THE NATIONAL SECURITY COUNCIL PROJECT

ORAL HISTORY ROUNDTABLES

International Economic Policymaking and the National Security Council

February 11, 1999

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Funding for this program has been generously provided by the John M. Olin Foundation.

The Oral History Roundtables

The Nixon Administration National Security Council (December 8, 1998)

International Economic Policymaking and the National Security Council (February 11, 1999)

The Bush Administration National Security Council (April 29, 1999)

The National Security Advisors (October 25, 1999), forthcoming

China Policy and the National Security Council (November 4, 1999), forthcoming

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CONTENTS

INTRODUCTION

From its inception, the National Security Council has addressed economic issues: two of its first four meetings, held in 1947, focused on exports to the USSR. But while trade and finance have been key components of U.S. foreign policy, they also have had substantial impact on citizen welfare at home. This impact has increased with the growing internationalization of the U.S. economy. Hence, from the early 1970s, NSC jurisdiction over international economic matters has been challenged by individuals and institutions concerned with domestic economic policy. In the Clinton administration, this was manifested by the creation of the National Economic Council paralleling the NSC, and by the coordination of international economic policy through a combined staff reporting to the national security adviser and the national economic adviser.

This roundtable traces the evolving pattern through the testimony of sixteen senior participants, including the specific individuals who played the leading White House international economic policy coordination roles in every administration from Kennedy to Clinton. The story they tell reflects the peculiarities of particular Presidencies, but also the broader trend: of the NSC being pressed to share jurisdiction with, or yield it to, institutions responsible for managing domestic economic policy. It also highlights the expansion of policy staffs in both spheres, and how this seems to have complicated, rather than facilitated, the policy coordination task.

Never, we believe, has such an experienced group been gathered in one room to discuss, on the record, the way the United States government has managed foreign economic policymaking over the past four decades. They were asked to address a series of questions about the policy process, reprinted here in Appendix A. And they were invited to do so in rough historical sequence, so the discussion begins with the highly informal Kennedy staff and moves forward through the years to the much more structured processes that followed from Nixon onward. We believe that it will be of substantial interest to policy practitioners and scholars, whether their interest is foreign policy, economic policy, or presidential governance generally.

This is the second in a series of roundtables held by The National Security Council Project, co-sponsored by the Center for International and Security Studies at the Maryland School of Public Affairs and the Foreign Policy Studies program of the Brookings Institution. The first, already published, is on the Nixon NSC: others already convened and now being edited cover the Bush administration, the role of the National Security Adviser, and US policy toward China. These have been conducted for their own independent value, and as input to the book on the NSC we plan to publish in the fall of 2000.

We are grateful to the participants for coming and talking with candor and insight. We would also like to thank Karla Nieting for help in organizing the roundtable, and above all Holly Plank for her work with the participants in bringing this edited version of the proceedings to publication. Responsibility for any remaining errors rests with us.

* * * *

Just as this transcript was going to press, we learned of the death of Julius Katz, outspoken participant in our discussion and a constructive force in US international economic policy over almost half a century. From his work in the postwar State Department to his service as Deputy U.S. Trade Representative under George Bush and his active voice in the policy debates of the nineties, "Jules" combined substantive expertise with stubborn outspokenness and a deep commitment to the public good. He cannot be replaced. He will be missed.

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PARTICIPANTS[1]

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FRANCIS BATOR, senior staff, NSC, 1964-65; deputy assistant to the President for national security affairs (international economic policy and European relations), 1965-67; special consultant to the Secretary of the Treasury for international monetary arrangements, 1967-68; currently Littauer Professor of Political Economy, emeritus, Kennedy School, Harvard University.

C. FRED BERGSTEN, chief staff member for international economic policy, NSC, 1969-71; Assistant Secretary of the Treasury for International Affairs, 1977-81; Director, Institute for International Economics, 1981-present; Chairman, APEC Eminent Persons Group, 1993-95.

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ROBERT FAUVER, Deputy Undersecretary of State for Economic Affairs, 1991-92; special assistant to the President and senior adviser for international economic policy, 1993-94; national intelligence officer for economics, National Intelligence Council, 1995-99; India-Pakistan coordinator, State Department, 1998-99; currently senior adviser to the Undersecretary of State for Economic Affairs.

EDWARD FRIED, Deputy Assistant Secretary of State for Economic Affairs, 1965-1967; senior staff member, NSC, 1967-1969; senior fellow, Brookings Institution, 1969-95.

ELLEN FROST, legislative assistant, Senate, 1972-74; foreign affairs officer, Treasury, 1974-77; Deputy Assistant Secretary of Defense for International Economic and Technology Affairs, 1977-81; Counselor to the United States Trade Representative, 1993-95.

JOSEPH GREENWALD, U.S. Ambassador, OECD-Paris, 1969-72; U.S. Ambassador to the European Community, 1972-75; Assistant Secretary of State for Economic Affairs, 1975-76; currently attorney/consultant, Consultants International Group.

EDWARD HAMILTON, senior staff member (international economic policy), NSC, 1965-68; currently Chairman of Hamilton, Rabinovitz & Alschuler, Inc.

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[1] Additional information on the roles played by participants can be found in the transcript.

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CARL KAYSEN, deputy assistant to the President for national security affairs (economic and national security policy), 1961-63; currently D.W. Skinner Professor of Political Economy, emeritus, Massachusetts Institute of Technology.

HENRY NAU, special assistant to the Undersecretary of State for Economic Affairs, 1975-77; senior staff, NSC, 1981-83; currently professor of political science and international affairs at George Washington University.

HENRY OWEN, Vice Chairman, Policy Planning Council, State, 1955-65; Chairman, 1966-69; ambassador-at-large and special representative of the President for international economic summits, 1977-81; currently senior adviser, Solomon Smith Barney.

ROGER B. PORTER, Executive Secretary, President's Economic Policy Board, 1974-77; Director, White House Office of Policy Development, 1981-85; assistant to the president for economic and domestic policy, 1989-93; currently IBM Professor of Business and Government, Harvard University.

ERNEST PREEG, assistant to Undersecretary of State for Economic Affairs, 1971; Executive Director, White House Economic Policy Group, 1977; currently senior fellow, Hudson Institute.

SUSAN SCHWAB, trade negotiator, Office of the U.S. Trade Representative, 1977-79; chief economist and legislative assistant for international trade, Senator John C. Danforth, 1981-86; Assistant Secretary of Commerce and Director General, U.S. and Foreign Commercial Service, 1989-1993; currently Dean, Maryland School of Public Affairs.

TRANSCRIPT OF THE ROUNDTABLE

DESTLER: Welcome. We expect several more people to join us, but I think we should reward those who are here.

The subject, as you know, is the making of international economic policy in the United States over the past four decades. We are placing particular emphasis on the role of the National Security Council; and on how presidential administrations have managed and coordinated international economic policy whether through the NSC, around the NSC, involving the NSC and other institutions, etc. The discussion will be recorded. It is the second in a series of oral history roundtables that Ivo and I have organized for our project on the National Security Council, which is co-sponsored — allow me my commercial — by the University of Maryland's Center for International and Security Studies, which I direct and where Ivo is a colleague, and the Brookings Institution where Ivo is currently a visiting fellow. It will be input to a book we intend to complete and publish on the NSC in the fall of the year 2000. That season, in years divisible by four, seems to be the only time anybody's ever interested in books on that sort of subject.

KAYSEN: And that's the NSC in the first millennium.

DESTLER: Exactly, toward the year 3000. Our aim is to publish this roundtable separately as a stand-alone source of information and insight, after giving each of you an opportunity to edit your remarks.

It's an understatement to say we're delighted with the group here that has honored us with its presence. I think we have every administration represented from Kennedy through Clinton, particularly if we can count Roger Porter more than once. Moreover, the people here were centrally involved in the making of U.S. international economic policy.

I will try gently, if possible, to give our conversation some direction, referring regularly to the agenda of questions that we circulated. I do this with appropriate humility, because around the table are people whose forte and skill is in organizing discussions and getting meetings to focus on the issues they think are most important. So I may or may not be successful.

The questions are about the foreign policy process, what roles NSC officials and other senior international coordinators have played, on what issues in relation to what departments, with what results. The questions could have said more about the substance of policy because there are trends in policy substance that have a big effect on the structure. Two obvious long-term trends are the internationalization of the U.S. economy, rather steady over this forty-year period, and the rise of Japan and then East Asia in terms of U.S. attention relative to other regions. Obviously, other issues come and go like the energy crisis of the 1970s. And there have been developments in the international process, most notably the economic summits, which are now astonishingly close to twenty-five years old. I expect and hope that people as they talk about the process will relate it to particular issues and talk about how these issues affected what groups were involved and what agencies were involved. We will try to discourage discussion of policy per se because that is not our agenda.

Again, we're delighted you're here. Ivo did you have some further thoughts?

DAALDER: No, I think the best thing is to start. But I think before we start, for those of us, like me, who are young and don't know everybody, it might be useful if everybody can go around and give their names, but also mention what it is that you did in the process that led Mac to invite you.

DESTLER: Or that should have led Mac to invite you.

DAALDER: But what position and what role and insight you particularly have, because I think that will be useful for everybody to know and for those who don't know each other, and it certainly would be useful for myself.

DESTLER: We'll start way down the table with Henry.

NAU: Henry Nau. I'm at George Washington University in the Department of Political Science and at the Elliott School of International Affairs. I've been there since the early 1970s. I served twice in government, in the mid-1970s as a special assistant to Chuck Robinson, the Undersecretary for Economic Affairs at the State Department, and then in the early 1980s on the National Security Council, from January 1981 to July 1983. I was the White House sherpa for the annual economic summits, including the Ottawa, Versailles, and Williamsburg G-7 Summits and the Cancun Summit with developing countries in October 1981. I've written on these subjects, including a book on U.S. foreign economic policy some ten years ago, which argued contrary to the conventional wisdom at the time that the United States was not an economy in decline, a prediction that holds up pretty well today.

PREEG: Ernie Preeg. I was a Foreign Service officer for twenty-five years on the economic side, through a lot of these events and issues. I've since been on the think tank circuit. I was at CSIS [Center for Security and International Studies] for ten years until very recently. I'm now a senior fellow at the Hudson Institute in Washington.

First, I participated in the Kennedy Round. I was at the Geneva end, quite junior in rank, but very close to [Secretary of the Treasury] Mike Blumenthal and very much involved in the machinations from that end. In fact, I later wrote a book about it here at Brookings. Mac and I first crossed paths during the first year of the Carter administration, while I was Executive Director of the Economic Policy Group (EPG). In fact, he gave me guidance that didn't get me very far personally, but was good guidance. The EPG was a more structured group than it should have been. That was an experience of how things didn't work.

I was also the assistant to the Undersecretary for Economic Affairs at State, Nat Samuels, at the time when we went from a gold standard fixed to a floating rate for the dollar, which was a very interesting month of August 1971. Those are the highlights of my relevant experience.

DAALDER: Thank you. Jules.

KATZ: I'm Jules Katz. I spent thirty years in the State Department ending in 1979. For a little more than the first decade, I was in Eastern European affairs where foreign economic policy was not a major focus. In the early 1960s, I became Deputy Director, and then Director, of the Office of International Trade at the beginning of the Kennedy Round, and I did that for about six years. I was then Deputy Assistant Secretary for Resources and Food Policy, and then for the last three years Assistant Secretary for Economic Affairs. I left the government and then came back eleven years later as the Deputy U.S. Trade Representative in the Bush administration where I was involved both in negotiations and coordination of policy as chairman of the Trade Policy Review Group.

OWEN: I can summarize him in one sentence much better than that. The *Wall Street Journal* had an article that said Fred Bergsten was going to Canada to discuss international economic relations and he was taking Jules Katz as an aide.

Am I wrong, Jules?

KATZ: Henry never got over that.

DAALDER: Roger.

PORTER: Jules helped tutor me when I first came into government. I spent three-and-a-half hours in the Nixon administration, arriving at 8:30 in the morning to begin my government service on August the 9th, 1974.

UNIDENTIFIED SPEAKER: And you had no idea that....

PORTER: My arrival and his departure were purely coincidental. I was coming as a White House Fellow assigned to Vice President Ford and suddenly discovered myself working with him, with his principal economic assistant, Bill Siedman, and with the Economic Policy Board during the next two and a half years. I returned in January of 1981 and spent almost five years in the Reagan administration coordinating economic policy, and then returned again in 1989 and spent four years in the Bush administration doing economic policy.

FAUVER: I'm Bob Fauver. I'm currently at the State Department where I'm the coordinator for India and Pakistan. I was President Clinton's G-7 sherpa for the first two years of the administration, and I think the only career civil servant to have had that post, and probably the first and last career person to have the G-7 sherpa post. Prior to that I spent about twenty years at Treasury where I was engaged in a variety of financial negotiations; worked for Fred

[Bergsten] during his four years at Treasury, and then went on with the yen dollar and the Plaza Accord and a variety of G-7 and G-5 summit exercises. I ended up as the Undersecretary of State for Economic Affairs at the tail end of the Bush administration. Then I went over to the White House and did the G-7, and now I'm back at State.

FRIED: Ed Fried. I was at the NSC in '67 and '68, and before that for about twenty-five years in various positions in the State Department.

BERGSTEN: I succeeded Ed Fried, which is my claim to fame. As my sentence for serving in the Nixon White House, I was in the Treasury in the Carter period, as Assistant Secretary for International Affairs. But my greatest claim to fame is that I'm the one who told Carla Hills to hire Jules Katz and bring him out of that eleven years of semi-retirement in the private sector.

KATZ: Fred, I always knew if I knew you long enough I'd find out something really good you'd done.

BERGSTEN: Well that's what I say. It's my claim to fame: I put Jules in, and he negotiated all those good trade deals.

BATOR: Francis Bator. I've been at the Kennedy School since the early Middle Ages. My government service: I was briefly, for a few months, something called Senior Economic Adviser to David Bell, then Director of the Agency for International Development. It was really a non-job. Then I went to the NSC staff. Mac Bundy [Assistant to Presidents Kennedy and Johnson for National Security Affairs] hired me as the economist on the NSC staff; a year later I became the Deputy Special Assistant for National Security Affairs and took on the portfolio for U.S.-Europe, as well as foreign economics. I did that until September 1967 when Walt Rostow hired Ed [Fried], I guess. I'll parallel Fred. Not my greatest claim to fame, Fred, but some fame: I told Henry Kissinger to hire Larry Eagleburger.

DAALDER: Carl.

KAYSEN: I'm Carl Kaysen. I was on the NSC staff. I came in the early spring, and was Bundy's deputy starting in November 1961. I turned out to be the economics person on the NSC staff, although that was not what I was recruited for nor was it Bundy's idea to have an economics person. I won't bother now since I'll say it a little bit later, but I would say I had a finger in almost every pie that was being cooked over the three years of the Kennedy administration.

DESTLER: Henry.

OWEN: During the Carter administration I was an ambassador-at-large in charge of those international economic affairs that were centered on the annual G-7 economic summit. Now I'm at Solomon Smith Barney.

BAILEY: I'm Norman Bailey. I joined the Reagan administration from a career as a university professor and partner in an investment-banking firm. In the approximately three years I was on the National Security Council, it was reorganized twice, so I had various titles. At the end of the period, I had three titles, Special Assistant to the President for National Security Affairs, senior director of international economic affairs, and I held a concurrent appointment at the Treasury Department as Executive Secretary of the Senior Interdepartmental Group for International Economic Policy, which had the catchy acronym of SIG-IEP, and which I was interested to see is not mentioned anywhere in the readings. For about four years it was the principal coordinating mechanism on international economic policy of the U.S. government. So it should have been in these readings, and I certainly hope that it will be covered extensively in your book. It continued after I left the government. Roger Robinson, who had been my deputy, succeeded me in my position on the National Security Council staff and as Executive Secretary of the SIG-IEP, and probably should be at these meetings.

GREENWALD: I don't have any fancy titles, I'm afraid. I slugged my way up through the State Department and a few posts overseas, and whenever I was in Washington I spent my time dealing with one form or another of international economic coordination.

