

John E. Horne Oral History Interview – JFK#2, 05/03/1967
Administrative Information

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Interviewer: John F. Stewart
Date of Interview: May 3, 1967
Place of Interview: Washington D.C.
Length: 63 pages

Biographical Note

John E. Horne (1908-1985) was the administrative assistant to Senator John Sparkman of Alabama from 1947 to 1951 and from 1953 to 1961, a campaign worker in Citizens for Kennedy-Johnson, and administrator of the Small Business Administration from 1961 to 1963. This interview focuses on Horne's time working for the Small Business Administration and the financial situation during the Kennedy administration, among other topics.

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John E. Horne, recorded interview by John F. Stewart, May 3, 1967 (page number), John F. Kennedy Library Oral History Program.

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John E. Horne – JFK #2

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Second Oral History Interview

with

JOHN HORNE

May 3, 1967
Washington, D.C.

By John F. Stewart

For the John F. Kennedy Library

STEWART: Why don't we start out by my asking you what you did after the election in terms of deciding on your place in the Administration, who you talked to and what particular jobs you were interested in?

HORNE: Well, I talked to, mostly, Ralph Dungan and, also, [Lawrence F.] Larry O'Brien. Then, on my behalf, Senator [John J.] Sparkman talked with Senator Kennedy himself. You'll recall this was immediately following the election. Of course, Mr. Kennedy at that time had not been sworn in as President. As a matter of fact, I was first approached, as I recall, by a staff member of the President who had worked with him in Congress and also had worked with him during the campaign as to what interest I might have to join the Administration. And I was very interested in doing so. I felt that I had about as much experience on the Hill as I could profit from at that time. I had a great admiration for the President-elect, and I wanted to be a part of his Administration.

So I suggested to the staff member with whom I talked, Ralph Dungan to be exact in this particular, that I be Assistant Secretary of State for Congressional Relations. I felt that I could be helpful to the Administration in this regard. Foreign aid, as you know, and other international affairs usually are areas of great controversy. I had worked with Senator Sparkman closely in his job on the Foreign Relations Committee and the performance of his duties there. He was second man on the Democratic side, as you may recall. I knew most of the senators on the Senate Foreign Relations Committee, many of the members of the House, and the staff members on both Committees, and I felt I could be helpful. I also felt that from the experience I would get in this area, I might fulfill what once was an ambition of mine and perhaps become ambassador to some country.

Well, this possibility appealed to the President-elect, and I recall one morning that he telephoned Senator Sparkman from West Palm Beach, Florida, and told Senator Sparkman that he was going to give me this job. Shortly thereafter, there was a switch of signals. I never understood why the Secretary of State, Dean Rusk--who wasn't sworn in, but who was selecting his staff--decided to choose someone else. It couldn't have been anything personal, however, because Dean Rusk didn't know me. He knew something of my background. I guess he looked on me more as a staff member than as an administrator. And I'm sure that it was due to his recommendation that the President appointed former congressman Brooks Hays of Arkansas to this position.

It might interest you to know, John, that I was then offered the job to be Congressman Hays' deputy. And I declined that, not because I didn't have a very high regard for the Congressman; I did. But I had known him for some time, had actually worked together with him on certain projects, and I didn't feel, in spite of the fact that he had a great deal of ability, that he would remain very long in the job of Assistant Secretary of State for Congressional Affairs. And I said so quietly, and the response made to me was that perhaps I might succeed him in such a case. My reply was that I also might be blamed for the failure if my analyses were correct. It turned out, and I don't know the details as to why, that the Congressman did not hold this job very long.

After the switch of signals there, the President-elect suggested--and asked, as a matter of fact--that I become Administrator of the Small Business Administration. His appeal was that he knew of the part I had played in helping to write legislation on which the agency was based, the fact that I previously had been Administrator of SBA's predecessor, the Small Defense Plants Administration, and the fact that while the President-elect was in the Senate, he had served on the Senate Small Business Committee of which Senator Sparkman was Chairman. With all this tie-in, he felt that I could contribute to his Administration by becoming Administrator of SBA. I accepted the appointment, and as I recall, I was sworn in in the early part of 1961, either the latter part of January or the first part of February, I don't recall now which date.

STEWART: Let me go back just a minute. Was there any-- do you recall there being much discussion or speculation during the campaign as to, assuming President Kennedy was elected, who would wind up where? I mean discussion among people who were working in the campaign. Or was it pretty much a topic that everyone consciously put off until after the election?

HORNE: So far as I know your latter interpretation is largely correct. There was some talk, as I recall, about a very few positions. For example, there was much speculation as to whether or not Governor [Adlai E.] Stevenson would be Secretary of State or would be Ambassador to the United Nations. If my memory is correct, there was more talk about what he would do than there was about any other single person. Most of the conversation that I remember about who would get which appointment came after the campaign was over and the election was certified.

STEWART: Did you have any reservations at all about going to the SBA? Were you convinced, for example, that the Administration would be totally committed to the SBA program?

HORNE: I had no hesitancy about going except for the fact that I had a similar experience with the Small Defense Plants Administration, SBA's forerunner. But so far as the President being committed, or the Administration being committed to enabling the Small Business Administration and helping me to make it possible for SBA to do a better job, there was no hesitancy on that score. I knew that I had that support. It may interest you to know that the President set up a system, maybe previous Presidents did likewise, but I'm not sure, but President Kennedy had a system wherein the administrator of each government agency had a point of contact at the White House staff at the top level to which we could go if we had any real difficulty or wanted to talk about some real problem. My point of contact at the White House was primarily Lee White, although [Myer] Mike Feldman did serve from time to time in this capacity depending on what the particular problem was. Well, fortunately for me, Lee White also had worked with the Small Business Committee. It was also an interest of his to be helpful to small firms. So I had a sympathetic audience, not only with the President. And I did talk with the President several times, too.

STEWART: Right. I'd like to come back to that later, but first ask you a few questions about the transition. Did you meet at all with your predecessor? What's his name? [Philip] McCallum?

HORNE: Yes. Right.

STEWART: Did you meet with him at all before you actually took office?

HORNE: Yes. That was a very close and a very helpful transition period in this regard. At SBA, either during the campaign or immediately after the election, there were one or two rapid changes so far as the Administrator was concerned. Wendell Barnes, who had stayed there longer than any other person under the Republican Administration, left before the election. So immediately following the election, I had contact with the then acting Administrator. I don't think he was ever formally confirmed.

STEWART: Had he been the Deputy or something?

HORNE: I think he'd been General Counsel, as I recall. But also quite a few of the people who were still at the staff level were people that I had employed and had come to know when I was with the Small Defense Plants Administration. Moreover after I was asked to take the job, I recalled or rehired two or three of the people who had helped me set up the Small Defense Plants Administration back in the early 1950's, '51 and '52. And I had the cooperation of the then acting Administrator wherein office space was supplied to them, and I was in close touch with them. I remember frequently at night, after my own office hours with Senator Sparkman, I'd get in touch with them and we made plans for some of the things we would do as soon as I took over. So I had a lot of advantages here in effecting a smooth transition and being able to make plans about the things I wanted to do once I became Administrator.

And I had the full cooperation of the people who were then in charge of SBA during the interval between the election and my being sworn in.

STEWART: Were there any problems at all on any last minute actions or commitments that they would have to make before they left and you took over?

HORNE: I do not recall at all any incidents in which we had this experience. There were some personnel problems. Obviously, some of the top staff people--for example, my Director of Public Information, my General Counsel, and my top internal administrator--I wanted to fill myself. A problem here was how could I give notice and allow time for those who were filling those positions not to be thrown out suddenly with no job, no income, during the transition. So far as any policy matter was concerned or any matter before Congress, Congress was not in session, I do not recall that there was any problem.

STEWART: On the other hand, were there any decisions either on individual, well, on specific things that had been put off, waiting for your arrival?

HORNE: No. I don't think so. I don't recall one.

STEWART: In choosing the people who would serve as your major subordinates in the Agency, do you recall any problems as far as clearances with the people who were running the regular recruitment operation? [R. Sargent] Shriver, and Dungan and these people?

HORNE: No, there was no problem, I. . . .

STEWART: Did you have enough freedom is what I'm asking.

HORNE: Yes, John, I had enough freedom. Now, I wouldn't want to mislead you on this point. I conferred with them, but I do not recall a single instance in which my recommendation was not adopted or accepted. I do recall that among the top jobs Larry O'Brien had a person in whom he had confidence that he recommended, and I looked into his record. I was satisfied that he was competent, and I appointed him to the position that Larry had recommended him for. Incidentally, it happened not to have been administered by Civil Service, or one that there was any stretching of Civil Service rules and regulations. It was a top legal job. And as I say, there was no violation of Civil Service rules and regulations. By and large the White House staff and the Civil Service Commission, together, both of them, gave me no difficulty. I had a pretty free hand as to the people that I wanted around me to help me carry out the functions of the agency.

STEWART: Did you recall if you had any problems with people who had been so-called "blanketed-in" by Civil Service status?

