

NATHAN: Well, let me tell you, the top tax rate today is 28 percent, when you run that average down. You have it a little higher just to make up for the less than 28 lower, so that your average ends up at 28 for the very high incomes. The drop from 70 to 50 to 28 percent came in Reagan's years. Just imagine, from 70 percent top rate down to 28; and now to get over our deficits, I've been pushing for a temporary surtax on the income tax, to move that 28 up to 31, raising your taxes 10 percent more on income. My God, to talk to the businessmen about that, you're talking heresy.

JOHNSON: Well, President Johnson did this, didn't he, during the Vietnam war? He did add a surtax.

NATHAN: Well, he was late in coming up with the surtax, but he did it. But now . . .

JOHNSON: That was the last balanced budget, wasn't it?

NATHAN: That's right. But now the Republicans have got the country believing that if you raise taxes, Congress will spend more and increase deficits. It's Congress that

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does this.

JOHNSON: Well, we're getting down to the end here, but back to 1949. In a letter to Truman on January 31, 1949, you complimented him on the Government's approval of an Export-Import Bank loan for the State of Israel.

NATHAN: Yes.

JOHNSON: You said the matter was, "handled with a great deal of dignity and responsibility." You saw this also as in keeping with the Point IV program.

NATHAN: That's right.

JOHNSON: And you said, "Unquestionably, industrialization and economic development in Israel will serve to spark the development of the whole Middle East."

NATHAN: That's right. I should have said, "could," if there had been peace.

JOHNSON: You saw this move as a way of promoting democracy in, the Middle East, and helping them "continue to orient their policies to the West." Then you closed with "there just isn't any doubt but that we are in for sustained and stable prosperity under the very intelligent program which you have submitted." Well, we've mentioned this Point IV before. You did get

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involved in consultation with foreign countries, I guess, as a result of the Point IV program.

NATHAN: As I say, we have worked in over 8O countries. See, what happened in 1950, AID [Agency for International Development] wasn't AID then---I forget what the hell the name was then--but our assistant agency called and said, "Would you be interested in advising Burma?"

JOHNSON: Were they receiving Point IV aid at that point in 1950?

NATHAN: Oh, yes.

JOHNSON: You were going to tell them how they should invest their Point IV funds?

NATHAN: No. I was in favor of Point IV; I loved the Point IV concept of helping these backward countries and I testified, I know, on Point IV, in the early aid program because. I said that just as we had done on the Marshall plan with the developed countries, we really ought to do it now with the backward countries, because if you want peace in the world and you want harmony in the world and you want humanitarian development you've got to take those that are living in horrible, low standards, and almost no income, no education, and you've got to help. Its for our best long-run interest

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to invest and help them, provide them grants even, and technical assistance. So when they asked if I would be interested in going to Burma, I said, "Sure." So I went out there for two weeks. I met U Nu, who was then Prime Minister, and I met the Minister of Planning, and the Deputy and his Deputy Director General. I spent a couple weeks going around to Burma and talking and they liked me and I liked them, so they said to AID, "We'd like to have the Nathan team." So we negotiated with AID and with Burma as to who would go out: an agricultural economist, a trade economist, financial, fiscal, tax, and so forth, and three or four economists. We'd have a team, and they agreed for two years.

We went out, and we had a wonderful relation. Then at the end of the year Burma got mad at the U.S. because they said the U.S. wasn't telling Chiang Kai-shek to stay the hell out of Burma. Chiang Kai-shek was making forays into northern Burma, especially when Mao was behind him and they were fighting. The U.S. said, "Well, we can't tell Chiang what to do." U Nu was a very practical guy in some ways and very abstract in others. "What the hell do you mean; you're giving them all this aid and you can't tell him to stay out of an independent country? I don't want anymore aid," and he cut off U.S. aid. Do you know that they've

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paid for our assistance for five and a half years, direct. We were employed only by the Government of Burma and they financed our aid; they were poor as hell, but they wanted us.

JOHNSON: Would you say that you had political consequences as well? In other words, the advice that you were giving to these countries, was it promoting the idea of a mixed economy, a mixture of private and government investment, and did that have something to do, let's say, with blunting what might have been Communist agitation in those Third World countries?

