

**Transcript of
Arthur F. Burns' Handwritten Journals
January 20, 1969- July 25, 1974
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**Journal I (Green Notebook)
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[Journal page 1]

Jan 20th [1969] Inauguration Day was cloudy, grim. Rain or snow seemed imminent, but all that we had was a penetrating cold. What did the weather signify? That Heaven itself would not send LBJ back home with a burst of sunshine? Or that the Almighty had not yet made up his mind how to greet RN? However that may be, the President-to-be had no doubts when he appeared at the top of the stairs to the Capitol. I had never seen eyes sparkle so. He stood erect, with chest protruding a bit. There was a look of exaltation about him. What was he thinking then? Not of the awesome responsibility he was about to assume. What then? I felt that in that solitary moment he had relived his whole life, that he saw the boy grow to manhood, and the man – wanting fiercely to be president – was about to become that, just as he had dreamed and planned. It was not a moment of humility, dedication, or prayer but rather a moment of triumph and fulfillment. And so it

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might well be, for Presidents too are human. Yet, I would have felt better if his head were bowed and his body trembled some.

Jan 21st [1969] My appointment with the President was set for 4 P.M. I gave him my report on prospective legislation and executive action. I had worked most intensely for a period of 5 weeks preparing the document. I felt it was a good report, certainly a useful one, and that it would help the President measurably over his first four months. The Pres. glanced over it, then proceeded to describe my new job. I just gasped. I had expressed a disinclination previously to a W.H. post. I still felt that way, and I wanted to protest – to plead a misunderstanding. But the Pres. did not give me a chance to plead or explain. He just smiled, waved

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aside my inarticulate but perfectly clear reluctance to take the post, told me what he wanted me to do at the Cabinet meeting next day, then started walking out of his room. I caught him at the door, asked whether he had heard of Martin's reluctance to leave around July 1. He answered that he knew, but that he was not concerned, for Martin would get out as he had previously arranged with him, that – after all – he had handled tougher problems than this in his life. He then took me to the Cabinet Room & showed me my seat.

Jan. 22 [1969]- I gave my report. There was a good deal of discussion. The Pres. was in fine style. I watched his every word and gesture closely. Here, very plainly, was a man who knew how a President should act. And how could it be otherwise? He had, after all, trained himself for many years for his new job. I could not

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help but feel that, with average luck, he will make a very good President.

Feb 3 [1969]- Recent days have been long and hard. I've attended too many meetings. And I have seen the President nearly every day. His style continues to be impressive. He clearly likes his job. He wants to be a good President, really a president of all the people. I can hardly recall a single partisan utterance. This does not surprise me, but would the world believe it. His days are long, but that is [general?] around here. He drives the people around him – Cabinet, staff, etc. That is as it should be. I handed him the rest of the directives I had prepared on the basis of my report. He liked the report, and insisted I move rapidly on every part of it, which I have now done.

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Day began with a long meeting of Urban Affairs Council. Moynihan was the star of the occasion. We planned a meeting for next Saturday when the draft of a message on OEO would be unveiled. I helped to speed this. After meeting, I saw the President & he reviewed rest of directives. I told him of the Executive Order I had [prepared?] on strict schedule reporting. He liked the idea, despite Bryce's concern that we might benefit from occasional delay or haste in reporting. He looked tired, called in Mayo, and told him that he ruled against him on the advance payment for food grains. He did not find this easy. When Mayo left, he talked about the NSF & his inclination to rule against Mayo again. I told him I thought I could straighten this out without any intervention on his part. This I later did. Mayo agreed to give NSF 10 million, &

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DuBrief accepted, though he wanted 15. Awfully busy after that. Called Treasury & [prodded?] them on several messages I wanted this week. Met later with Garment to discuss organization of voluntary efforts. Discussed message - electoral with Phillips of Justice Dept & [Barren?]. Outlined what I thought message should cover. Earlier at lunch, I suggested to Bryce that we must organize ourselves for the purpose of reducing the number of conflicts that go to R.N. Perhaps a committee with Haldeman, Ehrlichman, Bryce & myself. Bryce thought plan was good.

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Feb. 6 [1969]- Days are so long that I have no chance to write even a few notes. Had meeting with President today. Gave him a few additional directives. He waxed eloquent about their usefulness, about my contributions, and industry. He liked particularly the directive to the [s?] agencies because they meant that ours will be an open administration. Then pitched into the waste of government – the multiplication of staffs, and the tendency of his own appointees to behave like the old crowd. His understanding of Parkinson's law is complete. He wanted me to draw up a sharp directive on need to reduce size of staff. Don't quite know why he asked me to do this, since this is a BOB responsibility. Later I took this up delicately with Mayo – a genial, competent, but not very effective man. Sec'y Kennedy came to see about a problem he had with Kissinger. Latter wants Nat Sec. Coun. to handle international monetary policy, and has already made staff appointments in [intel?] [sem.?] area.

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Kennedy is rightly indignant about all this; but he showed some tendency to compromise, I counseled that he stand firm and he agreed to do this. Earlier in day met with Kennedy and others on problem of distributing direct controls on foreign [lending?] and investing. Stans and McCracken urged caution to the point of timidity. Kennedy and I were for bolder action. Martin, as usual, supported both groups.

Feb. 7 [1969] Met with Kissinger and Kennedy, Kissinger proved agreeable, so that the jurisdiction issue will be solved, probably, without bringing issue to President. Later at Cabinet meeting, Mitchell – efficient, blunt, cynical, self-confident, [imperfectly?] informal – argued against electoral message. President wavered, then acquiesced, asking Mitchell and me to prepare a letter in which he would

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urge Congress to act but not tell Congress how or on what to act. Clearly, RN has lost interest in problem, and Mitchell won – at least temporarily – a debate that he should have lost. For the decision means that President is avoiding leadership, that he is also going against his campaign pronouncement, even against his own announcement to leaders, a few days back, to send a message (not letter) in about a week. I must find a way of protecting President against the consequences of a very hasty judgment. I do not think I can convince Mitchell – he wants to duck issue; but the President should reexamine his decision and I'll try to win him over on the [compelling] moral grounds if I can. Today, for first time, President was thinking in partisan terms; but I really feel that he wasn't thinking at all. He has too many other things on his mind.

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Feb 10 [1969]- The Vice President has lately been involving himself in all sorts of duties. RN recently remarked that the VP was too busy building up a staff. What V-P wanted me to know was that, since I would be lunching with Romney, he did not favor a Cabinet Committee on Voluntary Action because Finch and Schultz were opposed to it; that in such a committee Romney would be chairman, so that others would appear to be working for Romney; [thus?] it therefore was best not to have a committee, but let Romney spearhead the effort. I agreed to get Romney to do this. He acquiesced readily; expressed suspicion over Finch's ambition; talked freely about campaign; said flatly that Rockefeller had used him and that he never promised or gave Rockefeller any support; but he mistrusted Rocky because he was a spender. Later he called me, as did Agnew, to say that Finch and Schultz really did not object to

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Committee. Curious how grown men can waste time. When I checked with Finch, he explained he was for Committee provided it was temporary. Also told me I should know that Mrs. Nixon had strong distaste for Mrs. Romney. I still wonder why I should know this.

After leaving Romney, went to meeting on personnel problems. Young Flemming explained purpose: to make more jobs available for Republicans. A very ineffective though likeable young man.

Feb 11 [1969]. Sent RN a letter urging a crash rescue on welfare problem. Also a memoranda and suggested electoral reform message. RN's treatment of this at preceding campaign meeting suggested either indifference to electoral reform or spinelessness; probably latter. With John Mitchell, its something else –

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he's a tough-minded, cool cynic. I hope to rekindle RN's idealism.

Went over Executive Order on curbing gov. employment that Mayo drew up. What a weak & ineffective pronouncement!

Feb 12 [1969]- Gov. Rockefeller spoke at meeting of Urban Affairs Council. The crisis in state & local finance was his theme. The remedy, of course, was more money from Fed. Gov't for welfare & education. The surtax he would make permanent, therefore. A characteristic performance by a super-spender. Later a discussion of Minority Enterprise program by Commerce Dept. Curious & interesting to see Stans trying to find something to do. The fact that this over acting (with [sizable?] staff) promises to [?] the Foundation for Voluntary Action doesn't trouble him at all. Next

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a review of Moynihan's message on OEO – an eviscerated, long-winded document. My argument against issuing it goes unheeded. Fortunately, at afternoon meeting, RN insists that either be beefed up or dropped [up?]. Former is decided; and it is an understandably a correct decision.

