

**Luther H. Hodges Oral History Interview – JFK#1, 03/19-03/21/1964**  
Administrative Information

**Creator:** Luther H. Hodges  
**Interviewer:** Dan B. Jacobs  
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**Biographical Note**

Luther H. Hodges (1898-1974) was the Governor of North Carolina from 1954 to 1961 and the Secretary of Commerce from 1961 to 1964. This interview covers the 1956 and 1960 Democratic National Conventions; the 1960 National Governors' Conference; John F. Kennedy's [JFK] 1960 presidential campaign; the Department of Commerce, including reorganization, agencies within the Department, and relations with other groups; establishing the U.S. Travel Service; the Business Advisory Council; businessmen and government; the economic recession in 1960–1961; the Area Redevelopment Act; the 1962 rise in steel prices; balance of payments; and trips abroad, among other issues.

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Appendix A

(Gift of Personal Statement  
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March 19, 1964

This is a recording entirely from memory of  
my contacts with the late President John F. Kennedy.  
(Certain facts and dates should be checked) --  
By Luther H. Hodges, U.S. Secretary of Commerce

I'd not known Mr. Kennedy prior to the 1956 convention, except in a general way -- I had met him once or twice as Senator; I followed his career through the press and through mutual contacts. I liked his looks, his youth, his courage, and his vision.

In 1956 at the Democratic Convention in Chicago, Mr. Kennedy, according to reports, had ambitions for the nomination for the Presidency or Vice Presidency. I found myself sitting beside Jack on the stage prior to the nominations for the Presidency. Mr. Stevenson was the favorite and although he had been reluctant in 1952, he seemed willing or even anxious to have the nomination in 1956. Prior to the beginning of the program, Jack and I exchanged friendly greetings and then I said to him, "Why don't you run for the nomination for Vice President?" He said, "No, Governor, they have paid me off by letting me make this nominating speech for Governor Stevenson." Continuing the discussion, I said, "I think you have a good chance for the Vice Presidency; I know a lot of people who would support you, and I'd be willing to work very hard for you." Well, regardless of what he really had been thinking, and what influence, if any, my comments had on him, he did make a real drive for the Vice Presidential nomination, and it was an exciting contest - far more exciting than the Presidential one.

On the first ballot, the favorite sons were nominated and gotten out of the way. For example, my own State honored me by nominating me for Vice President. I got the vote from my delegation and scattered votes elsewhere, including South Carolina. Other favorite sons had the same experience. Most of the Southerners were for Mr. Kennedy; some of them like myself voted for him because they liked and wanted him, and others voted for him negatively because they did not like Mr. Kefauver.

Well, we almost won the nomination for Jack for Vice President, and if the Chairman, Sam Rayburn, hadn't recognized someone a little out of turn, we might have gotten a shift in a delegation which would have put Kennedy over. Instead of Stevenson-Kefauver for a ticket, we could have had Stevenson-Kennedy for a ticket.



Fate and history are glad that Mr. Kennedy did not win the nomination for Vice President as our ticket of Stevenson-Kefauver was pretty badly beaten in the 1956 election.

From time to time after the 1956 elections, I saw Mr. Kennedy but was never intimate with him. One of my chief assistants in the Governor's office in Raleigh, North Carolina, was Mr. Paul Johnston. He and Ted Sorensen, Mr. Kennedy's right-hand man, were pretty well acquainted and good friends. In the late fall of 1959 or early in the year of 1960, Ted got hold of Paul and said he would like to talk with him. When they met, Ted said that Senator Kennedy would like for Paul to speak to Governor Hodges about helping him in his campaign to round up several delegates.

Some weeks later, Paul Johnston happened to be going through a receiving line at a reception at which Senator Kennedy was the guest of honor. There were hundreds of people going through the lines. Paul said that when his name was mentioned Mr. Kennedy caught it immediately and said: "You and Ted have been talking. I hope you will sit over there in the corner and talk some more and I'll join you in a little while."

Paul Johnston told Senator Kennedy that night that he had some doubts as to whether I could do it or not because of some rather strong feelings I had about the South and the attitude of the country as a whole toward the South. However, he said he would pass it on to me.

In the early spring at the Mayflower Hotel in Washington, D. C., Mr. Robert Kennedy and Mr. William Battle visited me by prearrangement. I had with me at that time my personal secretary from the Governor's office, Mr. Harold Makepeace. We had a long and friendly conversation. Bobby said that Senator Kennedy would like very much for me to help out in the South. Bill Battle, of course, added his word to it.

It was very appealing and a great temptation because I had very high regard for Senator Kennedy and liked Bobby Kennedy. I had also known and respected Bill Battle for a long time and knew his father even better. His father, the distinguished former Governor of Virginia, was born in the State of North Carolina and moved to Virginia where he became Governor. I had the distinction of having been born in Virginia and moving to North Carolina where I became Governor.



After meeting with Messrs. Kennedy and Battle, I told them very frankly that I could not help them in the pre-convention campaign; that I was for Lyndon Johnson who I felt would be the chief opponent of Mr. Kennedy. I said this was not because I did not like and respect Mr. Kennedy, for I did, but it was because of "prejudice." I said that I was getting sick and tired of having the rest of the country work on the arrogant presumption that there was nobody from the South that could be nominated and elected as President of the United States; that I did not like for the South to be taken for granted; and that the prejudice of much of the rest of the country was something I thought we ought to stop. I said that we in the South had too many of our own prejudices and that I was facing up to this particular situation at the present time. I added that I would be only too glad to work night and day for Senator Kennedy if he received the nomination as he well could. I also said I would work for Mr. Kennedy sincerely and vigorously not only because I thought he was a good man but again because of "prejudice!" I said this contest would be won or lost on the basis of the prejudice against the Catholic Church and against the candidate who was a member of that Church. I added that I did not think that the prejudice would be confined to the South or to the so-called Bible belt. I thought it would be in various parts of the country, including the Middle West and Far West.

However, I thought I could help them in the election campaign, and I would be willing to campaign in any part of the country. I had been President or Chairman of the Southern Governors' Conference, which included all of the Southern States including Delaware and Oklahoma. I had good relations with the Governors and I knew that most of them and their States would be for Mr. Johnson in the pre-convention campaign. I thought that most of them would be for Mr. Kennedy against anybody the Republicans put up. Naturally some of the States would not be as enthusiastic for Mr. Kennedy as others. It will be recalled that Senator Lyndon Johnson did not make much of an early campaign as he was giving his time to a very heavy, busy program in the U. S. Senate. He said publicly he didn't feel he should take off the time that his opponents were taking off from the Senate and that he felt that the public would understand. I'm not sure how much he believed that because many of his friends knew that, although he was talking patriotic language, it was not the talk of a practical politician, and that the electorate is not as patriotic many times as the candidate.



Anyhow, Mr. Johnson got really rolling when he had his whistle stop campaign pretty much patterned after Mr. Truman's successful campaign in 1948. When Mr. Johnson's train reached my State's border, along with others, I joined the train (in my case in Danville, Virginia, just across the North Carolina line), and I stayed with the train through Charlotte, North Carolina, near the South Carolina line. It was an enthusiastic trip although not overwhelming. We made many stops through the State and Senator and Mrs. Johnson made wonderful personal impressions. He did a good job as he always has and still is doing with the local politicians. They would get on at each stop and get off at the ~~next~~ stop when they would be replaced by a new group. I recall that in a talk at Greensboro, North Carolina, either when I introduced Mr. Johnson or when I spoke for a few minutes before he did, that I first got a glimpse of his liberal leanings. He spoke about the days of Franklin Roosevelt and of the New Deal and of the common man. He told of his own desires for a great country on a patriotic basis, and he made the point that the average man must be helped if the country itself was to grow and prosper.

Prior to the Democratic National Convention at Los Angeles, in August of 1960, there was a National Governors' Conference held in Glacier National Park, Montana. The Governors were lodged in the best National Park Hotel in the area, and the press and others were at locations some miles away. There was naturally a lot of politicking, both from the standpoint of managers trying to get delegates for either Kennedy or Johnson and for the Chairmanship of the National Governors' Conference for the following year. The next year we Governors were to have a Democrat as Chairman of our Governors' Conference since we alternate from one party to the other. Fortunately or unfortunately, because we knew we had a very "hot" situation, I was chosen as Chairman of the Nominating Committee. Abe Ribicoff, who had been one of our fellow Governors and probably one of the most able Governors in the entire country, wanted very badly to be Chairman for the next year. Some of the insiders, both Democratic and Republican, felt that Abe should not be given this honor at this time because it would be used as a political weapon in Kennedy's campaign since Mr. Ribicoff was the first and most ardent public figure to speak out for Kennedy long before he started in the primaries and became a real candidate. There was a Republican Governor from the West who was very ambitious for the job for the following year in 1962, and it was finally decided on the highest



political basis that the Democratic candidate for Chairman for 1961 should be from the West so that the Chairmanship would naturally move to another territory the following year in 1962. Our then Chairman was a Republican from an eastern state.

Governor Stephen McNichols of Colorado was nominated and elected Chairman and Abe was pretty sore at me. I do not know whether he realized why we did what we did, but it was quite a long time before he and I were back on the proper basis. I wrote him a letter later on expressing my regret about the action we felt had to be taken and expressed my admiration for him for the very wonderful job he had done as Governor of Connecticut through the years. His work had really been outstanding.

There was a very humorous incident that occurred at our National Governors' Conference the night of our so-called State Dinner. The distinguish speaker of the evening was the Prime Minister of Canada, Mr. Diefenbaker. He was a serious minded, rather arrogant type person, and he was furious when after about a third of his speech, which was of a serious, almost ponderous type, he was rudely interrupted. It seemed that this government-run hotel was not too efficiently handled and the girl at the desk had failed to turn off the loud speaker or paging system that led into the dining room. So while Mr. Diefenbaker was reaching one of his perorations, there came a rasping voice over the dining room paging system saying "Call for Sargent Shriver." People tittered and Mr. Diefenbaker glared. About 10 minutes later, when he was still serious and ponderous, the same thing happened except that it was worse and the crowd broke into laughter. Mr. Diefenbaker was livid with rage but finally finished his speech.

I thought, as did others, that the page call was for some solid<sup>er</sup> named Sargent Shriver. I'd never heard of the famous Kennedy brother-in-law. I met him the next day at a beef barbecue and found him most charming. We had a good laugh over the incident of the night before.

At the convention at Los Angeles, one could see that the Kennedys had done a great job of organizing the delegates. There was nothing sure about it, but there was an air of confidence on the part of the Kennedys and their workers.



I met with the Johnson forces several times and did what I could, but too much work had been done already and it was an uphill battle.

As all will remember, Mr. Johnson had hoped that if Mr. Kennedy could be prevented from winning on the first ballot there would be a chance to beat him. Shortly after the nomination of Adlai Stevenson, and after he and the late Eleanor Roosevelt had put the convention into a pandemonium, I saw Bobby Kennedy in the Convention Hall corridor, and I said: "Bobby, that was a pretty serious thing. Aren't you worried about what they are going to do?" Bobby said: "Not at all, Governor. We've got it all sewed up. Everything is going to be all right." Bobby knew because I recall on the first ballot as we got toward the roll call of States where Wyoming was coming up next that a very fine looking young man was seen circulating among the delegates. This was Ted Kennedy, the younger brother. Wyoming cast the decisive vote and Senator Kennedy was nominated.

There was much speculation about who would be the Vice Presidential candidate and there were all kinds of candidates available, many of them ambitious and many of them fairly competent. A prominent commentator told me on the morning that the Vice Presidential nominations were to be made that Lyndon Johnson would be the choice of Mr. Kennedy. I said that I couldn't believe it because we could hardly adjust to this situation after knowing what a fight we had had for several days. But, Lyndon Johnson it was, and we had our ticket.

I spent a lot of time on the campaign from then until Election Day doing much of it in North Carolina and the South. I recall addressing about 4,000 people in Atlanta, Georgia, who had paid \$50 each to come to a Democratic rally, and we had three or four of us Southern Governors on the program. I told the crowd of an experience I had had in Atlanta that morning when one of the native Atlantans asked me if I had met the very distinguished president of their leading bank. I said that yes, I had met him but that I would like to ask a couple of questions: "Where did he come from?" They said: "South Georgia." I said: "What is his present affiliation as far as the Church is concerned?" They said: "He is an Episcopalian." I said: "What is his leaning politically, especially on the national ticket?" And they said: "I'm afraid that he may be a Republican." And I said that I would like to make a bet: "That if he came from South Georgia, he probably was a poor boy, the son of farmers probably, and that he and his parents were members of the Methodist Church. And I am reasonably sure that they were Democrats. Is that correct?" They said: "Yes, we're afraid that is true." And I said,



I'm getting sick and tired," as I told the audience that night, " of Democrats in the country, especially in the South, changing their affiliation in both Church and party when they have gotten some money. And they probably got their money under a Democratic Administration that was sponsoring welfare of the people as a whole which is the true base of any growing and sound economy."

This reminds me very much of a lady who was rather poor and probably today would be living in the Appalachian area. She had three children, and the Methodist Sunday School urged the mother to bring the children to the Methodist Church on Sunday mornings. She said: "I can't bring them because they ain't got any clothes fit to wear." The ladies of the Church said: "We will take care of that." So, by the middle of the next week they had provided her with clothes for the three children. They waited expectantly on Sunday morning for the Mother and the children to arrive and they didn't come. They went to see them that afternoon and asked them what happened; why didn't you bring the children to Church? She said: "The clothes you gave them were so purty that we took them to the Episcopal Church."

I had many interesting experiences during the campaign. I recall appearing in a northern Virginia city on a very hot day, but before a very cool audience of small proportions. My opponent, so to speak, that day was a member of President Eisenhower's Cabinet; namely, the Honorable Ezra Taft Benson, Secretary of Agriculture. In spite of the weather and the lack of interest on the part of the audience, he talked for about a full hour on a rather deadly basis, reading his speech. When he finished and my time came, I said: "Mr. Secretary, I would like to ask you, please sir, to make that same speech in the same length in every part of America and I will be very sure of a Democratic victory." I then talked for five minutes and sat down.

I was asked by Sargent Shriver, who was organizing certain phases of the campaign for the Kennedy-Johnson ticket, if I would head a national committee for Business and Professional Men and Women for Kennedy and Johnson. I accepted, and when told that I wouldn't have to work, that they wanted my name, I said: "No, I'm not interested in an honorary title. I want to work in this campaign as I promised, and I'll run the campaign for the Business and Professional Men and Women." I had a lot of good help, and it was an interesting experience. In my own state, we were able to secure nearly 10,000 names of people who were willing to support the Kennedy-Johnson ticket and this had much to do with our success in my own state.