FROST: I’m Ellen Frost. I'm affiliated with Fred Bergsten's institute, the Institute for International Economics. Over the last twenty-seven years I've had a lot of government jobs: Senate, Treasury, Pentagon, USTR. In the transition to the first Clinton administration, I was asked by Madeleine Albright to write a transition paper on what to do with the international economic office of the NSC. That is because I share with Mac an interest in the intersection of economics and security.

DESTLER: Thank you all.

To launch this discussion I would like to ask Carl Kaysen to expand on his experience, with some reference to the early questions on this list, but essentially how his role developed and what relationships were important. Then others may either ask Carl questions or talk about how things were similar or different during their periods, so we can move the discussion along.

KAYSEN: Let me start by saying what many of you know. President Kennedy was not a man with an organization chart in his head. He paid no attention to organizational charts. He did have, I think, a sense of what people were good for, usually accurate, not always. I went to Washington because I knew Mac Bundy. We were colleagues at Harvard, and he called me up and said, "I'm having a good time and I need help." So that seemed attractive and I went.

Just to give you a sense of how non-specialized the NSC staff was at this time, the first two things I did were, one, write a civil defense program, two, start liberating Okinawa, from the Americans that is. But partly because I was a professor of economics at Harvard and partly because of personal relationships, and I stress this, I fell into dealing with the economic problems. Walter Heller [Chairman, Council of Economic Advisers (CEA)] was a friend of mine. Jim Tobin [CEA Member] was an intimate friend of mine. Kermit Gordon [CEA Member, then Budget Director] had been a fellow graduate student. So I knew them. I knew [Under Secretary of State] George Ball. I'd met him a long time ago when he was involved in the bombing survey. I knew Bob [Under Secretary of the Treasury for Monetary Affairs Robert] Roosa. We were wartime colleagues. And I knew Dave Bell very well. We had been colleagues at Harvard, and he was the first director of budget. And I knew Fowler Hamilton, who was the first short-lived AID administrator. So it was natural for me to talk to those people. It was natural for some of those people to talk to me when they wanted help. And this essentially evolved in these somewhat personal terms.

There was no sense at that time that there was a bundle of problems called international economic policy. There was trade policy. There was AID, which was then heavily oriented to security assistance; and the Development Loan Fund, which had been started at the end of the Eisenhower administration, was still a new enterprise. It was finding support and interest. Kennedy was interested in it. Frank Coffin, who was the head of it, was somebody who could relate well to the President. The biggest continuing international economic issue in the Kennedy administration was the international payments situation. And here there was a real sharp division from the beginning to the end of the administration. The Secretary of the Treasury [Douglas Dillon] and his undersecretary, Mr. Roosa, felt that, so to speak, staying on gold at $35 an ounce was at least as important as containing the Russians, and that we had to worry a great deal about anything that threatened a run on gold. We had to react to every lift of the telephone at the Bank of France, and so on. That was a continuing argument in which the Council (of Economic Advisers), George Ball, the Undersecretary of State — the Secretary didn't interest himself in this at all — and I, as a pretty minor player, were on one side and Dillon and Roosa were on the other. Basically, the President's judgment was probably that the Council, Ball, and Kaysen were right, and he would listen to Dillon anyway.

FRIED: Now what was your side, Carl?

KAYSEN: Once, Walter [Heller] and I spent an hour with the President explaining to him that he couldn't change the value of the dollar, but he could close the (gold) window. He was very much interested; he wrote that down on a piece of paper and put it in his desk drawer.

In 1962, we had a two-hour seminar — no, it was '63, because Jim (Tobin) had already gone back to Yale and came back. We had a two-hour seminar on the international payments balance and gold. Dillon, Roosa, Tobin, Heller, you know, me --

BERGSTEN: But it was on gold, not on the question of the fixed rates.

KAYSEN: Yes.

BERGSTEN: But no, you said gold --

KAYSEN: Everything.

BERGSTEN: Well, you were going to do what Nixon did in 1971.

KAYSEN: Yes. The Council [of Economic Advisers] said the dollar's over-valued. To change the valuation would be difficult, and politically you can't do it; the Congress has to do that. On the other hand you, yourself, can close the gold window. There was an argument about what was the, so-to-speak, GNP contribution of the dollar being the value standard and the United States being the international central bank, but no numbers; it's very hard to estimate. Fred probably had an estimate stuck in his pocket. But I would say that there were very highly exaggerated views of the value of this that were current at the Treasury. But if we talk about the substance of the problem, which we're not supposed to do, I think the most important point to make was that the President felt this was a highly volatile political problem and the Secretary of the Treasury was the person he should listen to, not his in-house staff people.

DESTLER: I want to give Bo Cutter a quick opportunity to introduce himself, because we went around the table with people stating in a minute or less what their involvement in international economic policy or government was. I think most people here know you, as well.

CUTTER: I can do it in five seconds. I'm Bo Cutter. I was on the National Economic Council throughout most of the first term of President Clinton. At that point we had a shared relationship with the National Security Council on international economic policy. I was the NEC's Deputy and therefore had something to do with setting up and managing the NEC-NSC relationship.

DESTLER: Carl, let me ask you about President Kennedy. Did you start out with a relationship with the President?

KAYSEN: No, I didn't. He was an overseer of Harvard College and I was a faculty member but I never met him there. As soon as I came to Washington at the end of April, however, Bundy introduced me to him. We had a lot of interaction on the civil defense business because that was something that bothered him. Basically, I'd say by the end of the summer I had a personal account, so to speak.

Let me pick out a couple of themes and talk about them in organizational terms. Trade was a big issue, and the Trade Representative was important. You'll remember that Kennedy, in a characteristic way, appointed Christian Herter as the first trade representative because he wanted a Republican. His deputy was a fellow who very briefly had been general counsel for Ford Motor Company, Bill Gossett. And I got the reputation of firing him, which I didn't. He was very unhappy and I made the President aware of that fact, and Gossett was glad to go. Basically speaking, he was a good lawyer, and being a lobbyist with Congress in this way, in this realm, was something he just found himself uncomfortable with. I did, in fact, hire his successor, Bill Roth. That was just an accident because the guy who usually did senior foreign affairs personnel, Ralph Dungan, was on vacation that week, and so I did the job. That's the way things worked.

You make three telephone calls and you do it. I can't refrain from telling a story here. When I gave Roth's resume to Kennedy, he said, "He went to Yale. What were his grades?" And I said I didn't think to ask. He said, "What kind of professor are you?"

The trade issue involved the trade representative, Herter, George Ball at State, and Mike Blumenthal, who was the man in Geneva. I served as a kind of back up man for Mike. That is, whenever he was in trouble on some concrete thing in which an American interest was pressing on him, whether it was the Secretary of Agriculture or some trade association, he would yell to me and I would get him help. And George Ball viewed me as an ally.

And so then there were a lot of ad hoc issues, the grain deal with the Soviet Union, which was more an NSC issue; selling stuff in the stockpile system and how it would affect Malaysia. When Kermit Gordon, then budget director, wanted to sell something to make a little money, I got into the act of whether it would hurt so-and-so.

But the two big economic themes were money and trade, and Dillon was clearly the center of the money business, and George [Ball] and Chris Herter and Bill Roth were clearly the center of the trade business. I would get into wars, especially interdepartmental wars, the chicken war, whether we were going to put a super-tariff, what was it, on Belgian carpets and somebody's glass.

When these wars got to the cabinet level, I would be responsible for trying to get people together and for trying to get the President to hold to his nominal policy line and not give into the pressures, and for saying why the record is what it is. Like other Presidents he succeeded sometimes and didn't other times.

DESTLER: Francis, did you pick up Carl's role? Did you create your own or did you overlap? How did your situation evolve?

BATOR: Mixed, Mac. There was a — I think Carl went back to Cambridge, when?

KAYSEN: Well, I went at the end of the summer really, although I came down as a consultant three days a week until November.

BATOR: Of 1963?

KAYSEN: Yes.

BATOR: Mac Bundy didn't hire me until March/April of '64. I think during the period he decided he'd better have someone around to deal with all the chickens and canned hams, and the Treasury. And I started doing, as I say, economics. I was helped very early, by the way, by Ed Hamilton, who'd been, I think, an intern at the Budget Bureau. At the time, I remember

Kermit Gordon saying, "Take him on, he's the smartest fellow in town." It was one of the best things I ever did.

But let me say some institutional things if I may. I'll come back to what I did. But I think it's worth saying — it really was the early Middle Ages and maybe ancient history — that thinking of the NSC staff as it was then as an institution is really all wrong. It was a bunch of people, a very small number. There was Mac Bundy when I started, and then after a year or something I'd been made Deputy Special Assistant together with Bob Komer, who soon went off to do the Vietnam stuff. We weren't Mac's deputies. Areas had become assigned, and I had economics. When David Klein left, Mac said, "Look, there's such an overlap and the President doesn't like new faces. Why don't you do Europe too?" Part of the reason I think Komer and I were made presidential [i.e., given a White House title] is because Mac was thinking about what would happen after he left.

One reason for assigned portfolios (e.g., Europe, foreign economies, etc.) was that, except about Vietnam, LBJ did not continuously keep in his head the flow of major cross-cutting, international business being done by State, Defense, Treasury, etc., at least not to the degree that I understand Kennedy did. (It was, I would guess, the other way around on domestic legislative matters.) That meant that the task of identification and early warning with respect to issues where the usual decentralized processes, without presidential involvement, would produce a mess or outcomes contrary to what the President might want, or lose opportunities, became a major part of the job of the NSC staff officer. Ditto, for the post-identification shepherding of the process of presidential involvement, decision and oversight. For any one staff person that required continuing involvement with the ongoing high-level business, keeping contact with the right set of people in the departments, etc. One could only do that with respect to a limited domain, so some specialization, assigned portfolios became more necessary than the way it was during the Kennedy period as Carl described it. I should add that once LBJ focused on an issue of, say, dealing with the French on NATO, or the UK on BAOR [British Army of the Rhine], balance-of-payments offset for the cost of US troops in Europe, and sterling, or the Germans, he was in my experience shrewd and wise, often more so than his senior advisers. Ditto with respect to Soviet relations, early détente ("bridge building").

Another organizational point: there was less of a distinction between the White House staff proper and the NSC staff than today. There was a little bit of tension involved initially, but after a while one was treated as Carl was treated, as a part of the team. And that, too, underlines the point that the NSC was not a "machine." There was no such thing as a "NSC position."

DESTLER: Did you start out doing stuff directly for President Johnson, or did that evolve...

BATOR: No, Bundy watched me for about four months to see whether I could swim. And then, rather characteristic, he said — it must have been about the time that we did the aid message, which was the first big message I had to shepherd in the fall of '64, after I had been there a few months — he said, "Sign your own memoranda and send them through here; the

President has to learn who is doing his work on this stuff. I can't be in the position of translating Hungarian economics into Texan."

Thus, there was a fairly long period of building up a relationship with the President, who hated new faces ("Who is this fellow using my switchboard, car pool, stationery…"). He tested one very carefully. And after a while he'd make up his mind that X was probably too soft on the British, a little too hard on the Germans, and didn't mind giving him bad news, that when Y said Ball thinks this, or McNamara thinks that, he would put their side of the argument clearly and fairly. Do you want anecdotes?

DESTLER: Go ahead.

BATOR: During this hazing period, I had said something about what George Ball thought, and the President picked up the telephone. I was standing right there — picked up the telephone and called Ball and said, "George, what do you think about this?" And, bless his soul, at the end of the conversation I heard Ball say, "By the way, Mr. President, I just told your young fellow Bator all about this…"

By the way, relations with the Treasury were very different than during the Dillon period. I overlapped briefly with Dillon. But by the time of the big balance of payments message in February of '65, though Dillon was still Secretary, Roosa had already left, and the interdepartmental coordination of that message was left mostly to the White House. During the Dillon regime, international money was dealt with by something called the Long-Range International Payments Committee (LRIPC).

KAYSEN: Which was set up under Dillon in the Kennedy administration, and it was — if I may interrupt — it was a response actually. It was Dillon's response to the pressure from the Council [of Economic Advisers] and George [Ball] on this issue.

DESTLER: To have some interagency structure....

KAYSEN: Well, I would say, more to give a stage for Bob Roosa's considerable talents and unclear exposition.

BATOR: Well, let me come into that. The LRIPC met in the big conference room at the Treasury. There must have been a small army in the room. And it occurred to me after a while that it was always stifling in there. (I rather think that Bob Roosa, who didn't want anything out of that process because it might dilute the Treasury's role, left instructions to turn up the thermostat.)

In any event, there was an enormous change in that when Joe Fowler became Secretary in March of 1965. He had it already in his head that on one issue, international liquidity, though not on the exchange rate and on $2.80 sterling, he really wanted to move the negotiations to create what later came to be known as SDR. [1]

DESTLER: Do you have a question on this?

PORTER: I do have a question. I'm fascinated with your observation, Carl, that John Kennedy had very little sense of organization, but that he did have a very good sense for people. I would like to tease out a little more from you about Kennedy's relationship with Douglas Dillon and the Treasury.

I found some interesting materials in the Eisenhower Library. As you will recall, Dillon was Undersecretary of State under Eisenhower. When he was approached about the Treasury job he went to Eisenhower — and some of this is exchanged in letters — and asked him his advice regarding the position at Treasury. Eisenhower was not negative on the idea, but advised, as one might expect, that he ought to take care not to get himself into a position where he was going to be an isolated figure in the Administration. He encouraged him to extract some sort of a commitment from Kennedy that he would be primus inter pares among his advisers.

When I interviewed Walter Heller, he told me that he had only met John F. Kennedy once before JFK appointed him. They did not have a longstanding relationship. And it sounds to me like Dillon and Roosa were very interested in appropriating under Treasury — this is not an unknown phenomenon — a whole cluster of policy issues. I found a few things in the Kennedy Library which suggest that Dillon was obsessed with the balance of payments. A number of memos of his kept shuttling into the President on that.

Maybe you could tell us a little more about what was going on.

KAYSEN: Do you want me to respond now? I can be brief.

DESTLER: Yes, go ahead.

KAYSEN: The answer is you're quite right. I have no idea what kind of conversation Dillon and the President had before Dillon accepted the job. But Dillon was not obsessed with the balance of payments. Kennedy understood two things about Dillon. One, that he's a very smart man. And he was a very smart man. He's still around, and he's still smart. And I think he considered —Mike Coskin tells me he considered — asking David Rockefeller to be Secretary of Treasury, but I don't know whether he decided correctly that Dillon was a much smarter fellow than David Rockefeller was. But he did want a Republican.

When I say Dillon was not obsessed with the balance of payments, I mean that Dillon was obsessed with domestic macro economic policy, and he was an anti-expansionist who was

[1] International monetary negotiations in the Johnson administration led to creation of "special drawing rights" (SDRs) under the International Monetary Fund, which nations could include in their international currency reserves.

fighting the expansionists in the Council. The balance of payments was the issue that Dillon used to deal with it. Kennedy valued Dillon's opinion on everything. He was made a member of the Executive Committee for the Cuban period, but he didn't follow Dillon. I'd happened to sit in on my first NSC meeting when the loan to Ghana about the dam for Kaiser was being discussed. Two people spoke out vehemently against the loan. Some people were skeptical about it. The Secretary was skeptical about it. Dillon spoke out vehemently against it, and Bobby (Kennedy), who'd come in late, was sitting in the back row, just behind the President. Just as Dillon was wrapping up, Kennedy said "I feel the hot breath of my brother's disapproval on my neck. What's your view, Bobby?" Bobby gave an oration about being criminal with the communists, and the rest of it. Kennedy said, "Thank you. Let's go ahead with the dam."

BERGSTEN: Carl, I can't resist. Either Sorensen or Schlesinger, in their histories of the Kennedy period, said, "Kennedy's two great fears were nuclear war and the balance of payments." Was it that much in Kennedy's mind?

KAYSEN: It was strongly in Kennedy's mind. I was put in charge of something called the gold budget. For about four or five months I got a weekly report from the cabinet officers about how much overseas debentures they were liable for, and I think Kennedy got tired of that. Thank God.