HORNE: Oh, yes. There was one problem particularly--I mean, there was one area especially in which this became something of a problem. It related to the regional directors. The agency, as I remember, at that time had about fifteen regional directors. When the Republicans took over from the Democrats in 1953, these regional directors may or may not have been under Civil Service at that time, I do not recall, but if they were, they were taken out; or if they were not under it--and I'm hazy on this point--new ones were appointed. And after new ones were appointed and established under the Republican regime, then they were frozen in under Civil Service. They were covered by Civil Service. And so I had quite a few recommendations, which I'm sure you can understand, from the Congressmen and Senators back home, that is the Democratic Congressmen and Senators, that I appoint so-and-so to be a Regional Director, that the one who was now in was brought in under the previous Republican Administration. In some cases, before I left, replacements were made, but always in conformity with Civil Service. And some of them also were still there when I left. Where they reached retirement age or where for one reason or another they offered their resignation, we appointed qualified Democrats. But there was no Administration pressure made to oust a Republican, to bring any kind of charges to discredit him so as to fire him in order to be able to put a Democrat in. And I want to emphasize on this point that when I left the Agency in 1963, there were still some regional directors that had been appointed under the [Dwight D.] Eisenhower Administration, that had been blanketed under Civil Service.

STEWART: Let me ask you, if you would, to describe the general process that you personally used to inform yourself of the status, quality-wise, of each of the SBA programs. How did you make your initial assessment of what the major problems were, or what had to be done immediately?

HORNE: Well, I did it on two counts. Keep in mind that I knew something about what was going on because I'd helped to write the legislation, I had helped to set up the agency initially. When I left the agency and went back to Congress, I continued to keep up with its activities, with its programs.

I remember, as a matter of fact, that when I left the agency--that is, the predecessor of SBA, which, as I've said, we called the Small Defense Plants Administration--in February of 1953. I wrote a letter to Senator [Homer E.] Capehart, who at that time was the Chairman of the Senate Banking and Currency Committee. You remember that the Republicans not only won the Presidency in '52, but they also won control of Congress. And I wrote Senator Capehart a letter and told him there were seven changes I thought ought to be made in the Small Defense Plants Administration, and one of the seven changes I enumerated was to change its name to the Small Business Administration. Now the Republican Administration took one of my seven recommendations; they changed its name so that they could claim credit for establishing the agency.

But then in '54, when the Democrats regained control of Congress, I was able, with the help of Senator Sparkman and others, to get the other six things that I'd recommended. I don't remember now what they all were, but I do recall there were seven of them. But with this background, plus the fact that I worked between the time that I knew that I was going to be sworn in as Administrator of SBA and my actually being sworn in, I was pretty well set. I had already taken inventory, and I knew pretty well what some of the things were that I wanted to do. I knew that I wanted, as I indicated a moment ago, to make a few changes at the top staff level, to have my own people in whom I had confidence and knew I could rely on to help me.

Another thing that I knew I wanted to do was to get the Small Business Investment Company on the track. This is one of the seven things I'd recommended, that we ought to set up something akin to the SBIC program. It was set up under a Democratic Congress with Mr. Eisenhower signing the bill. But it really hadn't gotten off the ground. And so I wanted to get this program under way.

Another thing I wanted to do was to effect closer cooperation between the commercial banks and the Small Business Administration so far as participating in the making of loans. After all, no government agency is ever able, would ever be able, to get enough appropriation from Congress to meet all the demands of small business firms so far as lending to them is concerned. Now I felt that if we could effect more cooperative programs wherein the SBA would make part of a loan and let the banks take the remainder, and depending upon how much of the loan the bank would take, the bank could administer the entire proceedings. And so this is another area in which I wanted to move. So I knew pretty well when I went there in the early part of '63 what my task was, and I was pretty well set to move in the direction I wanted to move.

STEWART: Were you conscious of the need to make as many improvements or changes as quickly as possible while the Administration generally was at its peak, so to speak, as far as goodwill or political goodwill was concerned?

HORNE: Yes, I took that into consideration, but I also refrained from moving so fast internally that I would upset the staff. I would talk with the staff in advance of any major change I was going to make, explain why I was doing it; rather than just sitting in an ivory tower and issuing orders and getting the staff unnecessarily disturbed, I would go to their offices or have staff meetings and explain what I had in mind. And while I moved pretty rapidly to take advantage of the honeymoon, so to speak, of any new Administration, I at the same time tried to temper it with enough precaution that I didn't unnecessarily destroy the morale of an agency. As a matter of fact, I take pride in doing something that I think was very important: I built the morale of the agency to, I thought, one of the highest peaks that any agency in the Administration enjoyed.

STEWART: Were there definite problems when you took over, as far as the general training and morale of the staff was concerned?

HORNE: Yes, there were some. And I wouldn't say that the low morale was all attributable to my predecessor. Any time you have a change of administration, and particularly among top people--and the feeling of the top people also affects the feeling of the lower people--the uncertainty of what's going to happen to them, the uncertainty of what the new Administrator's going to do, the uncertainty of their own security is bound to have an adverse effect on morale.

STEWART: Do you recall if there had been any discussion or any commitments during the campaign regarding small businesses?

HORNE: Yes, President Kennedy had on more than one occasion during his campaign made a point of the fact that he didn't think the agency had been vigorous enough and was doing enough in behalf of small business under Republican administration and he was determined to do a better job under Democratic administration.

STEWART: Was there anything specific, though, that you felt committed to, so to speak, do you recall?

HORNE: I remember we were going to do a better job of making loans available. We were going to try to do a better job of enabling small businesses to share in the large purchases made by the federal government, and we wanted to do a better job in giving technical advice and guidance and leadership to small businesses so far as management problems are concerned.

Quite a few small businesses, you know, have more trouble with lack of management know-how than they do with unavailability of money. Too many of us sometimes make the mistake of believing if a small businessman has all the money he wants to borrow, it will solve all of his problems. And this is not true by any manner or means. So it was in each of these areas that we felt we could do a better job. And I feel that we did do a better job.

STEWART: Where, if you recall, did the specific proposal originate to change the standard for describing small businesses in surplus labor areas as far as the government procurement was concerned? I think this was changed fairly early in March or April of 1961.

HORNE: I don't remember. . . .

STEWART: It was a flexible--what would you call the. . . . Well, it provided a range of sizes in the standards for small business in surplus areas. It, of course, was aimed at increasing the number of firms who would qualify for the procurement set-aside.

HORNE: John, I don't remember the details of what was done there. But I do know that modifications were made so that in depressed areas and also in surplus unemployment areas, that is, excessive unemployment, that we gave those areas a certain liberality in treatment so as to help feed some help into such areas.

You may be interested in a little happening that took place in President Kennedy's office one day on this subject. You may recall that southern Illinois was a depressed area, and on the occasion to which I make reference President Kennedy had made an engagement to meet with the Democratic Congressional members from Illinois, including Senator [Paul H.] Douglas. And he had me and several other government people in who could be of some help in this area. As he got there, we had already preceded him, and went down the line to speak to each of us, he paused as he spoke to me and said, "John, I want to know why it is that since you became Administrator of the Small Business Administration the number of loans in Alabama (that's my home state) has increased from such and such to such and such amounts." And what surprised me so much, he gave me the exact figures. Now how he got the figures I don't know, but--this is an example of the fellow's mental capacity to absorb things.

Well, everybody was laughing, and knew he was kidding me, and even though it was slightly embarrassing, I appreciated the laughter because it gave me a chance to figure out what my response would be. So when the laughter subsided, I said, "Mr. President, if I can't take care of Massachusetts and Alabama, you ought to get you another Administrator."

STEWART: He must have appreciated that. Do you recall if there was any opposition within the Administration to increasing the percentage of procurement contracts that were going to small businesses?

HORNE: Well, you always have a little problem in this area because most of the purchasing, as you know, at the government level is done by the Department of Defense. And I appreciate the fact that they have peculiar problems in the Department of Defense. They want to get the contract delivered on time, they want to deal with people who have experience and in whom they have confidence, and they feel more comfortable usually with the large manufacturer, the large business firm, than they do with the small business firm.

But I'll tell you something that I really was pleased with. Within a very few months, and I want to give President Kennedy great credit for this, he made clear in a public statement that he expected the Department of Defense and other government agencies to work with the Small Business Administration in helping small businesses to have a broader opportunity to share in government purchases. And they responded graciously, friendly, courteously and helpfully, and there were times when even in the Department of Defense, they would take the initiative and would tell me what I could do to be helpful to them in their efforts to increase the share of contracts going to small firms. This was true in General Services Administration as well. And I was very pleased with this show of cooperation within the Administration.

STEWART: Even though in many cases it, in fact, presented certain problems for them.

HORNE: Yes, they recognized that, but they went out of their way on many occasions to be helpful. Now this was not always the case, but as a whole there was a very cooperative working relationship between SBA and between the Department of Defense and other government purchasers.

I might add that one thing that always helps to bring this about is when members of Congress also show concern in this area. And Senator Sparkman on the Senate Small Business Committee and Congressman Wright Patman on the House Small Business Committee, respectively, prodded the Department of Defense from time to time in this area. But for the President himself to take a direct interest, as President Kennedy did, was very valuable assistance.

STEWART: Do you recall how the proposal for setting up a White House Committee on Small Business originated?