The turning point in this part of the campaign, as far as I'm concerned, was a full page ad in the New York Times which the party sponsored showing a dialogue between Candidate Kennedy and myself on what he thought of business and what his attitude would be toward business and toward the free enterprise system specifically. This was a well-written ad, and had a terrific impact. It was distributed widely and I think had much to do with the feeling later on that Mr. Kennedy and the Democratic Administration were not anti-business but were in fact the most pro-business Administration that had been seen in many a year.

Mr. Kennedy came to my State in the fall of 1960. I was still Governor, and I met him at Greenville, N. C., and was most pleased at the tremendous reception he had in the town and at the college where he spoke. We later flew to Greensboro where he was practically mobbed, particularly by the ladies and by the teenagers. He made a most acceptable speech. His personality came through in great shape, and I knew we had a candidate that could win. He could win overwhelmingly except for the religious issue, but he could still win. This was my feeling.

We went from Greensboro to Asheville, N. C., but were unable to land because of the weather. We came down to Charlotte for a tremendous parade and a speech at the large coliseum in Charlotte. From there we went to Raleigh where he spoke again in a coliseum, to overflow crowds.

During the campaign, Mr. Claude Sitton, of the New York Times, visited the State every week or so, and he would drop in to see me from time to time, and would say: "I'm making a very close survey, and North Carolina will go Republican on the national ticket this fall." He said: "I find a great deal of sentiment against Mr. Kennedy because of his religion, and your own candidate for Governor has not been able to live down some of the prejudice and distrust generated at the Convention at Los Angeles and later at his reputed meetings on a secret basis with Robert Kennedy where he was supposed to have gotten some money for his own governorship campaign."

Sitton was told by me several times that, although we recognized the various points he made, I felt reasonably sure that with the Democratic State leadership generally, especially on the part of Senator B. Everett Jordan, and others who had great experience with previous campaigns, we could come through all right. I told him the week before the election that we would win by 60,000 to 65,000 votes, whereas we ought to win by 150,000 to 200,000 votes ordinarily. On Friday, I believe it was, before the election on the following Tuesday, he came by and said:



"I think you are right. It is going to be close, but I think that the Democrats will win in North Carolina." We did come out all right, and I was very pleased.

We had quite a few breakfast or luncheon meetings of our National Steering Committee of the Business and Professional Men and Women. We usually met in Washington. There was always a spirit of daring, of forward-looking points of view, rather than a staid, determined, confident machine-type organization. After one of these meetings, at which we outlined what our future plans were and how well we were getting along, I held a press conference. I was asked what I thought of Mr. Nixon, the candidate against Mr. Kennedy. I said: "I don't really have too good an opinion of him, but I am glad to see him as our opponent." I said: "I repeat what I said before the Republican Convention that the Republicans just didn't have the intelligence enough to nominate Rockefeller because he would beat us badly. But, now it is too late and they have Nixon and he will be the easiest to beat of any." I said that if it weren't for Mr. Kennedy's Church affiliation as a Roman Catholic we would win this election by about 5 million votes.

In this press conference, I was asked something about the next year if Mr. Kennedy were elected and something about the Cabinet. I said: "I know nothing about it. I have never talked to anybody at all, including Mr. Kennedy. I do not expect to be a part of it." I said: that if I were consulted and were offered a job, even though I didn't feel qualified for it, I would take the job of Secretary of Defense because it was my humble opinion that one could save at least 5 to 6 billion dollars a year in this sprawling, wasteful organization. I said that it was understandable, however, that the military would spend too much money in order always to be prepared for war, but I said that this is most expensive in peacetime.

In a Philadelphia speech, I made an appeal to minority groups and, as a Southern Governor, I think it had a good effect. In Texas, I found the people proud of Johnson as a man but still a little concerned because of Mr. Kennedy and I was not too sure just how he would come out. Later on, I made the remark that if it hadn't been for the terribly nasty and ungentlemanly conduct surrounding Congressman Bruce Alger in the famous Dallas spitting incident, that Kennedy-Johnson could easily have lost the State.

After the first TV debate between Kennedy and Nixon, I had very little worry about the outcome. Knowing that there would be succeeding debates, I felt that this brilliant young candidate of ours could out-speak, out-think, and certainly out-look the opposing candidate. You could see the sincerity and honesty and character shine through Mr. Kennedy's



countenance on TV, and I said many times to my newspaper friends that you can't discount TV on that point of view.

Speaking of TV appearances and debates, I must recount one of the last incidents of the campaign. It was Monday morning, the day before the election. I was holding a meeting of the Executive Committee of the University of North Carolina Board of Trustees, of which I was Chairman as Governor of the State. I told my staff in my outer office not to bother me except in an emergency, that I would be tied up from about 10:30 a. m. to shortly after 12:00 noon, and that I would then take this group of 12 or 14 men and women who were Trustees to the Governor's Mansion for lunch. A little after 11:00 a. m., my buzzer rang and my secretary said that Mr. Robert Kennedy was anxious to talk to me. I took the call. Bobby, in his very casual manner, said, in effect: "Governor, would you mind getting on a state-wide broadcast in North Carolina this afternoon and answering Nixon on a talkathon which he is giving during the day from Detroit. You will know what to say." I told Bobby that I would be very happy indeed to take on that task even without preparation because I did know what to say about Nixon and that I would have somebody monitor his talkathon for the next few hours and that I would be happy to do it for him and the party. !

We continued our meeting and not over 30 minutes later the buzzer rang again. My secretary said that Mr. Robert Kennedy was anxious to talk with me again. Without the slightest reference to our previous conversation and as if he had not talked with me at all, he said: "Governor, Jack wants you to appear on television with him tonight in Manchester, New Hampshire." I expostulated: "Bobby, you just asked me to do the Nixon thing!" He said: "Yes, I know, but Jack thinks this would be the best thing. You will be the only person he is calling into this closing television appearance other than his family." I said: "All right, Bobby. I don't know how I'll do it, but I'll get there."

There ensued some frantic hours. I had gone outside the office to take this last call and I did not disclose it until I had gotten to the Mansion. I was host at the luncheon since Mrs. Hodges was away somewhere, and when we got started I told the group what the two conversations were. I said: "I've already got my staff working on possible plane arrangements, and I may have to leave at most anytime." We had a particularly favorite pilot who piloted a rather fast plane of a friend of mine, and we tried to get him. Finally, one of the Trustees said that he would get someone since this was the day off for the pilot we were trying to get and they could not get in touch with him. As we started for the airport a few minutes later, word came over the car phone that the desired pilot had been secured which would give us a better chance of making the connection. It was then after



2:00 p. m., and we probably broke some rules about following radio lanes. When we leanded in New Hampshire, a good New Hampshire Democrat was there to meet me and rush me to the TV station where Candidate Kennedy was to speak. I think the meeting was at 6:00 p. m., and just 1-1/2 to 2 minutes before 6:00 p. m. I came in behind Mr. Kennedy who was already going up the steps into the studio. After the few minutes of preparation before the actual broadcast began, we went on the air. The program was in utter confusion. No real plans had been made, and I was most interested in seeing the Candidate himself telling Pierre Salinger that he thought the lights ought to be here, or we ought to do it this way, or we ought to do it that way. Imagine his seeing and attending to very important details on this last hectic night of a terrific campaign!

We had two broadcasts, one a quarter of an hour with his three sisters and me, and another quarter of an hour with the candidate and myself. Senator Kennedy, in the 15 minute portion in which he and I participated, kept up the same refrain, that we must get the country going, by talking in beautiful language in a rather high tone. I said to him: "Senator, let's get down to the common man; let's talk about the housewife and her grocery bill; let's discuss what the Democratic Party does for the man and woman in the street and why this is the only hope for the future and certainly the only hope in the South where we have such a strong position in the Congress." I was told later by two Southern Governors that the closing broadcast had a very great impact on their States, and in one case was enough to turn the tide.

When I got into the studio that night, my Democratic friend said: "You leave your briefcase and hat (It was a new hat, incidentally!) right out here and I will be standing here waiting for you with your things and will take you right back to the airport." When the broadcasts were over, the Kennedy clan and Kennedy party rushed out to go to Boston for the farewell speech that he was making in the campaign. There was no Democratic friend to take me to the airport; there was no hat! I never found the hat; I never even got an answer to my wire to my friend, which I sent the day afterwards, to please look for my hat and send it to me. I was very glad that most Democrats were not that way because we found enough votes to elect Mr. Kennedy the following day, which was really a new day for the country, as far as I am concerned. Here we had a "New Frontier" that would see the needs of the people; that would look at this country as leader, indeed, of the Free World. We would work and work hard; we would dream dreams and have visions; and we would



not go through what we had done in a quiet, easy and comfortable way for the past eight years. I was quite excited even though I was getting along in years.

Some two or three weeks after the election, according to plans made many months before, a group of 25 to 30 State Governors in the U. S. flew to South America as guests of the Argentine and Brazil Governments. In spite of the fact that we had a wonderful time and saw the economies and governments of these two great South American countries, much of the interest of the party was in the election just closed. There was much speculation as to who would be in the Cabinet and who would be called by the new President to service. I had heard nothing; knew nothing; really thought nothing because I had just bought a house in Chapel Hill, the home of the University of North Carolina; and planned to move there as soon as I got out of office the first week of January, 1961; and was looking forward to doing other things. This would be my second retirement.

In our party of Governors were well-known figures, such as Governor Pat Brown, of California; Governor Orville Freeman, of Minnesota; Governor "Soapy" Williams, of Michigan; and Governor Ross Barnett, of Mississippi. The Governor of Colorado, the Honorable Stephen McNichols, was Chairman of the National Governors' Conference at that time having been elected at the Montana Conference. He arranged that a separate Governor would preside or make a talk at one of the many meetings that we held in the two countries and at various locations. We were all deeply concerned about Governor Barnett, of Mississippi, who was already creating concern in the nation. He was finally convinced that he should make a moderate speech and that he should talk about how Mississippi was getting industry into the State or something along that line. The story was told, which may or may not be true, that Barnett got some Brazilians aside and said to them, almost in a whisper, that if they didn't watch out they would be integrated because it looked like the United States was moving in that direction and he was terribly concerned about it.

When we got off the plane in Buenos Aires, there were several reporters who had just seen the New York Times, I believe it was a Sunday edition, in which Bill Lawrence, a Times reporter, had written an article that President-elect Kennedy was going to select Luther Hodges for the position of Secretary of Commerce. I am sure that some of my fellow-Governors didn't feel that I had told them the truth when I told them that I knew nothing about it and that I had heard or talked to no one.



INTERVIEW WITH LUTHER H. HODGES  
U. S. SECRETARY OF COMMERCE  
REEL 1 FOR THE KENNEDY LIBRARY ORAL HISTORY  
BY DAN B. JACOBS, IN WASHINGTON, D. C., ON MARCH 21, 1964

Jacobs: This is the beginning of an interview with Secretary of Commerce Luther Hodges, done by Dan Jacobs, in the Secretary's office in Washington, D. C., on March 21, 1964. Now, Secretary Hodges is going to conclude a memorandum he has been dictating which is in typed form dated March 19, 1964 and which is concerned with his first meetings and discussions with President Kennedy in 1956 and 1960 during pre-convention, during the convention, and then his role in the campaign.

Secretary: After we group of Governors had landed at Buenos Aires, Argentina, in late November, 1960, an article in the New York Times had indicated that President-elect Kennedy had decided to select Hodges as his Secretary of Commerce. Some of my fellow-Governors, whom I had been talking with over the past day or so, wondered if I had misled them because I had told them that I knew nothing about the situation whatsoever. I was finally able to persuade them that I simply didn't know anything about it and that this was a rumor in the newspapers, and that as far as I was concerned they could forget it because, I reminded them, I had just bought a house in Chapel Hill and was going to move into it. Some two weeks or more later after we had returned to our respective homes, I was in Chapel Hill, N. C., having come over from Raleigh to preside at an inter-governmental meeting between State officials and Federal officials on the relations between the State and Federal governments. About the middle of the meeting, I received a call which said that Mr. Kennedy from Palm Beach wanted to talk to me. I hadn't the slightest idea what the President-elect wanted, and he said in a most casual Kennedy voice: "Governor, could you come down here tomorrow morning?" I said: "Yes sir, Senator. I could be there I think. What time would you want me?" He said: "Well, would 10:00 a. m. be all right?" I said: "Certainly."

So, then I told my staff to make some plans and that I wanted to catch the train. They said: "Well, this is the first time we have ever heard that. You always fly and don't care what you are flying." So, I said: "Yes, but this time I want to be absolutely certain of being there on time because I don't know what is going to come up, but I have my suspicions."

So, they made arrangements for me to take an overnight train from Raleigh to Palm Beach by way of the Seaboard Airline Railroad. Well, as luck would have it, this was the first time in twenty years that they had a wreck on the mainline of the Seaboard. I could get nothing out of the railroad employees. I did not identify myself or tell them whom I was going to see, but said that I had a terribly important meeting and that I either had to get to a telephone or reach the party involved because it looked like I was going to be late. As is characteristic of too many railroad people, they weren't the slightest bit interested, paid no attention to my difficulty, and went on about their business. Having never been late before to a meeting of any consequence, I was naturally more than somewhat ill-tempered. I went back to my seat and stayed there.

Well, we arrived down there about 10:15 or 10:30 a. m., and I just knew that the Senator was fuming because I was sure that a President-elect was expecting everybody to be on time because he would certainly be on time himself. I was met there by Kenny O'Donnell and others and whisked to the residence where Mr. Kennedy was staying. I was ushered through the Secret Service and into the living room.

By this time I was completely alone. There was nobody around, nobody in sight. I turned to the dining room and, in their dressing robes, sitting at the breakfast table (a little late for me) were Jean Kennedy Smith and her husband Steve. They said: "Come in, Governor, and have a cup of coffee." Well, I didn't want a cup of coffee, but I didn't see Senator Kennedy anywhere so I went in and had a cup of coffee. Twenty minutes later, they offered me another cup of coffee, and I took another cup of coffee which I didn't want. About 10:50 a. m., through the kitchen door came Senator Kennedy, and he said, most casually, "Governor, I didn't know you were here." Well, that got me off to quite a start!

We went from there to have a little talk in one of the small rooms. I guess we must have spent 8 or 10 minutes total talking about this job. I said: "Senator, how many people are there in the Department of Commerce which you would like for me to head?" He said: "Lord, I don't know. Pierre, can you find out?" And Pierre shuffled through some papers and said: "I think about 30,000." I said: "Senator, that is about the number of employees



we have in State government, and I was getting ready to retire and leave the responsibilities of supervising 30,000 employees. What do you want me to do?"