BATOR: So Treasury relations after Dillon were very different because, one, [his successor Joseph] Fowler wanted to move on liquidity. Second, Roosa was gone, and his successor Fred Deming was a very nice guy, but somehow certainly not in Roosa's class with respect to either technical competence or bureaucratic grasp. I think Joe Fowler decided that he needed help and therefore welcomed a presidential instruction. The instruction was two and a half pages that not only laid out the structure of the international monetary and financial problem, including the U.K. problem, with strong indication of the directions in which the president would want the government to move, but, in addition, instructed that the secretary set up a small interdepartmental standing committee that would report through the secretary but to the president. It was to be chaired by the undersecretary of the treasury for monetary affairs, Frederick Deming. It was called the Deming Group. It had Art Okun from the Council. It had Dewey Dane, who was responsible for international stuff as a Governor of the Federal Reserve Bank. And in this case, we made an exception and allowed a staff person to come in, so Bob Solomon could attend. He was the only staff person from the Fed. I want to say to my close friend, Ed Fried, there was no way of getting around the fact that Tony Solomon, his assistant secretary [of state for European affairs], had to be there, ex-officio, but it really hurt me because I very much wanted Ed who was then on the planning council to be that person. And, in fact, we had a conversation, and it was a painful conversation because I kept saying yes, but I can't do it. It was a damn shame in terms of contribution. Tony was fine, but this was not really his cup of tea.

And that little group — the Deming Group — became Joe Fowler's brain trust for international financial issues to a remarkable degree.

One of the things that played a role here is that Fowler, who had superb strategic sense (the SDR negotiations would not have succeeded but for two or three strategic judgments he personally had made) felt that he needed presidential help, that he needed the President saying to the German chancellor or the Prime Minister that this or that mattered to him. Further, he was diffident in his relations with the President. LBJ was very fond of him, but it wasn't an entirely comfortable relationship, and Joe didn't mind having someone whom would act as a kind of intermediary participant.

As an aside, LBJ had a rather different, less melodramatic view than Dillon and Fowler on the priority of fixing the American balance of payments, and about the consequences of a run on the gold window. The President's intuition was that the notion that the centrally important thing in American foreign, and indeed domestic, policy was to preserve the option for the French to buy gold from us for $35 an ounce was somehow not right. Ditto that the most important thing to us about relations with the British was that they maintain a $2.80 cross rate. All this became clear to me only gradually. I don't think he ever said any of this outright, certainly not to his Secretary of the Treasury. But his instructions to me, and his policy choices with respect to especially the balance of payments and his dealings with e.g., Harold Wilson clearly reflected it.

Mac Bundy once said that Lyndon Johnson — very different in a way from John Kennedy — hated being understood. One had to figure out what he had on his mind by the particular set of responses, choices, decisions, and non-decisions he made — how he responded to what one wrote to him in memoranda and what one said to him. (It was a curious game of inference requiring a lot of testing.)

BERGSTEN: Francis, the group you described was commonly called the Deming....

BATOR: The Deming group and later became the Volcker group. On trade, which was a very big account throughout, what determined the role of the White House staff officer on this was that Governor Herter, already not in very good health, was not comfortable with President Johnson, so Mac became his interlocutor. It was very natural. Bundy and Herter had known each other for a very long time. And since Mac wanted to ease out of all that stuff increasingly, he pushed it mostly off on me. It helped that Bill Roth and I formed a very close and easy friendship. Bill never did build a relationship with the President, didn't have to, and it didn’t matter very much. On the central issues where presidential decision was crucial I had to do a lot of the ring-holding.

DESTLER: Okay, let me do two things. One, just let me mark and note the arrival of the two final members of our group: Susan Schwab, who is my dean in Maryland and was a major force in U.S. trade policy for Capitol Hill in the 1980s and as Director General of the U.S. and Foreign Commercial Service in Commerce under the Bush administration; and Ed Hamilton, who knows quite a bit about the events that have been talked about, was mentioned favorably earlier in the conversation, and who had worked with the Johnson administration on mainly international economic policy issues on the NSC staff.

I want to pose a pseudo-organizational question to Ed [Fried] and to Fred. Some of us say, as social scientists, if you have two data points, you can draw a line and a generalization. It does sound, though it varied enormously according to personalities, that with Carl and with Francis there was established a role that somebody reasonably senior in the NSC staff was going to be involved at least in the monetary and trade area on issues that involved more than one agency. Is your sense, Ed, that when you came over that role was something that you picked up, or did you have to reinvent it? And the same question to Fred which, of course, is more complicated because Fred came in with a totally different administration and cast of characters.

BERGSTEN: Totally.

FRIED: When I came in, and for the rest of my time there, I was preoccupied with the monetary relations and the Deming group, and things that went with it. The trade negotiation had been completed. There were trade issues, but they weren't really the same kind. East-West trade issues came up frequently. Even going back to Carl, the issues of stockpiling, I suppose, were still with us, and I'm sure they continued on for a number of other administrations.

So that was all there and the cabinet committee and the gold budget and all of the rest of the nonsense. So much of my time was spent with all of the things that arose from this desperate attempt to maintain a fixed rate system based on the U.S. dollar and gold. There were gradual changes, and we don't want to get into substance where we know the gold window was closed, but in a different sense. That's why I asked you the question. The gold window was closed. We didn't provide gold any more, but we didn't go off gold until 1971.

I'd like to go back for a moment to a completely different set of issues that Carl raised — what is coordination really? Why does it matter? Carl said to serve as back up to somebody when they get in trouble. And that clearly is something that runs through, that could be very useful in an NSC and White House staff, and that happens all the time. But at the time, and I think I would say during the Kennedy-Johnson period, certainly in the first half and more, State, in the person of George Ball was really the dominant factor in foreign economic policy. And much of what you call coordination was done by the agencies themselves.

BATOR: I'd go on to say there was a very sharp change in the summer of '66 for two reasons. One, Ball was leaving. Two, in the spring there had been a very big contretemps on how to respond to the de Gaulle withdrawal from the NATO organization, where Ball and the senior State Department hierarchy, including Mr. [Dean] Acheson and Mr. [John] McCloy, took the view that there must be no special place for France. The President took a 180-degree opposite view on how he wanted to respond. That created a kind of a tension so that by the summer of '66 — and the Kennedy Round still went on for another year, the international monetary negotiations still went on for another year, the Trilaterals became very big business — and with the Secretary of State not deeply engaged in any of these issues in a continuous way — there was no one on the seventh floor in the State Department who could play the Ball role. The undersecretary for political affairs who came in never quite worked out. That left John Leddy [European Affairs] and Tony Solomon [Economic Affairs] on the sixth floor. Since the Secretary wasn't very responsive, collaboration especially between Leddy and me was very important during that year. The other big negotiation that was going on, which was partly economic, was the trilateral negotiations between the Germans and the British on force levels, balance of payments offsets, and all that. State alone couldn't take the lead in the coordinating process.

FRIED: I was assigned to the trilateral task force. I was their economist. State really was the lead agency for much of this period. Gradually, it gave up some of its role in trade. For most other things, it was natural for State to lead. And the NSC, in my view, was, in effect, the natural ally of State on most of these issues. And so the NSC was brought in to help deal with any opposition. That doesn't seem to me to come into the framework....

BATOR: Not on international money, Ed. And on issues that crossed money, e.g., relations with the UK, the Germans on offset (it crossed the issue of NPT and force-levels and Ostpolitik).

FRIED: Money? I exclude that.

BERGSTEN: I want to pick up from what Ed just said. I think the White House staff, at least as I saw it when I came in, had two distinct, though related functions. One was staffing the President on these issues, which I, coming in, inherited from Ed, Francis, etc. The second was coordination, and that changed dramatically with the Nixon-Kissinger system, because within an hour of taking office, we sent out the famous twenty-seven missives. Paul Volcker writes in his memoirs about how, with some puzzlement, and with some concern, he came to his office and found this memo on his desk that said to do a paper on international monetary options and give it to Henry Kissinger within three weeks. He had somehow thought that he was working for the Secretary of the Treasury, but now he wasn't so clear. With the Kissinger-Nixon NSC system, economics was a part of it, though different, for the obvious reasons. The role of the White House and the NSC staff changed.

Now what also happened was that USTR [U.S. Trade Representative] — STR at the time — which was set up as the coordinator of trade policy, was incredibly weak at the start of the Nixon period — and the reason was that [Secretary of Commerce] Maurice Stans had wanted to pull it into Commerce. I fortunately was able to convince Kissinger and Nixon that it would be a terrible idea and stopped it. But the quid pro quo was that Nixon said to Stans, "But you can name the STR." So he deliberately named a very weak guy, and the result was a rather impotent STR — the result of which was that it fell then to the NSC staff to do most of the coordination on trade policy in the early days of the Nixon administration.

KATZ: That was Murray Chotiner who played a role.

BERGSTEN: Well, Murray Chotiner became the general counsel of STR and then resuscitated some of the STR.

DESTLER: What about CIEP [Council on International Economic Policy], Fred?

BERGSTEN: Well that was later. I'll encapsulate the story very quickly. When Kissinger hired me, he said,— I was 27 years old — " Fred, I want to make a deal. You do everything in my name and never bother me." And I said, "Don't know if that will work, but we'll try." It worked for a year or so. But then the domestic side at the White House began to realize that it wanted to weigh in on this — whether it was Peter Flanigan on most issues, or occasionally Chuck Colson, who tried to get me fired four times for seeking to reduce import barriers for industries that were heavy contributors to the Nixon campaign (textiles and steel, or others). And so it became clear after a year or so that coordinating foreign economic policy through a Henry Kissinger-led NSC was unlikely to work. By that time, George Shultz was head of OMB, and he and I plotted, to put it bluntly, to create what became the CIEP and to bring Pete Peterson in to coordinate foreign economic policy. It was basically Shultz's idea but I did not resist the idea of taking it out from under Kissinger and told him as much, because it wasn't going to work with him there. That, in a capsule, was what happened. And that began the period of moving coordination away from the NSC per se, and there has been a tension ever since — domestic side, international side, the White House, different organizational forms, none of which worked very well.

The CIEP was essentially castrated before it ever started, by John Connally [Nixon's new Secretary of the Treasury].

KATZ: He came about the same time.

BERGSTEN: Right. By the time Peterson got up and running, by which time I had barely left, Connally swept the field, and so the CIEP had no effect, and basically Connally was the driving force.

KATZ: I think what needs to be added to this discussion is August 15, 1971. From Friday afternoon to Sunday, there was a meeting at Camp David, driven primarily by Connally, but also by Peterson, where the so-called new economic policy was formulated. Now, one of the interesting things about that is Henry Kissinger was on holiday. He was out of the city.

BERGSTEN: He was negotiating with Le Duc Tho in Paris.

KATZ: I don't know where he was, but he was not there.

BERGSTEN: He was secretly in Vietnam negotiations.

KATZ: And the undersecretary for economic affairs at the State Department was also on vacation.

BERGSTEN: He was on vacation, in the dark.

KATZ: He was in New England. Well, he probably would have been in the dark anyway. At any event, with nobody from the State Department at the meeting....

BERGSTEN: Nor from the NSC.

KATZ: ...I was the acting Assistant Secretary at that point. When the program was announced, which, of course, was rather dramatic, perhaps even Draconian — going off of gold, ten percent surcharge, denouncing whatever agreement with Canada, and a whole series of other measures — I was called to the White House on Sunday afternoon to hear what the program was and then given certain tasks about informing the diplomatic community and the rest of the world. In any event, that led to a number of recriminations thereafter as to why the State Department was not present at that meeting, or the NSC. I mean at the NSC — there wasn't anybody at the NSC at that point that had responsibilities for foreign economic policy.

BATOR: Was Bob Hormats, Jules?

BERGSTEN: Yes, Hormats was on my staff. I'd left in May, and Hormats continued on but as a very junior guy.

KATZ: There was a telephone call -- I don't know whether it was on Monday, but shortly thereafter from Arthur Burns [Chairman of the Federal Reserve Board], both to Henry Kissinger and to Secretary [of State] Bill Rogers, saying, "You guys have got to be involved. I mean these cowboys are running away with it." And that did lead subsequently to greater involvement of the State Department. But it was all pretty chaotic. And as Fred said, the CIEP never really got anywhere. When Flanigan took it over, there were greater attempts at coordination, but overall the CIEP was a particular failure.

PORTER: In fairness, it should be pointed out that it wasn't just State that was cut out. The irritations that State felt were shared all across the government. This was basically a Nixon-Connally deal. When one interviews the people who were elsewhere in the government, they were as upset and irritated as was the State Department. So State and the NSC were not the only ones singled out for this kind of treatment.

DESTLER: Henry?

OWEN: We've been looking so far at eras that have strong personalities, particular pluses and minuses. Let me suggest that what we ought to be looking at is eras in which there were great successes achieved. How did they become possible? What can we learn from this?

DESTLER: There was only one.

OWEN: No, I'd say there were two. One was very great, one very modest. The great one's the period right after the war with the Marshall Plan, the World Trade Organization --

BERGSTEN: The GATT.

OWEN: The GATT, exactly. And that was a period of tremendous creative accomplishment, and it came to a large extent out of the White House, but also out of the State Department. A few strong people did it, and the great advantage of the system is that it didn't get in their way. There wasn't a hell of a lot of coordination. Very few people knew about Secretary [of State George] Marshall's speech at Cambridge before it happened, and that's why it happened. And very few people were involved in the opening Marshall Plan initiatives. And we ought to think that sometimes the government works best when there aren't too many people involved and you don't have too much coordination.

The other accomplishment was modest. When I was in the position that some of you occupied earlier in the White House, the great issue was energy. President Jimmy Carter, who was remarkably more intelligent than you'd think from looking at his domestic policy, said there's only one solution to the energy problem, and that's to lift controls, and that will eventually solve the problem. The Congress said to him "The hell it will." And the Dole resolution was passed which prohibited any lifting of the controls. The President had the Democrats in and they said, "Oh God, lifting controls would kill us in the election." And then the President’s political friends said it would kill him vis-a-vis Kennedy. The President was baffled because he knew what to do and he didn't know how the hell to do it. Several people, of whom I was one, said to him that the way to do this is to make this an international issue, not a domestic one. You go to the G-7 Economic Summit and trade the lifting of controls for something that will be pleasant to your domestic constituencies and then it will work. I went to Bonn and, under his instructions, I said to the German Chancellor: "We'll lift controls if you will follow the kind of macroeconomic policy we want, which is a more stimulating policy." And I said the same thing to the Japanese Prime Minister, and they agreed. Then I came back to report to the President.

BERGSTEN: This was known as the locomotive theory.

OWEN: Right. I have to tell you this. When I went and told this to the Chancellor, he said to me "You're not talking of a locomotive theory, are you?" I said, "Oh no, Mr. Chancellor."

BERGSTEN: That was Mondale.[2]

OWEN: And he said, “You know, in this chair where you're sitting, Mr. Owen, there sat Fred Bergsten weeks ago who told me about the locomotive theory. He has never met a payroll. He has never run a government. He has never run a ministry.” And then he said to me, [speaks in German], "Now, it is just you and me." I said, "Well, I know that, but I’m not Fred Bergsten."

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[2] Just after Carter’s inauguration in 1977, Vice President Walter F. Mondale led a delegation of US officials (including Bergsten) on a trip to Europe and Japan where he urged Bonn and Tokyo in particular to stimulate their economies so that, like “locomotives,” they would help pull the world out of what had been the worst recession since World War II. German Chancellor Helmut Schmidt expressed resentment thereafter about being thus “lectured” by US officials.

BERGSTEN: I threw my body in front of the train for you.

OWEN: You did. Anyway, the President then went to the Summit and came back after the Summit, having made his deal, and met with the congressional leaders again, and he said, “I bring you back an international accomplishment. We agreed to reduce our controls of energy and we also got, at the same summit, the French, the British and the Italians to agree to a much more vigorous trade negotiation policy. They accepted much higher targets of tariff reductions than they had hitherto, and the Germans and Japanese agreed to more stimulating economic policies.” The President outlined all this to these Congressmen. And one or two of them, particularly that Senator from Ohio --

BERGSTEN: Metzenbaum.