As I watch [our? or new?] Cabinet in action, I wonder more & more whether or how they differ from the LBJ people. They push for their departments, care not about money, rely on LBJ's people, and talk like them. If this continues, people over the country will be asking what promises for change we are fulfilling. Fascinating to watch cabinet officers becoming so quickly the prisoners of the career civil servants.

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Feb 13 [1969]- Meeting of Committee on Economic Policy today. President in relaxed form. Paul McCracken presented the statement he plans to make for Joint Ec. Committee. Not a very good statement, at least from viewpoint of President. RN caught some of the flaws; my own critical comments were restrained. George Shultz contributed sensibly. The statement itself could have been Ackley's or Okun's. Hardly a criticism of LBJ regime.

Lunch with Al Grunther. Caught up on Eisenhower. Wonderful report about his state of mind. Too bad the touch of ileitis last Friday caused postponement of my meeting with DDE. Grunther promised to check on Tom Gates' view of all-volunteer armed force.

Saw Bob Haldeman. He's concerned about [?] of staff. He continues to puzzle me. He's no Sherman Adams – that's sure. Loyal, efficient within limits – yes; but not a driver nor outstanding organizer. Relaxed dinner at President's in honor of

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Bastio, Laird commented on Hampton man as possible Vice-Chairman of Commission for All-Volunteer Armed Force. Opposed to Hershey serving. Talked of discontinuation of practice of White House staff putting [?] on DOD staff unless Haldeman [approves?]. Apparently others have been doing so. A curious lack of order.

Romney called to say he approved my concept of coordination, which involved reduction of duplication even if HUD or some other dep't has to give up some function now allotted to it by law.

Flood of mail, fortunately, is beginning to slacken.

Called P. McCracken about taking a look at his revised statement. This unavoidable since President wanted to see it. Paul seemed disturbed. Too bad that he worries so much about his status.

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Feb 14 [1969] Saw President, gave him several directives: He approved [radical?] plan on welfare, but expressed skepticism about results. I told him I'd like to have Scranton with me. He approved despite doubt expressed by Haldeman and Harlow, who feared the VP might feel hurt. President [angrily?] said that what Scranton would do would not conflict with VP. Beyond that, he didn't really care; we had some jokes about the VP and that was that.

President wanted me to talk to Garment and test out his suitability for head of OEO. I did this at lunch, Garment is brilliant, but his skill as an administrator is doubtful.

Cole brought in new head of SBA – a Mexican, described by others as weak, but an appointment that was promised by Tower. He looked mighty weak indeed.

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Feb 15 [1969]- Had lunch with Finch and he seemed to approve of my research project on welfare. He expressed grave concern about model cities program – its terrific cost [which?] would mount and its [threat?] to federal system. Moynihan, who came over, seemed – much to my surprise – to agree.

Later saw President who agreed to take my advice on electoral reform message. I was much pleased by this change in his view.

My first visit with Eisenhower. He looked frail at first; but soon he had his golden smile and everything was as before. He commented that there are times when he wants to let go, that he had enough; but he did not linger on this. Soon became animated. Talked about a book he was starting, which would focus on the role of the individual in society – his responsibility, his concern for others as the way to solve our social ills. He asked many questions. I suggested he teach RN how to relax.

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Eisenhower, at beginning of a meeting, particularly with some one he liked and trusted, would talk about his problems, about the meeting he just had, often swearing and yelling all over the place, and this worked out the poison in him. Only then was he ready to turn to problems of his caller. RN does not do this; he turns at once to business at hand. But his mind, quite clearly, is often still on the meeting he had just concluded. Eisenhower's technique of relaxation, also his habit of having a social visit now & then during the working day, would do RN much good – provided, of course, he could do it. The advice would probably be fruitless; every man must learn his own way; but I thought DDE might coach RN. DDE promised to do so.

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Feb 17 [1969]- Urban Affairs Council met with President [in?] the chair and John Gardner performing, as head of Urban Coalition. His talk was unimpressive. Before meeting, had breakfast with Max Fischer – an extremely well-intentioned industrialist and philanthropist. Fischer has strong faith in voluntary programs for cities. After Urban Affairs Council meeting, Fisher commented that he then met Gardner for first time. Worked some more on electoral college message, and got into good shape.

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Feb 18 [1969]– Nothing very important emerged at the Legislative Leaders meeting. First, Blount's report on the new system of appointing postmasters. Hardly much enthusiasm for this dramatic shift of merit system; but they went along. Next, report on OEO message. Leaders seemed to sense that all we may be doing is to shift activities around – from OEO to HEW & Labor. They pointed out that real objective was to achieve financial economy or better administration or both. This [more?] badly needed. Later I drafted memorandum for President to send to all members of cabinet, stressing this obvious point and also the need to stop talking about coordination of activities, if all this means is coordination of duplication. The need, of course, is to stop the duplication. Finally, I recited briefly the new messages that will be ready this week.

Saw John Gardner but couldn't tell what he sought. A good but indecisive man.

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Saw RN late in afternoon, with Bryce & Ehrlichman. Turned out to be a very [political] meeting, but I got several directives out of the way; also got approval of the Commission on an All-Volunteer Army. President is getting rid of Bliss, and replacing him with Morton & [Choticar?] on the Republican National Committee. President got talking about his trip abroad, and Sergeant Shriver's name came up. RN indicated something I did not know, I had thought that Shriver turned down UN post. But RN explained he wouldn't take him in the end, since Shriver had laid down an unacceptable condition – namely, that he must also take a hand in domestic policy. What a damned fool that lacquered fellow is! More stupid than I had realized.

President showed concern, as well he might, about the failure of Cabinet officers to get several

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reliable aids to turn to in their departments. He's troubled about Finch's appointment of a crew of liberals to his staff; asked me to talk to Finch about this. RN is also concerned about the VP, who – undoubtedly innocently – took an [independent?] stand at legislative leaders meeting. Agnew means well, but he lacks the instinct to realize that VP can function only through tolerance of the President; that he must not assume an independent position when Congressional leaders are around; that he must either be silent, or echo the P's voice, or reinforce the Pres' position. Poor Bryce will have to tell poor Agnew. But will poor Agnew learn?

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Feb 19 [1969]- Met with [Hinder?] and [Ikard?] of American Petroleum Institute. They want a Cabinet Committee to reexamine oil import quotas. I wish such things didn't come my way. Went to a briefing of the President by State Dept fellows on trade problems with Europe. I kept wondering whom the State Dept fellows represented. They didn't even talk to the President about the new border taxes of common market. And they greatly exaggerated what textile quotas would do to Europeans. This, after all, is mainly an Asiatic problem. I could not help but intervene & clarify matters for RN. That was why I went to briefing in first place. President appreciated this; he called me later in evening to thank for the clarification & ask for a statement on European protectionism. He also complained about newspaper reaction to OEO message. Not clear to me whether he thought the reporting was unfair or the actions taken by us were much too mild; so that people think that

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we're accepting the anti-poverty program as is and merely moving some pieces around, Wanted to see about this tomorrow morning.

Learned during day that Ash is back in the picture, trying once more to build an empire for himself. At least I succeeded in making sure that George McBundy doesn't get on the committee.

Feb 20 [1969]- President remained in an angry mood. Wanted me to draft directive to Shultz to the effect that Job Corps was a failure and that it will be phased out; also a directive to Finch that Head Start was inexcusably inefficient, and that he wanted a housecleaning, not a new housekeeper. Moynihan later raised objections, protested that any such published pronouncement would be a 'disaster.' At first, President made the language of my directive stronger. But he agreed to postpone any public pronoun-

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cement provided Schulz, Finch, Moynihan, and I come up with a [hard?] program of reform by March 12 or 13 (I don't recall)[.]

Later in day attended a briefing of President on international monetary problems. Volcker troubled me, gave a stupid reply to President's question why the British are interested in raising price of gold, and I had to clarify the matter. Volcker sounded like another Fowler or Barr [.]

Feb 21 [1969]- Several of us met with Haldeman and discussed failures of coordination. I commented on my meeting with Hinder and Ikard, who proposed a Cabinet review of oil import quotas; and that, as I later learned, President asked Ellsworth at about same time (possibly earlier) to take oil administration out of Interior and put it in White House. As a way of dealing with this sort of problem,

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Bryce and I proposed frequent meetings (a) to compare our observations (2) call problem & one another's actuation, (3) plan 'visible' activities a few days or two ahead. I agreed to act as chairman. We agreed to meet at 6 that day, & to meet daily for a brief experimental period.