HORNE: John, I don't recall. I should but don't recall whether that originated within the White House or whether it was suggested by me. I do recall that the President was enthusiastic about it; we formed such a committee; we had White House representation on it; and we reported directly to the President on our accomplishments and on our plans and our activities.

STEWART: Was this generally an effective device, would you say?

HORNE: I felt it was a very effective device.

STEWART: Is it still? Are they still. . . .

HORNE: I do not know. I heard, and I never inquired, that it had been discontinued under Mr. [Eugene P.] Foley's administration. But I'm not sure that that's true.

STEWART: Moving on, I'd like to talk a bit about your general relationship with the White House. You mentioned that Mr. Lee White handled most of your contacts and he was your primary point of contact. Were there any specific guidelines or understandings at the beginning of the Administration as to what types of problems or what types of matters would be referred to the White House? And what was your general philosophy about referring problems or particular situations to the White House?

HORNE: There was no guideline set down. The understanding was that. . . . Well, let me put it this way: The President felt that, because of the background I've given to you, I knew fairly well and reasonably well what was needed in this area. And instead of giving me guidelines, he wanted me to have a point of contact so that if I had any particular difficulty, I could go to the White House if I needed to in order to receive help. And the fact that he had worked on the Senate Small Business Committee, he knew generally also that there were three or four major areas in which SBA was authorized to try to give assistance. And he simply wanted a mechanism set up there that could prove to be helpful if I needed to call and get and obtain White House backing. But there were no specific guidelines set as to what kind of problems, in advance, that would be anticipated. We knew we would have trouble from time to time, and he wanted me to have a source to go to in connection with those problems.

STEWART: Well, as it turned out, could you categorize the types of things that you did generally talk to Lee White or other people in the White House about?

HORNE: Well, one, for example, was getting the President to issue a statement regarding the Defense Department beefing up their efforts and activities to enable small businesses to get a greater share of government contracts.

We did have a problem when ARA [Area Redevelopment Administration] was being formed--as you know, it was placed in the Department of Commerce--as to whether or not ARA would have its own lending officers, financial officers, or whether we would do the spadework and make recommendations to them. In that particular contest, and it became quite a contest before the ARA legislation was finally passed, it was decided in the legislation that ARA would be required to use SBA's know-how in the field of examining and at least making recommendations regarding loans. I think that process is still in being; I know it was when I left the agency in 1963. I did talk to the White House in this particular area.

I don't recall right at this time any other area of great controversy that I took up with Lee White or directly with the President. I did talk to the President on one or two occasions myself. I recall that one of my favorite pictures was one taken when Senator [Hubert H.] Humphrey, Vice President Humphrey now, and I were visiting in his office, and something came up about how was small business doing in getting government contracts, and I gave him the figures. The President was pleased that progress had been made, but he didn't think enough progress had been made, and so he started talking to Senator Humphrey with his right hand, I'm sure you've seen pictures of him doing that, and the photographer happened to snap that picture at that particular time. And that's still one of my prize photographs.

STEWART: Do you recall ever feeling that there was a problem of the White House communicating to you its overall or general plans or policies in any particular area?

HORNE: No, I do not. The White House stayed quite close in touch with the government agencies. The reason I say government agencies is because I went to a good many meetings at the White House to participate in connection with other government agencies. I remember on more than one occasion sitting in the Cabinet Room around the big table with other government agencies present. One such instance was in trying to set up a program to be helpful to the Allegheny Mountain area. I've forgotten what title that particular project was given. But this is just one of several of the conferences that were held at the White House among government agencies where efforts could be pooled to accomplish something the President had in mind.

STEWART: To what extent did you feel that the SBA was a significant program in terms of political capital? I'm thinking particularly in terms of the general legislative program of the Administration. Was it looked on as a valuable thing as far as gaining support of various Congressmen and so forth?

HORNE: I always felt that it did. I think definitely the answer to your question would be in the affirmative. I felt so because of the occasions that we were called in, as I've just indicated, with other government agencies to help plan how a program was going to be carried out. I felt so because of the President's taking personal cognizance of improvements that were made from time to time in SBA programs and speak about them in his speeches. I think one of the real contributions that was made through SBA was when committees were established to help promote the passage of the President's tax bill. It was either '63 or '64, probably in '64, if I remember the date correctly. We set up a special small business committee and did some very effective work in Congress.

I have a letter, as a matter of fact, from Secretary [C. Douglas] Dillon, and as I remember the letter correctly, and I believe I do, it goes so far as to express some doubt that this bill might have gotten the final few votes that it needed without the help of the Small Business Administration and this committee that I'm making reference to. And, incidentally, the President included something in that bill that I recall Senator Sparkman and others trying to get previous presidents to include, but they never had included. And that was some special measures designed particularly to benefit small businesses, a special reference being made to small business in the overall Tax Bill. And naturally, I used this leverage the President had given by approving these measures to help influence--at least to explain to Congress and show how this would help a great multitude of their constituents back home if this measure were enacted.

STEWART: Do you recall having much contact with Larry O'Brien and his operation as far as things that he was concerned with, legislation that he was particularly concerned with and problems that he was having with certain congressmen or senators?

HORNE: Yes. Quite a few, as a matter of fact. Sometimes a congressman or a senator's constituent would complain that a loan hadn't been approved that he thought should be approved, or the application hadn't been handled as expeditiously as he thought it should be, and the congressman would complain either to me or complain to Larry. And sometimes he'd complain to Larry and Larry would get in touch with me to learn what it all was about. There were some occasions in which small business matters, policy-wise, would be called to Larry's attention that would have a bearing on some legislation that the Administration was supporting. And then there were occasions, not very frequently, but I recall that on more than one occasion I met with Larry and with other government agencies in giving common support to an Administration measure, particularly as such a measure might indirectly or directly affect small business. Then I'm sure that you would understand, my having worked on the Hill for so long, that I did have some friends there and there were times I could put in a word on behalf of the President's program that didn't even have anything to do with the Small Business Administration.

STEWART: I was going to ask you about areas, if any, outside of SBA that you did become involved in. This could have been one of them.

HORNE: Yes, I did from time to time. Not very frequently, but I did go to several meetings at the White House, and I did try to be helpful on occasions even though the legislation was outside the domain of Small Business.

STEWART: Were you, for example, involved at all in the steel price controversy?

HORNE: No, only very indirectly in that regard. I did supply some information showing that the rise in steel prices would, of course, put a greater squeeze on small business, and I did support the President's action regarding the steel fight. But I was not called in as one of the consultants directly; I was not present when the President and the president of U.S. Steel had their confrontation.

STEWART: Do you recall any significant problems in staffing the SBA as far as referrals from the White House and from the Democratic National Committee?

HORNE: No. It gets back to something that we covered earlier. And that is that while I did have recommendations from the Democratic National Committee, and some recommendations from the White House, in no instance was an appointment forced on me. At no time did the Kennedy Administration call up and order that I appoint a person whether he's qualified or not. They did say on more than one occasion, "Here is somebody that I wish you would talk to and determine for yourself whether or not you think he's qualified to fill a particular vacancy that you might have and give me a report as to your determination regarding the matter." I got that from the White House and also from the Democratic Committee, but there was never an occasion that I was told or ordered by the White House to employ or to fire this particular person.

STEWART: According to our records of White House appointments, you attended two Cabinet meetings. One in October of 1961 and another in October of 1962. Do you recall the purpose of your attendance at these Cabinet meetings and, in addition, do you recall any impressions you had as to the general running of the Cabinet meetings? Whether you thought they were valuable or not?

HORNE: I think Cabinet meetings are valuable. And my impression on these occasions was that it was valuable. I happen to think it's always valuable to get as much information as you can concerning a major decision that has to be made, to get the pros and cons of the issue. Eventually, as one of President Kennedy's predecessors, Harry Truman, said, "The buck has to stop somewhere." And it either stops at a government agency or it stops at the President's desk. But the better informed you are, the more likely you are to make the right decision. And President Kennedy was interested, obviously so, in getting as much information as he could before coming to a decision. As to what was involved in each of these meetings, I'm not sure that I recall, except that I'm reasonably sure that one of them had to do with the Allegheny Mountain, the Allegheny area. And I think the other one had to do with ARA legislation.

STEWART: Right. Okay. Again, according to--we have the files of White House appointments, and it shows two other meetings and I'm not sure that these records are totally complete, but anyway, it shows two other meetings with the President. One, that I think you referred to before, with Senator Humphrey and Cortland Silver. Was he the . . .

HORNE: Cortland Silver. Yes.

STEWART: . . . on the Advisory Council?

HORNE: Yes. Cortland Silver was chairman of the National Advisory Council. When I became Administrator of SBA, I set up a National Advisory Council composed of small businesses. Cortland Silver was chairman of that Advisory Council at this time. He's from Minnesota and was, and I assume is, a friend of Vice President Humphrey.

STEWART: Right. Again, do you recall anything particularly significant about this meeting other than, I think you mentioned before, the picture that was taken of the President.

HORNE: That and the discussion of small business was the most significant thing. He inquired as to how SBA's programs were coming along and what the rate of lending was, what the rate of government purchases going to small businesses. And when I told him, gave him an answer to these particular points, this is when he began shaking his hand because he wasn't satisfied. He wasn't being critical of me. He thought the improvement was good, but he thought it ought to go higher. He wanted me to keep on pushing for loans and contracts to go higher.