OWEN: Metzenbaum was totally unimpressed. But the vast majority of them were impressed by the Summit’s results. And they said, "Mr. President, you've done it." I think it was one of the very few times in the administration that the congressmen said that to him. The very people who had before supported the Dole resolution and had told him under no account to decontrol oil said, "You've done it and we will go along with the policy of lifting controls,” which, in the end, meant not new legislation to lift controls, but rather no resistance to the expiration of controls at the end of a nine month period.

Now that was an example in which there wasn't a lot of coordination. In fact, when we were at Bonn making the deal the President said, "Oh, yes, call up Jim [Secretary of Energy James] Schlesinger." So I called him up about 3:00 in the morning and Jim answered the phone. I said, "Jim, here's what we've just agreed to,” and I read it to him. After this talk, I said, "Mr. President, Jim agrees." Then I called Stu [Assistant to the President for Domestic Policy Stuart] Eizenstat. I couldn't get him, but I got his subordinate who was absolutely furious and said this will kill us in the primaries, and so forth. I said, "Would you like to speak to the President about it?" "No, no, no, no." And that was that.

So a lack of coordination enabled us to do something useful. And very much the same thing was true in trade. We had a wonderful trade negotiator, Bob Strauss. He set very ambitious targets, and he didn't tell people about them. He just did them. I remember that in Washington before the London summit — you know, in the summit the President can only have two people with him, traditionally the Secretary of Treasury and the Secretary of State. Bob Strauss said, "Henry, tell the President if I'm not in that conference room, I resign.” I said, "Oh, Bob, that's a terrible mistake. Really it’ll get you in bad with the President." Bob said, "There are a few things that I know a lot more about than you do, Henry. You just tell him that.” So I told the President. The President said, "All right, all right." And we got to London and at 10 Downing Street there were these three fellows, the Secretaries of State and Treasury and Bob Strauss, in the anteroom. And I said, "Mr. President, you have to choose. Only two can go in." "Oh," he said, "yes, I forgot about that." I said, "Well, who should stay?" He said something. "You mean the Secretary of State, Mr. President?" "Yes, take him out." So the Secretary of State was taken out. And so it was that Bob led the Summit discussion of trade and, with all due respect to the Secretary of State --

BERGSTEN: That was an economic summit.

OWEN: This was an economic summit. But Bob did the same thing at Bonn. The fellow who talked at Bonn about trade was Bob Strauss.

I have to tell you one episode. After the three trade negotiators, Strauss and his European and Japanese colleagues, gave a somewhat inflated notion of what they were accomplishing, Giscard said, "Well, I think the trade negotiators boast too much." The other two negotiators got red in the face, but Bob didn't get red in the face at all. He just leaned across and said, "Mr. President, like Dizzy Dean said, 'If you had done it, it ain't boasting.'" A terrible pall fell over the conference. I could see Giscard turning to his aide, who was a military aide, [speaks in French] "Who is Dizzy Dean?"

[Laughter.]

So the military aide came to me across the room and asked me who the hell was Dizzy Dean, which I happened to know. And at that point Callaghan turned to David Owen and said, "David, who was Dizzy Dean?" David thought it was a serious query and he said, "Oh, I'm sorry, Prime Minister, I really don't know. I'll look it up." And Callaghan said, "He was the pitcher for the St. Louis Cardinals in the 1935 World Series, and he licked the Detroit Tigers," all of which was absolutely true. At that point the whole meeting broke into an uproarious laughter with Giscard getting red, after which Strauss was declared persona non grata in the Elysees for the rest of his term. Whenever we had to talk to the President about a trade issue I had to go in his stead.

But this was a period in which a few strong people like Bob Strauss did what was required and the coordination was something else. There used to be a domestic and international coordinating body that met at 8:00 for breakfast every Friday. I made it a rule never to raise a single thing because I thought that way hell would break loose.

DESTLER: This was the one, the economic policy group that met with [Secretary of the Treasury Michael] Blumenthal?

OWEN: Exactly. So while they were lousing up domestic economic policy, the rest of us did all right, and the fact that there was less coordination on foreign economic than on domestic economic policy helped a lot.

BERGSTEN: Hey, but we had our Thursday luncheons.

OWEN: Yes. That was a useful coordination. That was Tony Solomon and Dick Cooper and I, and we met --

BERGSTEN: And me and Jules.

OWEN: Yes. Anyway, that was a very useful weekly session, it was excellent. That was coordination of a few people who agreed.

BERGSTEN: Except when we met without Henry.

OWEN: In any event, that was very good coordination.

DESTLER: Okay. Thank you. Roger, you had the experience of being very central in the Ford administration on economic policy, reaching over into international economic policy, and then coming back in the Reagan period and also in the Bush period. By the time of the Ford administration, George Shultz had succeeded Connally, and he was somewhat less confrontational. Ken Dam was involved too. They left before you came, so that's a period we're not going to be able to get personal testimony about here. But maybe you can talk a little bit about how your role and the EPB, the Economic Policy Board, developed, because it was significantly more structured, at least in aspiration, than what others have been talking about here.

PORTER: George Shultz commanded an enormous amount of respect among his colleagues and was much more collegial than his predecessor, John Connally, which came as an enormous relief to many of them who were still smarting over what had happened in August of 1971. Shultz, at the beginning of the second Nixon term, was designated, in addition to being the Secretary of the Treasury, as Assistant to the President for Economic Affairs. He had an office in the West Wing in which he ensconced his White House deputy, Ken Dam. He set up a morning meeting that included the Chairman of the Council of Economic Advisers, the Director of the Office of Management and Budget, himself as Secretary of the Treasury, and I believe Bill Eberle, who was then both Executive Director of the Council on International Economic Policy and Special Trade Representative. And it was an informal arrangement in the sense that minutes were not kept. Shultz handled the meetings enormously well.

When Shultz left government in the spring of 1974 with Nixon still in office, there was an enormous battle, as is not uncommon, between the Director of the Office of Management and Budget, Roy Ash, and Shultz's deputy and handpicked successor at Treasury, Bill Simon. Nixon, unwilling or unable to choose between two powerful voices, brought an old law school professor of his who was then deputy Secretary of State, Kenneth Rush, over from the State Department and made him counselor to the President for economic policy. Nixon essentially tried to split Shultz's role putting Simon in his place as Secretary of the Treasury and appointing Rush as White House economic coordinator. Rush, who was a terribly nice man, but a little out of his depth in dealing with economic issues, continued to hold these early morning meetings. The proliferation of interagency mechanisms often organized at the cabinet level, however, continued.

By August, when Gerald Ford was sworn in, he turned to Bill Seidman, who had been his economic adviser as Vice President, told him he was going to continue as his economic adviser and interestingly gave him the instruction, "Why don't you start attending all of these meetings for me." Seidman assigned me the task of compiling a list of the existing interagency committees. I went to Treasury and to OMB and asked each for a list of cabinet level, interagency groups that had been set up and were still meeting. I will have to check my notes, but I recall that the total was a double-digit number in the high twenties or low thirties. That, more than anything else, became the impetus for the agreement that Simon and Seidman struck on a Sunday afternoon: to take all the cabinet level entities dealing with foreign and domestic economic policy issues and with a sweep of a single executive order, signed by a new President, create the Economic Policy Board.

I remember sitting around a table crafting the language with Bill Seidman, Bill Simon, Gerry Parsky, and Jack Bennett, who was Undersecretary of the Treasury. The language we settled on was that the EPB would advise the President on the formulation, coordination and implementation of all economic policy, foreign and domestic. Seidman said, "Is there anything else we can think of to put in there?" Jack Bennett turned to Bill Simon and said, "Do you think we can get away with this?" And Simon turned to Seidman and said, “What do you think?" And Seidman said, "Well, who is going to stop us?" Al Haig, who remained for about six weeks as Chief of Staff before going to be NATO Commander in Europe, took the memo into Ford who liked it. That is how the Economic Policy Board was born.

The EPB tended to be relatively formal, meeting every morning in the Roosevelt Room immediately following the White House senior staff meeting. The meetings lasted for about forty-five minutes to an hour. At the cabinet level, there were 520 meetings over the next two and a quarter years, averaging about five meetings a week. The EPB operated with prepared papers and agendas circulated in advance and with minutes distributed following meetings. It was the vehicle through which most economic decisions got funneled.

DESTLER: And actually had the cabinet level people there most of the time.

PORTER: I checked the attendance records of these 520 meetings. Most principals had attendance records above ninety percent. The few who didn't were ones who did a lot of traveling abroad. No one was below sixty percent, and most of them were above ninety percent.

BERGSTEN: It's astonishing. Nobody thought it could happen.

PORTER: The State Department was not included on the executive committee at the outset. This is where, Jules will remember, we ran into a bit of a problem, because the original idea was to keep the executive committee relatively small. It included Treasury, the Council of Economic Advisers, OMB, the White House assistant, and Bill Eberle, who was both trade representative and Executive Director of CIEP.

When Ford started changing his cabinet, he decided to bring in John Dunlop as Secretary of Labor. Dunlop, who had figured out that the EPB was where the action was, said that he would only accept the position as Secretary of Labor if he were given membership on the executive committee of the Economic Policy Board. Elliot Richardson, when he was made Secretary of Commerce, likewise wanted membership on the executive committee. Roughly at this time Tom Enders, an Assistant Secretary of State, was using the device of taking a draft of a Kissinger speech and going around the government negotiating with each individual department, telling them that everybody else had signed onto it and they were the only ones who hadn't. At one point he went too far, and there was an explosion. Bill Simon, who had tried to maintain relatively good relations with Kissinger, was incensed. Ford called a Saturday meeting in the cabinet room to resolve the problem. Fortunately, beforehand, Seidman had spoken with Kissinger and convinced him that this was not a passing problem and that the solution was to have State represented on the executive committee. Given Kissinger's travel schedule, the Under Secretary for Economic Policy, Chuck Robinson, could represent State. The arrangement worked remarkably well.

KATZ: I think I was there.

PORTER: That’s right. And when Robinson was gone, as he frequently was, Jules would come. State was represented at all the meetings and played, in my view, an enormously constructive role.

KATZ: I think that was one of the reasons for success — I mean, I think that that was the best coordinating device of any administration that I ever served, and I’ve served in a few. One of the reasons for the success was that once there was confidence that you could get your view across, you could present your case and have it fairly considered up to the President, then there was much less of a tendency to do end runs. It became a very effective mechanism for getting decisions relatively quickly because there wasn’t a whole lot of argument. You stated your case; the other side stated their case. If there was a disagreement, it went up for a decision and it was decided.

DESTLER: Was the NSC, as NSC, involved at all at this point?

KATZ: I don’t remember that they were.

PORTER: Two people were invited, ex-officio, to attend all meetings, the Assistant to the President for National Security Affairs and the Assistant to the President for Domestic Affairs. If Brent Scowcroft could not attend, then Bob Hormats would come, unless it was a principals only meeting. Normally Jim Cannon would attend from the Domestic Council.

I will interject one little anecdote that you might find of some value. I had the responsibility for circulating papers and soliciting the votes before something was going to go into the President. This was when Kissinger was both Secretary of State and Assistant to the President for National Security Affairs. When the votes came in the NSC staff supported option two and the State Department supported option three. In my innocence I said to myself, this is going to be a little embarrassing to the Secretary to have this memo go in with State supporting one option and the NSC supporting the other. So I called Bob Hormats, apprised him of the problem and asked him to check it out.

About 45 minutes later I got a call back. Hormats, who had tracked down Kissinger, indicated that Kissinger knew exactly what he was doing. He didn't want to rile either set of bureaucrats, and would give the President his view in the meeting. So the memo actually went in with the NSC supporting one option and the State Department supporting another.

KATZ: I want to go back chronologically a bit. Contrary to Henry's preference for a lack of coordination and the successes he pointed to, there's one notable disaster, the worst commercial policy decision ever made by the United States was the soybean embargo of 1973. Some years later, sometime in the late '80s, I had lunch with Ken Dam, and he said, "You know, seeing you here, Jules, reminds me of the worst mistake I ever made in my life." And I said, "What was that?" I thought it had to do with his being Deputy Secretary of State. He said, "Soybeans." I said, "Ah, I remember." He said, "Not having you there was a mistake. I knew if you were there you would have protested." I said, "You're goddamn right I would have." He said, "Well, I thought having the Department of Agriculture would have been enough. But again, the State Department was cut out — I was informed of the decision five minutes to five and invited to come to the press conference when the announcement was made.

OWEN: Another example like that was the grain embargo on the Soviet Union after Afghanistan, which was imposed without any realization that embargoing our exports simply gave the opportunity to Argentina and the others to increase their exports to the USSR.

KATZ: I had left the government just before that.

OWEN: Agriculture was there and did object, but the President said, "Forget it. I need this, and I'm going to do it."

KATZ: Well that's all right. The President is entitled to make the decision, but at least he ought to get the advice.

OWEN: Let me mention one other thing, which is foreign aid. President Carter had clearly in his head that bilateral aid was less useful than multilateral aid. Bilateral aid was given or withheld for short-term political purposes. It was better to have long-term development aid and it should go through the World Bank. So we'd have these elaborate charades in the White House once a year in which the Bureau of the Budget and AID, and so forth, would come forward with their bilateral aid proposals. It would last all day. The President would listen patiently. At the end he would say, "I'm cutting bilateral aid. I'm increasing our contribution to the World Bank." Well, he was absolutely right, and coordination had absolutely nothing to do with it. He was sensible enough to realize what was right, and he didn't let coordination and involvement of lots of people get in the way of his sensible decisions.

DESTLER: Ellen.

FROST: I can't help adding, Henry, that I was at the Defense Department at the time of the Soviet grain embargo, and I was involved in the decision. There was a very strong effort launched to try to get the Defense Department to say that the grain embargo was necessary for national security reasons, which I resisted. Brzezinski later launched a similar effort when he wanted to roll back licenses for the Soviet energy sector. He tried to get the Defense Department to bless this move in order to give it a nice national security aura. But this was contrary to the terms of the Export Administration Act and other relevant legislation.

HAMILTON: Francis may have mentioned this earlier, but this discussion of coordination reminds me that some kinds of coordination are more forceful than others.

You may remember that President Johnson was becoming unhappy with the general nature of Indian policy versus the U.S. on Vietnam, plus a number of other things and decided to make every AID decision for any kind of grant — food aid, technical aid or development aid; that is, capital — above a million dollars run through the White House. Now it had to have his personal approval, not simply that of some bureaucrat like me or any of the rest of us. It was, in fact, his decision process. And unfortunately we worked for the most voracious reader that I think has ever been in the White House. That, plus the fact that he was an absolute insomniac, produced a tremendous volume of material going into him. But he, in fact, read it, and one got it back with marks and comments and sensible kinds of approaches.

But from his point of view, what he was trying to do and succeeded in doing was to back up the system, not coordinate it. To back it up in such a way that every single decision in this area was somehow related to what he regarded as the main tent, which was Vietnam. Therefore, he would put, and many of you may remember this, put George Ball — Ball, of course, being the loudest internal critic of Vietnam policy within the administration — into the room as the devil's advocate, who would argue the case against aid to India, whatever the proposal was; raising such arguments as the fact that one-sixth of the world's silver supply was in mattresses in Indian families, and how could you give aid to a country which had one-sixth of the world's silver supply hidden away. Now, no one had the foggiest idea where he got this statistic, but he absolutely enraged the AID people by doing it. But it was Johnson's technique of essentially discoordinating the process so that the only things that got through that sieve were those that had been through this enormously elaborate process. And you know what happens when you tell the White House it has to get involved in every decision. That means going all the way back down the chain so you can see the decisions rise and having substantial operational influence on them simply because you were, in the end, going to be in that position. I don't recommend it. But it is a way to view the notion of White House led policy and using a coordinating mechanism to do it.