He said: "I don't know, really, except for one thing." And then with great earnestness, he said: "We have a serious balance of payments problem in the United States, and I would like very much to have you try to marshal your forces and give your own personal attention to expanding the exports of the United States to the rest of the world because it seems to me that is the most constructive way to handle the balance of payments problem."

It was a prophetic statement, and I said: "All right, sir. I want you to know that if I take this job, in spite of the fact that I'm a politician and you are a politician, I am going to build a very strong staff, many of whom will be your appointees, and I want to have a fairly free hand in doing it." He said: "You can appoint anybody you want to, based on merit alone, and you can appoint them without regard to whom they supported in the campaign." Well, that was a most encouraging situation. I accepted the position of U. S. Secretary of Commerce in this informal atmosphere after this informal talk, and we went immediately out to the waiting press group, with the usual radio and TV, etc., and were asked a few questions along general lines.

Some weeks later, I visited the President-elect by prearrangement in his Georgetown home to talk over very briefly a few names we had for Under Secretary and the various Assistant Secretaries of Commerce. At no time did he have a suggestion as to whom we should have and he did not put any particular group or names before me except, later on, when he was under terrific pressure from a Senator whom he was going to lean on pretty heavily later on. He insisted that he would have to follow the Senator's wishes if I didn't mind and put his man in an important job. Other than that, we built the organization, and he was kind enough to talk to me several times in the ensuing weeks about his Cabinet, as he spent quite a bit of time working it out. He said to me one day: "Governor, I guess you are a little peeved at me for taking so much time on these things and making announcements from time to time, rather than all at one time." I said:



"On the contrary, Senator, I think you are going at it in the right way. I think you ought to get the best men you can find for the Cabinet as you told me to get for my Department, and I think it is good to have separate announcements of your appointments."

After that, I did not see much of him until the day of the Inauguration. Several people, whose names I had mentioned to him quite casually that I might appoint and whom he had approved but had never met, walked through the line at the White House with other Presidential appointees to say hello to him and Mrs. Kennedy on Inauguration Day. In two outstanding cases he spoke to these men, called their names, and asked about some personal situation such as their families. This was based on some casual remarks made by me several weeks before and, of course, electrified these two men who had been appointed. It gave me the first insight into the tremendous intellect and memory which this man had and the rather computer-like brain that we were beginning to see. This kind of thing happened many times after that.

One of my first experiences with President Kennedy had to do with the Business Advisory Council. I had looked at this organization because here in the Department of Commerce since the days of Secretary Roper of South Carolina in the 30's, an advisory committee had been set up for the Secretary of Commerce, and it was called the Business Advisory Council. It was composed of approximately 60 active members, a total of 180 people, blue-ribbon names throughout. They were not merely advisors to the Secretary of Commerce, but were doing pretty much what they wanted to do. They were doing nothing bad, but they had gone far beyond anything that had to do with the Commerce Department as such. They kept out the press; they virtually selected their own members; and during conversations with my predecessor two or three weeks before I took office, I discussed many of these things. I listened to him once or twice talk to the head of the Business Advisory Council, who at that time was Mr. Ralph Cordiner, the President of General Electric. This was at the time that General Electric and other electrical companies had been convicted of price-fixing in the Courts in Philadelphia.

Mr. Kennedy said to me rather pointedly one day: "Governor, do you reckon you could get a friend of mine into the Business Advisory Council?" And I said to him: "Very frankly, Mr. President, from my investigations of the Business Advisory Council, the answer is no. I don't think even the President of the United States could get a member in there except as the BAC agreed." He said: "Are you serious?" I said: "I was never more serious. I have talked with these people and they are very obstinate about it. Mr. Cordiner (later succeeded by Mr. Roger Blough as head of the BAC) simply has this thing pretty well sewed up, and they select their own members. They are in effect a private club. I have two or three names which I would like to submit also. But, I will see what I can do."

I kept in touch with Mr. Kennedy over the next several weeks because I got hold of the Executive Committee of the Business Advisory Council, and I said to them: "Gentlemen, this can't go on. I am basically a businessman of great sympathy for what you are doing. I have respect for your positions and for your companies. I expect I know half of your total membership by first names, but I am now representing the entire United States of America and all the businesses, big and little. We have got to change some of these basic things, including the membership and opening up the meetings, etc."

We had a long, tough session at luncheon one day at one of the clubs in Washington and had some minor compromises. I went to their first meeting at Hot Springs with several of my people. Contrary to the practice in many years before that when the Business Advisory Council had, through its members or through its own organization, furnished planes or other kind of transportation for any number of employees of the Department of Commerce and for their wives and had paid not only their transportation expenses but their very expensive living expenses at Hot Springs, this time it was different. I said to them: "Let's get off on the right track. Nobody will come from the Department of Commerce as your guest. Those of us who come from the Commerce Department will pay our own expenses, and if our wives come, we will pay their expenses. We shall have that kind of relationship even though it will be quite friendly."



The experience was so cool and bad at the first meeting, partly because of the not premeditated but actual handling of the meeting and of us by the Chairman and others, that our people felt even with the compromise agreements we couldn't go ahead with our relationship. Again, I kept Mr. Kennedy advised, and he couldn't have praised me more in regard to the so-called courage I had shown to take on this thing which Congress had investigated one or more times, and which people had tried to do something about, and which newspapers were constantly squawking about. I said to him: "I hope I have your backing on this all the way through." He said: "Absolutely. I like the way you are doing it and, whatever happens, I shall back you."

I would like to say for the record that within a period of weeks after this when he needed politically to use businessmen for some particular purpose he paid no attention to what had previously happened and what I had done. These businessmen had dis-associated themselves from Commerce by this time, not yielding to our further requests, and had become the Business Council. We were reserving the name Business Advisory Council for ourselves if we should ever need it. So, Mr. Kennedy, without consultation with me, without even the courtesy of telephoning me, saw them at the White House at their request. He said that he would like to have them come to the White House whenever they wanted to and to work with other agencies of government. And then he gave instructions to several of his Cabinet officers and others to cooperate with them. I had quite a time, over the next period of weeks when they had their next meeting, of getting even his (the President's) right-hand man, McGeorge Bundy, and other Cabinet officers to agree that they would see that any speech or comment they made before the Business Council was made public and that they would have a news conference or distribute copies of their speeches. Even then, I did not get Mr. Kennedy's backing because he took the position, very erroneously, that this was now a different organization and, therefore, should have different treatment. This was not very good.

Basically, we had gotten started in the Department of Commerce and were moving along very well. We can talk about this more later. But, I had an appointment come up after my major appointments; namely, for Director of the United States Travel Service. This was the first time in the history of the country

that the Congress had approved a formal travel service, which would invite the peoples of the world to come to the USA, again to help improve our balance of payments and to improve our friendship with other nations. I had personally gone to the Congress and successfully persuaded them to authorize up to \$4.7 million dollars a year, although not appropriating the first year more than \$2.5 million, to set up offices throughout the world. When Mr. Kennedy signed the bill, and the U. S. Travel Service Director was a Presidential appointment, he said to me: "Governor, I have a candidate I would like to have you put into this position." I said: "Fine, Mr. President, I would be very happy to do it. Let me talk with him."

This man was the President's close personal friend from his college days and had been meeting with him many week ends from the time he became President. His name was Mr. Lemoyne (Lem) Billings. Mr. Billings came over. He had helped get the travel legislation through the Congress because he had many friends in the travel industry, and I had no difficulty in the world of coming to agreement with him because he was most attractive, quite intelligent, and I felt would do an outstanding job. I said to Mr. Billings: "Say hello to the various people around the Department and then tell me if you want the job." After he had seen them, he said to me: "I am terribly enthusiastic about the organization of the Department of Commerce and your leadership, and I would like to do it." I said: "Grand!"

Within a day or so after that, Mr. Billings telephoned me and said: "I'm sorry, Governor. I've decided to take a job with a brokerage firm in New York to make some money, and I can't take the U. S. Travel Service Director appointment." I said: "I'm terribly sorry. If you have any suggestions at anytime, let me know." He said: "Fine."

I then got hold of the President immediately and said: "Lem Billings, as you know, has withdrawn, and I would like to know, Mr. President, if you have another candidate." He said: "Not at all, Governor. You go right ahead and select the man and I'll appoint him."

Well, I spent the next two or three weeks looking around and finally secured a man whom I had known some years before, a person who had dealt a great deal with travel, hotels, and motels, etc., and who had traveled all over the world, and was a very bright person. This was a man named Voit Gilmore.



He had extensive business interests, was fairly well-to-do, and was extremely busy. I persuaded him after the third meeting to accept this job on a patriotic basis. I kept the President advised all the time, and confirmed in a letter to Mr. Gilmore that he would be appointed Travel Director. I then wrote the President confirming the fact that I had selected Mr. Gilmore and advised him that he would be appointed. I also reminded the President that he had said that he had no other candidate.

I got a call one day from the President who said: "Governor, you had better come over here right away because we've got some problems about our Travel Director." I went over and he said: "We have selected a man from New York for the Travel job." I said: "I don't quite understand what you mean." And he gave me the name of the man, whom I hadn't met but who was a grand guy as I learned later, and said: "He has the backing of at least 75 top travel people all over America and he is a must."

I said: "Mr. President, I will call your attention to the fact that I had selected Mr. Gilmore after checking with you and that I wrote you a letter confirming all of this." I could tell by the expression on his face that he had never seen my letter and that he had not been kept informed by his staff man, O'Donnell. Well, I said: "Mr. President, we might as well have an understanding pretty early in this thing. When I make a promise to anyone and confirm it in writing, I don't change regardless of who tells me otherwise. You just have to make a choice this morning." And he called in Kenny O'Donnell and said so-and-so-and-so-and-so. I interrupted by saying: "Kenny ought to show you my letter which you evidently haven't seen." And Kenny said: "Well, we can't change this other." I said: "We are going to change the other, and Mr. Gilmore will be the Travel Service Director, or else!" And, so the President, without hesitation, said: "Kenny, the Governor is right, and I am going to appoint Mr. Gilmore."

There was no more difficulty from the standpoint of appointing the U. S. Travel Service Director, and Mr. Gilmore from the very beginning did a brilliant job, as the records over the next months and years showed, of attracting hundreds of thousands of visitors to our shores and bringing money to the United States.

The great difficulty of this event was that I was never forgiven by O'Donnell and certain people around him. I have tried to analyze why, and I think it was for two reasons. One, they felt that nobody should question the President's immediate office, meaning the President's staff assistants, regardless of the merits of the situation; and second, I think they had the general attitude that this fellow Hodges was not with them before Wisconsin, or before West Virginia. I am referring only to the attitude which I think O'Donnell and some of the other staff people had. This idea seemed to exist not only with respect to me but to others in the Cabinet, including Postmaster General Day, who suffered in this regard because he had been an ardent Stevenson man. President Kennedy's staff people knew that I, of course, was a Johnson man.



Over the period of time of the next couple of years, and recurring at least once a month, there was talk of my resigning; that I was unhappy at this, unhappy at that; that I was not close to the President, etc. A great bulk of my time (and I was working harder than I ever had in my life, going many, many hours a day, spending great energy, and happy to do it!) was spent with the rejuvenation of the Department of Commerce. Because of the fact that I liked organization, probably my strongest forte, we were able to build a strong team, as I had told the President; but beyond that, I think with good help, we had lifted the Department to a new level of prestige and competence and had gotten it into the stream of Administrative policy making and also had challenged the business community to use the Department as it was set up; basically to advise on the economy and to help in any way it could.

I didn't let these rumors and other things bother me because, having had six years as Governor of a State and dealing with the press at least on a once a week basis, I knew something about the give and take of these things. But, after the first three or four rumors, one could easily detect that they had been leaked or dropped by somebody pretty close to the Administration. To finish this out, along about September or October, 1963, there was a very strong, nasty story by Miss Marianne Means, who many people said was very close to the Administration and to the President. She wrote an article saying with complete authority that we would be leaving shortly. In the meantime, Mr. Franklin D. Roosevelt, Jr., had been put in as my Under Secretary at the request of the President. That is, of course, a different story, but I mention it because his name would come in when they would also say that Mr. Roosevelt had been selected to succeed me, etc.

Because of Miss Means' close association with the Administration, and without my knowing it, one of my own public relations people in Commerce, who knew her quite well, called her and remonstrated with her by saying that this was one of many rumors and that the Secretary had no intention of resigning,

he was sure. She said: "You just don't know what you are talking about. I happen to know this for a fact." This shut him up.

Based on this kind of intelligence, and finally getting a little sick and tired of this thing, although I was still feeling fine from the standpoint of the work and my relations with the Cabinet, etc., and in fact my relations with the President himself were always good, I made a date to go to see him. This was one of the times when the office of O'Donnell made a date because usually they would wait days to call back and half the time would not call back at all, even when a Cabinet Officer called. ✓

My date with the President was two days before he went on the fateful trip to Dallas. I spoke man to man, and as an elder to a younger man and not as an Appointee to a President. I never talked more directly to anyone in my life but, of course, with complete respect and deep consideration. I told him what had been going on, that he knew it, and I said with regard to this particular article that he must know something about it. To make a long story short, I simply said: "I won't operate this way, but neither will I leave under this kind of pressure and innuendo. And, I would like to say to you, Mr. President, that I will pick the time and tell you when I am going. And, if you don't mind, I will see you as quick as I come back from my trip to Japan. It is my own feeling, Mr. President, that I would like to stay with you, but I would like to leave that unofficial and tell you later on as to my time of leaving because I am not going to have this decided by some rumor-maker."

I was pleased when he said: "Governor, I know nothing about it. You must understand how these things develop. But, I will say this to you and you can always keep it in mind. I like what you have done; I want you here through my first term, and if you are willing to stay through my second term if I am elected, I want you back. And, regardless of what you hear on the outside, that is the story." So I said: "Thank you, Mr. President. I appreciate the kind words, but I will let you know how I feel after your return and my return. (I was leaving the next day for Japan.) Well, you know the rest of the story after that. He died within a couple of days.



Jacobs: This concludes the first tape in the interview of Secretary of Commerce Luther H. Hodges, by Dan Jacobs, done in the Secretary's office in Washington, D. C., on March 21, 1964.

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INTERVIEW WITH LUTHER H. HODGES  
U. S. SECRETARY OF COMMERCE  
BY DAN JACOBS IN WASHINGTON, D. C. ON MARCH 21, 1964  
REEL 2 FOR THE KENNEDY LIBRARY ORAL HISTORY

Jacobs: This is the second tape of an interview with Secretary of Commerce Luther H. Hodges, done by Dan Jacobs, in the Secretary's office in Washington, D. C. on March 21, 1964.

Secretary Hodges, would you mind describing a bit further the circumstances under which the Business Advisory Council disassociated itself from the Department of Commerce in, I believe, the late Spring of 1961.