STEWART: We also show another meeting in May of 1962, with Alfred Landon and members of the Advisory Council. Do you recall this at all?

HORNE: We had several meetings of the Advisory Council, John; I don't recall any particular one. We met at least once a year, sometimes twice a year. And then frequently, I would go out to regional meetings. We had a National Advisory Council, and we had a Regional Advisory Council, and we made sure that the two overlapped so far as personnel was concerned. And so when we'd have a National Advisory Council and then a Regional Advisory Council, there'd be at least a few people, the same people on both so as to maintain continuity. I don't remember any particular instance here about Alf Landon, though.

STEWART: Was this Advisory Council, in your opinion, a successful thing in terms of what its original purpose was?

HORNE: Yes. I thought it was very successful. We acquainted many more small firms, about SBA's programs, and we tried to select very outstanding small-business people to be members of the Advisory Council. Occasionally, we would get somebody from a profession, like a lawyer, many of whose clients, for example, would be small-business people. But by having such councils, advisory committees, we were able to acquaint them specifically with what we were doing. It was education to them, and then they, in turn, were helpful in acquainting many of their small businesses, friends or relatives in the areas in which they lived with what the programs were. They would make talks at the civic club meeting, or sometimes on radio. We had, I thought, a very effective educational system going on in this regard. And, incidentally, they were not paid. I think their transportation to Washington, perhaps, was paid, but they received no salary, they received no remuneration. It was completely honorary, but some of them were quite effective in helping us to disseminate information to small businesses.

STEWART: Some of these advisory councils in various agencies are effective, and some are, as I understand it, just not effective at all and are more or less ceremonial, just for the record.

HORNE: Well, I felt that ours were helpful. We had good programs. My guess is, if you could interview those on my Advisory Council, especially at the national level, I believe that you would get an almost unanimous recommendation that they were quite fruitful.

STEWART: Let me ask you a few questions about you and the agency's relations with Congress during the period that you were the Administrator. In 1961, in your legislative program you did request a number of increases in the authorities, in the spending authorities and the lending authorities, that the agency had. Do you recall any problems within the Administration in formulating these proposals and getting them approved as a part of the Administration's program?

HORNE: Well, any agency that has to go to the Bureau of the Budget, [BEGIN SIDE II TAPE II] and through the appropriation process in Congress, always has difficulty one way or another. The people in the Bureau of the Budget are faced with trying to balance the budget and working with the President to hold down spending. And no agency usually gets everything it wants. Then after you get a budget agreed to through the Bureau of the Budget, acting for the President, and go to Congress, you may very well get further deductions from what you originally requested. We had this difficulty; it was common to all agencies.

But we also were so much more successful in getting funds to increase our operations, realizing that when we loan money, it was repaid. I was quite pleased with the success of our efforts. And in this regard, I recall that Senator [Spessard L.] Holland of Florida, who has a reputation of being a somewhat of a conservative Senator, was chairman of the Appropriations subcommittee that handled my appropriation request. He had confidence in me. I had known the Senator once when I lived in Florida before coming to work with Senator Sparkman of Alabama. As a matter of fact, an intermediary for Senator Holland once asked me if I were interested in the job of Administrative Assistant. And he also was interested in helping small business. He might be conservative on some things, but he usually gave me what I was allowed by the Budget to ask for. He seldom cut me, and if he did, it was inconsequential. I had a similar relationship with Congressman [John J.] Rooney and his staff on the House side.

So I felt that we were pretty successful. Once we got by the Bureau of the Budget, I felt we were pretty successful so far as Congress was concerned. When I say that, I'm not bring critical of the Bureau of the Budget. I don't know any job that I would dislike more than having to sit on the Bureau of the Budget trimming all the budget requests that come in from all the multiplicity of government agencies that they deal with. I think on the whole they do a very excellent job.

STEWART: I've heard other people say that the Bureau of the Budget was especially hard on SBA programs.

HORNE: Well, I felt sometimes they were not as liberal as they should have been, to be perfectly honest with you. Although I want to say that if you compare the budget that we had approved by the Bureau of the Budget with what the budget was for SBA two and three and four years preceding then, you will see that the Bureau of the Budget was, relatively speaking, fairly generous. I don't mind saying at all that there were occasions when I would appeal to the Director at that time, [David E.] Dave Bell. And Dave Bell was very understanding, and there was more than one occasion when Dave would accept my appeal and would raise the ante on what his staff had recommended.

STEWART: Was this any more of a problem--were the causes of this anything more than just a general attempt to trim down levels of spending? Or what I was trying to ask, was there a real difference in philosophy as to the overall value of SBA type programs between you people and people in the Bureau of the Budget?

HORNE: Well, John, it's difficult to answer that question with any definity. My guess is it was a little bit of both. My guess is that they were concerned, and rightfully so, about overall expenditure. And so they treated us no differently from what they did the other agencies. And this is understandable. Sometimes, and I could be wrong, I had the feeling that some of the staff members with whom we dealt felt that maybe SBA really should be a part of the Department of Commerce.

Although that was never said to me, so it could certainly be my imagination, I was asked on more than one occasion why we have Small Business representatives in procurement centers, why we couldn't eliminate them and reduce our budget and let the military with their own procurement personnel handle this detail. I resisted that, and as long as I was there, we maintained our procurement specialists in key government purchasing areas,

not in all of them. We didn't have our own people in all of them, but we had them in the key ones.

And so, to answer your question honestly, I think perhaps there was a little bit of both considerations here. But I again want to pay tribute to the fact that when I would go to Dave Bell from time to time, I could sell him my position. And frequently he agreed with me, and frequently he raised my budget. You see, we didn't have a very large budget. Most of our budget, of course, related to the loans that we would make, and these loans were well secured; the repayment record is good; there are some losses, of course, but on the whole the repayment record was good, and the money was coming back in. And we also were doing it, as I've indicated, in cooperation with banks. We weren't trying to replace banks; that would have been foolish. We were trying to get banks to cooperate with us and, thereby, enable what money we did get to reach more people by encouraging the banks to put more of their money out to small businesses.

STEWART: Do you recall any occasions when you had to appeal beyond David Bell, namely to the White House, on particular budget matters?

HORNE: I don't think there was ever an instance when I did so as a formal situation. There may have been one or two times, and I'm sure there were, when I would talk to Lee White about my budget needs and suggest to him that maybe a White House show of some sympathy in this particular area would be helpful to us. I don't know that Lee ever followed through. I just don't recall the details on that particular point.

STEWART: There was a bill introduced in, I believe, 1962, or possibly 1963, by Representative [William S.] Moorhead, which would have eliminated the set-asides on construction contracts by the military people. Do you recall this at all?

HORNE: I didn't remember that Moorhead introduced it. I can see why he would though. I do know that this was quite a controversy at one time. Moorhead was not the only Congressman--there was also two or three Senators--who supported the discarding of the set-aside in this area. But I did not favor the set-aside. I had a great deal of support in both Houses against the set-aside. The Administration supported me in opposing the set-aside. And I don't know what the situation is now, but such legislation never became law. I mean such proposed legislation never became law while I was Administrator.

STEWART: Most labor unions were also in favor of eliminating these set-asides.

HORNE: This is right. This is right.

STEWART: Did this ever present any problems to you in terms of. . . .

HORNE: It presented problems because the labor unions helped on occasions to sponsor the legislation and also did some lobbying in Congress either to pass the legislation or to persuade Congress to put pressure on us to discontinue the program. But we did not discontinue the program while I was Administrator.

STEWART: Most unions, in general, aren't that enthused about SBA programs in general. Is that correct?

HORNE: Some of the labor unions supported SBA programs. And I recall union help in writing and putting together the proposed legislation, which we at that time called the Small Defense Plants Administration legislation. As I said earlier, the only thing the Republicans did was change the name. The other legislation that was added is legislation that was added after the Democrats gained control of Congress. And a member of a labor union as I have said was one of the five people at the staff level who helped to prepare the original legislation.

But some of the trade unions in the construction industry, particularly, wanted to do away with the set-aside, and I think primarily because it is more difficult to unionize small contractors than to unionize large contractors. And some of them, I think erroneously, felt that there was too much business going to contractors that were not unionized. I think this was the thrust of their opposition although they never exactly said so. But this I always felt was the thrust of the efforts of trade unions against in doing away with the set-aside in the construction industry.

STEWART: But it never got to be that major a problem that, for example, there was fear by anyone that this was hurting the Administration's overall relationship with labor or anything like that?

HORNE: It was never indicated to me, although I'm sure that the labor unions did talk with Administration leaders. And I don't know what conversations were held between Administration leaders on this subject or the President, or his top staff people, if, in fact, any were held. But I just know, within reason, that labor unions made an effort to get support from the Administration in this area.

STEWART: As far as the formulation and presentation of your substantive legislative proposals every year, could you describe your relationships with Larry O'Brien and his people?