DESTLER: I want to recognize Roger. But I would also like, given that the clock is moving and we've only gotten as far as the 1970s, to push Roger to say what he wants to say, but also to bring us forward and particularly talk in general comparative terms.

PORTER: Just one small point. We've talked about a breakdown in coordination and used as an example the Soviet grain embargo. But it seems to me that it's worth remembering that the problem, at least in my view, was that the Soviet invasion of Afghanistan occurred on December 27th. President Carter had already scheduled an end-of-the-year interview, I think with ABC, which was going to be broadcast. The White House decided not to cancel it. During that interview he used some astonishing language about how he'd been deceived more than at any other time in his presidency. After the inflated rhetoric he used, he could hardly choose to do nothing. The embargo was imposed on January 4th. He made the decision very rapidly.

But I don't think that decision was a lack of coordination. I think it was a problem of the fact that he got himself out on a limb and then had to follow through with it.

PREEG: With respect to the Carter years, Henry made some comments about how very little coordination seemed to work very well, but that was the final three and a half years of the four years. I was involved in the first seven months as White House Executive Director of his EPG [Economic Policy Group]. When Jimmy Carter first assumed office, he wanted to have a much more structured decision process where cabinet members could actively participate; the previous EPB was criticized as being too loose. I lived through the latter — not directly, but indirectly as one of Jules' deputies the previous year. The new administration wanted a far more structured process of economic policy coordination. Mike Blumenthal chaired the EPG, originally with Charlie Schulze, but Charlie rightly backed off. Cabinet level review, leading to structured memos for the President, with decision options, was the intended product. I was Executive Director because I had worked with Mike Blumenthal closely for three years previously.

The result — and Mac Destler was in the middle of this — was that that this phase of the EPG lasted only seven months and didn't work to the President's satisfaction. There were a number of reasons. One was that Mike Blumenthal never had the full confidence of the President, a personal relationship as principal economic adviser. The "Georgians" closed ranks around the President to control decisions. In addition, USTR Bob Strauss and Blumenthal, as a former trade negotiator, developed a rivalry in this area. Strauss would never reveal his position at a cabinet EPG meeting, waiting for direct access to the President. (This wasn't the Friday morning meetings of the EPG, which came later.) Early on we had a very busy six months with the energy program, Social Security, tax and welfare reforms, and various international issues. We often met twice a week in the Roosevelt Room, and I was struggling to get options papers, honest broker positions in all of these areas. Bob Strauss and his deputy Allen Wolff were always forthcoming on analytic points, but often could not pin down their policy recommendation to the President. For example, we had a meeting about shoes or footwear imports. The President came, as he did three or four times over this period. He had read the EPG paper, because he always read his briefing papers. The EPG paper had several options identified with agency positions. Then Bob Strauss, at the meeting, presented an option that was not in the paper. The President got really upset and he said, "Where is that in the paper?" And so the structured EPG came apart.

My overall reflection is that in the international field, less coordination was better, and there was a very good relationship between State and Treasury. Later, they began the informal Thursday luncheons, including Henry Owen from the White House Staff. A lot of that was very good. So maybe less was better in the international field. Where the EPG suffered most was on the domestic side. There should have been stronger coordination especially in terms of fiscal impact. Charlie Schulze and Mike Blumenthal tried to contain all these other spending programs, while Stu Eizenstat, White House domestic policy adviser, supported expanded programs. That was the downfall not only of Mike Blumenthal, but also later for the President. One final anecdote, because I did get to know and have kept up with Stu Eizenstat to this day, even though he did get the knife into my back a number of times during that brief EPG period. About four or five months ago, related to my recent work on economic sanctions, I attended a meeting where Stu was giving a speech. He's very good at pointing out friends and colleagues and he said, "Oh, I see old friends here," he recognized two or three, and then turned to me: "Ernie Preeg and I were together in the White House but he was smart. He got out early before the whole thing collapsed and came apart." The next morning in *The Washington Times,* a reporter present at the speech quoted Eizenstat about how the Clinton administration's economic policy had come apart at the seams, but Ernie Preeg got out early.

BERGSTEN: The lesson from both Henry and Ernie is that less is better. I don't really think it was less; it was less formal, it wasn't less.

OWEN: But on domestic policy --

BERGSTEN: I just meant on the international --

OWEN: -- the President's instincts were sound. He wanted us to have a conservative domestic fiscal policy. And he let Stu and Charlie and all the others talk him into expansion, which wasn't needed and did a lot of harm.

BERGSTEN: I mean just as an institution on the international side: it was informal, but it was certainly not less…

OWEN: Right. On the international economic side it worked fine because the other people didn't bother those of us who met at the Thursday luncheon and we didn't go out of our way to tell them what we were doing.

HAMILTON: But Stu had a seventy person staff. That was pretty formal.

DESTLER: Fred suggested that even in the early 1970s, it was very hard for him to handle international economic issues from an NSC base with the growing engagement of domestic people and impact on the domestic economic side. Now, if you look at what happens to the U.S. economy in the '70s into the '80s, and what happens to the trade balance, all sorts of things happen that engage domestic interests much more vociferously, including congressional interests.

I have a general question. I'd like to hear specifically from Roger, Bo Cutter, Henry, and Norman Bailey, all of whom were engaged in the policy process in this period. Does this mean essentially that the NSC, on the core international economic issues, the trade and money issues and the spill-over into domestic macro, becomes a marginal player because of the...

OWEN: And should be a marginal player.

DESTLER: Well, that is a separate question whether it should. Maybe the two go together. But is that the case, or does the NSC still get involved at least intermittently? And if it is marginal, have we settled now, with the NEC, on an institutional arrangement that makes sense, or is the next President, whichever party, going to turn that over again?

OWEN: Can I say a word? I made a deal with Zbig [national security assistant Zbigniew Brzezinski] when I started: You're going to stay out of economic issues, and my memos go directly to the president without any change - unless security issues are involved, in which case Zbig was too. The NSC never bothered me, and I never bothered them, except when we needed a meeting on international economic issues. Then Zbig would call it.

DESTLER: Did they provide you with secretarial support and stuff like that?

OWEN: Yes.

BERGSTEN: Well, that's a nuance, because you were viewed as part of the NSC — institutionally, you were a part of the NSC.

OWEN: It may be, but I never worked with them; and they never worked with me.

BERGSTEN: The economic types were always apart from the rest of the NSC anyway. Kissinger never bothered me either.

DESTLER: Roger, could you speak to this question?

PORTER: The simple reality, at least in my view, is that important international economic issues are going to engage the interests of the major economic agencies and the major foreign policy ones. That is a reality that is unlikely to change. Therefore, you need some type of arrangements which not only incorporate and include the views of the key players, but with which the major players are comfortable. In the absence of that, you are going to have people either going off on their own and trying to go into business for themselves or going around any systematic process and seeking special access to the President.

I'm not sure that there is a way of structuring arrangements where you can guarantee that they will work. I have increasingly come to the conviction that the people you have in various positions really do matter. If you get the right people in the right positions, it will work. If you don't, there's no set of structural arrangements that will save you.

OWEN: I agree.

DESTLER: Let's go to Bailey.

BAILEY: I had actually prepared for this meeting by having answers to all your questions, but I'm going to drop that because that's not how we're proceeding. I'm certainly going to talk about how the process developed during the first Reagan term because I was very directly involved in it. I'm not going to make any comments about any other period of history, because I wasn't involved. I'm not going to talk about the policy decisions, whether they were right or wrong or whether they worked or not. I'm going to limit myself to the process.

As we all know, President Carter eliminated the Council on International Economic Policy. As a result, when the Reagan administration came to office there was no coordinating mechanism for international economic policy. Reagan established a series of cabinet councils. The two that are relevant to our discussion were the Cabinet Council on Economic Affairs, which covered all economic affairs, domestic and international, and the Cabinet Council on Commerce and Trade, which included domestic commerce issues. I was NSC representative to both councils.

There were two overriding issues that we were seized with in the early period, plus a whole bunch of minor ones. One was the international LDC debt crisis, and the other was the entire complex of issues having to do with U.S. relations with the Soviet bloc, including the Soviet pipeline issue. It became very clear quite early that international economic policy decision-making in the U.S. government was a total mess. I had my staff make up a chart of how it was done, which looked like somebody had thrown a plate of spaghetti onto a piece of paper. I took it over to Secretary [of the Treasury, Donald] Regan and showed it to him. He said, "Okay. What are we going to do about it?" And we formed the Senior Interdepartmental Group-International Economic Policy (SIG-IEP), which was a cabinet level coordinating mechanism, chaired by the Secretary of the Treasury. The rest of the period that I was in the government, the SIG-IEP was the principal coordinating mechanism on international economic policy-making and operated quite well. I was Executive Secretary and Secretary Regan was the Chairman.

While I was on the National Security Council staff in charge of international economic affairs, I very much tried to do two things. One was to have our policy positions centered on the national security implications of the issues being dealt with, if there were any. If we couldn't discern any, we didn't take a position. Secondly, we tried very hard, and I'm sure we failed on many occasions, to honestly present policy alternatives to the President by outlining the alternatives, mentioning which agencies and departments supported which of the alternatives and why, and by appending their papers to the decision memoranda for the President. I won't say that our prejudices never got reflected in those papers. I'm sure they did. But we tried hard not to. Incidentally --

DAALDER: Just a question on that. The papers, the decision memoranda were written by the NSC then or the Executive Secretary?

BAILEY: On these issues they were written by the staff of the National Security Council. The Kennedy School actually has case studies on both of these matters, the LDC debt crisis and the Soviet gas pipeline matter. I would suggest that you get those two case studies, if you don't have them. I will also provide without charge a copy of a monograph that I published last year entitled "The Strategic Plan That Won the Cold War," which is about National Security Decision Directive 75 of January, 1983. It is, of course, a fascinating work. [Laughter.] But the main reason I give it to you is because it also has the text of NSDD 66 of November 1982, which is entitled "East-West Economic Relations and Poland Related Sanctions." It's a very good indication of how the SIG-IEP was used in the actual words of the NSDD. That's basically it. If anybody else wants a copy, you can call the Potomac Foundation and ask for one.

Thank you. If you have any questions, I'd be happy to answer them.

PORTER: I'd maybe add a little to what Norm said, and that is that when President Reagan came into office, he was interested in trying to elevate the role of cabinet officers. This is not uncommon for Presidents, who often tell themselves that the way to attract able people into the cabinet is to let them know what an important role they are going to play. Once in office, they discover that they have perhaps made commitments they are not quite sure they want to keep. President Reagan was committed to the notion of elevating the role of cabinet officers. During the transition, I was asked to work on White House organization and came up with the recommendation that we ought to recreate the Economic Policy Board, retain the National Security Council staff, and have a staff and council to deal with domestic policy issues.

The idea metastasized. At the beginning of the administration there was an announcement on, I think, it was January 24th or 26th of the creation of, in addition to the National Security Council, five cabinet councils. These were later expanded to seven councils. The original five included the Cabinet Council on Economic Affairs, one on commerce and trade, one on energy and natural resources, one on agriculture, and one on health and human resources.

I was invited by Secretary of the Treasury [Donald] Regan to serve as the executive secretary of the Cabinet Council on Economic Affairs. I responded that there were two problems. The first was that he wanted me to serve as counselor to the Secretary of Treasury and to run the Council out of the Treasury. I argued that in order to succeed it needed to be run out of the White House.

The second problem was apportioning the work between councils. What is the difference between the councils on economic affairs and on commerce and trade? He responded that he couldn't do anything about that, because the President, through Ed Meese, had promised [Secretary of Commerce] Malcolm Baldrige that he would have his own cabinet council. Regan had been promised that he would have his cabinet council. Secretary of Agriculture Jack Block had been promised that he would have his cabinet council. He concluded: "You're just going to have to make the best of it."

What happened was that certain issues would get considered by the Council on Economic Affairs and also get considered by the Council on Commerce and Trade. Then the NSC would start holding meetings, having set up a SIG process. Frequently there would be three different entities scheduling meetings of one sort or another on the same issue.

SCHWAB: And there had been — there was still technically in place a Trade Policy Committee chaired by USTR that played into the Mac Baldrige vs. Bill Brock who-was-running-trade-policy debate....

PORTER: Exactly. As you can imagine it produced both competition and confusion. Before the SIG-IEP got created, the Trade Policy Committee, the Cabinet Council on Economic Affairs, the Cabinet Council on Commerce and Trade, and the NSC — all four of which were cabinet level entities — could legitimately lay claim to having some jurisdiction over an issue.

I had a series of meetings with Secretary Regan about the problem. After having discussed the matter with several others and reported that folding everything under the Cabinet Council for Economic Affairs was not going to fly, I suggested creating a new entity. That is a fairly common solution. If people are bickering, create a new entity and give it responsibility. I urged calling it the SIG-IEP, because that would make the NSC and the State Department happy because it used their nomenclature. But the Secretary of the Treasury will chair it. He concurred. That is when Norm, who was on the NSC staff, got appointed as its Executive Director.

DESTLER: What about the other committees?

OWEN: They faded away.

PORTER: They didn't all fade away, because as long as entities formally exist at the cabinet level there is a good chance they will meet, and try to generate business. Near the end of the first term, in the summer of 1984, Regan told me he was confident the President would win the election, and want to reorganize at the end of the first term. He asked me to draft a memo on how to organize in the second term. I spoke with each of the cabinet officers and recommended consolidating the seven cabinet councils along with the SIG-IEP into two entities, an economic policy council and a domestic policy council. I said there are two key players, Jim Baker and Ed Meese. If they're happy with the arrangement, everybody will be happy. I recommended creating an economic policy council that Baker would chair and a domestic policy council which Meese would chair.

BERGSTEN: Where was Baker at this time?

DESTLER: Baker was becoming Secretary of the Treasury.

PORTER: The announcement of the Baker-Regan switch was made in November -- I think it was November the 10th, right after the election. The switch was contingent on Baker being confirmed Secretary of the Treasury. That did not occur until February of 1985. The formal document was sent to the President in the first week of March.

DESTLER: Bo, looking backward and forward from 1992, ‘93, how does this...

CUTTER: This is not to avoid an opportunity to speak, but you jumped over the Bush period, and Roger was also right in the middle of that. I don't mean to decide your agenda for you, but I'd like to hear about it.

PORTER: The thing that is important about the Bush period, I think, is the crucial role of personalities, because Bush was not initially inclined to tinker with the formal apparatus that he had inherited. In the second Reagan term, the policy councils were the National Security Council, the Economic Policy Council and the Domestic Policy Council. Bush clearly did not want to go back to the multiple cabinet councils of the first Reagan term. Nor did he have any interest in creating a separate channel for international economic policy. I think it was within two or three days after his election that he announced his first two cabinet appointments, Jim Baker at State and Nick Brady at Treasury.

Brady was very anxious to insure that he would have the same role as Secretary of the Treasury that Baker had had as the Secretary of the Treasury during the second Reagan term. Baker had chaired the Economic Policy Council. When Regan came over to the White House, as Chief of Staff, he wanted to put his own people in place. So he took the coordinating role away from the Office of Policy Development and put it with the Office of Cabinet Affairs where he installed his own person as its head.

Soon after Bush was elected, he appointed his trusted personal aide, David Bates, as Secretary to the Cabinet. Later I was offered and accepted the position of Deputy U.S. Trade Representative. I got a call from John Sununu, the new Chief of Staff, who indicated the President wanted me to come into the White House as his economic and domestic policy adviser. I responded that I thought he needed someone doing national security; someone doing economic policy, which was my interest, and someone else doing domestic policy. Furthermore, I said these presidential assistants should have responsibility for overseeing the policy councils.

So the great irony is I accepted the job without any understanding that we would be responsible for coordinating these councils. As a result, there was not a strong institutional incentive within the White House to have these policy councils play a major role. Instead, it tended to be done much more informally with Richard Darman, the OMB Director, who had no interest in having a lot of things go through a Treasury-chaired entity, playing a major role. Likewise, John Sununu, who had a real interest in getting involved in a host of issues played a major role.