Hodges: After we had the first meeting with the Executive Committee and they had agreed to certain suggestions we had made and did not accept others, my staff and I decided we would certainly give it a trial based on the new arrangements. So, we went to the Hot Springs meeting, but, as I have indicated, based on the experience we had of coolness and what was unintentional arrogance on the part of some of the leaders, we were skeptical.

They were a little miffed at a politician like the Secretary of Commerce who would dare question things that had been going on for decades. We decided after the meeting we would have to ask for still further compromises or changes on their part if, in fact, we were to have an agreeable relationship in the future. So, we, I think, wrote our requests out. If not, we talked with Mr. Roger Blough of U. S. Steel who then had succeeded Mr. Ralph Cordiner of General Electric who had resigned in the ensuing weeks because of the electrical price-fixing case. We told Mr. Blough that we expected to have fairly complete control over the membership in the future rather than having an agreement which we had in error made in compromise by the BAC taking some members and the President and Secretary being able to put in a few others and always having a secret membership committee from the Council to pass on all of them including recommendations of mine and the President.

Mr. Blough then called a meeting of the BAC in New York without notification to us and decided to disassociate themselves from the Secretary of Commerce and from the Commerce Department entirely, and offer themselves to the Government as an advisory body on an unofficial basis. That's about the story.



Jacobs: And President Kennedy accepted this.

Hodges: President Kennedy accepted it, and he accepted it, and in my humble, respectful opinion, because events over the weeks that had ensued showed him that he needed a group of businessmen on a more or less organized basis that would help him on whatever it was at that time, tax bill, etc. And being the political animal that he was, he didn't hesitate to disregard all the things that he had said to his Cabinet Officer, and to embrace them completely.

Jacobs: Do you feel he was trying to win some support with them?

Hodges: I am sure he was. Basically, Mr. Kennedy was very much for business. Basically, although he had his ideals, thank goodness, he was not opposed to business, and he saw an opportunity here to use these men. And he had people around him, in the Cabinet and elsewhere, who didn't agree at all with my frank method of telling the Business Advisory Council and saying they had to clean up a few things, and I am sure these people advised the President that he should use these people because they were some of the top people in the country in business, which indeed they were. I think the President decided in his own mind that this was the lesser of two evils and that he was going to take these people in regardless of what he had said to Secretary Hodges.

Jacobs: Had you had, and did you continue to have, perfectly good relations with business leaders?

Hodges: Oh, yes. This had nothing to do from my point-of-view with the business community, not in the slightest! Frankly, I was as pro-business as one could be and still be a member of an Administration that was looking after the total interest of the country. But I was very concerned about their particular methods, because I believe in treating all alike, little and big, as I have indicated. Mr. Kennedy and I had no difficulty about relations with business. I met with these Business Council members after that and went to their meetings, and continued this through the Administration.

Jacobs: The BAC represented the larger corporations without much representation of small business?

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Hodges: In fact, with no representation of smaller ones, except for, I believe it was, three members we got in on this compromise basis. And that was it.

Jacobs: There wasn't any rancor between you and the business community over this, but it somewhat concerned you that the President had not supported you in this?

Hodges: I would say psychologically, because of certain reports and because of comments that these BC members had made in the business community, that my stock wasn't too high for a short time. But after that, this was forgotten and I have met with them still on a first-name basis. And the President of the Business Council who succeeded Mr. Blough is Mr. Fred Kappel who has been a long time friend of mine, and still is. I think it has all blown over.

Jacobs: You did not try to reconstitute the Business Advisory Council?

Hodges: Not at all.

Jacobs: And the Business Council continues to operate in an effective manner toward the Government?

Hodges: Yes, but not on an official basis. During that period when Mr. Kennedy embraced the Business Council again, he had several members of his Cabinet to talk with them, and they formed small subcommittees to deal with Treasury and other Departments and Agencies of the Government, but not on the basis of an official advisory committee to that Department. We had a small group who stood ready to help out in the Department of Commerce, but we have never had any formal relationship with them since that time.

Jacobs: Is there anything else you want to say on the Business Advisory Council?

Hodges: No, I don't think so.



Jacobs: Well, let's go on to the other area you dealt with in your preliminary remarks - the U. S. Travel Service. You got into the difficulties that arose over appointing Mr. Voit Gilmore, and indicated there were some hostilities created between members of the President's personal staff at the White House and yourself. I wondered if you wanted to go into other relationships with Special Assistants to the President, not necessarily hostile ones, but just how you as Secretary of Commerce conducted relations with various staff people in the White House.

Hodges: Well, except for the rather unfortunate experience with Kenny O'Donnell, whom I later heard was a very understanding man, although I never agreed or respected what he did, I don't know of any other experiences of this kind. I think, generally speaking, that quite a few of these young people who were not mature enough to give the President the kind of advice he ought to have had, that it created some problems as you could tell from talking to any Member of Congress. This was because the rather informal "arm-twisting", which by the third year had gotten very serious, almost to a calamitous state. This was strange, too, because the man who headed up the Congressional Relations for the President, Larry O'Brien, is one of the keenest, smartest men I've known, and has a fine personality. But it is sometimes impossible to transmit that to other people, and three or four situations there in his staff created great resentment. This was not made clear to the President at any time; he wasn't really told the story. I had not less than a hundred times, I am sure, Senators and Representatives confide in me and tell me these things which they resented very much indeed: the unprofessional-like, the rather amateurish, and sometimes crude methods used by one or two White House people.

But basically, the President had around him, as he would have, a group of brilliant young men - the most of them men of high character. Certainly, if you take Sorensen, or others of that nature, he and others might be indifferent

Hodges: to people or diffident in their manners to people in some cases, but they were fairly high grade. Most of my relations, and that of my staff at Commerce, other than when we wanted to see the President, which came rather infrequently, were with Mike Feldman. He was Associate General Counsel for the President, in other words working with Ted Sorensen. Feldman handled most of these matters and did a good job, and our relations were always of the highest order. The same thing was true between ourselves and O'Brien. We had little relations with Sorensen because he was more introspective, and we were dealing with matters of action primarily and day-to-day situations. Most of the men, individually, were of good character and good intelligence, but there were some exceptions.

Jacobs: When you dealt with the Cabinet, you dealt with other Secretaries of Departments; you didn't go below their level? Primarily when you dealt with a Department, you dealt with the Secretary himself?

Hodges: Generally speaking, I would deal with a fellow-Cabinet Officer. But, because in my own background and experience I dig in in my own Department right down into the depths of the organization and know what is going on, so many times instead of calling a Secretary, a Cabinet Officer, (I had this from long experience in selling) I would talk to the woman secretary of the Secretary. I used to talk to the secretary about the day to day things and not the substantive things, but many times I surprised the operators by saying, "Let me speak to the secretary of Secretary Dillon, instead of to the Secretary himself." I did it the quickest way and did it on my own. I would personally pick up the phone and call. I didn't say to one of my secretaries, "Get so and so on the phone", because I had a direct White House connection which reaches all the Cabinet. So I moved fast and covered a lot of work which has been my experience through all my business and government life.



Jacobs: I think you dealt with the President in a friendly fashion except for the one time when the rumors started?

Hodges: Very friendly, and he couldn't have been nicer. He always called me Governor and in the last year a great deal of time by my first name, Luther. He and I had past experience, because he remembered that I was for him for Vice President in '56 very strongly. I made the recommendation that he jump into the fight and I promised to help him, which I tried to do. I can say this about him - he never forgot those who helped him out, whether they were good or bad people he stuck to them, which is a virtue.

Jacobs: Do you want to go into your relationship with the press at all? I believe you developed a more amicable relationship in the Department of Commerce with the press and held press conferences more frequently than has been the case in the past. Can you touch on this?

Hodges: Yes. My relations with the press were excellent. I have a great respect for them. I found them generally most decent, most understanding, and with rare cases did they take advantage. They, of course, are always looking for news and headlines which usually meant controversy. I had conferences with them every two or three weeks, pretty much on a regular basis, just as I had as Governor, which was once a week the whole time I was in office and in town. I have no reaction, except a pleasant one, in dealing with the press in Washington.

Jacobs: Did you find their reporting accurate when they were speculating on what was going on in matters about which they were not informed?

Hodges: Generally speaking, on the news items they were all right. Of course, they did say this about me, which helped the relationship, "this man speaks out and says what he thinks regardless of what others are saying or not saying; he doesn't seem to be afraid to say what he thinks. If he doesn't know the answer he will say so." Except for

Hodges: the feature writers who are looking for something sensational, such as these rumor things, generally speaking, I think the relationship has been grand.

Jacobs: I have a list of these relationships here and we might touch on the Congress; how you dealt with the Senators and Members of Congress, both as individuals and also members of committees that were concerned with the Department of Commerce.

Hodges: As far as the Congress was concerned, we had our own Congressional Relations people from day to day checking on this or that bill. Where there was a particularly important thing, such as the Trade Expansion Act, or the Travel Act, or ARA, or Accelerated Public Works, or big things that came into the Department, or were a part of the total Administration, many times I made personal contact either by telephone or otherwise. I preferred to go and see the people. If I had time, there was nothing I enjoyed as much as going to the Congressman's office or the Senator's office. The Senate being smaller, I had a chance to know a greater number of them. I knew many of them by their first name and had a fine relationship with them. I think because I was sort of the old man of the Cabinet, and had been a Governor, and had always spoken out, and had a basic conservative tinge from the standpoint of business, I got along with them very well. Many times the President would ask, either directly or through one of his aides, if I would get hold of so and so and talk to them.

Jacobs: Were you able to have a special relationship to the Congress on behalf of the Administration?

Hodges: One of the basic reasons we had a good relationship with Congress is that we did not take advantage of our relationships. We were careful not to overdo it. We were called in frequently and whenever we could, we would drop by. We never would say I want you to vote for this, or I expect you to vote for it. We'd simply say, "I'd like to come and explain my point-of-view on this thing and see if you



have any questions about it; naturally, we would like to have your help and judgment, if the situation of your district or state would allow you to do it." We never misled them or twisted any arms. So, we always had a good relationship with them.

Jacobs:

Now, if we go back a little bit. We started discussing how you spent a great deal of your time reorganizing the Department and I have been told that this is one of the best things that has been done in the Department in a long time. Would you go into some of the procedures which you have been using in the Department and how you set about to reorganize?

Hodges:

Well, I am very much interested in organization. I have a few simple rules that I have followed all my business life and as Governor. Could I illustrate by telling you an interesting story? It is about the first day I became Governor. My predecessor had died in office very suddenly, and I was called over the weekend and told I was Governor. After the funeral and after I had gotten into the office, I found on my desk a bunch of buttons. I pressed all of them to see what would happen and the different people came in. I shook hands with them and startled each one by asking a few simple questions: what do you do, what are your terms of reference as to your duties; do you have that in writing; when was it done; how many years ago; what are your problems; and what do you think will happen here in the State in the next five years? This created a little bit of a revolution. I didn't do this in a few minutes. We took this same kind of approach here in the Department of Commerce. Again, I would like to keep it on a simple, human basis, because that is the only way I know how to operate. When I came here and during my first press conference, the people said what is the difference between being Governor and being a Cabinet Officer? I said the time was exactly the same, meaning all you have got in every waking hour. But the difference is that being Governor, you call the shots and, good or bad, you are the boss and make the decisions. You get a reaction

Hodges:

quickly from the State, and you know whether or not you made an impact, favorable or otherwise. But as a Cabinet Officer, other than the internal matters of the Department, which is a separate story, you start making decisions which affect other Departments, certainly the international phase of it, and someone touches you on the shoulder and says, "Secretary, have you checked this with Defense, with Agriculture or with Labor, with State, and then finally with the White House?" By the time you make the decision, you have made a delayed decision and a compromise decision, neither one of which an impatient soul, such as I, likes. But I hasten to add, as I said to the press, that the stakes are so high that you have to do it this way, and, therefore, you do not object to it, and, in fact, you get accustomed to it.

As far as the Department itself is concerned, I would like to illustrate by another story. The week I arrived here, and after meeting all the staff, I got hold of the personnel manager because in the early parts of my business life I was in personnel work, in fact one of the first in the textile industry in the country, in the early twenties. I said to the personnel manager, "Where does Dr. Astin at the Bureau of Standards have his office in our building?" I had in mind the building was a big, two-block long, six-story high building called Hoover's folly when he built it because it would hold more than the Department would need or would ever need. He smiled condescendingly and said to the new Secretary (he had seen them come and go), "Mr. Secretary, he is not in our building. He has fifty or more buildings of his own about four miles from here." I started to say "What?" but he continued to say that he now has an appropriation from Congress (this was he, not the Department of Commerce, not the Administration) of \$125 million to build some new buildings for himself out at Gaithersburg, Maryland. When I had gotten over the shock of knowing he was not in the building, and only 5,000 out of the nearly 30,000 were in this Hoover's folly, I said to him that I wanted to see all the employees. He said with great consternation and a little bit of ill temper, "I don't understand what you mean. There are 18,000 here and 12,000 out in the rest of the country and the rest of the



Hodges:

world." I said that he would get to know soon that when I said I wanted to see all the employees that was what I meant. So, for two days we organized eighteen meetings with a thousand employees each. I talked to all of the employees in person or by tape and told them who I was, what I was there for, what President Kennedy had said to me. I told them I knew that the great majority of civil servants were high grade, that there were a few that might not be, but that I wanted the high grade ones to see that the organization went well. And, I expected to give this thing all I had and I expected to build it to a virile, live, active participating organization such as Mr. Hoover, who was of the other Party, but a great Secretary of Commerce, had done.

At the Bureau of Standards, this place I was looking for some miles away from the main building, they told me that I was the first Secretary in over 40 years to go out there and talk to them. I was told later when I sat down with the staff at great length and listened to all their scientific analyses of their jobs, that I was the first Secretary in all history to go out there and listen to them. I followed this procedure right down as low as one could humanly get in the time given to him, asking people what they do. I used the same procedure I had used as Governor, as General Manager of Marshall Field & Company, and as head of the Industry Division in West Germany in 1950-51 when I was asked by the U. S. government to clean up the situation in Germany and turn the economy back to the Germans from the Americans who still wanted to stay over there. I came back to the same thing as my button pushing and would say to the Commerce people, "What are you doing; could I see your directive telling you what you are supposed to do?" In many cases, and this is true all over government, Cabinet Officers and other managers just don't have time to look into their organizations. I found that some Secretary in 1941, under the war conditions, had issued a directive, and the bureaucrats, bless their souls, were still following it because the Secretary's signature was still attached to it. Nobody, section chief, bureau head, or Secretary, had ever found the time to look into it. When I asked the question, "Why do you keep it going?", there was no real answer.