HORNE: We did not have, John, a great deal of legislative new proposals so far as SBA was concerned primarily because, as I've indicated, the changes that I felt should be made in the basic law, setting up SDPA and then SBA in the beginning, had already been made under a Democratic Congress, primarily in--well, after the Democrats gained control of Congress in '54, the election of '54. So it wasn't necessary, and I had no occasion to go to Larry and solicit support for legislative programs. I did talk to Larry, as I recall, about the point you raised a moment ago because I didn't want the Administration to come out in favor of this proposal. And the Administration never did come out in favor of it.

And I did, from time to time, as I've indicated, talk to Larry about personnel problems or about complaints that he had received from members of Congress about different matters. But I don't recall having to go to him about legislation that I was sponsoring. I did talk with him about the ARA legislation, as to whether or not the Administration was going to support ARA building up its own lending functions and not use SBA's facilities and consequently be recruiting our own people when I felt that we had the experience to do the work for them and make the recommendations and turn it over to them for final disposition. I did talk to him about that point.

STEWART: Let's get into this whole matter of ARA a little bit, if we could. What were the crucial decisions as far as you were concerned that had to be made relating to SBA in setting up the ARA?

HORNE: As I recall now--I don't recall all of it, I'm sure, from memory, the most crucial one was whether or not ARA would have its own staff, separate and apart from SBA, to study and do the spadework, so to speak, on loan applications; what part SBA would play in doing this work for the ARA. And the legislation was finally passed that they would use our facilities for this preliminary work. There was another area also of some concern. That relates to the fact that. . . .

And it worked out very well that we were able to combine the two--that is, the two agencies would work together--because there were times when we could not make as soft a loan as ARA could make. So we would make part of the loan on what we would call a more collateralized loan basis, and they would make another part of the loan on a less collateralized basis. And the two combined would give the borrower the necessary financing to enable him to get the project under way. These are the two areas that I recall right now as being the most crucial.

STEWART: As it turned out, when ARA was set up, were there significant problems as far as the, well, in both of these areas as far as coordination was concerned?

HORNE: Oh, yes, there was to begin with. The truth is it was much easier for ARA, in my opinion, to get under way and start operating by having trained personnel that we had already doing this preliminary work for them than if they had had to have gone out and recruited their own personnel all the way through. They could start operating, as I say, much more quickly and, I think, more effectively than if they had not been able to use our personnel. But any time you have two agencies working with each other, you have a problem of coordinating and sitting down together and marking out guidelines that's going to be followed by both agencies. Now, of course, you have this problem in building a new agency, as far as that's concerned, you still have the problem of establishing policy even if you aren't working hand in hand with some other agency. So there were times when, in determining what procedures we were going to follow, how things were going to be worked out, the top staff people here would meet with the top staff people of ARA and delineate the appropriate areas of responsibility of the two agencies.

STEWART: Right. They were, I assume, fearful that by having to use your people and your facilities that the program wouldn't get off to as fast a start as they wanted it.

HORNE: Well, no doubt some of them held that opinion. I'm not sure that was held unanimously by all of them. I don't remember any particular names that I recall in this area of conversation. But I was told on more than one occasion they were glad they were able to have us helping them.

STEWART: Is that right?

HORNE: That we did help to get them under way. There were tremendous pressures, as you may recall, for ARA to begin showing results. Tremendous pressure. They were able to show results and accomplishments, I'm sure, much more quickly than if they'd had to recruit all the way through, especially in the area of loan officers and financial specialists.

STEWART: As far as the other matter of cooperation in financing and in the different types of loans for the same activities, again, I've heard it said that the two programs, the ARA and SBA, were really miles apart in their approach and their philosophy towards helping small businesses in these particular areas.

HORNE: They were not necessarily in their philosophy except as the ARA legislation was more liberal in regards to making loans than the SBA legislation was. Now, you may recall that a lot of people--not a majority, as evidenced by the fact that it didn't go that way, but there were quite a few people who recommended that there be no ARA, but rather that SBA's legislation be modified so as to authorize and enable SBA to make the same type of soft loans in particular areas and under particular conditions that ARA was able to make. So while the SBA people, philosophically speaking, were probably just as liberal in their point of view as regards to making loans as ARA people, the legislation of SBA was not as liberal as the legislation of ARA was.

STEWART: Was there ever any charge, so to speak, that you can recall that SBA wasn't going as far as they could in. . . .

HORNE: Yes. ARA, I'm sure, sometimes. . . .

STEWART: Even under the legislation?

HORNE: Even under the legislation. Yes. Well, you know, this is all a matter of judgment. You can get two lawyers, as you know, in a room interpreting the same piece of legislation, and sometimes they interpret it differently. You can get two loan examiners looking at the same loan, and they'll have a difference of opinion sometimes as to whether it should or should not be made. I found though usually that, so far as government agencies are concerned, and I say this based on twenty years of working with government, that whatever a person wants from the government, he's critical if he doesn't get it. So when an applicant tries to get a loan and he doesn't get it, it's the government agency that's made the mistake, not the applicant. This is just human nature. So I'm sure there were times when people felt that SBA was being too hidebound. And my guess is. . . .

STEWART: I'm talking about people in ARA.

HORNE: I was going to say, my guess is that some applicants would even think that ARA was too hidebound. And I also, to answer that question specifically, John, I also am sure that there were some in ARA who felt that SBA was too hidebound. As a matter of fact, one of the difficulties, as I recall, that ARA experienced at the beginning--and I assume they finally have resolved it, although they had not completely resolved it when I left--frequently, their state coordinators were not people who had had loan examining and financial examiners' experience and they were not familiar with the laws and regulation and restrictions and so forth the law itself imposed. And sometimes, in their enthusiasm to get something going, either by lack of understanding or perhaps by their thoughts being misinterpreted or misunderstood by the people to whom they were talking, there was accusation of the fact that SBA was not moving fast enough or SBA was moving too conservatively. I disagree with that viewpoint. I don't think we were too conservative, and I think we moved rather rapidly considering all the facts.

STEWART: Did you feel that you had allies in the White House as far as your point of view was concerned when these specific things reached the White House level?

HORNE: Yes. I don't recall, in the first place, that any of this that you and I are talking about now ever reached the White House level to such a degree or such depth that it was a major concern or brought about much discussion over there. I do recall that from time to time I would talk to Lee White about some of these problems, and I felt that I had a pretty. . . . I was never worried about the White House bringing pressure on me to reverse my position. This is one way to answer your question.

STEWART: Right, okay. What about your relationships with the Department of Commerce? You mentioned before, I think, that, for example, people in the Bureau of the Budget had talked on occasion of SBA being part of the Department of Commerce. Was this ever a legitimate or a real fear on your part?

HORNE: John, this is an old story that maybe just a very brief background would be helpful to you. When World War II was going on, there were several programs set up to help small business. Many of these programs, not all of them, were transferred to the Department of Commerce after the end of World War II. They were allowed to sort of die on the vine and to go to pot. When the Korean War came on, Senator Sparkman and others at the Senate and Congressional level and myself and others at the staff level felt that there should be something special to help small business. Moreover, we felt at that time that it should be permanent, but when it was passed back in '51, it was not made permanent. It was not made permanent, I don't think, until '53 or '54.

But as we helped to bring the new legislation into being, because the Department of Commerce had let things sort of die on the vine, there was tremendous effort made at that time that this new entity be placed in the Department of Commerce. There was a real struggle in Congress as to whether or not it was going to be a separate agency reporting directly to the President or whether it was going to be in the Department of Commerce. Senator Sparkman and Patman and others were among those advocates that it be a separate agency. And this is the way the law was passed. Now ever since that time, there have been proposals along the way, or theories expressed along the way, that SBA should be put over in the Department of Commerce.

You may recall that last year, I believe it was, that my immediate successor, Gene Foley, is said to have led a movement to have SBA transferred to the Department of Commerce, and it fell by the wayside. The move was unsuccessful. But it's now in the offing again. And I don't want to interpret the present SBA Administrator's position because I'm not sure I understand it. But he was quoted in the papers a few days ago to the effect that yes, he would be willing for it to be put in the Department of Commerce if it's clearly specified that it is to be maintained still as a separate entity within the Department of Commerce. Now I'm reasonably sure there will be some opposition to that so far as members of Congress are concerned.

But because of this background and this history I've given you, yes, there's always been a fear on the part of the staff, on the part of myself, and on the part of anybody else that the SBA might be put back in the Department of Commerce and that it might be allowed to wither again if it were. However, while I was at SBA and Secretary [Luther H.] Hodges from North Carolina, former Governor, was Secretary of the Department of Commerce, so far as I know, there was never any formal consideration or any serious effort made to transfer SBA to the Department of Commerce. And Secretary Hodges and I talked about it on a couple of occasions, and he made clear to me that it was not his desire and was not something he would advocate and was not something that he had any interest in. So I wasn't sitting there myself shaking in my boots, because I felt that the subject was pretty well under control. I didn't think there was much danger of the transfer taking place. But as to whether or not there were thoughts, fears, that such might take place, yes, those had existed ever since 1951 when the Small Defense Plants Administration was set up.

STEWART: Right. How, generally, would you describe your relationships with Secretary Hodges and other people in the Department of Commerce?