NATHAN: Well, it's hard to tell. It's hard to read the role of the Communists and the degree of economic progress and relationships. I don't think Burma was really ever seriously threatened with the Communist movement. There were some that were influenced by Mao's teaching in China. Burma's problem was that in their lack of sophistication of economic policies and approaches, they thought socialism was a good way--the Government should own plants. We said they ought to encourage the private sector. You know, I never said, "Don't have a government plan." But I remember, they built a cotton mill and the goddamn thing never worked; it was terrible. So they thought the solution was to build

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another cotton mill, and we were against that. You know, get some private people to come in; it's not because of ideology. I don't care if a country wants to be socialist and have the government own certain things. What the heck, we have dams, Boulder Dam and so forth, there's Government; we have the Tennessee Valley Authority, but that's limited. Countries all over the world--governments--own railroads; governments own telephone companies, but in Burma there wasn't the competence, there wasn't the managerial ability, and the Government would start something. One of the things we finally did get through is encourage them to encourage small, private business. Well, you know, everybody loves children and children can't do you much harm, and they're in favor of it, so we kept selling them on the idea of private, small enterprises as a way to develop, and we succeeded. They did support a lot of small enterprises, and Burma was making fair progress. It was not phenomenal, but when Ne Win had that first Coup in '58 that was the end of that progress.

JOHNSON: So politics could undo most of the good that you were able to do?

NATHAN: Politics can destroy an economy. That's what I say

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when I look at what's happened: when Sukarno ran Indonesia, when Ne Win ran Burma, and Nkruma ran Ghana. They destroy a country. The importance of leadership cannot be over exaggerated. How that leader functions, his sensitivity, sense of policy, his support for talent, the use of creativeness, all these are so damn important in economic development.

JOHNSON: Did you bring American industrialists into these countries to give advice.

NATHAN: Oh, not to Burma. We tried in Puerto Rico. We were promoters of Puerto Rico's development. I was adviser to Puerto Rico for many years, and we induced mainland investment. I think we had a very important role in that one.

JOHNSON: What years was that?

NATHAN: This was in the ' 50s and early '60s when they had great, great leadership. Munoz Marin was the President, and Teddy Muscoso and guys like that were great leaders. This was mainly in the '50s and '60s.

JOHNSON: In conclusion, we could probably say that your work as consultant, in many cases, did reinforce the goals and the objectives of the Point IV programs for the Third World.

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NATHAN: Oh, I think we were. I think: AID was very happy to have us doing in these countries what they had hoped could be achieved. We had tremendous success in Korea. I'm not saying Korea was our responsibility. [Congressman] Paul Simon went to Korea about a dozen years ago, and they were so impressed, and he said, "How did you guys manage all of this?" Somebody, one of the high officials in the Government, said., "Your Bob Nathan really helped us." Well, I was very flattered.

On the other hand, this is a funny story, but it's true. We worked in Afghanistan for ten and a half years, from '60 to '72. I went there eighteen times myself. I knew the King. I got an honor awarded to me by the King when we left. We had, really, I think, a major impact. It was making progress and then they had the breakdown, you know. There was a coup, and the King's cousin took over when the King was away in Italy on the health thing in '73. Then the Communists infiltrated his regime. They killed him in '77 and then the Communists began to fight among themselves, and then the Russians invaded, and so forth. Anyhow, about 1986, or '87, a company with whom we were associated at that time in Lebanon trying to help the rehabilitation of Lebanon, and we were evacuated three times and had to give up. Let me just end it by saying that the

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president of this company, Berger, was out in Pakistan and he ran into a group of Russians that would come down from Kabul, Afghanistan to do something down there. He had met them in some event and they asked him what his company did. He explained that they were engineers and consultants, and then told how consultants work: and what they do. They got on to economic issues, and he said, "Well;, in Lebanon we were associated with Robert Nathan Associates." And one of the Communists said, "Nathan Associates? Is that the firm that worked Afghanistan?" He said, "Oh yes, they were there." He said, "The best information, the best plans, the best policies, the best memos we ever found when we got to Afghanistan were the Nathan Reports." So I say, I was just flattered but it also bothered the hell out of me that those bastards might have benefited from my work. I think we had good impacts in many countries, and in many countries it was impossible.

JOHNSON: Well, you could just hope for the best,,I suppose, once you got into the country. Politically, you couldn't predict what was going to happen.

NATHAN: That's right.

JOHNSON: Well, thanks very much.

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NATHAN: I hope it's useful.

JOHNSON: I appreciate all the information.

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