Hodges:

We then began setting up the organization on priority of what ought we to do. For example, we went to a meeting, during my early days here in Commerce, at the Treasury Department, where the interagency people were, to discuss the ever-troublesome balance of payments problem. One of the bureaucrats down the line said out loud, "What does Commerce know about the balance of payments?" This is because over the period of years leaders in Commerce had allowed the great Department to sink in its influence. I said, "If anybody knows about this balance of payments problem it is the Department of Commerce. And we shall prove it to you through the ensuing months and years because the figures come from us. We have the world's experts on it from the standpoint of the United States."

It was that point-of-view, that was sometimes contrary to my total nature, of pushing your way into a situation because you had been left out or because of inaction on the part of the Commerce people and simply not having competent people with ideas to speak out and have the people respect them. That is what we found was necessary. To continue briefly, I took a whole look at what Commerce was supposed to do. We have here a tremendous economics department, such as the very great, high integrity, Office of Business Economics. Over the period of decades they have kept all the national accounts, the Gross National Product, the per capita income, the balance of payments, the capital investments; and had furnished to all the rest of the government and to the public of America and the world what these things were. They did it on a high integrity basis without trying to editorialize, but simply giving the facts. Then we have the most responsible statistics-gathering agency in all the world, namely the Census Bureau. Yet, we had no one looking after these things to tie them together; they were working as independent agencies. We combined a couple of our agencies and saved an Assistant Secretary, so I made an Assistant Secretary for Economic Affairs for the Department. If someone 20 years ago had done that, we might not have a Council of Economic Advisers to the President. That is an illustration of the highest nature I



Hodges:

can give. However, I think the Council of Economic Advisers is firmly established and has great leadership with Mr. Walter Heller and ought to stay as it is.

Then I looked at these tremendous, powerful proliferating agencies of science and science orientation. Do keep in mind that I had been advised, when I first came here, in meeting with the Budget Bureau, not to bother these various independent agencies because they are pretty well established and they knew where they were going. I said to the then Budget Director Bell, "David, you have to leave that to me until I have a chance to look at it, because it has never been my experience that you can let anyone run off by himself from the standpoint of policy, programs, or cost. But we will see." I took a look at this thing for a full year. Here is the great Bureau of Standards; here is the Weather Bureau which has increasing relations with NASA and the Department of Defense. There is the Coast & Geodetic Survey, and the Patent Office which had not had a new idea, except as submitted in patents, for decades and which was in ill repute and had a very bad organizational situation. Finally, I made up my mind and went before the Congress, and with some difficulty, but successfully sold them the idea of authorizing a new Assistant Secretary for Science and Technology. The results were absolutely amazing. These offices have a brand new spirit; they have a revitalized organization from top to bottom; they have changed a staid, respectable Bureau of Standards into a series of institutes with fine men at the head. We have the Weather Bureau which very recently announced a \$125 million savings over a 5-year period because of some questions raised by the new Assistant Secretary between the Weather Bureau and NASA. We did the same things with the Office of Technical Services between ourselves and the Department of Defense. We rejuvenated the whole thing and have tried to do it in the other parts of our business as well.

Jacobs:

I understand there were 28 various bureaus throughout the government responsible for meteorological research and no coordination among them.

Hodges: That's right. We have now been given the responsibility here in Commerce for coordinating all of that. The field is ripe unto the harvest. You can spend interminable time on this kind of thing, but it can be done at less cost and much more effectively.

Jacobs: Do I understand you to say that in reorganizing you sought to bring these various bureaus under the supervision of an Assistant Secretary?

Hodges: Under an Assistant Secretary to tie them all in. I will tell you an interesting story, because I think a human interest story is the best way to illustrate it. Take the Weather Bureau, for example. The Weather Bureau probably touches more people, more often, than anything else in all of government and yet nobody, and I mean nobody, knew the Weather Bureau was in the Department of Commerce. It was just called the U. S. Weather Bureau. One day in the early days of 1961, when I was all afire with this kind of thing of making the Department of Commerce arise from the ashes, so to speak, I said to - who was the man, head of the TODAY Show at that time?

Jacobs: Garroway.

Hodges: Yes, Dave Garroway. I said, "Dave, you put on these shows every morning and have your famed meteorologist. You don't know what you are talking about but are telling the public what we furnish you and never mention the Department name. Why don't you mention the Commerce Department?" He said, "Why don't you come on and tell the world about it?". I did. Later I flew down to Greensboro, North Carolina. I knew the man's name down there at the Weather Bureau from seeing it in the papers. I stopped off at his place and said, "Mr. So and So, how long have you been on this job?" He said, "Thirty-two years." I asked him if all this time he had been telling the newspapers, radio and television all about the weather. He said, "Yes, Sir", proudly. I asked him if he ever mentioned the Department of Commerce and he said, "No, Mr. Secretary, but I start tomorrow." That is the spirit we had and it went all through the organization. I still think there's much more to be done.

However, it is a hard-hitting organization in which the people have great pride because the Secretary is fighting their



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battles for them in the high echelon, in the Cabinet and in the government. We have a gold mine of people, all through this 30,000, just everywhere. After we met the 18,000, we sent out a transcribed message by tape to the other 12,000 all over the world. We have done that every year now - that is four times now.

Jacobs: Have you made an annual visit to the offices throughout the U.S. ?

Hodges: We have 39 Field Offices and I have covered more than half of those personally and have sat down with the staff, including stenographers, typists, and clerks.

Jacobs: What success have you had with the Patent Office in less than two years in getting it streamlined in order to find a new patent ?

Hodges: We got a new Patent Commissioner in recent weeks in 1964, although we did hire in 1961 a very young, vigorous man who did quite a bit to pep it up. However, it does need some fundamental surgery, because we are doing it the old fashioned way. We are not keeping up with the countries of Europe. If you have a bright young man and send in an idea which you call a patent, we may three years later give you an answer. It may be that it had no particular worth to start with, or it may have been very worthy. But we have not organized ourselves for it; we are still old fashioned; we have not had any fee changes in 30 or 40 years; we are not respected from that point of view. We have been working on this for two or three years. This is the lowest of all our groups, that is in morale and organization, but we are making progress.

Jacobs: You indicated in an earlier discussion some sentiment that the Department had been allowed to fall down slightly, and I wondered if there were some areas that might well have been in the Department of Commerce, such as Small Business Administration, or the FAA. They seem to have slipped away. I wondered if you had any comments on that ?



Hodges: Yes; let me just say this, and I say it with proper concern for history, and for the individuals involved. But if you will run down the list of the Secretaries of Commerce since Hoover and analyze why, and when they were appointed, with all respect to them as individuals, you will find that some of them never reported for regular work really; others spent only casual time here. And if you go through that for a period of years, you will find that things won't stay tacked together. Small Business Administration was in Commerce. It went out because it wasn't even given the virile leadership it should have had. It has now grown big, as a strapping boy gets bigger than his daddy. The FAA is now much bigger in numbers than when it started in the Department of Commerce. You could just go on and on with things like that happening. Some of them ought to have spun off, but most of them ought to have stayed here, and had constant leadership. In some cases Secretaries weren't in any position to give it time. So Commerce has not been treated with the same kind of imagination that other necessary agencies, like Treasury and State, had been treated through the years.

Jacobs: I think the Maritime Commission did leave during this three years, however.

Hodges: No. Mr. Kennedy asked us and we participated in getting the reorganization bill through, I think in August 1961, in which the Congress separated, at our recommendation, the Maritime Commission, which is a regulatory function, from the Maritime Administration, which is an operation function. The Maritime Commission is a small body of five men, plus a staff of probably 300, which passes upon rates and regulations generally like any other regulatory body. We had been doing the regulation along with the operation, but they didn't belong together because the Maritime Administration is a tremendous organization with nearly 3,000 people, with a \$300 million subsidy program. The Maritime Commission was set up as an independent regulatory agency for the same reason that other regulatory agencies are similarly organized, such as CAB, FCC, and ICC. So, it is separate, but we still have the Maritime Administration within the Department of Commerce.



Jacobs:

Do you have any general observations on what your conception was, when you arrived, of the role of the Department in relation to the business community and U.S. economic growth; and what you now, after a few years experience, would consider the proper role of the Department of Commerce -- that is the constructive role -- what might be achieved through the Department of Commerce?

Hodges:

Yes, the Department of Commerce has a very definite role to play. It is supposed to advise the President on the economy of the nation and to do whatever it can to assist the economy of the nation. Those are not the exact words of the statute, but that is what it means. Strangely enough, and I think this is something that the historians will someday look at, and I say this with a personal background, the businessman shys away, or did shy away, from the Department of Commerce, or any other Department of Government. For example, and we heard this frequently in these last three years, the business man says that Labor Department represents labor and the Department of Agriculture represents the farmers and so forth, why don't you represent us? Or why doesn't somebody represent business? And I said, freely and openly, "That is what we are doing. But it is a one sided thing. We are spending millions of your money, giving you services of all kinds, modernization conferences, trade fairs, trade missions, trade opportunities, investment opportunities, etc., all over the world and we practically never hear from you." I say that with 30 years background as a businessman I never thought of the Department of Commerce in the whole 30 years. It never crossed my mind because I was against Government as most businessmen still are.

I will give you a striking story. When the railroad strike in 1963 was imminent, the President appointed Mr. Wirtz and me as co-chairmen of the committee. We had members of the union and members of the railroads (not the Labor-Management Committee, this is a separate Ad-Hoc committee)

Hodges: and the Labor Department and Mr. Wirtz were right there meeting with his people; and we went to the officials of the railroads, the railroad men, and said, we would like to be of help to you and serve you and go to the President with you. And they said, in curt tones, we don't need you at all; we can take care of ourselves, thank you. And so, at the meeting at the White House, while the railroad men with their arrogance, turning down the offer of their own Department of Commerce, the Labor men were there and with their own Secretary of Labor working it out. Now this is an actual happening and you can multiply this many times.

Jacobs: There is a kind of built-in antipathy in what might be called "the businessman's ideology" toward Government.

Hodges: Exactly, and he hasn't thought it through. It is a psychological reaction that he is against government because he is afraid to get close to it. He is afraid of antitrust; he is afraid of regulations; he is afraid of this and that; and he thinks he is smarter than his government.

Jacobs: Did you feel this way when you were a businessman?

Hodges: No; as I said, I never thought of Commerce, but it never bothered me. I remember in the early days, coming into the NRA (they called me a young Turk at the time) and testifying for a 30 cents-an-hour wage. My elders were saying that the whole textile industry would go broke if you pay 30 cents an hour. So I felt then and I have felt since that time (I have written a book about it) that Government has to step in to protect the total public when the businessman doesn't carry out his full responsibility. And I point this significant thing out to them by asking if there would be a single regulatory agency in Washington if we as businessmen had done our jobs right.

Jacobs: President Kennedy made a speech at Yale a couple of years ago about economic myths and what we are dealing with here, the attitudes of businessmen. In your role as Secretary, did you have any suggestions on this aimed at the attitudes of businessmen toward government?



Hodges: Yes.

Jacobs: How they might use government more effectively?

Secretary: I have made many, many speeches, major and otherwise on this. I have driven myself in order to reach the business community. Invitations incidentally are coming in at about the rate of 3,000 a year currently, and I take about 65 to 75 a year. I try to tell the businessman what services are offered here in the Department of Commerce, and what the total Administration is trying to do for them. I point out to them all of the things that have been done to help business and to help raise the economy; tax incentives, the tax credits, the depreciation guidelines, the general Government attitude. And, this has not ever been known publicly, but I have met for two years, about once every 6 to 8 weeks with the two top officials of both the U. S. Chamber of Commerce and the NAM just to lay it right on the table as to what the problems are between us. And all of the time while they are criticizing us publicly, cussing out ARA and the Department of Commerce and the Administration, we have been sitting down quietly and thoughtfully without any rancor, and talking about how we can improve, pointing out that you have got the Administration with you, why don't you work with it; why don't you try to see this and get the businessman closer to Government. I point out to them that the businessman in Germany, France, and others, many of whom I know, sit right down with their government leaders, and they help the planning. They do not identify themselves publicly, but they are back of much of what their governments are doing. And here in the U.S. A. we let the government go ahead, and come into a vacuum and occupy it. Then we raise the devil about it afterwards as businessmen.

Jacobs: Do you see over the last four years, let's say, any gradual change in this attitude? Some acceptance as to the Government's role?

Hodges: Yes, a very great deal. And much of that is because you are getting dozens and hundreds of men who go into Government service to help out, which is why I am here.

Jacobs:

To get back to more mundane a subject. We did touch just briefly on interagency relations. This was a problematical area at times and there probably have been difficulties encountered. I know that you have succeeded in overcoming some of them, such as in the export review board -- establishing that more formally, and I wondered if we could get any specific comments about interagency relations in Government.

Secretary  
Hodges:

There is a great waste of time in interagency committees. There is no question about that. But again, as I said a while ago in connection with these delayed compromise decisions, it is almost essential that you do some of it. The difficulty in interagency committees is that the inclination and the practice is that policy is made too far down the line. We've found that out on every hand. Governor Herter, former Secretary of State, the President's special representative for tariff trade negotiations, whom I admire very highly, said to me in the early days of his new job, "Luther, don't think I haven't been around government enough to know who makes policy -- the third echelon." We have tried in Commerce to change that slightly by saying, if there is any question on the part of your people in dealing with the others, get the problem to us quickly; do it informally by telephone or note, so that you can get your decisions at the highest level and as quickly as possible. We have no problem where Cabinet Officers are involved. I don't recall in these three years of having a single dispute with them of any nature, and never a bad statement or bad temper of one toward the other. I think when you get down the line you have two things: you have a lot of wrangling and a lot of attempted empire building, because the bigger a man builds his agency or little section, the bigger he becomes, and the higher grade he gets, and all of that. We've got serious problems from that point of view and from the overall Civil Service situation. But these agency committees are essential because the thing is so big, so ponderous, that a Cabinet Officer, regardless of how hard he works, or how many hours he puts in, simply couldn't get to them except as they were winnowed out down the line by the dozens every day.



Jacobs: I take it, that in your reference to getting along with Cabinet Officers, that you mentioned in your prepared statement of March 19, Governor Ribicoff was a little annoyed at your role in the National Governors Conference.

Hodges: That's right, but not as a Cabinet Officer

Jacobs: Once you became a Cabinet Officer everything was quite amicable?

Hodges: Absolutely the finest relations.

Jacobs: This has been the second tape with Secretary Luther Hodges, Secretary of Commerce, by Dan B. Jacobs in his office in Washington, D. C. on March 21, 1964.

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INTERVIEW WITH LUTHER H. HODGES  
U. S. SECRETARY OF COMMERCE  
BY DAN B. JACOBS IN WASHINGTON, D. C. ON MARCH 21, 1964  
REEL 3 FOR THE KENNEDY LIBRARY ORAL HISTORY

Jacobs: This is an interview done by Dan B. Jacobs on March 21, 1964, in the Office of the Secretary of Commerce in Washington, D. C.