HORNE: I thought it was quite friendly, quite friendly.. But there was some times--not between me and the Secretary, but between me and maybe one or two other people in the Department of Commerce--a difference of opinion expressed, but never between me and the Secretary. As a matter of fact, the Secretary asked me to represent him at the Trade Fair in Izmir, Turkey, while I was Administrator of SBA. And I did so. I've forgotten-- it must have been '62 when he asked me to do so. The Under Secretary--what was his name? From Chicago. [Edward] Gudeman?

STEWART: Gudeman.

HORNE: Gudeman. We had a little disagreement at one time.

STEWART: Do you remember over what?

HORNE: A friendly disagreement. I think this had to do with ARA, whether ARA was going to have its own lending operations or would initially rely heavily on us. That was the problem on which we disagreed.

STEWART: How effective was the Loan Policy Board? This just consisted of people from SBA and Commerce, didn't it?

HORNE: Yes. There were three or four members of it. The Loan Policy Board was good to have from a consultation standpoint. I don't recall a single recommendation that I made that was not adopted by the Loan Policy Board. I don't think there was ever any controversy.

STEWART: It wasn't that active a device?

HORNE: No. Of course, if you have a loan policy board, you know, you try to be reasonable in the first place with what you're going to recommend, and you try to lay your foundation properly. You may exercise a little bit more caution by having a loan policy board. But it gave me no trouble. And, as I say, if they turned down a request I don't recall any at this time.

STEWART: Do you recall there being many problems with so-called shadow areas, types of businesses that either came under or could be aided by SBA or by other agencies, such as the Department of Agriculture?

HORNE: Oh, yes. Particularly there were problems in the area of the Department of Agriculture. We tried to resolve that by working with each other and having an understanding. And we fairly well resolved it. But even so, there would still be an occasional application which it wasn't quite clear whether it was SBA or the Department of Agriculture. I finally resolved those in this manner: I said, "If there is any doubt, let's refer it to the Department of Agriculture. If they take a strong position that it is not within their jurisdiction, let's us act as though it is within ours. Let's don't leave the applicant hanging on the edge one way or the other." This is the way we resolved it, which I thought was appropriately resolved.

STEWART: You people also had certain relationships with the Urban Renewal Administration. I've heard one of the criticisms of the Urban Renewal Program, in general, is that businesses weren't always aided to the extent that they might have been in finding new locations and in getting set up when they're displaced by urban renewal. Do you remember any significant problems in this area?

HORNE: The only one I remember is that we were willing at SBA to adopt a more liberal attitude toward helping such small businesses than the Bureau of the Budget at times was willing for us to adopt. We would have interpreted the law more widely, more broadly and liberally than the BOB sometimes felt that we should. I believe I'm right in this also, while the Administration I don't think went on record as favoring the liberalization of the law, I'm pretty sure my memory's right in that the Congress liberalized that law shortly before I left SBA. Generally speaking, our attitude was that if a small business man is harmed or has to find another location because of urban renewal activity, the law was broad enough that we should be pretty generous in the help that we gave him. Now I do think the law put a

limitation as to the amount of what he could receive. I've forgotten what it was. But my difficulty with BOB, and this was a matter of interpretation, was that they wouldn't interpret those that could be given help as liberally as we were willing to interpret it. I remember this whole area, but I don't remember it with the degree of definity that you might prefer. But generally speaking, I've given you the picture.

STEWART: Look it. I have, oh, quite a few more questions; do you have a time limit here?

HORNE: Go right ahead.

STEWART: Go right ahead? Let me ask you about the Small Business Investment Corporations. In your nomination hearings when you started at the SBA, you were quite optimistic that you could get this program moving again because it had been somewhat dormant. Do you feel that you did significantly improve the program?

HORNE: Yes. Yes, unquestionably. I was able to--I searched a long time for the person I wanted as Deputy to handle this program, just like I spent a lot of time looking for a Deputy to handle my regular lending program. I finally got C.R. Lanman, who is now with the Marine Midland Grace Trust Company of New York, to handle our regular lending program. And I persuaded Phil Fine from Boston, who was an attorney who had had experience in banking and investments generally, to handle the SBIC program. Phil was a very aggressive, alert, capable, relatively young person. And I feel that we did a very satisfactory job in making the program better known, getting more people interested in it, and in promoting the program.

I don't remember the details--the statistics could be obtained; I just don't recall them--but there were very few Small Business Investment Companies in existence when I became Administrator. There were quite a few in existence when I left. There was one thing that was obvious when I left, and I was conscious of, that we had to have good sound supervision of these companies, and if I had remained with SBA, it was my intention to study immediately this whole area and tighten up on supervision.

It's my impression that soon after I left supervision was relaxed rather than tightened. And consequently, you've probably noticed in the papers in recent weeks, some of them are in difficulty and the government is going to lose some money. Now I don't think all the loss could have been avoided because the government recognized it was getting under way a new entity, a new kind of lending machinery so to speak, and to do this always involves some risk and some passage of time. And you always, where the government is backing something, if you aren't careful, you're going to have a handful of people who will come into a program to try to exploit it for personal benefit.

STEWART: Was this program, would you say, the source of most of whatever criticism you got from Congress? There was a certain amount of criticism of this whole program by members of Congress. Would you say that this was. . . .

HORNE: Congress was critical, as I recall, in two respects, primarily, at the beginning. It was critical that the program was not getting under way. Congress had established the program; Congress felt it was a necessary program, a helpful program; Congress had appropriated some funds; and Congress was not critical of me, per se; Congress was just critical the program wasn't moving. And then Congress was also critical that there was not much money to loan to the small businessman. Of course, Congress, in some way, controlled this itself, you know. It could always exceed BOB's requests if it wanted to.

STEWART: Which they did in . . .

HORNE: Well, yes.

STEWART: . . . in '62, I think. The ceiling was raised even further than what the President had requested.

HORNE: I think you're right on that. I don't remember the details, but I believe that you're right. Now I was not aware, to be honest--and I don't want to appear to be immodest either--I'm not aware of any real criticism that was made of my administration of SBA, except in a case by case basis sometimes where we had not approved a loan application or of instances in which we had not acted as expeditiously as some constituent felt that we should, and he, in turn, had ridden hard on his Congressman or Senator and the Congressman or Senator in turn was critical of us.

So far as my overall approach was concerned, so far as what I was trying to do, I say with pride, and I hope not lack of modesty, that I had very friendly relations and very cooperative attitudes from members of Congress, both Republicans and Democrats. And I still, ever now and then, run into a Republican member of the Appropriations Committee, for example, and he'll compliment me and say, "Well, you were one person in the Democratic Administration that we supported." He wasn't necessarily implying I was the only one, but they've really been quite complimentary, I think.

STEWART: Yes, in reading over the hearings, this is quite evident that there's not that much criticism really.

HORNE: So I think the criticism was on an occasional basis. There was no across-the-board criticism. Rather, there was, as I said, across-the-board compliments.

STEWART: Let me ask you a few questions about your relationships with the press and the general image of the Small Business Administration. This, I understand, was of some concern at the beginning of the Administration. It was felt the SBA didn't have that good an image, and it wasn't that well-known throughout the country. Can you think of any specific steps that you did take to improve this?

HORNE: I think your impression is true. There were two or three things that we did that I felt considerably improved this. One was the establishment of the Advisory Council that you're familiar with, we spoke of a few moments ago. This helped appreciably because at the regional and state and national level combined, there were several hundred people scattered throughout the country. I must say we chose them, I think, on the whole, very wisely; we got qualified people, and this helped cut conflict in communities. Another thing I think helped tremendously, I was able to get [Albert J.] Al Lubin, who is dead now; he died of cancer. Al was a very capable public information director. I persuaded him to leave USIA [United States Information Agency] and join me at SBA. And he knew how to do this job quite well. And then the White House was interested in the agency, supported it, as I have indicated earlier, and the President gave his support on many occasions publicly.

You may recall that, I think the year following the President taking office, some of us made trips all over the country in groups, covering major parts of the country, bringing them up to date, so to speak, or reporting to them on what we were doing in our respective agencies, and I was always included as part of that tour. And this, of course, helped to give publicity to the agency.

STEWART: This is when the Administration was having all its problems image-wise with the business communities in '63.

HORNE: To some degree, yes. And we helped to. . . .
I don't know that this is exactly what triggered our going around over the country. It may be part of it; I don't know what made the President decide to do this. I know when it was first brought up in my presence all of us there felt that it would be a very good thing and was an appropriate thing for government agencies to report to the people. So we participated in those and got very good press treatment. And then from time to time I would hold a press conference.

And then something that helped us tremendously with the banking community was my willingness to sit down with them and say, "Listen, we've got a common problem, let's work together. I'm not trying to run you out of business. That would be foolish to undertake. I couldn't get the money if I wanted to. But we do want to get loans made to small businesses that are justified and to small businesses who can repay those loans. So let's work together. Where you have a question about it, we'll go on our own. But let's let you take all of it, or take a bite of it, before we decide to go without you." And we worked out some very good programs through the help of Mr. Lanman that I brought from the banking industry. He was known in the banking community; he was respected in the banking community; but, believe it or not, he was a liberal banker. But he had the confidence and the respect of the banking community. And I think this did as much to help the agency image-wise in an area where it needed it, an area where heretofore it had been looked on as a possible competitor--which was erroneous; SBA never could be a competitor with a commercial bank; it never could get that kind of money. Taking advantage of the antagonism toward it, we were able to turn this antagonism and unfriendliness into a feeling of one of friendly cooperation.