Feb 22 [1969]— Chaired long meeting at Treasury to discuss one-bank holding company bill. Charls Walker defended his bill ably but he's too involved emotionally. Later in day met with Ellsworth, who outlined the oil problem and sought my aid. His suggestion that oil administration be handled by my office was unacceptable to me. Ellsworth struck me as able, sensible, but indecisive.

Feb 23 [1969]— Saw Pres. off from Andrews Air Force Base, on his trip to Europe. Rained hard.

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Feb 24 [1969]- Governor Scranton came and we discussed (1) his working on grant-in-aid programs for my shop, as he had agreed to do earlier, (2) his assuming charge of OEO. President had expressed interest in his doing that; and Scranton [showed? or shared?] interest. He wanted to know what General Accounting Office would recommend about OEO; whether it, in particular, would recommend its discontinuance. This of interest to me and I promised to see Staats, also to inform President (abroad) of Scranton's interest in OEO job, and to set up appointment for him with the President [.]

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Feb 25 [1969]. Had breakfast with Ellsworth & Senator [Cotton?] to discuss the interest of New England in a new oil refinery at [Matthisport?]. Agreed to arrange a meeting with Pres. at which time the N. Engl. Republican Senators can tell Pres. this problem.

Lunched with Bill Martin, who talked loosely about finance, as always, then apologized to me for his comment about my shortcomings for Fed. position. I shrugged it off as a triviality. But I'll never understand his conduct. Poor fellow, he thinks he owns the Fed and has suddenly discovered that he is so indispensable that job must not go (though law requires it) to anyone else. Pathetic slob!

Talked to Wallis and [Meekling?] about Commission on All-Volunteer Army. Hope to get Meekling as Reserve Director.

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Feb 26 [1969]- Saw Stans, who indicated that GAO study shows that Job Corps has had no measurable effect on employment or income; that Head Start had been run inefficiently; that OEO should continue for a while anyhow [.]

Feb 27 [1969] Ran over a half dozen subjects with Sec'y Kennedy, He continues to impress me favorably. He agreed that expenditures cuts were desirable & that we might then be able to cut surcharge in half.

Discussed Commission on All-Volunteer Army with Tom Gates, who agreed to take post as chairman. Tom is [skeptical?] of idea but I think he will make good chairman. Some of his suggestions for members on the commission were good.

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Bryce and I discussed our differences about Presidential messages; Bryce feels they should be very few & very selective; for if there are many, interest will diminish, & President will be frequently [defeated?], I agreed, except for next 2 months when it is important to convey to the country the image of dynamic leadership, Bryce seemed to give way.

President had told Bryce previously that he would not send up message on one-bank holding companies. I argued that President should reconsider, for this is the most important economic legislation, I thought, we had this year. If such holding companies are not regulated, entire economic system may change in 10 or 20 years, with 50 or 60 industrial-financial complexes controlling the country. Bryce was impressed; he had thought this was just a piece of technical legislation [.]

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Feb 28 [1969] Met with Schultz, [Vanneman?], Moynihan to discuss President's ideas about Job Corps and Head Start. Moynihan seems to think that whatever displeases liberals is a disaster. He is blind to the importance of the President's retaining of his political power base.

March [2?] [1969] - Went to airport to greet Pres. on arrival. He looked focused & confident, Said to me "I saw a lot of your banker friends abroad."

March 4 [1969] - Talked with Romney about life insurance plan of promoting building in ghetto areas. Straightened out some things with Haldeman. I did not like learning from Bryce, who heard from Flanigan, who heard from Haldeman

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that President did not want Scranton for OEO. This made no sense to me, and I told H. as much. I can take failure and frustration; but I cannot take sheer confusion. H. does not seem very bright; but he saw my point. Finally, he arranged appointment for Scranton. Later I went over more of the confusion with Haldeman and we agreed – early morning meetings to keep informed of President's plans so that we can serve him [properly?]. Whether the new plan will work or not, time alone will tell. The Six O'clock Club has surely not been a howling success and I have cut it back to 2 meetings a week.

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March 3 [1969] – Learned at said gathering from Bryce that President did not want Scranton for OEO; that he wanted Walter Thayer; and that this information came from Flanigan. This sounded most extraordinary & unbelievable. Had not the President asked me to invite Scranton? Had I not invested much effort in this? And if the President changed his mind, as he clearly had every right to do, why did I have to learn this by accident?

March 4 [1969] - Saw Romney about plans of Life Insurance group to enlarge its activity in ghettos. Romney was more interested in housing loans than business loans. Curious, since he professes to believe in expansion of minority enterprise. Apparently, the prosperity of HUD is the stronger passion.

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Flanigan confirmed Bryce's story about Scranton, and he got this story from Haldeman. A check with Haldeman brought further confirmation. But I protested procedure, and Haldeman agreed to a meeting of Scranton with President. It appears that Haldeman's got things confused, as he has frequently done before.

March 5 [1969] - Had lunch with a group of Conservative journalists. I argued that country was badly divided before the election; that Nixon's major first task was to heal the wounds and unify the country; that this accounted for the appointment of Democrats, the retention of OEO, the failure to cut the budget; that Nixon was not ready to move in a more conservative direction; that he would insist that the Job Corps is phased out; that

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he would launch a massive voluntary program for improving urban life, that he would propose tax credits for banking investment in poverty areas and for job training; and that I saw some hope of cutting expenditures for fiscal 1970 by 3 billion dollars and cutting surcharge in half. This impressed the journalists; but the past is clear and the future is still a haze.

Meeting with President and Scranton surprised me. RN has a uniquely effective Presidential style; but he is not very effective when he invites someone to do a job. A President can tell a man that he is god's own answer to a prayer. RN doesn't proceed this way (Finch

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tells me that this is a chronic deficiency; that RN has never been able to ask someone to do something for him or to contribute money). RN did nothing of the sort. I had to intervene to explain that RN was asking Scranton to take the OEO job. After that, President went overboard, told Scranton that he was not satisfied with Moynihan in the sphere of devising urban programs, that he wanted Scranton not only to take OEO but to take charge of urban programs as a whole. This looseness of assignment has caused trouble before, and I wondered how much more it would cause before RN became more precise. I later explained to Scranton what RN really had in mind (or should have had in mind) [.]

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March 6 [1969] - Council on Urban Affairs meeting was devoted to summer program for youngsters – a very expensive governmental program of questionable utility. RN was at his best. He saw through the rhetoric, was willing to go along (a blackmail program), but would not accept the lyrical message that had been drafted.

Had a long meeting with President. I warned him about the War on Hunger that Hardin was starting; that some political talk may create a problem where none really exists. We agreed that facts must be established, that talk will be suspended until then, that if hunger (insufficient caloric intake, something quite different from malnutrition) prevails we would

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move to wipe it out, but that we didn't believe it existed and that we must discourage loose talk (Martin later showed me that RN may have started the war against hunger by talking loosely and dramatically about this when he addressed D of Ag. employees)[.]

I also urged that we drop the fatalism into which we had fallen concerning fiscal policy; that expenditures can and should be cut and that surcharge can be then cut in half; RN liked idea and asked me to get the thinking of Mayo, Paul, and Kennedy. I explained that I already had except for Paul.

We talked about urban program. This time RN asked me to do what he yesterday asked Scranton. Fortunately,

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I do not take him literally, but I respect the sentiment that underlies the expression. RN is worried about the urban program. In this he is justified, and I must take a more active role.

President asked me to come back next morning.

Mar 7 [1969] - Had breakfast with some 20 journalists – Sperling's group.

Saw President. I brought him around on the one-bank holding company act; he had not understood it before and took Bryce's view that he should shun it without examining question on the merits.

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Aug 18 [1969] - Several months have passed since I've made any entries in this diary. They have been busy months – 16 hour days commonly, 7 days a week. I've just lacked the time or energy to write out my thoughts. But I now have a bit of leisure, with the President away in San [Clemente], and I must record a few events or impressions while my memory is still fresh.

One activity that has occupied much of my time in recent months is welfare reform. At a meeting in Key Biscayne, my first there, I detected that the President was leaning toward the so-called family security system – essentially, a guaranteed income of the negative income tax variety. This disturbed me greatly, and I set about developing an alternative plan for welfare reform. I wrote numerous

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memoranda on this; but my discussions of this with the President were few, brief, and inconsequential.