Mr. Secretary, will you go into what you found when you came into the Office of the Secretary in 1961? There was a recession on, and I will go over quickly some of the points which I know were considered at that time in the way of countering the recession. The major element of concern with the Department of Commerce was with the Area Redevelopment Act and the setting up of the Area Redevelopment Agency. Also, I wonder if you would like to go into any of the other aspects of the role of the U. S. government and the Commerce Department in considering ways to counter the 1960-61 recession of that time?

Hodges: If you are talking specifically about the recession itself, the Department of Commerce did many things, but ARA was the primary thing. Incidentally, in a discussion before Congress, there was some thinking about setting up a separate agency for ARA. Finally, after testimony from various Cabinet Officers and members of the Administration, it was decided to put ARA in the Department of Commerce, giving the Secretary of Commerce the responsibility for running it and deciding on its basic policy in carrying out its functions through delegate agencies, such as the Small Business Administration, Housing and Home Finance, and so forth. Then we added to that, also for the Department of Commerce, a \$900 million public works program which was quicker and more helpful than anything else in getting to the matter of unemployment, which was bothering us. But, I've got a theory about this question on how we came out of the recession and most of these things are human. I think that the basic confidence in the new President, his forthrightness, his minute analysis of what was going on and what ought to be done, and his courageous facing up to some of his problems, in effect, really translated itself into the business community saying, "Well, what are we waiting on; let's get going; I think this is going to be all right; let's move!" I think that some of the broad economic policies given by the Council of Economic Advisors, led by Chairman Walter Heller, and a few of these temporary things, including manpower, training, etc., plus the fact that we were pretty much at the end of a normal cycle of recession, started us on the upturn about the middle of March 1961. At that time,



I recall saying at my first meeting on a national basis on "Meet The Press" that we were just about at the bottom and that I thought we were going to move forward from there. We were then at a \$501 billion Gross National Product and by the end of the year it had moved up to \$540 billion. I might parenthetically point out that the increase along in less than ten months was greater than the whole Gross National Product of either Canada or Japan, the two best customers of the United States.

We, in Commerce, did a little bit more than the ARA which, basically, was an emergency approach. We began to look again at the question of priorities of the Department of Commerce. Following President Kennedy's original injunction to me as Secretary to do what I could to help us constructively with the balance of payments by increasing exports, we have practically turned the Department inside out in order to say, quit writing dry reports and filing them. This is what government does so much; they get reports from their Commercial Attaches abroad, much of which comes out of the current newspapers anyhow; and we said, cut much of that down, cut this out, and start saying to the business community, through every known modern method, that here are the opportunities abroad and let's start selling goods abroad! Then we revitalized the Field Offices, now a total of 39. We told them to get out and get in touch with the community and the hundreds and thousands of people, and tell them that here are the opportunities, here are the kind of data that we can give you. We said, as we had in 1961 and increasingly since, that we can take you by the hand and lead you through the maze of the red tape that it takes to start exporting. Now that has turned the thing upside down and we've had for the last three years substantial net increase in exports, and we've had a \$3 billion trade balance or more for each of the three years and by 1964 over \$6 billion. So that kind of approach, plus another series of things which began early and is now almost in full bloom, of saying to the industry and business of this country, "Modernize, you have helped the rest of the world for your tax money; modernize, for they are now beating us competitively on their machines unless you modernize; and we will do certain things administratively to help." Commerce has been the spokesman for the Administration in saying in any number of conferences, "Increase not only the stability, but the viability and the future of your economic



machines<sup>which</sup> are getting modern in all methods including management, so that you can compete abroad. We have reached almost a crescendo where we now say, there is only one market in the world and that is the world market. If you can sell in Peoria, you can sell somewhere else in the world. That whole thing, I think, with the other things that the Administration under President Kennedy, now President Johnson, has done, has given a new life to the business community to get in and make their own improvements and their own investing.

As we face '64, we will have an all time high of all records of \$43 and one-half billion on the part of private capital in going into new investments of new machines and new buildings. So I think Commerce has been actively in the middle of this whole thing.

Jacobs:

Do you find yourself substantially in agreement with the economic theories of the Council of Economic Advisors, and I presume they reflect pretty much the thinking of the President as to how to deal with the recession and how to promote economic growth, or did you have any disagreement with them?

Hodges:

Strangely enough, we have agreed in great measure with Heller and the Council of Economic Advisors. And I feel that he helped President Kennedy tremendously, and President Kennedy's very active mind pinpointed many things for Mr. Heller. Yes, we in Commerce, and I as Secretary of Commerce, have worked very closely with him, and I think that, as Mr. Heller will tell you, we have had awfully good rapport this whole period.

Keep in mind now, I came up in poverty myself and did not worry about it and am not ashamed of it. Then, I made somewhat of a financial success about 15 years ago so that I can give the rest of my life to public service. I've had difficulty explaining to my own associates by the hundred of why I am not worried about the size of our public debt, of why I am not worried about the deficit spending. I've said in meetings, including one in Chautauqua, New York, where I talked before a thousand or more men and women, I've always believed in borrowing money myself in order to make more money to invest in the future. And I would say that is what this country is doing. And I point out to them, and I gave this first to President Kennedy before he made his speech to the Economic Club in New York on the Yale speech. I called him one day and I said, "Mr. President, could you take a little guess, if you have a minute, as to how



much of your Federal debt has increased since 1946?" He said, "I haven't the slightest idea." I said, "Less than 10 per cent." And he said, "Is that possible?" I said to him, "Do you know how much the municipal debt and the state debt has increased in that period?" He said, "No." I said, "Three-hundred to four-hundred per cent," and I gave him the exact figures. The private debt is even higher than that. He said to me, "Get those figures over to me quickly." Well, you give this out to people and they simply will not focus on it. Because \$300 billion is just so much money that nobody, not any government in the world, should owe it. And they fail to realize that in 1946 our income was, say, \$300 billion or less and our debt was over \$300 billion. So we had about 120 per cent of our income as our debt. Today, our debt is only 53 per cent of our income, and the percentage of debt of the Gross National Product is small comparatively. But the businessman naturally, normally thinks in terms of, "I don't want to owe so much money." And yet in his own business he relates it to what he can do in paying it back. But not in his government; government is bad.

Jacobs: You made speeches along this line to the business community?

Hodges: By the scores!

Jacobs: Is there anything more to say on coming out of the recession in 1960-61? They did find they began to discover there was structural unemployment -- automation was having a special toll here and that chronically depressed areas were not going to be affected. These were some of the beginning glimmerings of what later led to the attack on Appalachia and the Area Redevelopment Act and now the War on Poverty.

Hodges: You have two basic problems here. On the one hand, we are doing very well over all. The other side of it is that, as we say you must automate in order to live competitively with the future, we realize at the same time that when you automate you cut out jobs and people go on unemployment rolls. So then you have a separate problem, a continuing problem, of pockets of poverty, pockets of distress, Appalachia, the whole ARA situation where your rate of unemployment is very high. And that culminates finally into the war on poverty covering all of these phases. It is a long story but if you analyze it there isn't the kind of suffering that this would indicate because of our welfare and pensions, and so forth. The country is doing very well.

Now if we hadn't in the '30's done the kind of things that Franklin D. Roosevelt had us do, we would be in a real poverty today.

Jacobs:

Now let's get on to the Area Redevelopment Act in the agency and the legislated history of that. Do you recall the origins of thinking behind the Area Redevelopment Act? I believe it began with Senator Douglas back around 1955 or 1956.

Hodges:

That's right; it had been tried two or three times in the Congress, passed in the Senate, failed in the House, and at one time, did it not pass and get vetoed by President Eisenhower? That could be checked, but I think that is true. I'm going to tell you an interesting story, quickly, on this because we didn't originate any of this, but finally it was put in our Department. Even before I had gone on the job, or about the time I had gone on the job, I voluntarily went down to see Senator Douglas because this ARA situation was going to be facing us. President Kennedy, and many of us, knew we ought to do something. I went down to see Senator Douglas with one of my aides who worked with me as Governor. And, in effect now, to cut a long conversation short, he said, "I will say this to you; that under no condition whatsoever that I can imagine would I allow this ARA to be administered by the Department of Commerce." I said, "That is very interesting. Senator, I have no ambitions to have ARA. The President has indicated that he thought probably we could administer it efficiently and honestly. And I would think that would be all you would want." He said, "Well, I must think of all your predecessors." He admitted to us how they fought this thing and he said to us this would be a dangerous situation. He said he just wanted it to go on record that he would not under any condition do it. I said to him, "I am sorry to have you feel that way." He said, "Let me give you another reason why I would not do it." He said, "You would just tear this thing all to pieces. When you were Governor of North Carolina, you stole all of the plants from the west and the northeast, and everywhere else, and brought them to North Carolina." Finally, my assistant, who was mad by that time (I was smiling), said, "Senator, if I had a man as smart as you think this man is, I'd certainly give the job to him."



Then, we got up and walked out. Later on, of course, after the Act had passed and we had gone ahead and hired Mr. Bill Batt, who is a great friend of Douglas', and whom I thought was the best man to administer it, and I still think so, Douglas and I had the finest spirit and relationship and said nothing more about it.

Jacobs: With Senator Douglas?

Hodges: Yes. We had no great difficulty in spite of the fact that this was a rather forward looking thing, one of the liberal things, such as we had experienced in another Democratic Administration. I pointed out by making this one simple statement, that ordinarily I was against what they might say might turn out to be a WPA boondoggle. I said that I served with the Marshall Plan in Germany and I spent \$300 million a year of the U. S. taxpayers money to help a country get back on its feet. Now, we compete with it. We spent hundreds of millions and tens of billions since that time. And I just want to say, as a citizen and as Secretary of Commerce, I have no feeling whatsoever against our spending a few hundred million dollars to help our own people out who are in distress and who need this kind of attention. I have stuck to that and I've never varied from it. I think it had its effect in the Congress. The total administration of this has tremendous detail which you can, of course, get from the record, but I think it has had a fine, salutary effect. We must let the man who hasn't had a chance know the spirit of the Administration, of the Party, and of the President, and that we want to do something for him. We've got to attack these specific pockets while we are giving a total economy that will carry the Nation forward.

Jacobs: Was this your first legislative, shall we call it, battle during your tenure as Secretary of Commerce? Your first difficulty with Congress was over Area Redevelopment?

Hodges: Yes, that's right.

Jacobs: What were the relationships there between you and the President, the President's assistants, and the members of the Senate -- other than Senator Douglas -- did you deal with other Senators?

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Hodges: Oh, Senator Douglas was just at the early beginning. I dealt with many Senators and many representatives during that period. I spoke out frankly on it and I don't recall from memory any serious problem with them. You had some extreme conservatives and otherwise.

Jacobs: I don't mean difficulty necessarily. Just how did it work in your first encounter with Congress in this?

Hodges: The thing about it again would be a matter of testimony which was formal. We presented it to the Senate and to the House, and gave our whole philosophy on how we would administer it. I think that, as much as any piece of legislation I know, there was no great division of opinion under any part of the Administration. The President and all of his staff, and the members of the Cabinet who would be involved, including Labor and others, said that this was a good piece of legislation to have in spite of the fact that it had been defeated by Congress several times.

Jacobs: Was Myer Feldman the man responsible for the White House or was Larry O'Brien dealing with this?

Hodges: Larry would deal with the actual voting or influence from day to day on the bill itself. Feldman had much to do with helping get the bill out, and things of that type, but he turns it over to O'Brien when it comes to the Congress itself.

Jacobs: Well, the legislative history since hasn't been always favorable. I take it there has been a great deal of bucking at appropriations for ARA and this has made its work difficult.

Hodges: That's right. By the end of the second year, partly because of a little bit of a reaction against too many pieces of legislation on the part of the Kennedy Administration and partly because of a growing conservatism in the country in certain areas, John Birch, etc. There began to be a resentment; and then we made some mistakes in the ARA. We didn't do as good a job as we should have in our public relations. We had so many diverse agencies working on it that in the field we probably made some errors. We made some loans for motels and places of that character that people didn't think sounded like we were trying to resuscitate and get greater employment, etc. There was some criticism and it had some difficulties; it still has.



Jacobs: Was there any particular faction with Congress that was opposing this? Did you feel that it was substantive opposition, or that it was political opposition?

Hodges: Basically a political opposition.

Jacobs: It was opposing the Administration program?

Hodges: That's right, primarily that.

Jacobs: But there were instances, as you say, in certain areas where the people themselves, or the local officials, didn't assert sufficient initiative to take advantage of the possibilities offered by the Area Redevelopment Program.

Hodges: Well, there was one place, for instance, where a county in Texas and a county in Illinois, which might be headed by a conservative or by an opponent said, "We don't want to be called a distressed area." That was an expression used in the early beginning instead of the Redevelopment Program. So our bureaucrats in ARA said that we're bound by law and we have got to do so and so. So when I found out about it, because it takes some time for these things to filter to the top, I said this is all wrong. I went to a press conference and I said, that I would like to announce publicly that if there is any county in the United States that wants to get out from under this, all they have to do is to notify us by an official body. We are bound to designate it to begin with according to law, but they can get out. I said nothing would please me more than to see every county and every agency in the entire United States ~~to~~ say that they don't want this ARA, that they are getting along all right, and will get along all right. Of course, we successfully called their bluff and there was practically no group anywhere in America that wanted to change it. And ~~when~~ we began to get attacks from the Chamber of Commerce, from the President of the Chamber of Commerce of the United States, some of which were vitriolic and badly stated, although we would be perfectly happy to have their criticism on the total spending. Then we began getting much support from local communities that had benefited by it. I think at the end of the three year period, ARA was in better shape than it had been for a long time.

**Jacobs:** Would you want to go into how the attack on the problems of Appalachia and the Appalachian area, West Virginia, Eastern Tennessee, arose and how it became separate from the Area Redevelopment Program and how it has been conducted?

