

MEMORANDUM
February 21, 1949

On my return from New York, Miss Quill promptly gave me the telegram from Senator O'Mahoney inviting members of the Council to appear at hearings of the Joint Committee, beginning February 8. I at once drafted a reply which I showed to Steelman who was presiding at a White House Conference of the National Advertising Council where I was making a presentation that morning concerning the work of the Council. He made two minor suggestions for changes, which I was glad to make. Since Steelman was badly tied up for the rest of the day, we agreed that I should send it to Ross for clearance by the President. I received no response from him, but the following morning I had a 'phone call from Steelman's office saying my reply had been O. K.'d and could be picked up at Mr. Simmons' desk. (See attachments.)

I had copies of my letter to O'Mahoney made and sent them to Keyserling, Clark, and all the members of the Joint Committee. Several of them replied, but not O'Mahoney. (Replies are attached.) I was gratified at Senator Flanders' letter because he had originally argued that we should appear.

I attach copies of Keyserling's and Clark's testimony and various press comments. I asked them at our next Council meeting if they were happy over the outcome. Keyserling said little, but is obviously pleased. Clark is quite glowing over the release into the publicity area, and said he expected they would be called before all the committees to which any part of the economic program is referred.

On February 9, I received the attached inquiry from Senator Maybank with reference to a matter not essentially a part of the President's program. His reply is interesting, and I wonder what my colleagues will do.

Mr. Keyserling had begun well in advance of the formal invitation to prepare an elaborate text and 40 large charts reproducing practically everything that had appeared in the President's Economic Report. I understand his testimony lasted over three hours, with O'Mahoney sending repeated notes to him to come to the point and get it over. He used only ten of his forty charts. The work of preparing all this stuff was extremely heavy on our staff because he required the making up of many sets of both text and charts (in small size) bound in covers and with index tabs. He mercilessly kept our statistical and secretarial staff at work nights (sometimes until 4:00 a. m.) and weekends till some were on the brink of breakdown and others on the verge of revolt.

Of course all this provoked a good deal of comment, although the press handled it with great restraint. (Clippings attached.) Albert Warner's "Meet the Press" (Mutual) besought me to appear last Friday night. I firmly declined, and they they got Keyserling. About the third question related to rumored differences of view between him and the Chairman of the Council. He replied that the Council had always got on with remarkable harmony. Pressed harder as to whether there really was no difference of view, he said: "No, absolutely none." They gave him a fairly rough time on the question why he and Clark were plugging for controls and arguing that we are still in the grip of strong inflation in spite of present declines in prices.

While this was going on, the Hoover Commission report came out with its recommendation of a single Economic Adviser to the President in lieu of the present Council of Economic Advisers. Mr. Keyserling could not curb his eagerness to learn what position I would take on the proposal. On February 11, he sent in a memorandum asking for an early meeting of the Council "at which I would like to bring up for discussion - in addition to any other pending business - the following:

"(1) The recommendations of the Hoover Commission relating to the Council, to which I should think we would want to give almost as full and prompt discussion as to a bill introduced in the Congress directly relating to our activities.

"(2) Some general aspects of the best working relationship between, which involves the best distribution of work between, the Bureau of the Budget and the Council."

We held this meeting on February 14 and, when we came to this topic, I said I saw two reasons for hoping that the President would not take this step. First, it would move away from the institutional, unpolitical, and somewhat impersonal agency I conceived. There seems to me a somewhat pretentious and over-arrogant connotation to the Economic Adviser to the President. He would be the President's man, coming in with him by personal appointment and naturally going out with the President who appointed him. They seemed much gratified (and surprised) at ~~the~~ reaction. But I went on to say: "I think the proposed remedy may be worse than the disease, but the disease is so serious that it is likely to prove fatal in a short time if something effective isn't done about it. The work of the Council has now been so thoroughly compromised externally and demoralized internally that the high hopes for the agency are going glimmering." Keyserling said if this was true, we'd have to have extensive meetings to study and remedy it. my

Personally, I am convinced that a change in personnel is the only basic remedy. I have told Steelman, Webb, and--the other day--Snyder

that I cannot go on unless I have a competent economic colleague who can take over primary responsibility for staff activities and inter-agency relations, and also unless I am freed of the constant strain of a political interpretation of the Council's role. The President will have to decide which kind of Council he wants. If political, then he should lose no time in getting another Chairman. I'll not go through another Annual Report period on the present basis. I expect to raise the issue directly with him soon after I get back from this trip.