I [dissuaded?], however, the President of one thing – that a work requirement must be embodied in this plan for welfare reform. He announced this at a meeting of the Urban Affairs Council, repeated this on various occasions, and the point even got across to Finch, Moynihan, and others.

But while the President agreed to this much, he finally decided to include the “working poor” in his plan for welfare reform. This had no place in my scheme; this would mean adding 13 million to the welfare rolls.

The President struggled with his decision when he left on his trip around the world. From California, he sent word to Ehrlichman to proceed with the family security plan,

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stressing however the work requirement also. In Bucharest he had renewed doubts, and considered omitting the working poor. But before he got back, he had made up his mind firmly to proceed with the family security idea and bring the working poor under the welfare umbrella.

The President returned from his world tour on a Sunday. Next day, on Monday, Ehrlichman called, he had to see me promptly, and he came to the office. "I have been asked by the President to inform you," he said, "that you should not worry about the family security plan. The President has decided to come out for it; but he wants you to know that he does not think the plan will get anywhere, and that you therefore should not worry." I found this pronouncement astounding. First, is the President playing a purely political game? Second, if that is the

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case, why doesn't he tell me this directly? Why does he send an emissary? Does he lack the courage to face me? All these thoughts ran through my mind, and central to these thoughts was my concern for the future of the country. Once again, I found myself asking the question: Have I misjudged Nixon? Does he have real convictions? I thought that was so when I first entered the Administration; otherwise, an appointment in the White House would have made no sense to me. But my doubts on this score had been multiplying in recent weeks and months.

The Cabinet meeting at Camp David was further revealing. The evening before, the President assiduously avoided me. I did not mind, the embarrassment was his, not mine. At the Cabinet meeting proper, he showed special deference to me. The family-security plan was discussed. I asked numerous

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questions, disguised to bring out the weaknesses of the plan. I made my critical comments softly; there was no need to press; everyone knew where I stood and why, especially the President. The debate was inconsequential, except for Agnew's blunt and courageous remarks. Others who opposed the plan, knowing the President had made his decision, spoke meekly in criticism, when they spoke at all. At the end, the President announced his decision; and after luncheon, he announced he hoped for full support from all.

The next day the President came to the staff meeting. He seemed bent on confronting me, in particular. He went out of his way to praise my labors - the task forces, the directives, and so on. He called on the staff to support, the [Light?] [Jr?], his domestic package – meaning

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particularly the welfare reform. He asked the staff to go on TV (which could only mean Moynihan and me, the former needing no persuasion) and talk and talk more to members of the press, the governors, Congressmen, etc.

That reference to support on TV was especially significant, since Klein had already asked me a day or two earlier to appear on ABC. I gave him no decision at the time.

The problem before me was painfully difficult: Do I resign? Nothing would have pleased me more, except for the fact that my resignation would have proved a political bombshell. To leave quietly is one thing, but in the circumstances that was out of the question; and I was not prepared, in view of an old friendship, to do damage to the President. But do I stay on and do nothing to support the President? This

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would be almost as bad. Whether or not the rest of the world noticed, my position in the W.H. would have become impossible. Everyone would have said “Unless Arthur has his way, he will sulk and sabotage.” At best, I would henceforth be ignored, at worst I would be treated with utter damnation and contempt.

Since I was not ready to embarrass the President by resigning forthwith, I decided to give him – for a decent interval anyhow – such support as I morally could. I agreed to go on TV; and this proved easy for me, since I could justly emphasize the work [?], the work incentive, the work requirement, etc. Fortunately, I did not have to discuss the federalization of the welfare program – which the W. H. propagandists described

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as some kind of decentralization; nor did I need to discuss the working poor. Neither Senator Mondale nor the nonprofit men knew enough to ask the tough questions, which was what I expected.

Having done my duty and having spoken the truth (though not the entire truth) on TV, I rode back in the car and comforted myself with the thought that I had done my hard duty without violence to the truth, and that the ordeal was at last over. The driver informed me that the White House operator had radioed that I phone in promptly. I somehow knew that it was the President calling.

So it was. He talked for about 15 minutes, waxed lyrical about my TV remarks, thanked me for supporting him,

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explained how much my loyalty meant to him, thanked me for insisting on the work requirement, thanked me for saving him from the trap of a guaranteed income, etc. The President was clearly in a euphoric mood; he wanted me to rejoice with him; he wanted me to know that he appreciated my advice though he did not take it as far as the working poor were concerned. I merely told him that the speech came over beautifully on TV, and that I appreciated his thoughtfulness in calling me.

A half hour later, he called again. This time the conversation lasted 5 minutes rather than the earlier 15. I understood the first call, but was puzzled by the second. Did the President remember that he had just called?

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Had he been drinking? Or was he so carried away, in such an exalted mood, that he had to shriek his joy and keep embracing and re-embracing everyone he thought of? The President just kept repeating how much my loyalty meant to him, that he knew I had to swallow a bitter pill, that I had saved him from the guaranteed income scare, that I helped him recapture what he always believed, that the new welfare plan – whether sound or not – was at least exciting, that it showed daring and initiative. I did not disagree; I could not hurt him in his hour of triumph.

Not any of this was any surprise to me, With the success of Apollo II just behind him, with the cheering of multitudes in 8 or 9 countries still music in his ears, the

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President – who had previously shown an [e?] to be considered bold and daring, particularly by the liberals and intellectuals – was bound to throw caution to the winds, and embark on an adventure reminiscent of the social dreaming and histrionics of FDR.

Unhappily, once the plan is better understood – particularly the sterility of the work incentive – the President will be attacked by both the right and the left; and he will not be able to comfort himself with the thought that he must therefore be doing what is really the best. That is my single prediction; the rest is spelled out in my numerous memoranda on this mad adventure.

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Aug 21st [1969]- The Washington press is almost pathologically concerned about who in the Executive scheme of things is “winning” and who is “losing.” I couldn’t care less about any of this personally. I’ve had my share of so-called successes – getting the budget trimmed twice, revenue sharing, mass transit financing, EOEC authority, the work requirement in welfare reform, plus all the directives and their fruit, some quite “bad.” But I’ve had my “failures,” and – as I take stock on my farm in Vermont, I take a certain pride (I hope not perversely) in the “failures” – perhaps more than the “successes.” There is, after all, a lasting quality about truth; and these failures were achieved in the course of fighting for it.

There was the fight against hunger. Nixon made some comments about eliminating hunger in Dept. of Ag. speech. Hardin

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began talking about 5 million people going hungry. Where's the evidence? I kept urging. Then the tune changed; it wasn't so much hunger as it was malnutrition. But if it's malnutrition, I kept inquiring, how will you cure it by food stamps – which are [simply?] cash in the grocery stores. Hardin never gave a meaningful answer.

Nixon believed defiantly that there was no hunger problem in America; that the problem was being fabricated by journalists and politicians; and that the whole anti-hunger campaign was a hoax and disgrace. He said so more than once in my meetings with him.

He also took a stand against enlarging the food stamp program in fiscal 1970. Hardin pleaded that we

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proceed; as did Finch, Moynihan, et al. But the President was firm; we'll do it in fiscal 1971, not now, the budget will simply not allow it

But the President was worried. Ehrlichman and others kept telling him that Congress was getting ready to spend several billion to fight hunger. How could the President hold back? Maybe there was no problem, they [argued?]; but, since the Democrats here kicked up so much dust, people now believe there is, and they expect action.

Then came the day of reckoning – or rather the day before this; that is, Finch and Hardin had to testify the next day. What should they say? Would not the President, and his Administration, and they, and who not – be terribly embarrassed if they had no anti-hunger program to present? Fact that President had already

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decided the issue did not count with them; they had already discovered that the President was flexible, particularly when politics was a factor. So they pressed several of us; and good Mayo, kindly and wanting to be cooperative, announced he could transfer some 250 million from the military budget to the food stamps. My own part, too, was greatly cooperative; I did not object to Mayo's suggestion. Hardin and Finch seized on it. Ehrlichman went down to get the President's approval; he came back in a few minutes, beaming.

That's how the food program was launched. But next day I got thinking: Was this 250 (or was it 170 or 270) million the full annual cost? Something inside of me told me it might not be the full-year cost.

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I checked and discovered the full-year cost would be over 1 billion. Then called Mayo; he too didn't know that full-year cost would be something other than we had agreed to. A quick note of explanation to the President followed; clearly if we didn't know what we were doing, neither did he. But it was too late to reverse gears.