**Hodges:** Well, you would come nearer getting it in more detail from the record and from the man who was finally put in there, Mr. Roosevelt, my Under Secretary. But I can give you basically, and in very general terms, the story. As we began to work on the ARA, we found that the problems in this area, and it sprang basically from West Virginia and the coal situation, of course, were extended in principal throughout the whole area. We found that there were certain basic elements of the total geographic area that you just couldn't take care of by ARA grants, loans, or training, because you had limitation in each one of them. For example, you needed a tremendous amount of highway construction, running into millions of dollars. You say, well why couldn't you use Public Roads money? Well, you couldn't, because Public Roads money is on a matching basis backed with the state, and that is allocated, politically, generally. And I say this with being a former Highway Commissioner and Governor of a State with a highway commission that is pretty well allocated proportionally in the state. Even in Kentucky, West Virginia, the people who were getting along all right in those states would never agree to let some of their money go for one of their super highways by a city to a very desperately needed place in a cove of Kentucky or West Virginia. Now, that is just the facts of life. And yet, you will find these poor people by the thousands up into the coves and in the shacks not wanting to leave where they had lived and raised their children. You need a road in which they could get out; you need pure water for them to drink; you need hospitals to take care of them; and all of these things. They began to say that this is an imponderable and insuperable situation for this agency. So why don't we make a project out of the whole Appalachian situation because it is the one place in the whole of America, extending over parts of ten states, that needs attention. So the President asked me at the time, can we appoint Frank Roosevelt to head this up, because he has the acceptance, name, and will to do organization work, and get all agencies in the government concentrating on it.

**Jacobs:** Was this before Mr. Roosevelt was Under Secretary?



- Hodges: No, he was Under Secretary. That is in addition to all of his other duties. He took that on and, of course, I am sure it is not a myth or unfair to say that Mr. Kennedy never forgot at any time what he owed to West Virginia.
- Jacobs: And the role that Mr. Roosevelt had played for Senator Kennedy in the West Virginia primary?
- Hodges: And that the two together were a natural. Fortunately, even though it might have had some political overtones because of this kind of feeling, it was all deserved and it was sound.
- Jacobs: Is there anything more in the area of Area Redevelopment and the attack on Appalachia? I've come across some references to community development assistance. I haven't been quite able to pin down whether that was different from Area Redevelopment, and I gather it couldn't get ~~it~~ off of the ground. Was this to get communities to develop their own programs? Was it within the context of ARA?
- Hodges: Let me say this about the way that comes about. We emphasized constantly from the very beginning that the success of ARA, or anything like it, had to be in the community or state itself. And they themselves had to desire it. And then this is a key to the whole success of ARA or anything to succeed it. They had to do what is known as OEDP, an Overall Economic Development Plan. That had to be subscribed to and signed by, shall we say, the county officials, the city officials, regional groups, and finally approved by the Governor himself, for the area or state before we would even look at it to see whether or not it would qualify for any kind of assistance under ARA. Constantly the emphasis was put back to the community. Now that, of course, is being reemphasized in the so-called economic opportunity or poverty bill.
- Jacobs: What is your estimate now of how ARA has been functioning?
- Hodges: It has done very well. It has coordinated the expenditure and grants, loans, and so forth of these funds. It has made, as I said, some mistakes, but I think it has proved its worth. These things are so big, there is so much to do, and if we can ever get the vision of looking at it against what we are spending abroad, and what we have done in AID and so forth, and try to do it on that basis, we would look at it with an entirely different perspective.

Jacobs:

Could you touch just briefly on the tax bill of 1961? I believe the aspect of interest to you was taxation on American business in other countries. You had a role in which I guess you felt you were representing the point-of-view of American business, but American business may not have been wholly aware of what you had done, or sought to do, but they regarded the Administration tax bill as an anathema to U. S. business interests in this respect.

Hodges:

This is an interesting thing. American business as a whole, let's say the hundreds and thousands of little businessmen who look at their government and raise the dickens, were not aware of what we tried to do. Because, you see, in a government Cabinet Office, in Departments and Agencies, you presume to have an administration wide point-of-view before the Congress, and you should have. But the larger business groups, and anybody who would listen, found out that we were trying to say to Treasury, who looks at most of these things strictly from an income point-of-view, a tax revenue point-of-view, that you can drive out and slow down the investment of part of U. S. business abroad. We took the position in Commerce and said it freely to Treasury, and let it be known at the White House, this system of U. S. following the dollar to where it can make its profit is sound. We cannot let the Common Market, or other economic groups, industrial groups throughout the world, we cannot let them just simply take over the market by our abdicating. You can't do it all by exports. Therefore, we have to let these investments flow where the opportunities are. And then we pointed out to them that the total income over a period of years, and coming back to us in the way of dividends and in the way of sales of parts and components, and so forth, was worth more than passing some kind of tax law that would penalize people. So we took a very simple point-of-view. If you find true tax havens where people are trying to get away from paying the government its due tax, then we will go with you. But otherwise you ought to go very slowly in slowing this kind of thing. And I think, generally speaking, that that was known.

Jacobs:

It was known to business leaders. They appreciated your efforts. They gave you some credit at least. You weren't entirely successful on that?

Hodges:

Pretty generally, we came out of it well and a lot of adjustments were made based on our protestations. And there was a constant fight with the Treasury Department.



Jacobs: You were dealing directly with Secretary Dillon?

Hodges: Surely.

Jacobs: Did you have any dealings with Ways and Means and the Finance Committee on that at that time that you recall?

Hodges: I talked personally with Wilbur Mills at length on it. He is Chairman of Ways and Means.

Jacobs: This brings us to a very interesting topic, the steel price rise controversy in April 1962. The steel price rise controversy relates also to the earlier discussion of the Business Advisory Council, Roger Blough, and the attitudes of the business community to both Commerce and the Administration. I wonder whether there was any indication before the steel price rise controversy broke into public view; if you had been involved in any discussion with the steel corporation executives or with the President about this; or what points you were consulted on; or what advice you may have given; or whether you counseled with the steel company executives and sought to influence them in any way?

Hodges: After they announced that, we did. The steel people did not talk with us or consult with anybody, and I said it in this book I wrote which was not too popular. I said any number of times over the period of weeks and months preceding that very abrupt announcement that if Mr. Blough wanted to use the Department of Commerce to help him or to advise him or to react to what he was saying, he could have done so. And, although we met many times during that period on a friendly basis, he never raised the question.

Jacobs: He was then Chairman of the Business Council?

Hodges: That's right, and we accepted and were going to this meeting, but we never heard a word, and it was only after this visit to Mr. Kennedy that we knew of it.

Jacobs: Mr. Blough carried it to the White House and told them that steel prices were going up.

Hodges: That's right. Mr. Kennedy was in what he thought was a "Honeymoon Period" with this Business Council, and here was

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a great man, not great personally in Mr. Kennedy's eyes, but a great company, and a great influence. Certainly Mr. Blough thought he would come down and have a meeting with the President and he thought that it might add that much more to this general rapport. Of course, we were greatly shocked and there was an immediate cause for a meeting of the Cabinet, or certain ones of the Cabinet, to look at this thing and see what could be done.

Jacobs: Were you involved in it?

Hodges: Yes, I was very much involved in it. At the end of one of the meetings there was some desperation on the part of President Kennedy, but always with a calm exterior exhibited. The Attorney General said what he thought; McNamara said what he thought; and Dillon and others.

Jacobs: Do you want to try to elaborate at all on those? We're trying to establish a record.

Hodges: Not about what they said; you can get it from them. But each of them gave what was possible and in several cases they said, maybe you shouldn't do this, or maybe you should do this, but here are the possibilities. The President insisted on knowing all of the things we could legally do to stop this price rise. It was very well handled from the point-of-view of the Cabinet's suggestion, but the unfortunate part was the ~~FBI~~ getting loose and making an investigation. Had this been prevented there would not have been one half of the criticism.

Jacobs: There was also the announcement that the Justice Department would begin antitrust proceedings about that time.

Hodges: Yes, it was an unfortunate timing. These were cases they had had long before.

Jacobs: What was your own counsel to the President?

Hodges: When it came to me, I said, "Mr. President, I do not like what has happened here. I think we have to stop it and I think we have to reach the industry. It so happens, Mr. President, that I am going to leave this afternoon for a speech in Philadelphia and New York, and I would be very glad to hold a press conference and speak out very frankly."



Hodges: He said, "That is wonderful; I hope you will." He also said, "What do you have in mind?" So I outlined a few things I thought would help and I said I would be glad to do anything else. He said, "You and Ted Sorensen get together right away and show him what you have and tell him what you think." Ted pretty much accepted what we had, and we did have a press conference in Philadelphia, which was just hours after the price rise announcement. Then we went on to New York. Mr. Blough held his famous press conference and I called a press conference in my own field office within an hour after that; and then I went on one of those night TV shows after that.

Jacobs: What was your estimate at this time as to why the steel industry had chosen to affront the President in this way which necessarily precipitated a violent reaction?

Hodges: You'll be surprised at this. I think partly casualness and partly arrogance born of independence.

Jacobs: They had a resentment of the attempt that had been made by the Administration to ask them to hold the line?

Hodges: Well, maybe so, but this is a rather tough thing to say, as I know many of these people. It is not anything premeditated and malicious or bad. It's just, who in the hell is running the steel market; the market place will take care of this thing; we have had our higher costs, we have to have our higher prices.

Jacobs: Did you have conversations with business leaders prior to or at the time of this controversy?

Hodges: Oh, not in a formal way.

Jacobs: Has anything come to light since that would shed any light on why this particular action has been taken?

Hodges: Not that I know of.

Jacobs: And why did the steel industries seek to raise the prices all at the same time?

Hodges: Well, it doesn't mean necessarily that there was any collusion whatsoever. I have been through this kind of thing as a businessman, and I used it during my industry days. I have told the story many

times of my own experience as a young manager of a mill where the biggest producer in the industry called meetings at the Harvard Club in New York. We would sit down and talk like Judge Gary used to do in the steel industry situations: well, I've just got to raise my blanket prices five percent and you'll see it in the paper. There was no conversation, and we did not ask the others if they would do this too.

**Jacobs:** They were prepared for an increase so they announced the same. Do you know of any action within the U. S. Government that caused Inland Steel to hold line in the steel price rise case?

**Hodges:** No, I don't know of any?

**Jacobs:** Are they independent?

**Hodges:** I think they are one of the most efficient steel companies in America and, I think in the case of Joe Block, a man of broad social understanding, had seen the need of this relation between business and government. I think in looking at this whole thing he said, well, now wait a minute; we know action is needed but certainly this is not the time to do it, and I am just not going to do it. I think he just didn't follow along that line because he had these two things. He had the practical side. Because he had an efficient mill, he could afford to wait it out better than could U.S. Steel. And, secondly, he understood what the President was talking about. I don't think Mr. Blough even had the slightest conception of what the reaction would be.

**Jacobs:** You think Mr. Blough and the other steel leaders who had taken this action were startled at this violent response? Would you be able to sort out what prevailed; whether it was Inland Steel holding the line or the reaction they encountered; or both things that caused them to retract their increase?

**Hodges:** I think it was the general situation in the total Administration, led by a courageous President who didn't mind speaking out, and the general support from the public toward the President's overall program of holding the line.

**Jacobs:** Were there repercussions from this controversy with the steel community and with the wider business community?

**Hodges:** Oh, it had terrific effect. In the weeks to come we were in the doghouse completely. Primarily, and this is the interesting part, it was not on the fundamental principles that this was the wrong time to do it,



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but that it was not government's business. It was because of the awful methods the government used, supposedly having the FBI calling them up early in the morning. Now, it might have happened to three people, but it was reported to happen to 30 million people. That was the worse thing that happened in the whole structure. It was the smallest thing and I think it was a horrible mistake, very horrible mistake. It was inexcusable, if true.

Jacobs:

Let me get to the point that the steel prices were raised sometime later, and the government did not react at that time. What was the difference?

Hodges:

The difference was that timing was part of the element, the economy was stronger; productivity had risen some; and the steel people were smart. They did it on a very selective basis and not a large rise at one time.

Jacobs:

This is the end of tape three of an interview with the Secretary of Commerce, Luther H. Hodges, conducted by Dan B. Jacobs in the Office of the Secretary in Washington, D. C., on March 21, 1964.

FOURTH TAPE FOR THE KENNEDY LIBRARY ORAL HISTORY

INTERVIEW WITH SECRETARY OF COMMERCE  
LUTHER H. HODGES

By DAN JACOBS, in Secretary's Office, Washington, D. C.  
March 21, 1964

Jacobs: Governor, why don't we take up the time remaining on the balance of payments, which is certainly a major area involving a number of different aspects. We may not cover it all right now, but let's begin it anyway. You did indicate before that when you were appointed by the President you went to Palm Beach and you said one thing he really wanted you to take under advisement was the problem of the balance of payments -- which should be called the imbalance of payments -- and what consideration did you start giving that before you actually took office in January? Had you any opportunity to meet with staff people and start formulating programs or plans?

Hodges: No, I didn't, say in late November or early December to January, get into this very much, but I had some ideas about it because of the experience I've had. When I came here and saw my predecessor, Secretary Mueller, the problem never arose and nothing was said about it, nothing about exports, nothing about anything along that line.

Jacobs: Do you assume that Commerce had not been playing a major role?

Hodges: I knew this from not having heard any impact and hearing anything from my predecessor as to what the problems were. He was there such a short time. His problems were mostly detailed decisions and how to keep the office going and I never got a broad picture because at that time we were in the middle of this famous electrical price-fixing case and Mr. Mueller was talking to the Cordiners and the Bloughs and was not at the time in a very normal situation. Strangely enough, I knew about the balance of payments problem as a citizen and as a Governor, and I knew that until very recently, this is late 1960, when we



Hodges:

were losing 3.9 billion dollars that year, having lost the same amount the year before, that the then President Eisenhower really had not awakened the people to it. I say this without any boasting, but with some little pride, but fifteen months before January 1961, I took 68 just regular North Carolina businessmen to Europe on an industry hunting expedition. In those ten days in the Capitals of the Common Market countries, we talked more about the balance of payments and why we had to correct it than I had heard during the Eisenhower Administration. Mind you, this is a year or more before the campaign and I told Europe that we wanted some of their money to come over here because we needed it. But I heard very little about it officially until we got to work in '61. Then I discovered in asking questions that the real housekeeping of the figures on what made up the balance of payments accounts, that is putting them together and the analysis of them, came from the Department of Commerce. Of course, the raw material comes from the Federal Reserve branches, etc., on what's happening all over the country. Then we had the famous incident later at a meeting of Government agencies where someone asked what does Commerce know about the balance of payments. I suppose this is a normal bureaucratic reaction of a man down the line when the President or the Congress assigns to the Treasury Department the responsibility for correcting the balance of payments situation which Mr. Dillon had and has, and very properly, tried to do. We are simply a constituent agency giving the information and at the same time at a top level giving some of our opinions. So we in Commerce are on the one hand doing what the President has asked us to do by struggling to get more exports as a constructive contribution to this imbalance problem, keeping in mind that we had a 3 billion dollar trade surplus which, as a normal nation of the world, would be all you want, but the United States spends six billion for other things, which leaves us with a net loss.

Jacobs:

Foreign aid?

Hodges:

Military aid, including dependents, and all of this god awful amount of money we are spending for every conceivable thing.