So these four things, and the others probably I could name, these four things were a tremendous help. We even had a joint press conference with ABA, the American Banking Association. The room was overflowing with financial writers, and I remember--this incidentally was shortly after the President's dispute with the head of U.S. Steel--during this press conference a newspaper reporter addressing his remarks to me, said, "I've been around Washington for many years. (I forget, maybe he said twenty-five years.) I never thought I'd live to see the time when commercial bankers and a government lending agency would hold a joint press conference." He said, "How do you account for this?" So I thought I'd have a little fun with him, I said, "It's just another one of the many evidences of President Kennedy's cooperation with the business community."

STEWART: In your own speaking engagements did you pay particular attention to any areas of the country? Did you speak, for example, more in the South than any other areas, or. . . .

HORNE: I may have, but it wasn't planned. I went usually to regional or to nationwide meetings. Sometimes I'd go to a statewide meeting. As you can imagine, you just get more invitations than you can accept, and usually, you go yourself to the larger meetings and let some staff member or one of the Deputies go to the smaller meetings.

STEWART: Did you ever find yourself spending more time than you wanted to in taking care of these speaking engagements?

HORNE: Oh, yes. That's true, I guess, everywhere. I suppose practically every presidential appointee has that difficulty. I have that difficulty where I am. I think it's good to do it; it's good public relations; it's good for your program because you explain what you're trying to do. And a lot of criticism of government sometimes is caused by lack of understanding. So you can accomplish a great deal by going out and speaking, and by the same token, you've got so much work in the agency to do. It's a question sometimes of which one you're going to neglect more.

STEWART: Again, in what way, if at all, did the White House get involved in setting your policies as far as your whole public relations approach is concerned?

HORNE: They didn't.

STEWART: Not at all?

HORNE: No, they didn't. The only exception to that could be that from time to time at meetings of government agencies the question would come up as to what are you doing to help portray in a constructive manner the policy of the Administration. Having worked in politics as long as I have and having worked on the Hill as long as I did, I think it's entirely appropriate and should be not necessarily a requirement, but it should be a general practice on the part of a government agency head that when he speaks and it's appropriate and the truth and an honest presentation to say something about the President, he's entitled to do so and should do so. So I would do this, and perhaps every government appointee did the same thing. There was nothing mandatory about it though.

STEWART: Why don't I change this tape before we move on?

BEGIN TAPE III SIDE I

STEWART: Okay, moving on to another area, were there any changes that you made during your tenure at SBA in regard to the relationships of the agency with city and state governments?

HORNE: The primary thing that I did there was to disseminate information to the mayors and city government officials throughout the country advising them of a program that I thought was a very helpful program that very few people at that time were using. We call it the 502 program because that's the section of the law. It's a program that enables people in the municipality to take the lead themselves in bringing businesses to their towns by putting up a little bit of the money and the SBA putting up the remainder. And also to emphasize this program and to give it more thrust, I reorganized it within the organizational structure of the Small Business Administration. And then from time to time I made talks or speeches to groups of mayors or city officials and would explain how the program could be utilized. I also made known my efforts to members of Congress.

By the way, one of the things I did frequently at SBA was to keep the members of Congress advised as to what we were doing, and many of them used this kind of information in their own speeches or in their news releases, and quite frequently, I would go to Congress and cut a radio tape or cut a television tape with members of Congress to use in their respective areas. And by carrying on this kind of information program, we made the services of this particular, very useful, worthwhile lending program available to a great many more people. It's especially adaptable for cities. Now, counties can use it, but it's more adaptable to cities, and the potential of it being used in cities is much wider. This has become quite an active program, but it was almost a dormant program when I first went with SBA.

STEWART: Was it a regular practice to inform congressmen of the acceptance of loans or the granting of loans?

HORNE: We did so where they had made inquiries about them; where they had expressed an interest or made some inquiry, we would advise them of the action taken when it was taken. We did not have a practice of running to Congress and telling them every time that a loan had been made or an application had been received.

STEWART: Again, was there any change in this practice from what had been done in the previous Administration?

HORNE: I don't know what the previous Administration practice was. There may have been a change here. I just thought that it would be too cumbersome, and for other reasons I felt it would not be wise to take the initiative ourselves. Now we did make regular reports to Congress as to what had taken place in the country as a whole, on a state by state basis. They could easily go through it and segregate it by congressional districts. And occasionally, they would ask us to segregate it for them, and we would do so. But, again, my policy was that if a congressman or senator made an inquiry about a loan application, once action was taken, we would advise him; if he had not made inquiry about it, we did not advise him except through the process of periodical reporting.

STEWART: Right. Were you called in at all for your advice in any of the race relations problems in Alabama that the Administration faced?

HORNE: Yes, I have been asked by every Democratic Administration since I've been in Washington for guidance from time to time about racial issues in Alabama. This was true, as I say, under Truman, under President Kennedy, and under President Johnson.

STEWART: Do you remember any involvement in any of the major crises that took place either on the bus rides in May of 1961 or the integration of the University of Alabama in 1962?

HORNE: No, no involvement on a crisis per se. Only involvement so far as what the overall situation is, and what the attitude is, and who are some reasonable leaders in the state on this subject, and so forth. I was never involved, though, in a specific crisis.

STEWART: Did you have any role or were you asked to participate at all in the civil rights legislation that was proposed in 1963?

HORNE: No.

STEWART: None at all? Further question, do you recall any specific or major problem as far as equal employment opportunity within the SBA? Of course, the President's Committee on Equal Employment Opportunity was very vigorous in trying to rectify certain deficiencies in many agencies. Do you recall any problems with that Committee?

HORNE: No, my attitude has been all the way through, both so far as employing personnel here and so far as other people employing personnel, whether they're involved in government help or not, that people should be employed on the basis of their ability, not on the basis of their religion or the color of their skin or other things. This has been generally understood. I may have surprised some people at SDPA, later on SBA, when I made my position clear on that subject, coming from so far South. But this country so desperately needs the very best people that it can get that I think anybody is very shortsighted to base employment on other than the ability to perform the job. So I've never had any problem in that area either as to supporting an Administration position in that respect or following through with some of the requirements so far as hiring and firing within the agency that I administered is concerned.

STEWART: A few. . . .

HORNE: As a matter of fact, you might be interested in this: I was the one, just before I left SBA, that was responsible for employing a very well qualified Negro--I think he's still at the Small Business Administration--to work with us to help us with minority problems so as to make sure that there was no discrimination in carrying out our functions and to help to explain to minorities that we were trying to be helpful to people who needed help and who qualified for it, regardless of what their racial situation might be.

STEWART: Moving on to a couple of scattered problems. The whole matter of research contracts, there was a certain amount of controversy over whether, particularly again, DOD should continue to use larger companies because they were much more able, or they thought they were much more able, to use their experience in previous contracts to promote the type of research that they wanted. Do you remember getting involved in this whole area to any great extent?

HORNE: Yes, I remember that my general posture in the research area as in other areas was that there could be a set-aside program, there could be ways of inviting qualified small business people to participate.

You always have to keep in mind two or three things. At least, I think one should. Most of the new ideas, most of the creative developments that have occurred in this country have sprung not from large firms--and this is no criticism of large firms--but from small firms. Maybe the old saying, "Necessity is the mother of invention," is responsible for this. But this is one thing to keep in mind, innovations, new thought, new ideas, creative genius have come largely from small firms. Also, when people argue that the small firm is never as efficiently run as a large firm, the facts and figures just don't show that to be the case. There are many instances I could go research and be able to cite, I don't remember the names now, in which a contract went from a large firm to a smaller firm, and the smaller firm did it just as well and did it at much less cost to the government. There are just literally dozens of records of such figures that could be cited.

Now I had the same attitude about doing research work as I did about performing other contracts. Large-ness and diversification doesn't always guarantee quality or efficiency. The small person sometimes can do it better and do it more efficiently, and he ought to be given a chance.

STEWART: Did you feel that from a general overall economic policy point of view that the small business programs got as much recognition as they should have? I was speaking particularly as far as, for example, deliberations of the Council of Economic Advisers in setting overall policies, again, for example, in getting out of the recession of 1960, is concerned.

HORNE: I don't feel qualified to answer specifically as regards the Council of Economic Advisers because I don't recall that they took a position one way or the other. I would say that if they did not take a position, and I don't recall that they did, probably they were being a little bit neglectful because, after all, when you start thinking of four to five million small business firms, I suppose of all the business employees, it must constitute 30 or 40 percent. I used to know all of these facts; I've forgotten some of them. If you neglect that part of your economy in your efforts to effect an economic recovery, you're overlooking a very important segment.

Now so far as other agencies of government were concerned, there may have been some that overlooked this, but the White House didn't overlook it, and SBA didn't overlook it, and while sometimes I honestly say that I believe small business is given more lip service by some in the legislative body than otherwise, still there are many members of Congress who give it more than lip service. And it was not overlooked by Congress as a whole either. This is one reason the tax measure, for example. . . . I remember very well making the argument that you've got to give the small businessman a tax break too because he is part of this economy and he can help to speed up our economic recovery just as well as the big businessman can, sometimes perhaps even better, particularly as regards to rural areas.