In comparison with my experience in the Ford and Reagan White Houses, which relied much more heavily on formal arrangements, the Bush one ended up relying much more heavily on informal arrangements, which in one sense worked. In another sense, Bush found the arrangement frustrating because the chemistry between his officials at Treasury and OMB and the White House didn't mesh in the same way that his National Security team did. If you look at the National Security team, almost all of them were together in the Ford administration. Baker had been at Commerce. Cheney had been at the White House. Bush had been at the CIA. Scowcroft had been National Security Adviser. They had all worked with one another and liked one another. Colin Powell fit in well, even though he had been in Korea during the Ford period. And so that was a very easy set of relationships that people who had sort of taken one another's calibration and I think worked well together. Things didn't gel in quite the same way on the economic side, and, as a result, you had a less formal set of arrangements that did not work as smoothly.

DESTLER: Bill Clinton was heard to say during the campaign that he wanted to have among his economic people the same sorts of relationships that Bush had had among his National Security group. But let me give Bo a chance.

BATOR: Very quick question. If Bush had become as actively engaged on domestic and economic policy as he was on foreign, could he have made it work?

PORTER: Well, he spent as much if not more time on economic and domestic, so I don't think it was a lack of time commitment, as it were. He was not as confident and as comfortable dealing with domestic and economic issues, because virtually all of his experience had been on the foreign policy side, where he had built up a remarkable set of relationships. To understand the way in which George Bush goes about solving a problem, I think one needs to understand that he relies very heavily on personal relationships with people and being able to bring them along. He had established a lot of those, certainly within the U.S. government, on the foreign policy side as well as abroad. He really enjoyed foreign policy issues and, I think, did well on them. Even though he committed the same amount of time, in terms of the number of meetings and issues, there was never the same level of confidence or ability on domestic issues.

CUTTER: There are four themes that go through all of this. The first is the ongoing institutional legacies and agendas that institutions seem to keep from administration to administration. Second is the interests and predilections of the President. The third obviously is the role of personality, and the fourth is the strains in this process between the ongoing effort to keep the herd headed roughly west, which is what I think coordination is, and the riotous personalities in any administration who want to do whatever it is they want to do. And in the end, any process, I think, by the end of each term, dies under that strain.

I want to make two points about what we did, and then I want to tick off some points that the group's been talking about. Essentially, the reason why there is something called the National Economic Council was that the President had said that he was going to have something called the National Economic Council, because after all — if it's the economy, stupid, then you've got to do something about that. And you couldn't very well have the thing that the previous three terms of Republican presidents had had. Roger [Porter] and I had been good friends for twenty years and talked about this at some length after the end of the Ford administration. My own, kind of implicit, model was what Roger had done in the Ford administration and in the Reagan and Bush administrations. What Roger had done seemed to me to work fairly well, although I thought that perhaps the scale, the numbers of people were too many. But other than that and having to change the name, the model, I think, that most of us who had any institutional history carried around was what had been done.

The second point is that there was a set of people who knew each other well in our administration, as in others, and that would be an ongoing theme also. In this case it was [national security assistant Tony] Lake, [deputy national security assistant Sandy] Berger and I. And, in part, because of the personnel cuts at the White House, we came to an early deal to manage, to essentially share the same staff in international economics. Then, [economic policy assistant Robert] Rubin and I, and Berger and I came to the view that, given the pressures of time, I would oversee the international economic side of all of that. You can quarrel with that one way or the other, and that is part of the purpose of this. But that was the history.

I want to tick off some points that have been raised either in discussions elsewhere or here. The first is that the consequence of our decision to share the international economic staff was not so much that they were pulled in different directions, because there were very few issues we had huge fights about at the Berger-Cutter-Lake-Rubin level. But it really made them an orphan within the NSC. Essentially the view of the NSC apparatus, not so much the leadership of the NSC was, well, screw you. If you're not part of us, you must be against us. So there was an enormous problem in logistics.

Point two is the huge role of the existence of a few key personalities that were largely oriented to thinking that the enemy lay outside rather than inside. Rubin is remarkable in that respect. So is Tony in a different kind of way. Rubin and Tony got along pretty well. Berger and I have been friends, and all of us were more or less agreed that we would try to manage this thing. Where strains began to develop, as I'll say later, and I think is true in every organization, in every administration, is when other personalities came to the fore and when the turf instincts of the agencies began to come back, as they do, I think, in the latter part of every administration.

My third point, very different from the point that Professor Bator has made, is that by the time we were doing this, the institutionalized role of the NSC was really enormous. Trying to start something new given the existence of the NSC was like pushing a load up-hill. The NSC was by that point a 45 year-old organization. It had its own legislative history. It had an enormous staff. Attempting to weigh against that was a fight every day. Again, the problem wasn't the leadership's effort, but it was the ongoing institutional and staff inertia of the NSC.

The fourth point is one that I hate to make because he's a friend of mine, but I can't think of anything that Henry [Owen] said about coordination that I agree with. It seems to me that there is a constant fight in an administration between understanding you can never be even remotely perfect, that if you hit 51%, you're in good shape; that trying to keep the herd headed roughly in the direction that the President has said he wants to go in, as against the set of people in any administration who either don't care what the President said or imaginatively interpret what the President said — this is the sort of constant effort made in the White House. I'd say to Henry that the side you didn't see, I guess, was the G-7, the intense degree to which the Treasury managed the financial side of the G-7 during the Carter administration and actively worked, successfully, I think, to keep all those issues from you. And on the other side, the fact was that the whole energy deregulation was extensively coordinated and, as an issue, managed throughout the entire government on the domestic side. It was the effort of approximately three-quarters of a year. So Jim Schlesinger wasn't being told anything new when he was told about this. And Stu Eizenstat and OMB together, actually Stu and I together, had led that process.

Moving on, I find it extremely hard now to think about how you would cleanly split domestic and international economic issues. It'd be convenient, but I don't know how the hell you'd do it. And that has to do, I think, either with the greater intrusiveness of the agencies who want to be more involved or the genuine domestic agencies, or the greater domestic intrusion of the issues themselves as the U.S. economy has become more global. It's, as you've just said, a combination of both. But when I reflect on my policy management task as opposed to, say, Sandy Berger's — and, granted, in the economic side you're not dealing with people shooting at you often, unless it's the domestic people that are shooting at you — the fact is that the NSC community is basically a tight little community. It is, for all intents and purposes, Defense, State, parts of Treasury from time to time, and the intelligence community. They don't have the pleasure of including in that the USTR, the Commerce Department, the environmental agency, etc. But I don't think you can split those issues any further.

Sixth, the sort of permanent drama in any of this, and I think you can hear it in all of our comments, is the triangle between the White House, State and Treasury, where it seems to me that over the last few years, not just in the Clinton administration, but before, State has tended to lose power. And Treasury, well before Rubin arrived, has achieved enormous power, to the degree that from a lot of the agencies' points of view, the reason why they wanted an NEC was to be able to have a say about issues that vitally concerned them that the Treasury would never have said a word about to them. This was a point often made to me.

Two more points and I'll quit. While I express my disagreement with Henry, there's a side of it that I do agree with, which is that the proliferation of councils and of sizes of staff has made the policy management and integration and coordination tasks worse and worse. If it is conceivable, the Clinton administration doubled and redoubled the number of councils in the Reagan administration, so that we had exactly the same problem of having to spend a fair amount of time coordinating the councils, which was just preposterous. The size of the staff, I think, is also important there. I think that a key reason the NEC functioned well — and I would argue that it did so in its first two and a half, maybe three years — was the relatively small size of the staff. (I'm not discounting Bob Rubin here. I mean Rubin's internal and external clout was probably the biggest single reason.) The small staff meant that people had real jobs, real accounts, and real management responsibilities. Having essentially eighteen professionals, maybe a couple less than that, to cover domestic and international meant that you, per force, had to leave a fairly large number of things alone, which meant intelligent people had to make choices, and generally they left the right things alone, which was the vast majority of the government.

The NSC on the other hand has, give or take, 140 people. And while a fair number of that is management and logistic staff, it's still about 140, and most of them are seconded. But it means in the community they manage, there's barely an issue that occurs to any deputy assistant secretary in the government that the NSC is not going to assign to somebody. The one lesson I came out with in listening to everybody here that strikes me the same, is this council proliferation and person proliferation has worsened policy management steadily for thirty years.

Finally, I think the NEC versus NSC point is a little misstated. We created our organization for the same reasons that the Reagan people, and before that Ford and Bush did it, which was that it made sense both politically, externally, and organizationally, internally, to have it focus on economics. International economics then becomes the obvious question. You don't give it all to the NSC. You don't give it all to the NEC, because it clearly has security concerns. So you've got to figure out some way to manage it. If you wanted to create an overall body that was a fifth the size of the combined bodies today and tell it to do all economics and national security, it wouldn't offend me very much. But, likewise, I think the current arrangement can be made to work if you have people with some sense, as I've said, that the real opposition is outside the tent rather than inside the tent, and if you have a President who has any organizational interest at all.

DESTLER: Thank you, Bo. People have been very good and enormously interesting, even if we have not slavishly followed our sequence of questions. I want to break for drinks and then dinner very soon. We're a little bit behind on that. I did promise Francis that he could pose a general, crosscutting question. We can talk about it a little bit over drinks, and then come back at dinner and have a less formal discussion, moving toward what we think, picking up on Bo's comments, would be a good way to think of organizing for the future, or 2001. But let me ask Francis if he would pose his question.

BATOR: Bo really anticipated the answer to the question I wanted to ask. Could one go back under modern circumstances, with the media, with TV, with the leakiness of government — could one conceivably go back to a small White House staff, which has on it one fellow who is domestic, one fellow who does macroeconomics, and one who has got a leg in both and has close personal connections with those two, on the foreign economic stuff (he should probably be a member of a small international staff like the NSC staff of the mid-1960s). The idea would be to abolish the whole NSC staff as a large institution, go back to the Council of Economic Advisers to do the staff work on the technical economic issues for the President with a strong and skillful chairman doing it; and then operate in such a way as to pull issues whenever decentralization is likely to produce train crashes or trouble or missed opportunities; to pull issues in centrally with small ad hoc, temporary groups of the relevant sub-Cabinet, Cabinet officers (including a White House staff officer), to work those up, get them up to the President, and get a presidential decision. Most of them go out of business when that is done, but the groups operate with roughly the same overlapping sets of people. The person to whom this will sound familiar is Ed Hamilton, because he and I preached this doctrine in 1966-67. It's reflected in the Williams Commission reports, which you ought to take a very good look at. Is it conceivable? Carl and I were talking about this on the plane down here. Or are circumstances so different, with respect to, in part, the external environment, the external pressures, the goldfish bowl environment, that this kind of set up couldn't be made to work?

DESTLER: I think that's a wonderful question with which to begin after dinner. Carl, do you have a quick footnote to that?

KAYSEN: I have two quick observations. The first is a fact. If you count the half time bodies, the Bundy NSC was fewer than fifteen people. The others are political science type observations, the lack of which has surprised me in the discussion, especially to some extent by what Roger and Bo have said. That's the difference, the political difference, between domestic policy and national security policy.

In national security policy, the President has a unique power to formulate it. Even under the most frustrating circumstances, when the other party has the majority in one or both Houses and so on, he has enormous power to say, "I am the President of the United States, the Commander-in-Chief, the conductor of foreign policy. This is what is in our national interest." On all domestic economic policy issues, every Cabinet officer, every agency head has an equal right, has stronger ties with the Congress than the President, or the Director of OMB can manage. They've been there twenty years, or if they're secretaries their staffs and the senior agency people have been there twenty years. The President himself (except to the extent that he can use the budget process to change things — and several people here know better than I how limited that is) just doesn't have the reconciliatory power that he has when he says "This is the way it is on a national security question." That seems to me to cut across the organizational question when you talk about international....

BERGSTEN: But Carl, it begs the most interesting question, which is where you put foreign economic policy on that spectrum. Do you put it on the side that says he's got autonomy because it's foreign policy, or the side that says he's constrained because it's economic policy? And I would argue that there's a substantial shift over the period we're talking about from the foreign policy side to the economic policy side, because, as Bo says, the globalization of the economy has tripled in a generation. That has changed the nature of that beast.

KAYSEN: I agree with you, but I don't think that answers the question.

DESTLER: We have an organizational imperative here, that people have to get in and set places for dinner.

[Dinner Break]

DESTLER: We want to finish by 8:30 and we want to focus and reflect on the question of what is to be done. I'm going to start by recognizing two individuals. The first is Fred

Bergsten, who is going to pick up on some of Roger Porter's comments to raise an important question for us to address. And then Susan Schwab has, I am told, an answer to Francis Bator's question. And then if there's anything further to talk about, which I suspect there will be, we will open it up. Fred?

BERGSTEN: Well, very briefly, Mac asked, "What is the central question we ought to be debating?" To which I said the question to which Roger has already offered the answer. Roger said, as he's now reflected on it, and somewhat differently from the earlier thinking, what really counts is the people and the time and the place, not so much the organization. So the question is, to put it in starker form, is organization irrelevant or, ceteris paribus, taking Roger's variables as the more crucial, does it still make some difference at the margin?

My second point would simply be to underline what I said briefly in trying to draw Carl Kaysen's nice dichotomy before dinner. I really think that in terms of how you organize in the U.S. on international economic policy, we've had a fascinating explanation tonight of a fundamental trend. Ed Fried started out saying how it was in the State Department in the '60s, and then it went to the NSC, and then it migrated, and now has moved very much into "domestic" agencies. I think that for all the bobbing and weaving and personalities involved, that is an accurate reflection of the change in the nature of the beast. The U.S. economy in the past generation has globalized, I think, faster than any major country in history. The share of international transactions has tripled in a generation. That is breathtaking speed. It has made us more open than the European Union, and twice as open as Japan. Therefore, the external factors intrude across a whole range of interest groups, issues, etc. that never even heard of the world economy. Therefore, many more agencies, many more issues, many more domestic interests are involved, and it would be totally unrealistic to think State or the NSC could dominate the way it did before.

DESTLER: The irony is that as the economy becomes more international, the process becomes more driven by domestic concerns.

BERGSTEN: You call that an irony? I'd say that's logic.

BATOR: Our trade tripled from a very, very low level relative to almost all other countries.

BERGSTEN: The low level explained why it could be viewed as a foreign policy issue as recently as the 1960s. It didn't matter much to the economy. That's no longer true.

OWEN: I wonder if this trend doesn't mean there is something we ought to look at, which is that the government plays a lesser role in the economy than it used to. Our present boom in the United States is largely due to what private companies have done in reducing costs, increasing earnings, and so forth. We shouldn't continue to think that we're in a period of the past when the government was the prime actor. It no longer is. And as long as you have a reasonably sensible fiscal policy and a reasonably sensible trade policy, it's the private sector that matters.

NAU: If what Fred says is true, and I think there's no question it is; that is, if the American economy is now much more integrated with the international economy, wouldn't that logically make international security even more important for our foreign policy, because somebody has to worry about all of the circumstances out there in the world that could lead to economic disruptions that could be detrimental to our domestic economy.

BERGSTEN: Oh, I think the issue of foreign economic policy is much more important for the United States. But that's because it intrudes into so much of the domestic economy, and involves so many domestic factors.

SCHWAB: Henry is saying something different.

DESTLER: It could be the other way. I mean because these international flows depend upon international stability, it’s heightened the importance of national security policy in terms of preserving that external environment on which we now depend so heavily economically.

BERGSTEN: Only if you think international security policy today is about the same things it was about 25 years ago.

SCHWAB: No. The other thing that has happened in addition to globalization is the end of the Cold War, and all of a sudden a major blurring of the old distinction between what I used to refer to as “high” foreign policy and “low” foreign policy....

UNIDENTIFIED SPEAKER: And is international economic policy low foreign policy?

SCHWAB: International economic policy was considered low foreign policy.

BERGSTEN: When you were doing it, it was low foreign policy.

SCHWAB: All of a sudden there’s an entire national security apparatus that has focused on things that have become less different from the international economic issues, which have in turn become far more prominent relative to the national security bailiwick. That's made a fundamental difference. And when we're looking at the difference between transitioning from Reagan to Bush and from the Bush administration into the Clinton administration, the end of the Cold War obviously had an impact that needs to be considered going forward.