Hodges:

Until we began attacking that, but in a very mild way, we took the position constantly that our Government was not facing up to the problems and was not drastic enough.

The President ought to hit this with a sledge hammer. We ought to do something more, and we ought to take a strong, hard look at every dollar we are spending while at the same time we should try to increase exports. The only other phase of the balance of payments problem toward which I think we can make any contribution on this very important subject was that very early in the game (within a year) we were in an almost open dispute with the Treasury Department on how the balance of payments figures would be announced publicly. At last came the question (which I shall not go into technically; you can get all the story somewhere else if you want) where the Treasury, which was naturally responsible to the President and the public, wanted to put its best foot forward, not by juggling the figures, but by showing them in the best way. For example; let's suppose that Germany had prepaid some of its obligations or debt to the United States by, say 600 million dollars, in a year, say 1962, or some other year. The Treasury would count that item as if it happened every year and the Commerce Department, in giving the analysis of the figures, would say that this is an extraordinary situation of payment which is non-recurring. We would show this and that would make the final figure look worse than the Treasury Department wanted it to look. Or suppose that you had certain bonds which the Treasury Department may have had an arrangement with the other nations that they would not cash in for the next five years, but under a technicality of the bond they could cash them in at any time. We, in Commerce, considered this as a current obligation. We would not compromise on that. This matter went up to the President twice, and we said to the President, right in front of Mr. Dillon, "Mr. President, as long as I am Secretary of Commerce we will never change those figures. We will put them down both ways if you want them, but we will never change them." And so we finally put them down both ways and there's peace and amity now.



Jacobs: Did the President exercise personal leadership on the balance of payments situation?

Hodges: Oh, all the time.

Jacobs: Was he on top of this?

Hodges: Constantly. But he didn't push it as hard as I thought he might in cutting down expenses, but he was constantly concerned about it as he was on the day I saw him in December 1960.

Jacobs: How were you organized - there was a Balance of Payments Committee?

Hodges: A Cabinet-level Balance of Payments Committee.

Jacobs: And that was the one with the primary responsibility?

Hodges: Yes, we met regularly.

Jacobs: Working with the President?

Hodges: The President. We made a report to the President. Sometimes Mr. Dillon and I would make a joint report; sometimes he would go in, having gathered all the papers from the rest of us.

Jacobs: Various programs - like Secretary McNamara sought to bring back dependents.

Hodges: Exactly.

Jacobs: You sought the exports - to increase exports?

Hodges: That's right.

Jacobs: Do you want to go into the Export Expansion Program; where that originated; and take us within the Department in response to this problem; and how this was formulated?

Hodges:

The responsibility of the Export Expansion Program was centered in the Department of Commerce by order of the President. As I recalled to you, he mentioned this as the one thing, at the time of my appointment in 1960. We immediately went right to work on exports - on how to improve what is known as our Bureau of International Commerce, our Business and Defense Services Administration, our Field Offices, and our whole organization. We began saying we need to get greater exports. Of course, I welcomed this from the standpoint of a citizen of the United States and as a member of the Administration, and I welcome it also personally because I am a seller. I believe in selling, promoting and selling goods, and I felt very early, and felt more strongly month by month after that, that the United States businessmen have simply not gotten up off whatever they are sitting on to tackle the thing for the very simple, practical reason that they haven't had to. Following the first World War, following the second World War, particularly when we were the only place that had goods, other countries bought what they wanted and we shipped them what they asked for. We had not mounted a sales campaign in some other part of the world such as we would mount in the Northeast or the Middlewest. So then we began a campaign suggesting and encouraging people to sell goods. We began to point this out in all of our publications, and we revised, incidentally, even the format of our publications in Commerce to make them attractive. International Commerce, which tells about export opportunities, is one of the most attractive booklets put out either by Government or by private publishing. We turned our Field Offices completely around and made ourselves wonder later on what they were doing before we put them on the export business. It takes a long time, but we are now just beginning to have some effect.

We persuaded the President, and this original idea came from Mr. Dillon, Secretary of the Treasury, who became constantly zealous about helping in this balance of payments, that we should have a top man, appointed by the President and representing all of the Cabinet and all of the Government, to be known as an Export Expansion Coordinator. He was to take a look at Treasury, AID, Agriculture and



Commerce and see what they could do as government agencies to help the businessman help himself. And that's been the approach we had. We have formed 39 Regional Export Expansion Councils of over 1,000 members on a voluntary basis - top men of America - who are going out to talk to their counterparts, saying: fellows, why don't you get into the export business; come on in, it's good. Then we formed about a 30-member National Export Expansion Council which meets once a quarter and sets the policy for the 39 Regional Councils. We are constantly having meetings and seminars by the hundreds on exports throughout the U. S. A.

Jacobs: And the Coordinator for Export Expansion - that was an innovation of the Kennedy Administration?

Hodges: That's right.

Jacobs: While he's under you as Secretary of Commerce, he is dealing with all the agencies.

Hodges: Dealing with all the agencies. That's right.

Jacobs: Has there been any problem on how this works?  
Has it been a successful operation?

Hodges: It's been successful. This man has worked both within the Government and outside the Government. We changed once since the original man was a professional and not as effective as the second man. The second man has had a good rapport with every Cabinet Officer, and we are having a meeting very soon with President Johnson to get his blessing. We met with President Kennedy along the same lines.

Jacobs: On export expansion, you also give "E" for export awards?

Hodges: Yes. Now, Commerce asked President Kennedy some two and a half years ago if he would be willing, or if he had any objection, to our resurrecting the old wartime "E" for production and giving it for excellence in exports. And that's been given to around 500 firms in the country. It's a very dramatic piece of showmanship and the companies

appreciate it and look forward to it and make application for it. We don't give them out voluntarily; they all have to make application for it, and it's growing rapidly and it's a very meaningful part of our promotion.

Jacobs: And did you regard your trips abroad in opening trade fairs as a crucial part of increasing exports?

Hodges: Yes, we have increased in intensity and coverage and in actual practicality of selling goods. This is in three parts, which you might be interested, because it is a part of the record and a part of the history. We have trade missions of say twelve or fifteen a year. Each mission is composed of six or seven businessmen representing some phase of manufacturing or services and they give their time for roughly six weeks. We pay their per diem and expenses abroad. They go to Finland, Great Britain, Australia or France and they will sit down in great detail day after day for a period of weeks around the cities of that country and they will have from three to five hundred business opportunities in specific detail by companies and by states from the United States to offer to prospective distributors and licensees, etc., abroad.

Generally they bring back several hundred of those in reverse so that there can be trade both ways. Now this has been done to a very great extent and very successfully. Then we take the question of trade fairs. We have been running the USIA fairs for them; they funded, but we mounted the fairs. So there's a little fight between ourselves and them on the basis that they want to show "image" and we want to sell goods. So between Ed Murrow and myself (we call each other Cousin Ed and Cousin Luther) we had many discussions at the time he was down here.

Jacobs: Is he a North Carolinian originally?

Hodges: He is originally a North Carolinian. We say you ought to sell goods wherever you are and that's the best image you can have if you have a good quality product that sells at a reasonable price. We are getting along very well there. That's being expanded and now we have gotten Congress to agree to let us put on about six or eight pure Commerce Fairs, and that is just hard selling all the way through. And we send a VIP to everyone of these fairs to represent either the image or the selling as the case may be. Then in the last three years we have put on permanent trade centers. This first one was in London, then Bangkok, then Tokyo, then Frankfurt, Germany, and now Milan, Italy, and then pros-



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pectively in Sweden, etc. These centers change their shows every six or eight weeks and have hundreds and hundreds of firms exhibiting in them. All this is to say, and by the way it ought to be unnecessary to say, to businessmen why don't you get out and sell goods. I've made a proposition to the Chamber and to the NAM, why don't you get us out of business, why don't you make the government stop spending the millions of dollars and take it over yourself, and so far no response. But all this together has helped our exports and we feel very good over it.

Jacobs: During those trips abroad, when you were meeting people like Ludwig Erhard, the now Chancellor of Germany, who was the Minister responsible for Economic Affairs or when you were in Japan, in what way did you represent the United States point-of-view on this particular problem of balance of payments?

Hodges: This is quite a story. I shall have to brief it for you. I have made about four or five of these trips since I have been here, two or three to Europe and the Middle East, a couple to Japan.

Jacobs: I have the written accounts of those. They were to your family and friends?

Hodges: That's right, and then one I made around the world, starting with Japan and going on around and ending up in Egypt, Greece and France. We had a very simple theme which was directed towards the needs of the United States. I will have to admit I was almost to the point of an obnoxious advocate of the United States and its position and the fact that we needed help. It was a startling revelation to a lot of underdeveloped nations, and I told the story many times. I said that I come representing the United States of America. We have not spoken out; we have not let the rest of the world know the problems we in the U. S. A. face. I said that we need help. I said this over radio, television, to the press, to the governments, and to our ambassadors, who needed it sometimes almost as much as the other governments. I said I'm interested in two-way trade, two-way travel, and two-way investment. They had a slight conception of the first two which involved respectively export and import, and the fact that now and then someone from abroad pays his own way to America, instead of us paying it, which is what we have done so often in the last fifteen or twenty years. But when I said two-way investment, they couldn't understand what I was talking about. Then I got into the balance of payments problem, and I said you have not understood what a serious situation we are facing. This has been going on now for about



three years. I said if you are party to weakening the dollar, you are the ones that are going to suffer. We'll get out of it somehow, but you are the ones that are going to suffer, because we have been carrying this load of leadership as well as the finances, etc. And, as I have pointed out time after time without being abashed at all, you ought to take some of your money you are investing elsewhere. I said that instead of sending it secretly and privately to Swiss banks, where you now have to pay to send it there, and not get paid for it, you ought to send it to the United States. They would never answer that question, because it either hit home or they simply said, well, they didn't understand how we mean that they could put their money in the great United States of America. I said then you don't admit in your own hearts and minds that America has a problem. Well, the truth of that is they didn't. Well, I hit that idea hard everywhere I went. I made this point on a Japanese nationwide broadcast for the President of the Bank of Tokyo on the question of their selling to us. I said your method of exporting to the United States is all wrong. You're dumping in stuff. You pick out a textile product and you flood the market to the point where we hate you. And, I said if you keep that up you are going to lose. Now what you ought to do is pick out many things of high quality and moderate quantity and trade less. So I carried that message everywhere and said that we always want to sell you a little bit more than we buy because we have more to sell. We have a greater production. I said you will be shocked to know, and I am ashamed to tell you, but this is a fact which I have said a thousand times in America; we are the lowest industrialized nation in the world in the percentage of the Gross National Products that we sell abroad. I said not only low, but at the bottom of the totem pole in the worst way. Then I gave the figures: we export less than 4 per cent of our Gross National Product. It runs from 4 to 40, in Norway 40, the Netherlands 31, in Germany it's up to 15 to 18. So I said the others have three to four times more jobs proportionately than we do. I said the point is they trade to live; we have not had to trade to live; we are fat and smug and that's the story. This is the kind of thing we have been trying to drum into the people abroad and to the people here so they will have the story.

Jacobs:

Did you have any notable responses in your discussion with Mr. Erhard or your Japanese Ministers?



Hodges:

I had a very, very good response with the Japanese. One of the men said this is the kind of straight talk that America should have been giving us for years and you are the first Cabinet Officer that has ever dared speak up. Every American we have seen at the high level has always pussyfooted about the situation. Erhard and I have been friends since 1949 and we talked frankly and saw pretty much alike on it. I had a luncheon just within the last week or two for two of the top industrialists of Germany in which we discussed in great detail East-West trade policies, what they are selling us, and what we are selling them. I think we have established on a very frank, almost brutally frank basis, a very good rapport with many of the nations.

Jacobs:

In the last five minutes, I'll just touch on the U. S. Travel Service in relation to the balance of payments. We already talked about the appointment of the Director, but you did set up the Travel Service primarily as a means to encourage travel from overseas to help ease somewhat the imbalance of payments in the United States?

Hodges:

I'll over-simplify this problem. When we first went before the Congress we asked that a certain amount be authorized and they authorized a smaller amount. Then they appropriated less than the amount needed for the first year. We said to them, "Gentlemen, I doubt if you ever had anyone come before you and guarantee that you will get all of this money back, several times over, beginning with the first year." I said that there is no appropriation in all of the history of Congress, that I know of, that can claim that, and we have done so. I don't have the figures at hand, but they are all a matter of record. We have increased travel to the U. S., say in '62 over '61 when the agency started, by 20 per cent and in '63 over '62 by over 21 per cent. So the total now is a 43 per cent increase in two years. This is in the number of people, outside of Canada and Mexico where most of our travel comes from, that are now coming to this country and paying hard dollars for their visit here. Let me give you this one set of figures to keep in mind. Currently, and it's been true for two or three years, we Americans, and we are wonderful crazy Americans, are spending 2-1/2 billion dollars on travel abroad. All the rest of the world is spending roughly one billion dollars. So, if we could correct this travel imbalance, it would practically take care of our current imbalance of payments situation. We took this small organization of not more than sixty-some people and established seven offices around the world - in Tokyo, Paris, Sydney, Frankfurt and London, and we have done an amazingly fine job. Incidentally, I opened several of these offices in order

to dramatize it. I will say this, we have had shameful treatment at the hands of the House Congressional Appropriations Committee primarily because of one man, a man named Rooney. I think it's a completely unfair approach on his part because he is prejudiced both against the Travel Service, which he doesn't believe in, and against Mr. Gilmore the man who has too many ideas for him. We never have any trouble with Mr. Rooney on anything that has been around for forty years, is staid, and doesn't involve too large a request - no problem at all!

Jacobs: What seems to be the problem?

Hodges: The problem is that Congressman Rooney is an individualist, and keep in mind under our system one man, good or bad, can control the total appropriations of an agency. This can be to these agencies a matter of life and death, and a very difficult thing. We had two very bright people, Mr. Gilmore and Dr. Hollomon, both new, and he took a dislike to each of them. This reduced the appropriations even more so.

Jacobs: You had conversations with Congressman Rooney yourself?

Hodges: Oh, my gosh, I've had a lot of them!

Jacobs: And the conversations do not prevail?

Hodges: They do not prevail at all! The more you try to talk logic to him, the worse it is. And if you try to use any influence on the outside in the way of high-level people like Mr. Patterson of the Saturday Review of Literature, he immediately says he will cut the appropriations some more. He's a tough so and so.

Jacobs: Well, he has also been dealing with the United States Information Agency?

Hodges: Oh, yes, in the same way and the State Department in the same way.

Jacobs: I think I will end this now. This is the end of the fourth reel of an interview with Secretary of Commerce, Luther H. Hodges, done by Dan B. Jacobs in the Secretary's Office in Washington, D. C., on March 21, 1964.