What stands out about the food stamp plan: (1) President talked about hunger problem when he didn't believe it existed (2) President wavered and then decided to "lead" the anti-hunger parade (3) Neither he nor his cabinet (except Hardin, who knew but was too devoted to the cause of food stamps that he failed to enlighten us about cost, as he should have (3) The food stamp plan was adopted, though I pointed out repeatedly that it was not an anti-hunger program, nor an anti-malnutrition program; that it was simply

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a scheme for redistribution of income, although not an efficient redistribution scheme; and that it would be desirable to wait with the food stamps until we could see how the new welfare program would go, and how – if at all – the food stamp plan [would?] fit in.

The recently announced welfare reform was to do away with food stamps (in order to keep down costs); but then it was discovered – the President didn't know this – that the recent welfare benefit plus promised food stamps would yield larger benefits to many than new welfare plan. This came as a shock to administration (certainly to President & Ehrlichman; and to Moynihan who cares neither for truth nor public money); and at once the cry went up that nobody

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would be worse off. The additional cost, on account of the food stamp fiasco, is still being computed. It will probably be a billion or so.

Nov. 7, 1970 Although deeply moved and delighted by President's suggestion that I assume the post of Sec'y of Treasury around the year-end, I had the good sense to give an un-committed reply, suggest that we talk about this after the election, that I would in the meanwhile search my own mind and also the availability of other candidates.

In presenting the problem, the President made an accurate appraisal of Kennedy and Walker. Kennedy is a well-meaning, decent man; but he lacks energy and imagination. Walker has plenty of both, but is short on character. The President was a little harsh in judging McCracken; the difficulty with him is not on the advisory

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side but in his weakness as a leader. Once that is recognized, he can serve admirably; but this also means that he must make fewer speeches and no longer serve as chairman of cabinet action committees.

I've just about reached conclusion to remain where I am despite the extra prestige that goes with the Treasury post. If this had been offered to me at the outset, I would have taken it – gladly and viewed it as fulfillment. Now, things are different. First, I am in the midst of a crucially important job, I'm handling it well despite great odds, I've got many things started that I want to see through, and I want to stay long enough to leave a permanent mark. Second, I like my independence, and I have it here in a degree that I could not enjoy at

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the Treasury. I could probably handle the Haldemans and the Ehrlichmans efficiently enough; but I choke when I think of some of the legislation that I might have to support or the politically twisted speeches that I might be forced into. Still the Treasury post fascinates me for its range of opportunity; and maybe I am influenced also by some signs of declining energy of late – but I think not.

[Hauge?] and Bob Leech are the two best names so far. The first is politically wise and has good character. I think he also has a well-balanced mind and good economic sense. The second is much tougher on matters of finance, and less inclined to compromise – which may be why I prefer him, but I recognize the risks – particularly since I know him less well than [Hauge?]. I must think hard and pray!

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Nov [23?] [1970] - I saw the President on Friday, November 20th. The $\frac{3}{4}$ hour reported by the Pres was actually $1\frac{3}{4}$ hours. The confrontation reported or predicted by the press did not come off. Nor did I think it would. The President knows his limitations in the economic area; and while the sycophants around the White House, whose numbers have been multiplying, keep talking about the money supply and the excessive caution of the Fed, the President knows that I know my economics and that he has much to learn from me and that I am not ready to be either his pupil or his functionary. The President merely asked two or three questions about money & credit, and we spent the time on what he should be doing not on what the Fed should or should not do.

Before turning to economic policy, I told the President that I had come to

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decision on the Treasury post, that I had started something at the Fed that was of importance to me and to the country, and that it would be wasteful for me to move so quickly to another post. I went on to say that I had considered carefully who Kennedy's successor might be and that my present list included three names – Hauge, Williams of IBM, and Ralph Leech of J Morgan – Guaranty. The President indicated that he understood my position and that he would not press in view of my feelings; that Williams lacked color and political appeal. He was silent on Hauge, inquired closely about Leech and seemed fearful, after I described the toughness of his mind and character, that he would not bend sufficiently to political necessity. He then put forward a suggestion of his own – Anderson of Atlantic Richfield and asked me to make inquiries about him

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and let him know. He left me with the feeling that Kennedy might stay on another few months, perhaps indefinitely. But I doubt that he will; he is obviously of little or no benefit to the Administration; and he will be a natural scapegoat when the failures of Administration economic policy became so clear that even Schultz and McCracken may find their theology slipping from under them.

The inadequacies of Administration economic policy constituted my main and quite impersonal theme. What the boys that swarm around the White House fail to see is that the country now faces an entirely new problem – namely, a sizable inflation in the midst of recession; that classical remedies for fighting inflation or recession will simply not do; that new medicine is needed for the new illness; that more rapid expansion of the money supply cannot be the answer since

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there is a shortage of money but a certain hesitation or willingness to use it; that confidence needs to be restored; that this can be done by a two-pronged policy, first, through fiscal reforms such as accelerated depreciation and the value-added tax with appropriate reduction of income tax, second, through a long and necessary series of actions designed to improve the structure and functioning of markets, particularly the labor market; and that this market-oriented range of policies – popularly labeled ‘income policy’ is absolutely necessary to shorten the transitioning phase, in which we are now caught, of moving from cost-push inflation to economic balance. The President instructed Ehrlichman [to?] proceed promptly on accelerated depreciation and the value-added tax, and to explore each of my ten proposals for [incomes?] policy. I emphasized that time is short, that he

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will eventually have to adapt to income policy, that events will force such a move, that the chances for his success in 1972 would be best if he moved promptly, and that I cared not at all whether he took my suggestions or some others – provided he went about this seriously and avoided cosmetics.

One thing that the President told me, which impressed me greatly, was that he had decided to scrap all grant-in-aid programs, to substitute a grand revenue sharing program for the miscellany of specific grants, and to add 5 billion to the sum. I congratulated him and went away deeply encouraged that at least some of the things I have sweated over may come to fruition. If the President really goes through with this – though I remain doubtful about [his? or him?] doing so – he will bring honor to himself and new hope to the country.

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Nov. 24th [1970] - Had a busy day again, like every day at the Fed so far. A board meeting, talks with Patman, Senator Bennett, Speaker McCormick, two newspapermen, etc. But what interested me most was George Schultz. When I told him that all that the stories about the Fed's conflict with the Administration were doing was to build up future trouble for the Administration and that the White House children ought to stop the dangerous game of feeding gossip and fabrications to the press, he agreed fully with me and expressed his disgust and dismay. Later in the day, the fellow from Newsweek named Schultz as the chief [formulator?] of such news stories. Schultz is able, but is he honest? Does he have character? For some time, my doubts have been accumulating, as I watch his thinking – which runs consistently along [political?] lines

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even when the truth needs to be strained. But I never thought of him as a calculating manipulator, and I must watch more closely before I my opinion to harden [.]

Dec 20 [1970] - President called on Monday, December 14, at 11:15 A.M. and informed me that he was appointing Connally as Sec. of Treasury and that the announcement would be made publicly in another 15 minutes. He explained that he had decided against Anderson, although I had not yet reported about him. The reason for doing this was increasing realization that Congress would become bitterly partisan, that the appointment of a Democrat would help to keep things under control, that Connally could work effectively with the Congress, and that his skill was needed

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to get new programs across – including, as it would, such controversial items as liberalized depreciation and the value-added tax.

This news came as a shock to me. Why Connally? I stammered out a question: Does he anything about Federal finances or interactive finances? Clearly, as I realized the very moment I popped the question, it was stupid then, with the decision made, to voice the doubts. But I must have been just speaking to myself, as a person in a state of shock often will. But the President took me seriously; he clearly was nervous and on the defensive. He explained that Connally must know something about finance since he is serving as a director of the U. S. Trust Co. in New York and also a large Houston bank. As for the rest, the President

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explained, he would learn from me as the President himself had done and was doing. In any event, the President went on, he needed Connally – a strong and influential man – for practical reasons. The President also remarked that the only ones who then knew of the appointment were Kennedy, Connally, Bill Rogers, and myself. Next and finally, the President indicated that he was sending Connally over for a talk promptly, and that I should be as helpful as I could to him. I promised I would and wished him well.

Kennedy came over for lunch, and he filled my heart with sadness. He learned about the Connally decision the preceding Friday, argued against it on ground that Connally lacked experience, but to no avail, President offered him a post as Ambassador-at-large, with

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responsibilities in international financial area; he could, moreover, retain a seat in Cabinet and serve as adviser. Some two weeks previously, as I understood Kennedy, he had offered to resign; but the President then refused to consider it. Apparently, the President had changed his mind suddenly, once he determined just whom he wanted for the Kennedy post.