Related to all this, of course, and what we haven’t talked about yet, is the intrusiveness, or call it activism of Congress across an entire range of issues where Congress was not active before. Clearly you see it in international trade. That’s obvious. But it’s true in other areas of foreign policy as well.

HAMILTON: That's a crucially important point, organizationally as well. That is, for example, Francis, I think, would agree, in the 1960s, the NSC really did deal with things that you would regard as more or less purely foreign policy in the classic sense. But if there was something that the Congress really had by the throat, like sugar prices or maritime policy, etc., in our particular case, there was a fellow named Harry McPherson, who many of you know, who took over at that point, because from his standpoint that was so much a domestic hot button that never mind for a moment what the foreign consequences were. You could argue the case, but Harry was in charge of that precisely because it had such an enormous domestic intrusion.

What's different now is that domestic intrusion is so much greater in so many ways on so many different fronts that you do run into an organizational problem.

DESTLER: Okay. Norman?

BAILEY: I think the point that Henry Nau made is absolutely fundamental. The devaluation of the Brazilian real has many more national security implications in the United States than anything that goes on in Kosovo, for example. But it's remarkable the amount of attention that's paid to something going on in Kosovo compared to the devaluation of the Brazilian real.

But getting back to the point that Roger made, which is absolutely correct, I would say that it does not mean that the organization, that the structure, that the process is unimportant. It simply means that it is not the most important element. I would call it, for instance, a skilled operator operating on an obsolete computer compared to a poor operator operating on a state-of-the-art computer. I would rather have the former — the best, of course, would be to have a skilled operator operating on a state-of-the-art computer. I have one more point. I think it's a stretch at this point, Fred, to call the Treasury a domestic agency. I really do. It's clearly....

BERGSTEN: Oh, yes. It bridges the gap. I didn't mean to say that.

PREEG: Mac, could I put forward a somewhat contrarian view? Certainly globalization is moving forward. Trade has tripled in a generation, and growth accelerated in the 1990s.

The real question when it comes to international economic policy decisions, and particularly coordination for presidential decision — and this builds on Norm's point — is whether various domestic agencies are in fact moving in more strongly. I believe the key to understanding why this might not be the case is to move from the abstract to the more specific. There are three basic areas of policy that probably account for 80% or 90% of international economic decisions. One is international finance, the second is trade policy, including trade-related policies which have a domestic dimension, and the third is how the first two relate, finance and trade, which has always been elusive. For finance, it's clearly the Treasury that's in charge and, if anything, even stronger during the last couple of years. Treasury, in some respects, has taken over from the Secretary of State, for example, in relations with Indonesia, with human rights and democratization objectives downplayed. A similar case can be made for Russia and, in a way, for China. The Secretary of the Treasury has moved in, but it's not a coordination problem in the White House. It's the Treasury role in international finance that isn't being challenged.

In trade policy there is an elaborate mechanism that brings all interests together. It is the USTR-led structure, and it's very complicated. We've had USTR for forty years, and it has worked well. It's ingenious in a way, in the Executive Office of the President with cabinet rank. The problem is that these are tougher and tougher issues, and unless the trade representative is a person with political clout, a former Secretary of State, as the first one was, or a Bob Strauss, we are not taking advantage of an organization that is probably the least bad — and in fact a good one. The problem we've had in recent years is that there has been relatively weak USTRs in terms of political stature or a close personal relationship with the president. It's not the need for more domestic agency participation. It's the need for a really strong person as USTR.

And the third part is how the two relate. Right now, Fred Bergsten and I are both somewhat engaged in this debate. The issue, in my view, is whether exchange rate policy has become a principal instrument of trade policy vis-a-vis a number of countries, starting with Japan and China. We wrestled with this question in the mid-1980s. It's much tougher today and more menacing, I would say. And this has been an issue that is especially difficult to coordinate for the President. I'm not sure how best to work it through the White House. Treasury has always maintained an uncompromising leadership role and it's seldom that anybody in the White House, including on the NSC staff, tries to take on Treasury, unless we are really looking over the abyss, which we may be doing in the next year or two as our trade deficits go through the ceiling. Sensible people should know that exchange rates need to be looked at if we're going to have basic trade adjustment. But if we wait until we are at the abyss, there could be a very hard landing.

DESTLER: The sort of organizational process conclusion you're suggesting is consistent with Francis's question before dinner. What you are saying, it seems to me, is that the trade issues — I'm not sure I agree — but trade issues can be managed by USTR, if they are within the trade sphere. You're saying if the issue is broader, it'll be managed by...

PREEG: Within the Executive Office of the President.

DESTLER: Which really has both a statutory and historical role as a coordinator among agencies, right. And Treasury will, in fact, dominate. Therefore what you're saying is a lot of the staff underbrush (a friend of ours, Brewster Denny coined the phrase "overbrush" to talk about the staff proliferation) does not address this problem and may make other problems worse.

BATOR: Should you let Treasury priorities dominate?

BERGSTEN: But you need a large staff to do that.

BATOR: You need a President who is prepared to say no to the Secretary of Treasury. And the President needs a staff officer who will give him the stuff he needs to say no.

OWEN: My instinct is that there is something to what Francis put forward, and that Bo intimated at the end of his remarks. When the coordination machinery and the committees, and so forth, get too large, too numerous, they don't facilitate action. They prevent it.

I noticed something during the war that was very interesting. In the Navy, the admirals who had the least staff members were generally the ones who made the most decisions and the right decisions and the bigger the staff, the more the admiral drowned in the words of his staff. I think there's something to that in the government, particularly at a time when the role of government vis-a-vis the private sector …

DESTLER: Ellen, and then Bo.

FROST: I don't think we've done justice to Henry Nau's point. I'd like to go beyond what Norm Bailey added about the real and pick up on what we just were talking about with Treasury and the IMF. I think that more than ever before, what Henry said is correct, namely, that international stability in a national security sense has a direct bearing on the economy. The example I would cite, just one of many, is the Taiwan Straits. In 1996, we had a near crisis in the Taiwan Straits in which the U.S. Navy was involved. Happily, both sides backed off. After that the DPP stopped talking about independence. The Chinese government backed off.

The U.S. Navy is now trying to understand economic globalization because they realize that the deployment of their assets around the world has a bearing on the whole stability of the Asia Pacific region, which is so vitally important to the American economy. The same could be said of the Air Force. Now, with that in mind, consider the Treasury and the IMF and consider the weight assigned to the various actors in what U.S. policy should be within the IMF and the Asia crisis. Ask yourself whether the stability concern has been adequately factored in or not. That is to say, I'm sometimes struck by the tunnel vision that economists bring to a situation. They're absolutely right about the economy. They're absolutely right if people are rational actors. But they often disregard the national security implications. That's why I tend to support a more holistic approach to the issues we've been discussing.

DESTLER: What are the organizational implications of what you're saying? I think it would be good to draw that out, knowing where you're coming from.

FROST: You're smoking me out. I've advocated the notion of an integrated policy staff with ad hoc clusters that cut across conventional bureaucratic lines, depending on the particular issue. That is, there would still be purely military or purely economic issues, but there are a whole lot of others that cross the dividing line between domestic and international affairs and between economics and security. I think you have to have a staff in the White House that surmounts the "stovepipe" divisions of the bureaucracy and advises the President from this holistic point of view. That would be my approach.

UNIDENTIFIED SPEAKER: You want the Kennedy-Johnson staff?

FROST: If you did what I recommend, you would abolish the NSC and establish a National Policy Council. You would still have the question of how to organize it internally. All the things we've talked about — personalities, presidential interests, ad hoc coalitions, etc. — would come into play. That would be my starting point.

GREENWALD: I think the implication of that is a much larger staff.

FROST: No, not necessarily. How many issues does the President personally have to get involved with?

UNIDENTIFIED SPEAKER: Not many.

FROST: Not many, right. So you would not have to interfere with a lot of what goes on. There are things like trade policy reviews within USTR and a whole bunch of stuff that goes on below the White House level that would not be affected. There are now sixteen agencies on the Trade Policy Staff Committee (TPSC) and the Trade Policy Review Group (TPRG). The NEC basically undermined the political level version of that group, the TPRG. But the staff level version continues to grind away. With sixteen agencies, only the interested ones participate. You would just continue to crank along with whatever you've got until you have an issue that requires a presidential decision, such as a presidential trip, a summit, or a crisis. At such moments the President's going to be in the spotlight, so the White House staff has a particular responsibility for pulling the experts together. That is when this concept I'm advocating would come into play. Otherwise it would be business as usual.

DESTLER: Now, what are the advantages of a unified staff arrangement? Would one of them be that when there was an area that became urgent, or the President was personally engaged in, you could mobilize; you could bring in people for that, and you wouldn't have some institutional unit that had to be maintained when the problem receded or the President's attention turned elsewhere? So you might have greater flexibility.

BATOR: Also, underline this business about letting the Treasury run financial policy. If in the second half of the 1960s that had happened, and Joe Fowler was as open and flexible as any Secretary of the Treasury, the opposite end of the spectrum from Connally, we would have probably — to fix the balance of payments — put some kind of a tax on tourists. We'd have done a lot more protectionist stuff. I think it would have damaged the Kennedy Round in a serious way. We would have ended up pulling two divisions out of Germany. With the Germans already badly unsettled by de Gaulle and the NATO crisis, it would have been impossible to pull back from an open nuclear option, the last breath of "MLFery"[3] to do the non-proliferation treaty. It was essential that the White House rein in the natural instincts of the Treasury, especially because on this set of issues it was backed by the Secretary of Defense. They had to be countered from the White House.

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[3] The reference is to the proposal for a Multi-Lateral Force (MLF) which had strong support within the US government in the early 1960s.

CUTTER: You just made a point I've always believed, which is that often in the White House the things that you keep from happening are every bit as much successes as the grand and glorious things you make happen. I would put what you've just said in my list of successes, that can be credited to a coordinating or policy management body.

I want to make three points. I want to comment on the points that Ellen was making on national security, and then at least from my view answer Fred's and then Francis's question.

National security issues will always be important. But to underline the point that Susan made, they are of a different character now. We spent a multi-decade period with what we, as a nation, believed was a regime threat. Now, however serious you want to state the Brazilian real, it's not a regime threat. It doesn't threaten the stability of the United States of America in its essence. You can argue it might affect the GDP. (I don't think you could argue that it affected it by a whole point. But it's a different level of argument.) What this means is that economic issues do have national security implications, but they're not national security implications in the same sense that we would have used that term twenty years ago.

That having been said, that moves me to Ellen's kind of overall framework. I'd answer the questions that have been posed the following way. I didn't draw the same implication that Fred did from Roger's comments. In the years I've known Roger, which is since his activities during the Ford administration, I would have never put Roger in the camp of "organization is irrelevant." I very much don't think it is irrelevant. I think the basic patterns that you impose at the start of an administration and the basic flow of material and information and logistics matters a hell of a lot to how a government proceeds and that you can't blithely say, well, as long as you get a few good people and throw them there in the White House, they'll do just fine. I think they won't do just fine. I think organization really does matter.

Then the question goes to what kind of organization. Let me just hit two dimensions from my own personal point of view. The first is that I think Francis basically has the right idea. I wouldn't go that far. I don't think you could. I think the issues really do preclude being able to go through and say, well, the White House staff was 27 people, the whole White House staff in 1961, and that's where it ought to be now. But we have a vast proliferation of councils and people, and a very refreshing view would be to say let's really cut that to the bone.

This would be very different from the kind of "big policy reviews" we always go through at the beginning of every administration, where the upshot is that the weakest person in the administration and the people whose heads you can get away with chopping off are the ones who go. It's three or four people on the margin, and they are normally secretaries. If you look at most cuts in most White Houses, and this is true of agencies, too, over the last twenty-five years, we've been cutting unfilled slots, or we've been sending seconded people back to the agencies and re-borrowing them, or we've been cutting down on secretaries. I'd do a real one and, as a totally arbitrary number, cut it in half. It being the whole thing.

The second point is that....

UNIDENTIFIED SPEAKER: The whole White House staff?

CUTTER: Well, the side we're worried about. I don't know anything about....

UNIDENTIFIED SPEAKER: NSC....

CUTTER: The NSC, NEC, all that stuff.

The second point is that I like Ellen's model, which is the same as Francis's, though it has somewhat more of an over-arching body. I hadn't thought through myself whether it should cover all domestic issues or how it could, or any of that. But the more over-arching the better. The smaller the better. I do not think you can rely entirely on seconded staff or on ad hoc clusters, because the White House needs an institutional memory just as much as anything else does. But I do think a huge stumbling block within the government at the moment is the existence of the NSC, with a 45-year history, as this sort of mass looking for something to do, and therefore all of the backing that that tends to foster.

DESTLER: Henry.

NAU: Well, organization obviously matters. I don't think anybody disagrees with that. It's always a question of just how much it matters and under what circumstances it matters. We had examples in the earlier discussion where Henry suggested that the Bonn Summit, as he sees it, produced some reasonably good policy. But, he acknowledges the Bonn summit came out of a process that was not that well coordinated. You could argue, as I would, that some basic policy changes were made in the early 1980s that ultimately proved to be very beneficial for the U.S. economy and for U.S. security. But, again, this policy was made in an environment in which we probably had too much coordination. We had all these cabinet councils. So it's not clear to me that there's a direct link between how you organize and what kind of policy you get. Nor, of course, ultimately does it mean anything in terms of how that policy is going to impact the environment.

You make the argument that the national security environment in the world has changed dramatically. Well, I'm not sure it has changed fundamentally. It has changed obviously in terms of there's no more Cold War. But there are still lots of nations out there and there are some nations out there that potentially could be quite harmful to the United States. I'm thinking of a resurgent Russia, a nationalist Russia. I'm thinking of a situation in China that would deteriorate. You don't stop thinking about national security because somehow or other one threat, a very serious and prolonged threat, has disappeared. In fact, I would ask the question to Bo Cutter about the relationship between how you deal with economics and how you deal with security. He was involved during the period, for example, in the mid-1990s when we had a deteriorating security situation in Korea, which almost, by the way, led to war in the summer of 1994.

During that time the National Economic Council and Clinton were pursuing a foreign policy that suggested that geo-economics was far more important than geopolitics. The key problem in Asia, as the administration saw it, was not the security issue with North Korea but the economic relationship with Japan. Japan was our principal ally in case we ever did get involved in any kind of a security scrap, in the region, even though Japan wouldn't help us much in Korea, at least not yet. We're trying to make provisions now in the guidelines that would do that. But the question I would have is this: Was there a disconnect in the period between economic and security policy in Asia? How much discussion was there of these two aspects of policy, one of which was dealt with by the State Department and the National Security Council, the other of which was entirely in the hands of the National Economic Council? In my mind, this is a clear case of where you would have benefited from some coordination between a priority economic problem, and a security problem that was potentially going to increase instability in the region.

CUTTER: Two points. The first is that I'm not going to be put in the position of the straw man who's arguing that there's no such thing as national security. That's not what I said and it's not what I implied. But I do think it's fundamentally different, and I think it is of a different order of magnitude. Quite frankly, I think the problems of a resurgent Russia — we're not going to have that debate — are vastly different than the problem of a self-confident Russia, the other superpower in the world posing a regime threat to the United States. I'm happy to debate that issue at any time, but I think that the national security issues are quite real. But I also think they're quite different. Now going back to Japan and the economics-security connection, how often was that discussed? About a couple hours a day for a year? In the Clinton administration there was clearly a deep concern over how one brought together a principal concern of the President's with respect to, in that period, Japan and national security issues. It was discussed all the time.

Now, (a) one can like or dislike the President's predilections, but (b) Presidents are allowed to have policy preferences. But, in fact, the process allowed for very considerable discussion of that issue.

NAU: The process allowed for coordination between economic and security concerns?

CUTTER: Absolutely.

DESTLER: That question won't be resolved here.

