

MEMORANDUM OF CONTACTS WITH PRESIDENT TRUMAN AND WHITE HOUSE
STAFF, DECEMBER 3-28, 1946

On December 3 and 10, all three members of the Council went to the President's office for discussion of topics which would have a prominent place in the materials which we were to submit for his Economic Report to the Congress. On the first day we discussed briefly the tax and budget situation indicating that we were in full accord with the emphasis the Administration has recently been placing on reducing government expenditures through economies in operation and the deferring of public works expenditures wherever possible. We indicated also our support of the most heroic efforts on the part of the Budget Bureau to get estimates for next year down (to at least) 37 billion and keep tax rates up so as to have a substantial budget surplus available for debt retirement. The President expressed gratification that we were in full agreement with existing policies but did not really enter into any discussion of the merits of the issue or indicate any interest in our views as to how low an objective should be set for next year's budget or places at which greatest pressure for saving should be exerted.

On December 13, we sent to the President a brief special memorandum on the matter of the Budget, copy of which is attached. This memorandum grew out of the fact that it appeared that the Director of the Budget and the President were likely to present a total figure of 38 or even 39 billion dollars of expenditure. We felt that this presented too small a prospect in even a prosperous year of a sufficient surplus for debt retirement of the magnitude which should be made in time of prosperity and in the event of even a moderate recession in 1947 would create the very real possibility of a deficit. The President made no response to this memorandum or reference to it at the time of our next visit.

On December 10, the Council conferred with the President, with emphasis primarily on the labor situation and labor-management recommendations. In general, our Council and staff work has led us to a belief that the greatest possible emphasis must be placed on perfecting the agencies of collective bargaining and that there are relatively few places where legislative curbs on union structure or practice could be clearly and usefully defined and effectively enforced. The President showed no disposition to invite or respond to any analytical points the Council might have to offer. He indicated rather that he had stated a consistent policy in some four or five documents since August 16, 1945 and that he intended to write a "strong policy" as to labor matters into his message to the Congress—evidently the State of the Union Message. He apparently entertained the view without question that the Economic Report would be brought into line with those recommendations rather than that they would be held in abeyance pending study of the materials we submitted for the Economic Report and perhaps consultation with us concerning the points raised.

On December 16 we called on the President and delivered three copies of a draft of "materials for the use of the President in drafting his Economic Report to the Congress." He expressed great interest in it and said he would read it at the first opportunity and make his comments to us by the end of the week if possible. We chatted amiably about several matters, principally the Gridiron dinner and Bricker's unfortunate speech. I believe Clark made the remark that our conclusions and recommendations did not mark any departure from existing Administration policy. The President smiled broadly and said that he was increasingly sure that he had appointed the right men on the Council. For myself, I am becoming increasingly sure that he has not thought of the Council as exercising the significant role that I outlined for it in our First Annual Report.

On the following day, Wednesday the 18th the President released this report of ours at a press conference. I had had two talks with Charles Ross in arranging for this release, and we had submitted a number of suggestions which Ross said he would use in "briefing" the President for this press release. In fact, however, the President seemed extremely ill at ease at the opening of the press conference and released our report and a statement on the China situation without any comment on either except that the press had already had copies, so they were presumed to know what was in them. On two occasions when questions about the Council Report were put to the President, he replied that he had not read it with great care, but on one occasion referred to the fact that I was there and might wish to comment—which I did.

We had hoped that the President on this occasion would make a statement to the effect that he attached importance to the work of the Council and expected to make use of its studies and suggestions. The omission of any comment and his professed ignorance of the content of the report (although manuscript had been sent to him two weeks before and he had returned it with a few suggestions as to phraseology and the printed report had been sent on Saturday of the preceding week) contributed to a growing impression that the President is giving the Council the "brush-off".

Steelman as director of OWMR was constantly being played up in the press as the President's confidential adviser and as being in and out of the President's office every day. He has now been returned to the post of assistant to the President and taken his deputies and some staff with him. Meanwhile, Clark Clifford, special attorney to the President, has become the twin star to Steelman in the local firmament. I attach two clippings from among a large number which could be cited as indicating the complete reliance of the President on counsellors other than the CEA. One commentary on this situation is that the President seeks political advice rather than economic service at the professional level in determining his policy on all these matters. I cannot help wondering whether he ever had a look at the newspaper and radio comment that was made at the time of my appointment or at the extraordinarily favorable reception that was given to our First Annual Report. The note which runs through it is

that the country endorses the idea that an agency for the consideration of economic questions on the professional level is welcome. I see no evidence that the President either accepts or understands such an idea.

A great deal of comment is being made at the present time about the President having asserted a new independence of thought and action since the November elections. It is also commented that this seems to be a reliance on "instinctive" decisions of his own, subject only to the personal and political check of the cronies on whom he relies for day-to-day advice. One piece was headed "The Truculent Truman." Another commented on the decline of George Allen, Vardaman, and one or two other of the most objectionable members of the earlier "White House Gang," and listed Snyder, Ross, Clifford, and Steelman as the four who now really have the greatest possibility of influencing the President.

All this past week we have heard nothing from the President's office, although Clifford had indicated on the 20th that he expected to study the materials we submitted to the President and talk to me within a few days. Meanwhile we were busy making changes in the draft which we submitted on December 17. Last night (December 27) I sent three copies of the second draft of these materials to the President's office with a covering letter. This morning I called Clifford and he said that he had been swamped with work on the State of the Union Message but hoped to have a draft in our hands Monday for any comment or suggestions we might have to make with reference to its handling of economic matters. It is our understanding that it will include fiscal and labor issues. He said that the matter of the Economic Report was in Steelman's hands. I therefore called the latter and gathered the impression that he was not personally very familiar with the content of our first draft but expected to get to work on the second draft at once and confer with us next week. I called his attention to the fact that for a printed report to be sent to Congress, presumably on January 8, there would be a printing deadline about the middle of next week.