Kennedy showed full understanding that the ambassadorial post was probably created to put a good face on the shift in command; he wondered whether he really ought to take the new job when it was not clear that he would have a real job to handle; but that he agreed anyhow to do so, expecting to drop out quietly later if it became clear that his

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services were not needed or ignored – if needed. I agreed with this course of action, but did not tell him – all the more so because he nearly broke my heart – what the President and I had been discussing for some months.

I urged Kennedy to leave a strong and permanent legacy, and that he could do so by joining me in insistence on a budget that would fall a little short of 225 billion rather than exceed it; also, for prompt liberalized [depreciation?]; for revision of income tax structure, with value added tax replacing part of personal & corporate income tax; for scrapping of categorical grants or at least a very sharp reduction, combined with a huge revenue sharing plan. Kennedy agreed to work hard for a responsible fiscal program, and it will be interesting to see if he can do so. I hope he can.

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Connally came over in mid-afternoon. We talked for about $\frac{3}{4}$ hour. I had met him previously. Once & again, I was impressed by the clarity and vigor of his rhetoric. I was impressed also by his “conservatism,” his dislike of big government, his contempt for trade unions. But I got no clue to the questions that were agitating me: Is Connally a spender like Johnson, despite his “conservatism”? What are his views on tax policy? What he knew about international finance – a matter of greatest importance in view of the probable proximity of a monetary upheaval? Does he know about the traditions of the Fed & will he respect its independence? I tried not to press Connally; merely conveyed my concern about sorry state of the economy & expressed hope that he and I would work closely together.

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Before Connally left I was sure that I would like him; and I also realized that the next few weeks would tell whether Connally – who is not scheduled to take over until Feb. 1 – will be major architect of fiscal policy or simply the President's salesman in this area (and probably others – military & foreign policy) [.]

Dec. 29 [1970] Have just concluded a week of pure rest in St. Thomas, and then for a brief stop in Palm Beach and back to Washington. My mind keeps running back to Dec. 21 when the President gathered the Cabinet and all his appointees for a meeting in the East Room. Rogers spoke first, and gave an excellent account of our achievements in foreign policy since the election of 1968. I think that Rogers has matured richly on the job; he speaks with more confidence, comes to the point quickly and effectively; and,

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what is most important, speaks good sense and with a dignity that I did not expect of him.

Schultz spoke next, on domestic policy, and he continues to disappoint me. I expected much of him as Sec'y of Labor, and that is why I recommended him for the post and [plunged?] so hard for him. I would not have picked him for the Budget post, because that post requires a man of firm principles rather than a genius for mediation; but George lacks the former, while he has the latter in superabundance. As I watch George, I'm troubled increasingly by his political approach to his own duties; but that is probably the very quality that endears him to the President. I wonder whether George does not political ambitions of his own. Kennedy suggested to me not long ago that George wanted to be Vice President. Absurd? I no longer think so. I could not help but wince when George concluded

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his empty recite of domestic achievements with an extended panegyric of the President's marvelous leadership. George is not stupid; he could not have meant half of what he said. Yet I also noticed that the President beamed as George delivered his song of praise. I think that George knows his man and is using him. But what of the President? He doubtless finds George's love of compromise, his reluctance to hurt any political group, most congenial. Does he also realize that George's sense of expediency, combined with the amoral leanings of Ehrlichman and Haldeman, may result in his undoing? Probably not. My immediate concern is the budget, and I am afraid that George has no sense of responsibility in this area. I hope I am wrong.

The final speaker was Moynihan. It was a relief to listen to him after Schultz. Pat is wonderfully articulate and lends

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charm even to trite phrases – which are fewer in his case than in that of any member of Nixon's staff or Cabinet. He, too, however, knows Nixon's weaknesses; & he used the occasion to shower praise on Nixon on a scale that made Schulz's earlier panegyric seem most grudging. While I think Moynihan misled the President badly on the welfare problem, something will be lost when he is gone. After listening to Pat on this occasion, I'm no longer sure that he will publish his book on the Nixon administration in 1970 – just in time to disclose to the nation what Nixon really thinks about the school problem, the Negro, etc. Perhaps Moynihan has more decency than I previously thought; but I still wonder how & when he is going to use the full notes he took of what the President & everyone else said at every meeting. Time will tell!

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My mind goes back also to the Pepperdine speech I gave in L.A. on December 7 – a Monday. I kept working on the speech through the morning of Saturday, December 5. Finally, the typing and xeroxing was finished by 3:30. In another hour I was to leave for the plane & therefore began gathering my papers for the trip. While so occupied, the phone rings and Catherine announces that the President wanted to speak to me. My heart sank; for I knew at once that he would want to advise me how to proceed at Pepperdine. And so it was! The President began by talking about Bill Martin who wanted to attract attention; that he was should I would not want to air my differences with him in public, and that I should realize that he will move further towards an incomes policy in due course. I explained that I was fully sensitive to the need of avoiding any impression of a conflict between us; and that he

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could judge for himself by listening, if he so wished, to the two or three pages of my speech devoted to incomes policy. The President expressed the wish and I read rapidly (and somewhat nervously); but he seemed pleased when I finished; at least, he said he was. And, indeed, he should have been; for I practiced great restraint in the Pepperdine precisely because I wanted to avoid loose talk about a confrontation, etc.

The reason I was so sure that it was the President calling was simple: Bill Safire called the day before, offered to advise me on my speech and expressed the President's concern. What a shame that the President's staff keeps worrying him so uselessly!

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Mar 8 '71 - The President finally acted on Davis-Bacon – a year and a half late, but still a courageous decision. That it happened at all is itself a good sign, for it means that Schultz's influence – a pernicious and stultifying force is waning.

The Quadriad meeting on Friday, March 5 was a startling and even frightening performance. The President looked wild; talked like a desperate man; fulminated with hatred against the press; took some of us to task – apparently meaning me or McCracken or both – for not putting a gay and optimistic face on every piece of economic news, however discouraging; propounded the theory that confidence can be best generated by appearing confident and coloring, if need be, the news; explained that he did that in foreign affairs and that we ought to do same in economic matters; Connally – a most smooth politician – nodded charmingly from time to time; Schultz – always a good boy – did

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not say a word; poor McCracken was visibly frightened – too frightened to speak out; only I spoke out, explaining that McCracken could not get away with prevarication – all of which released a torrent of resentment against me: my wanting to be independent, to make a name for myself, to preach about incomes policies – all of which can only danger the Administration – and do me no permanent good. I am not really sure that he said all of this; he was incoherent much of the time; and when I reminded him that my pronouncements on incomes policy had his prior, although perhaps, not his enthusiastic, approval, he responded quickly that he didn't mind that, that he didn't have that in mind. Apparently, the President was stung by my pronouncement at a Congressional hearing that what the economy suffered from

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was a shortage of confidence rather than a shortage of money.

I am convinced that the President will do anything to be reelected. The sad thing is that by throwing all principles to the wind, he is rapidly reducing his chances for reelection. The harassing of the Fed by the President and his pusillanimous staff will continue and may even intensify. Fortunately, although I am no longer sure whether the President fully knows this, I am still his best friend. By standing firm, I will serve the economy – and thereby also the President – best.

There were moments during this meeting when I felt that the President was going mad. But there were also moments of warm and touching friendship, as when he reminded me of our conversation about the SST over a year ago. I then told him why I advise, on economic grounds, against continuing; whereupon, he

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proceeded to discourse on America's mission and destiny, that a great nation seeking to extend its greatness could not govern itself by economic rules only, that forces of science and technology should not be kept back, that the SST would lead America in the forefront of aeronautics, where it indeed must be, etc. I was deeply moved at the time, and said to the President, "That's the way I love my President to speak." I meant this most sincerely, and I was touched by the fact that it meant so much to him that he now recalled it, wondering whether I remembered. This episode, and his invitation to Pat's party on the 16th, saved the day for me; but I left with a deeply troubled mind.

Today, after church services, I whispered to the President that I must see him privately.

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Meetings during the past several months have finally convinced me that the ignoramuses around the White House, led by the [fanatical?] Shultz, have just about convinced the President that monetary policy is not what it should be. I'll do what I can to set him straight, because I hate to see him worry so unnecessarily about matters that he neither understands nor can do anything about.