STEWART: Did the whole problem of people reorganizing businesses to qualify as small businesses become--was that a major problem or was it a significant problem?

HORNE: No, I don't think so. You mean to qualify under the definition of what is a smaller business?

STEWART: Right.

HORNE: I don't think that was a major problem. I don't recall that it was. I recall a few instances in which somebody would try to get a subsidiary qualified as small business. We didn't go along with that argument. But this effort was made sometimes. It never became, though, a serious problem

STEWART: I think I was reading of a case in one of the congressional hearings of a firm down in Louisiana, a dredging firm or something, which set up a subsidiary firm and tried to get them qualified when, in fact, they were controlled by the larger firm.

HORNE: That never became, as I say, though, a very serious problem. There was another area that was something of a problem in a small way. Let's say that five hundred is the dividing line between what's large and what's small, and a person got to five hundred and five. Occasionally, you would see an effort to come back down to five hundred to get his loan, and then probably he'd go above five hundred. But at the time he got his loan he was qualified for whatever help we were giving him on the basis of his being a small business.

There was another problem that I was looking into that I understand my successors have done something about to be helpful, and it should have been done. And that is, how do you treat a franchise? You see, the small businessman can be small but also be working under a franchise. And whether or not he's independent is determined by how much control the franchise has over his operations. And so I was trying to find some way here to have a more liberal interpretation that would be helpful so far as small business aides being available to a small business firm operating under a franchise than was the case when I first went there. I liberalized it some, and I probably would have liberalized it more if I had stayed there.

STEWART: Do you recall any particular areas of controversy or of great significance in the SBA's involvement in the President's textile program? As part of his seven point program to help the textile industry in 1961, the SBA had a certain role particularly in relation to certain research matters.

HORNE: Yes, I remember in a general way the involvement. You see, just as there are small companies in other areas of operations, there are also small textile companies. I think we already had the definition of what was small and what was large, and where the dividing line was, but we developed a program to outline in more specific detail just what helps were available to a small textile firm, and we made this available to the public generally and also directly to the textile firms. As I recall, there were some of them that came in and got additional help. And we were part of that program.

STEWART: What role did you play in the whole Trade Expansion Act, the passage of the Trade Expansion Act, or were you heavily involved in that?

HORNE: We were not heavily involved in that. I was in support of the program, but we were not heavily involved.

STEWART: That's about all the questions I have, except to ask you why and what were the circumstances of your leaving SBA in August of 1963.

HORNE: Well, those were quite interesting, both from the standpoint of what the true story is and from the standpoint of what rumor was. Rumor was--and some of the newspaper people carried this; there were other newspaper people who carried the correct story--that the President was dissatisfied with my work at SBA and he was sort of kicking me upstairs. If that had been the case, I would have left the Administration. That was not the case.

The true story is that when it was obvious that the President was not going to reappoint the person whom I succeeded as a member of this Board [Federal Home Loan Bank Board] and as he was looking around for a person to appoint, somebody, both from the industry and within the board level of operations, went to Ralph Dungan and encouraged that I be the person appointed. It was never held out to me with any absolute guarantee that I would become chairman of this board, but this was part of the discussion. No promises asked for, and no promises given. Certainly no promises asked for because the man who was chairman at that time was a personal friend of mine, and I would not have come to the Board had it been with the understanding that he was going to be pushed out.

When Ralph Dungan mentioned the matter to Senator Kennedy, I mean President Kennedy, the industry at that time was in difficulty; some things had been allowed to drift. Without going into the details of that, the President wanted on the Board his own appointee. And as he explained to me he wanted to strengthen the Board. So when he talked to me about it, he made clear to me two things: Number one, he was satisfied with my work at SBA, that I could stay at SBA as long as he was President; he said, "By the same token, if you have no objection to doing so, I'm going to suggest that you go to the Federal Home Loan Bank Board." My response was, "Mr. President, I'm your appointee. I'm pleased at SBA, but I know something about the savings and loan industry, too," because I worked in the field of housing. And just as at SBA I helped to write some of that legislation, I also helped to work on some of it that I'm administering here. So I said, "I'll go wherever you prefer that I go."

About this time he left for several weeks, to go to Europe, as I remember. It was during this lag that rumors began to float. The other vacancy here had not been filled, and the time lag gave enough opportunity for newsmen and others to imagine what was taking place. I knew what was taking place; Ralph knew what was taking place; the President knew what was taking place; but understandably the public generally didn't know what was taking place. And when he returned from Europe, I talked to him again in his office, and he said, "Your mind is the same as it was. You can stay at SBA, but you are willing to go to the Board?" He said, "If it makes no difference to you, I'm going to send your name up tomorrow to the Senate to go to the Board." I said, "I'll do as you prefer. I'm part of your Administration." And this is how it came about.

STEWART: Did you make any suggestions as far as your successor at SBA was concerned?

HORNE: I was asked about Gene Foley, and my reply was that Gene was a very able, aggressive person who had had experience in the area of small business as a staff member of the Senate Small Business Committee. And also I had worked with him some while he was Administrative Assistant, I believe was his title, or at least an official working directly with Secretary Hodges in the Department of Commerce. Now whether or not this had anything to do with Gene being appointed to SBA, I don't know. But this is the conversation that was held regarding him.

STEWART: All right, I'm really not prepared to ask you any questions about your work when you came here. I don't, frankly, know that much about the agency. But is there anything you'd like to say in general about your early days, because it was only a few months, in this agency when you first came here.

HORNE: Yes. Well, I came here in August of 1963, and stayed on here as one of the three Board members until January of 1965. Of course, I found the work here somewhat new, but I was not, as I've indicated, a total stranger, to it. Being a Board member, just a Board member, is not as demanding as being Administrator of SBA. Being Chairman of the Board, I assure you, though, is just as demanding, and in some respects the pressures are much greater than at SBA because here you're dealing with a hundred and fifty billion industry. Anytime you start dealing with an industry of that proportion, you have pressures sometimes that are almost unbearable.

But it did take me a little while to become adjusted and to settle down to enjoying the work in this agency. I never doubted the importance of it. I did discover some things that I thought should be done. We did move toward doing them. One, particularly, was to establish a Reserve regulation. One was to cut down on the borrowing of some of the members from the central bank system. You know, we have a central mortgage bank system similar in some respects, and also quite different in some respects, from what the Federal Reserve Board has. Some of our members--only a few--who didn't need money to loan, who already were making bad loans with money they had, who already had more money that they could put out in good loans, were still coming to the central bank and borrowing. And we began to move to correct that.

Then in '64 I was offered an opportunity to go to San Francisco at a very important job, take my government retirement, and have a salary on top of that just about double what I make here, and I accepted the job and was supposed to go out in January of '65. But Christmas night I had a call from the President's staff, from Bill Moyer, asking me to go to the ranch. The morning after Christmas I went out to Andrews Air Force Base and went to the ranch. The President asked me not to go to San Francisco; he asked me to stay here; he said that he wanted me to be chairman of this Board. And I agreed that I would do so. So I was appointed chairman, was sworn in I think on the Second day of February. And I must say that I've been quite a busy person doing some things that I think have been helpful to the public and to the industry. I guess the hardest year of my life I've ever lived in government is 1966 with tight money. The Federal Reserve Board's action in December of 1965, raising regulations and tightening of the situation generally, put this industry in a very crucial bind in 1966. And to live through that bind, to meet the challenge, and to do the things that had to be done to keep the industry and housing from being crushed and to get some legislation passed--and make plans for additional legislation--that was long overdue to enable us to get at the few people in the industry who are dishonest or who otherwise are acting improperly, it made 1966 quite a busy year and a year that, to be honest with you, from which I'm just beginning to overcome the adverse physical effects . . .

STEWART: Come out from under.

HORNE: . . . of what happened in 1966.

STEWART: Did you see President Kennedy at all after you left SBA? Do you recall?

HORNE: I saw him at functions from time to time. I don't recall that I ever visited with him in the White House after I left SBA, but I would see him, you know, at Democratic gatherings or see him at functions. He had a great capacity of keeping up with what was going on, and I remember once his asking me about some things that he knew ought to be done over here that we were working on. But I didn't visit with him in his office I don't think after I came over here, before the assassination.

STEWART: Well, unless there's anything you want to say in conclusion, that's all the questions I have.

HORNE: Well, nothing, except I'm very pleased to have a chance to express these thoughts. I'm sure you know that I have depended a lot on memory, but where I'm not sure, I've hedged sufficiently to indicate that my memory might not be in order. I think that one of the greatest people who was ever elected President, was President Kennedy. He had an asset internationally speaking that we've never, I think, appreciated and understood. I just got back a few weeks ago from a two-weekstrip in South America, and even now in South America whenever I would mention to the officials or natives of those countries that I had been a part of President Kennedy's Administration, you could see an immediate warm response, a swelling up in their hearts, so to speak. He's still admired greatly all over South America.

STEWART: Good, okay.