March 21 [1971] - I saw RN on Friday, March 19. Ten days earlier I had whispered to him at Sunday services that I wanted a private meeting. He remembered this and told me he would arrange it – this he did at meeting with Lord Cromer. My eagerness to see stemmed from an eagerness to have a candid talk about the war of [nerves?] that the White House gang had set in motion. Recently, a journalist (Gredin, [Elias?] ---)

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had come to see me and told me that some WH operatives (specifically, Haldeman & Schultz) had their bayonets out for me. Connally came to see me on Thursday, March 18, said same thing, and advised that I see the President. I told him that I had already reached the decision to do this.

I informed the President as follows: (1) that his friendship was one of the three that has counted most in my life and that I wanted to keep it if I possibly could; (2) that I took the present post to repay the debt of an immigrant boy to a nation that had given him the opportunity to develop and use his brains constructively (3) that there was never the slightest conflict between my doing what was right for the economy and my doing what served the political interests of RN; (4) that if a conflict ever arose between these objectives, I would not lose a minute in informing RN and seeking a solution together;

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(5) that the sniping in the press that the WH staff was engaged in had not the slightest influence on Fed policy, since I will be moved only by evidence that what the Fed is doing is not serving the nation's best interests; (6) that the WH staff had created an atmosphere of confrontation which led to the exaggeration of said differences about economic policy as may exist between the Fed and the Administration; that (7) squabbling or the appearance of squabbling among high government officers could lead to a weakening of confidence in government policy and thereby injure the prospects of economic improvement.

RN seemed please by my reassurances to him, indicated that he never had any doubts, that he would put an end promptly to the sniping about the Fed that has been going on at the White House, that he agreed with my policy, that he preferred a slow start of the recovery which may then gather momentum in 1972, that he wants to rely primarily

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on me and Connally in [monitoring?] policy, that McCracken and Shultz – while able economists – did not understand politics, that I could handle both economics and politics, and that Connally was good at politics and therefore a great asset.

April 12 [1971] - President made good on his promise. This I heard from Ehrlichman and Schultz. The sniping has ended – at least for the present. Indeed, Schultz – now trying to be a good boy and to prove it – is going out of his way to say nice things about me and the Fed, and making sure that I get the report on his sayings.

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May 4 [1971]- Before going off to [Basle], I saw R.N. on Frid. My main purpose was to get him to approve a statement I wanted to make to central bank governors: first, that the President is as determined as ever to fight inflation; second, that he will not tolerate any further mischief from those who preach the doctrine of 'benign neglect' of balance of payments. R.N. agreed readily, as I knew he would. I also urged the President to reconsider his objection to a price and wage review board; that something like this was necessary to prevent a sharp rise of wages and prices of steel; that the Cabinet Committee on Ec. Policy could serve as his wage and price review board; that it could perform this function on the principle of an accordion, expanding or contracting in activity as he deemed best. This seemed of real interest to him and he promised to study the idea.

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We also discussed monetary policy and why I thought some prompt increase of short-term interest rates was essential – for domestic as well as international reasons.

Connally's performance came up. I praised him to the sky, pointed to his charisma, his loyalty to RN, his effectiveness with people, President asked me how C. compared with other cabinet members. My reply was prompt: he is head and shoulders above everyone there, that the other members of the Cabinet were dull and a dubious asset to him, by and large; that Connally was a brilliant discovery. President thereafter noted that he let Kennedy go after he learned my opinion about his leadership ability, that he agree with my judgment about both Kennedy and Connally, and that he wanted very much to know which of the present members of the Cabinet

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were of presidential [tinder? or timber?]. It's all Connally was my single reply; he and he alone. President agreed. John Ehrlichman, who was present at this meeting, echoed answer most eagerly; and I got the impression that this subject had come up before between RN and JE. In any event, the President agreed heartily with us both.

Meeting at Basle went as I had planned. I explained to governors that they were pursuing a dangerous policy in transferring dollars held in NY to the Eurodollar market; that, whether they did this directly or through the BIS, they created new dollar reserves; that their dollar reserves were multiplying in larger measures because of their own action, not only – as is commonly claimed – as a result of US balance of payments; that while the transfer of dollars to the Eurodollar market was profitable to the central banks, their

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function was to police the monetary system, not to make profits; and that is [essential?], therefore, to halt this mischievous exercise in finance. This practice was generally agreed to and a halting operation was decided upon.

Today's meeting of the Quadriad dealt with the new monetary crisis, arising from the influx of dollars [into?] Germany – stimulated by loose talk of German politicians about revaluing the mark. Meeting went in zig-zag fashion; but finally I got agreement on a statement to be issued to the press, reaffirming our adherence to a system of fixed parities – although this agreement came after rather than during, our meeting with President. When I called Dr. Klassen and read statement to him, he expressed his great happiness over our act, informed me too

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that he was at odds with others in his government, that he had firmly concluded that he must resign if the government revalued, that our statement strengthened his position enormously, and that he now felt the mark would not be revalued. RN was pleased with the statement and also with Klassen's reaction. I hope that our action proves right. I wish I were certain that we're on the right track; but even if not, the path we elected will prove preferable to sheer indecision – this always erodes both the capacity for leadership and one's entitlement to it.

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May 22 [1971] - Today's quadripart meeting was uneventful; but after meeting was over, I stopped to chat with President alone about Giscard d'Estaing's suggestion to me: namely, that the U.S. take the lead in rebuilding the international monetary order. In course of discussion with Giscard, he made it clear that he believed the dollar was overvalued, that revaluation of other currencies was essential, that France too would be willing to appreciate its currency somewhat (implying that its revaluation would need to be smaller than others), that some 5 major countries would do the conferring, and that conference could be completed in 3 days. These ideas are most [congenial?] to me. Giscard did not mention the price of gold as an item to be negotiated; but he probably has in mind. President liked my idea of determining just when we want to come out, then moving to bilateral conversations to determine views of others, and finally move to a 5 or 6 country weekend

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conference if it appeared that we could come close to getting what we felt we need and should have. To do this, we should be willing to accept an increase in the price of gold of, say, 15 to 25 %; but this concession should not come quickly. President liked this entire approach – it was substantially what I had recommended to him in October 1968; and he urged me to move ahead on the plan and I shall try to do so.

My problem may be Connally, who is likely to stall and not move ahead. I continue to regard him as a great improvement on Kennedy. He is an able, clever, and enchanting man. But he is not the decisive man I thought he was. I have watched him closely of late in group meetings and what I find – with some frequency – is that he agrees with practically everyone, although entirely opposite theories or courses of action are being advanced. Sometimes this may be done due to

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lack of full understanding; but I rather doubt if that is the case. The more likely explanation is that Connally wants to be friendly with everyone – particularly the White House staff, and that he is willing to bend his views – at least momentarily – to cement his personal relationships. All this is thoroughly understandable on the part of a man who is still young, ambitious, and has so much going for him. Yet I keep wishing that the new Secretary of the Treasury would show some [capacity?] for leadership and act more decisively. Can it be that, despite all appearances to the contrary, Connally is not really a leader? I have seen enough of him to know that he neither is, nor ever will be, an architect of ideas; but I do not deem that essential to a political leader. I often feel these days that Connally appears at his best when he espouses the President's

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program; he is very, very good at that, and this makes him a wonderful asset for the President. But is Connally the man we need in the White House?

Perhaps Connally will strike out more boldly once he has secured his position. That he is trying to do this is altogether clear, and the President is helping him – as I have been doing. At this meeting the President announced that he wanted Connally to be a spokesman for the administration in economic matters and that he wanted procedures developed to achieve this end. It was clear that Connally put the President up to this. I hope that the new arrangement will work out; but I am skeptical.

It will be interesting to see Connally expand his authority. I doubt if he will attempt to move into my corner; but I cannot be sure. If he does, I'm inclined to think that he will retreat quickly and ostensibly in

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good humor.

These reflections about Connally are in large part a result of our constant meetings over the international monetary crisis. So far, what he has done has been in my direction. Neither of the two statements he put out would have been issued if I had not urged them with some vigor. That Connally is going my way is reassuring to me; that is doing so slowly and after considerable deliberation is to his credit; but I have not yet detected the capacity for leadership that I hope for in him. Perhaps the novelty of the subject is the obstacle to bolder expression, but he appears to behave similarly on other problems.

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July 8 [1971] - The White House called on Sunday, June 27, to set up an appointment with the President on Monday afternoon. I had expected this call, since the President [knew?] that I wanted a private meeting with him – which he made clear to me, on his own initiative, at the receiving line on lovely Tricia's wedding. When I arrived at the W.H. on Monday and found Connally waiting for the same appointment, I knew that something was up. Some political meetings were held by the President in recent days, and I gathered that he probably had reached some decisions that he wanted to communicate to us both. In a matter of minutes, however, I discovered that Connally was there to give support to the President; that he knew precisely the purpose; and that both had a message for and a request of me.

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The President was obviously ill-at-ease, but he had rehearsed his part and knew what he must convey to me: first, that he had reached a decision against a Wage and Price Review Board, which I had repeatedly recommended; second, that he thought I had written an effective letter urging a new policy, but that he cannot accept the recommendation (he gave no reason, though I knew it from earlier conversation[]); third, that he had informed the Cabinet and others in the administration that everyone in the economic field must henceforth speak with one voice; fourth, that Connally would become the spokesman for the Administration (this had been decided weeks earlier and announced at a Quadriad meeting[]); fifth, that while my status was a special one,

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I too will be expected to conform to publicly announced Administration policies, that my advocacy or comments on non-monetary matters was being interpreted widely as Administration policy – because of my friendship with the President that everyone knew; sixth, that the President was tired of the mouthings of people who sought a footnote in history books, and that everyone should recognize that if the President is successful there will be enough praise for everyone – and that if he isn't the footnote in history, which some seemed so eager to realize, wouldn't count at all, since nothing of any value would be left in the United States once the Democrats returned to power. The last remarks, which were clearly intended for McCracken besides myself, bruised my spirit; partly because of

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the failure to understand the motives that governed honorable men in government, but even more because of the brutality of RN's language. I watched his face, as he spoke, with a feeling of dismay; for his features became twisted and what I saw was uncontrolled cruelty. I kept wondering, as he spoke, when he would stop; for I had a thing or two to say myself – and I felt strong enough to do it calmly and with compassion.

The President stopped in the course of his lengthy and nervous lecture to me to ask me a few specific questions – mainly, was I in favor of a wage and price freeze, to which I replied, “Not now. Let us first see if milder medicine will work”; also, was I in favor of a tax cut to which I simply

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replied “I would favor a reinstatement of the investment tax; but since Congress would do this only if income taxes were simultaneously cut, the tax relief would be excessive and I would prefer to do nothing in this area at present.” These answers harmonized with the President’s own thought; and his face brightened momentarily – much to my relief.

I was especially struck by the President’s comment, which however was not entirely a surprise to me, that my advocacy of governmental actions, which he had not yet decided upon, made it difficult for him to come out for or take such actions; because he wanted novelty and excitement and a boldly innovative spirit to issue from the White House; and that when government officials, including myself, urged certain policies before he reached a decision, then when he later announced

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some such policies, they had already lost the dramatic punch they would have achieved if he was the first to make the pronouncement. His eyes blinked and his hands fidgeted as he made this confession; it was obviously painful to him to say all this so bluntly; but he obviously had resolved that I must know how he felt. I had long suspected that the President lacked true self-assurance, but I tried to wave these doubts aside. This I could no longer do as I listened to him; and while my heart was filled with sadness for him, I was seized suddenly with fear for the safety of our country which depended so heavily on this insecure man (The thought flashed through my mind of an earlier conversation; when he asked

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me to inform him when I thought it would be a good time to bring on an international monetary crisis and added, winking [privately?] as he spoke, “I don’t mind crises” – the I being heavily underlined.[]]

I have not mentioned Connally, but I am indebted to him; for it was he who gave me the opportunity to reply, as I felt I must to the President. When Connally broke in at one point to repeat the essence of the President’s argument and pointed to an article in the N. Y. Times which spoke approvingly of my Pepperdine speech, advising me that this is very bad and must stop; I seized upon his remarks to make my reply to the President which was simply this – that I had to testify on Wednesday, that I would undoubtedly be asked about the

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inflation and unemployment problems, that I would repeat my earlier views, that I would be acting out of character if I suddenly feigned ignorance, that I owed it to the Congress to speak my mind honestly, that I felt policies which I advocate would help the nation, and – though the President did not see it that way – they would really help him if they were adopted. It was then that the President pointed out that I am being regarded as a spokesman of the Administration; to which I replied that I doubted that very much; which caused the President to ask me to tell people that I wasn't, etc, etc. This part of the conversation seemed altogether pointless until the President informed me that if I espoused policies

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which he has rejected, the Washington community would interpret it as a breach between us. My reply was, and it came from the heart: “If that happened, it would be most unfortunate. I just want you to know I have always been your true friend, and I am that now and expect to remain so[.]”

The day left me sad but I had no choice: Just as the President has his duties, so have I and I made this crystal clear to the President and to Connally. What surprised me was not the President’s inner thoughts, but the contempt – which he articulated so fully – for other men who had minds of their own and a sense of conscience besides. Connally also surprised me. I thought that he was smart enough to know that there are some men in this world who refuse to play

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politics when this means disregard for one's oath of office or one's self-respect; and that I might be such a man. Nixon thought that he could appeal to my friendship and get his way; but Connally lacked this advantage or any other. I continue to like him and to admire his political skill; but he is less astute than I once thought he was. His willingness to echo whatever the President may be thinking may enhance his power for a time; but this power-hungry and most charming man, whatever fortune may hold out for him, will not be the kind of leader that this nation so badly needs and so richly deserves.

A memorable feature of this meeting with RN is that he simply informed me

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of his decision concerning the Wage and Price Review Board; he gave no reasons. Perhaps he omitted his reasoning, since he felt – and this would have been justifiable – that I knew his reasons. But I do not think this was the case. RN's entire manner was imperial; it was enough that he had reached a decision; that alone should govern the conduct of everyone in his Administration; that while mine, for constitutional reasons, was a very special case, he was still the emperor and I should therefore toe the mark – as should every good citizen, especially those who were or professed to be his friends. I had often noticed RN's love of the imperial manner and its trappings; but now I knew that I would be accepted in the future only if I suppressed my will and yielded completely – even though it was wrong at law and morally – to his authority.

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Aug. 12 [1971] - On Aug. 5 RN telephoned. The day before he held a press conference, and finally – he took a long week to do so - scotched the slur on my good name that had been engineered by anonymous W.H. officials (Actually, it was Shumway in Klein's office, serving as a [tool?] for Colson; but for whom was Colson serving as a [tool?]? Was it Haldeman, Ehrlichman or possibly, as many believe, R.N. himself?) He explained that, quite contrary to the report in the press, I not only had not asked for a salary increase, but I had flatly refused it. RN said I did so because I felt it was wrong at a time of inflation. The explanation was good enough for me; though the fact is that I just refused – insisting that any increase was to accrue to my successor, not to me. RN said nothing about this foul leak coming from the White House; nor did he refer to the report, similarly leaked,

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that the membership of the Fed Board was to be raised from 7 to 14 and that the Fed was to be placed under the authority of W. House. All the same, RN's comment about me was generous and did clear up the offensive slur. In view of that I called him on Wednesday to express my appreciation.

He returned call on Thursday, explaining that his trip to N.Y. made it impossible to do so sooner. He assured me, on his own initiative, that he had not the slightest intention to change the structure of the Fed. He also stressed that our views on economics were not wide apart, that he opened the door to moving to an incomes policy (which he really did) during the press conference on Wednesday, that this was done deliberately, and that he might soon surprise me by moving on incomes policy. I, in turn, put a proposal

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for his consideration – to appoint a Commission, to report in 60 or 90 days, consisting of business leaders, labor leaders, public members, administration representatives, and – most important of all – the majority and minority leaders in Congress (Mansfield, Albert, Scott & Ford), this committee being charged with the task of developing a wage and price policy that could count on broad support. President indicated real interest, wondered whether the report could not come in 30 days, but was not sure that Mansfield & Albert would serve. I pointed out that if he didn't, RN could excoriate them as hypocrites. We agreed to discuss this fully after the President returned from Maine.

Since then it has become even clearer than before that the [sense across the?] entire nation condemned the ugly White House leak, that the [moment?] for a wage-and-price policy had been greatly strengthened, but –

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unfortunately – that the stupidity and clumsiness of the White House mischief makers – had [outraged?] financial opinion the world over, and that an international monetary crisis of grim proportions had been hastened.

My efforts to prevent closing of the gold window – working through Connally, Volcker, and Schultz – do not seem to have succeeded. The gold window may have to be closed tomorrow because we now have a government that seems incapable, not only of constructive leadership, but of any action at all. What a tragedy for mankind!