GREENWALD: I hesitate to intervene at this point since I've sat here most of the time listening. But as an anti-institutionalist or non-institutionalist, I keep hearing people say that, yes, institutions matter and organizations matter. Sure. But the main thing that matters is that you have to figure out a way of getting around them [the institutions] so that you can get your policies through. That's the main problem. You have to learn what you have to do and then you do it. And as a matter of fact, as far as I'm concerned, a large part of it is negotiation, whether it's with the French or whether it's with some agency of the U.S. government that is standing in the way of having a policy developed, approved and implemented.

And there's been a lot of talk about how wonderful USTR is. Sure, and Bob Strauss brought it to its great peak, and so they took over all things they shouldn't be fooling with. And what they neglected was congressional relations, because the agencies before USTR came along worked their own committees in the House. That hasn't happened any more. I asked them, "Why don't you let the Department of Agriculture deal with the Agriculture Committee?" "Ah, we can't trust them." Well, that's not a good principle of organization and institutionalization. If you like that, that's what happened.

HAMILTON: Just to piggyback on that, I would advance the principle that the most interesting issue in organizational theory and practice is opportunity costs. The question is always, as Joe puts it, "How much do you have to spend by way of time, energy and whatever other resources you have getting around an organizational situation?" Or is the organizational structure built for people like you who are trying to get around it and manage one way or another as efficiently as possible to get the right heads knocked together so that you end up with at least the best you can produce by way of group think, or at least the product of group interaction? The organizational principle that makes the most sense in any context is that which levies the least opportunity costs on the players, who arguably ought to be involved in a decisional context where there is something to be gained from group think, because in one way or another group deliberation adds value. If you can meet that test in the context of a given set of personalities in an administration, then you have something close to the optimal organization.

DESTLER: But you need to find some way to rub these people up against each other.

HAMILTON: Exactly.

OWEN: They'll rub against each other. Don't worry about it.

FROST: I just wanted to add a footnote to what Bo said and respond to Henry. Bo personally chaired an in-depth seminar on Japan. I think he's quite right. But on Korea, which was Henry's example, I have an anecdote. I'm going to exaggerate just a little bit for the sake of drama. At a senior staff meeting a certain Cabinet member said, in almost these words, "Can you imagine? The State Department called me up and wanted me to postpone for a week the announcement of a unilateral 301-trade case against Korea just because they're having their second democratic election ever. What a ridiculous idea." That's the signal that he sent to his staff. That was the coordination that he was experiencing, a phone call, probably from the Asia office director, or something like that, about Korea.

BERGSTEN: Even agency heads are allowed to have dumb views, and some of them have more than others. But you're not going to comment on that.

FROST: No, I just wanted to make the point that I think Japan was the exception, not the rule, about the lack of coordination of economic and security policy. I think the same could be said, by the way, of NATO expansion and the U.S. response to EU expansion.

GREENWALD: We're doing it because the EU is doing it?

FROST: No, no, no. I'm just saying that the people who thought about NATO expansion were not regularly in touch with the people who thought about the U.S. response to the expansion of the European Union, which has significant trade implications for the United States. I'm just saying there were two camps. That's all. And Henry's point is that they don't always talk.

OWEN: When you look at what has been the major accomplishment in the last eight years, it's been the fact that the budget deficit has maybe been eliminated. That's a tremendous accomplishment. I don't think anyone in this room would have predicted eight years ago that it was going to happen. It means money is cheaper. It means that businesses don't have to compete with the government in raising money, etc.

Now the executive branch did not accomplish that. The executive branch and the legislative branch working together accomplished it. It couldn't have been done otherwise. Both political parties and both branches of government worked together. Maybe in thinking about the machinery of the government, we have to devote more attention than we have tonight to the relationship between the two branches of government. Because without that, you wouldn't have the Marshall Plan; you wouldn't have a trade policy. But most important, you wouldn't have had the budget cuts, which brought us to a healthy economy.

BERGSTEN: Well, Henry, just to underline that, trade policy has now basically been stalemated for four years running. In large part that's the failure of the administration and Congress to get together.

OWEN: That's right, and that's why their legislative relations are so poor.

BERGSTEN: What's the reason they're so poor?

OWEN: Because they're trying to do everything themselves, and they're doing it badly.

BERGSTEN: Who? Who are they?

OWEN: USTR.

BERGSTEN: No, I think somebody else made the right point. USTR has little power. Trade policy the past two or three years has been set by [Counselor to the President] Rahm Emmanuel and [White House Chief of Staff] Erskine Bowles. USTR has become like Commerce, Labor, etc. It has been the high politics, the domestic politics that has driven the formulation of trade policy, and trade people aren't in the room when trade policy is made. So don't blame it on USTR.

OWEN: Well, I'm not talking about the making of trade policy, Fred. I'm talking about the relationship between the executive and the legislative branches.

BERGSTEN: That's what I'm talking about. People changed policy because they didn't want to drive further wedges in the Democratic Party in the Congress.

OWEN: I don't know about these characters in the White House you're talking about, but there used to be a system where the agency that was responsible for the sector, for example, agriculture, would deal with the agriculture committee. It doesn't work that way any more.

BERGSTEN: But not because of USTR, that’s all I would say.

PORTER: It seems to me the one thing that we want to keep in mind when we're thinking about this whole cluster of issues that we have been discussing, is how does all this look from the vantage point of the President? If you look at it from his vantage point, he discovers that he is being pressed by all sorts of elements within the executive branch and outside the executive branch to get engaged in their issues and their problems. One of the things that he needs most is help in sorting out what is important and what is less important and not spending his time, effort, energy and political capital on things that don't matter very much. Presidents need people around them who have a lot of good judgment and common sense and wisdom, but who are also prepared to shield them from some things and to help them concentrate on the things that matter most.

The second problem from the vantage point of the President is that if you look at all these issues that are being pressed on them, many of them are interrelated in that what they do on issue A today will affect the range of choices and relative attractiveness of those choices for issues B, C, and D that they're going to be taking up two weeks, three months or a year from now. They need help in this integration so that when they're deciding on issue A today, they have some people reminding them, well, but you've got issues B, C, and D coming up a little later on.

Thirdly, they are surrounded by people in departments who have, for want of a better term, a parochial set of interests, or, at a minimum, a set of concerns and interests that are more narrow than theirs. Therefore, they are going to have to have some help from their staff in calibrating and assessing what they're hearing from these departmental advocates. Now, given that, they do need staff. I share the view that staffs have gotten too large. But I don't share the view that what staffs you have, what sized staffs you have don't matter and that how they're organized doesn't matter. I am still persuaded that there are a cluster of issues that roughly go under the heading “national security policy” that engage a different kind of expertise, understanding, knowledge, and wisdom, and a cluster of issues that go under the heading of economic policy and a cluster that go under the head of domestic policy. Presidents essentially need at least three streams of advice coming at them, and it works best if the people heading those streams talk with one another and work well with one another. I would give the example of Bill Seidman and Brent Scowcroft as an instance in which this coordination worked well. I think to have a single integrated staff, as attractive as that might be in certain respects, is, in fact, not practical given the range of issues that the President is going to have to take up.

DESTLER: In responding to your first point, I have to recall something that Ed Fried told me at least 25 years ago when I was looking at the U.S.-Japan textile negotiations. He said his mandate from Lyndon Johnson concerning the textile interests was basically keep the pot boiling. Don't give them anything and don't let me [the President] get any telephone calls.

FROST: And he succeeded.

DESTLER: And he bequeathed that issue to Richard Nixon, who messed it up. But a couple of more comments; then we'll....

HAMILTON: Just one comment on what Roger just said. I agree with all of that, and for another reason, which is that the government is structured that way. The problem the President has is dealing with this giant, extended set of concentric circles that are structured in a particular way. If his organization is structured some other way that does not run parallel to the larger government, the staff will not have the handle it needs, which is fundamentally informational. That is to say, the way you know something about issues going on is because you are structured to follow the information exchange which is going on between units which are, in fact, structured in these ways. And if you don't follow that at least in large part, you don't have the handle. If you don't have the handle, you don't have the information; then you can't be effective in whatever the President wants.

One point I would make, however, to Ellen's model. I would argue that I am for, I should say at the outset, a much smaller NSC. I think 145 people is ridiculous.

DAALDER: ...for the record. It's being taped. A hundred and forty-five people includes at least seventy-five people who are not considered to be a part of the NSC staff.

HAMILTON: I understand that. But even then --

DAALDER: It's still a large staff of about 70 people.

HAMILTON: A professional staff — a core, professional NSC staff of larger than thirty to forty strikes me as unnecessary. Having said that, when you establish cost cutting, problem oriented task force type operations, you're building for a more proactive Presidency. That is to say, those things tend to take on lives of their own and to take over the action, which is how the NSC staff got so big in the first place. That's what Henry Kissinger was doing and that's how the staff grew. You have to have a President who wants that or a President who's willing to tolerate it if someone around him wants it.

And second, having constructed something like that, it does tend to kill off the same kind of cooperative phenomenon in the agency level. It's hard for agencies to be as collaborative in that kind of context as if those things don't exist. And I think one can see all kinds of — I mean, if you take Jim Baker's State Department, just take that inside as a phenomenon, you'll find eight people who are totally in the know, and five million people who have no idea what's going on. That is, in part, a result of organizing the Secretary's office in that way.

PORTER: May I just add not only do I totally agree with what Ed just said, but it seems to me that we need to ask ourselves why have these staffs grown as large as they have and why don't they shrink, given the fact that there is a large number of people who think that they have grown too large. I think the answer to that is that no one likes to disarm unilaterally. There is a great fear that if the President’s staff is cut in half and the Congress has built up their staffs, he will be at a disadvantage. In a sense you need a general disarmament. I think the staffs all across the government have gotten too large. A general disarmament would be a healthy thing.

DESTLER: For example, whether the Deputy Secretary of State needs a number of separate professionals working just for him is another set of questions. Or the same staff proliferation in the bureaus. I think that’s right. You can't consider White House staff without looking at other staff. Obviously there's a core logic which is the problem of parochialism and the need to pull things together. There is also the short-term operational logic. If other people have more troops, I have to have more troops, and I'm not going to give them up because they might be useful to me. This issue may not be important now, but it may be someday, and, boy, now that we have staff that’s doing it, I want to keep it. So it seems to me there is a need to recognize the need for these staff functions, and to try to figure out how you can have fewer of these people who are more senior, more flexible, better connected to both the President and the agencies, but are also able to operate in a way that essentially bumps stuff back to the agency and says “That just won’t do. That’s sloppy. That doesn’t take into account such and such.” But send it back to them, or meet with them and agree on what they should do, as opposed to “You guys do it over here because I can’t trust them.”

Ellen, do you want the last word?

FROST: I hate to challenge the point Roger made about perceptions of fairness and sharing the pain, because I think, in general, he’s right. However, what struck me about the reading material was that it was relatively static because it focuses on organizations. But there has been a tremendous change in the external environment. For example, USTR is now negotiating a huge number of agreements that were never dreamed of 30 years ago. Yet the political pressure to limit or cut the size of the White House staff works against the proper staffing of this expanded negotiating agenda.

So in addition to your point, which I do basically agree with, and in addition to the general point about keeping staff small, you have to distinguish between what the President and the White House should focus on as opposed to what actually has to be done given the expansion of the concept of trade, the expansion of our globalism.

DESTLER: Most of the USTR people aren’t playing the staff role that we’re defining.

BERGSTEN: I totally disagree with that. I think it's inadequate to do its task. I think the international part of the Treasury, which I headed, which has a virtue of being relatively small, is far too small to do the multiplicity of things that it must do today. And the sort of knee-jerk, unthinking view in many quarters, “We need to cut staff,” is often very, very shortsighted.

HAMILTON: We're talking only central executive staff. How about Commerce?

DESTLER: On this note, I thank you all. This has been, I think, an extraordinarily interesting and rich discussion by a unique group of people around the table.

VARIOUS UNIDENTIFIED SPEAKERS: Thanks for convening us.

APPENDIX A: AGENDA

The agenda consisted of the following list of questions, distributed to the participants in advance of the meeting.

A. *For Each Administration*

1. Was there a clear lead official, short of the President, leading or coordinating international economic policy? Who was that person?

2. Was this role clear (whether explicit or implicit) at the start of the administration, or did it emerge over time? How important in establishing this role were:
   a) The individual's personal relationship with the President?
   b) The individual's institutional position, whether as a department head or senior White House staff aide?
   c) Other factors, such as his/her background, talents and/or ambitions?

3. What role did the senior NSC staff play on international economic issues? Did it share coordinating responsibility with, or defer to, another White House staff agency?

4. Was the senior NSC staff the primary coordinator, for the President, on the following issues?
   a) trade policy?
   b) international monetary and financial policy?
   c) economic sanctions and export controls?
   d) economic negotiations with key countries (Japan, Germany)?
   e) foreign economic assistance?

5. From whom, and through what process roles, did NSC economic aides gain leverage over policymaking? What people and processes, inside and outside the executive branch, limited the NSC role?

6. Were there particular interagency groups, formal or informal, that played important policy coordinating roles?

7. On trade, how much of a policy coordination role was played by (U)STR? Was there a persistent turf battle between (U)STR and the NSC (or another White House international economic policy staff)?

8. Was the Secretary of the Treasury an effective administration leader on international economic issues beyond the monetary-financial sphere? If so, did this leadership reinforce or undercut the role of the NSC or other White House coordinating staff?

9. How much have NSC or other White House international economic staff maintained strong and regular contacts with key Congressional committees like House Ways and Means?

10. How important was the State Department? On which issues? Was there any broad grouping on which State had a clear lead?

B. *Across Time*

1. Does Presidential style shape, even dominate, the international economic policymaking process to the degree that it shapes the process on political-military issues? If not, why not? And what (or whose style) does shape the process?

2. Under Presidents Kennedy and Johnson, a deputy national security assistant with his own Presidential account played a central role in international economic policy. Under Carter, a somewhat similar role was played by a special representative for economic summits attached to the NSC. In neither case was there a separate White House staff tasked with coordinating economic policy. (The CEA has a different role.) Were there similar arrangements in any other administration? Would such a staffing pattern be possible today? Why or why not?

3. With one exception, each administration beginning with Nixon's established a White House staff unit to coordinate economic policy (Ford's EPB and Clinton's NEC were the most prominent). These staffs played an important role on international issues, and usually had a Presidential assistant for economic policy heading them. No postwar administration before Nixon's established such a staff. Does this apparent shift in the process over time reflect a change in the substance or politics of international economic policy? Does this same shift limit the potential role of the NSC staff?

4. Does the existence of a strong Secretary of the Treasury diminish the NSC staff's role in international economic policy? Does such a strong secretary diminish or increase the prospects for establishing effective international coordination by a White House economic policy staff?

C. *Toward 2001*

1. Should the President's senior staff aide for international economic policy be:
   a) Part of the NSC staff, highlighting the connection to foreign policy?
   b) Part of the NEC staff, highlighting the connection to economic policy?
   c) Equal in rank to the national security and economic assistants and reporting directly to the President?

2. Should the NSC (perhaps renamed) be given a coordination role cutting across all international issues, including economic? Or should its lead role be limited to issues where the primary agencies are State and Defense? If the former, should additional statutory members be added to the NSC?[1]

3. Assuming the continued existence of an NSC and an NEC, for which international economic issues does the NSC have the strongest claim?
   a) trade policy?
   b) international monetary and financial policy?
   c) economic sanctions and export controls?
   d) economic negotiations with key countries (Japan, Germany)?
   e) foreign economic assistance?
   f) assistance to nations or economies in transition?

4. Are there particular historical models for coordinating international economic policy that you would urge President Bush/Gore to emulate in the next century? What were their virtues?

5. In designing arrangements for international economic policymaking, should we seek to constrain, or to reinforce, the role of the Secretary of the Treasury?

[1] A more radical proposal would be to merge all White House policy aides, domestic and international, in one staff, but the question of its internal configuration would remain, including how many aides, with which portfolios, would have direct presidential relationships.

ABOUT THE CO-DIRECTORS

Ivo H. Daalder is a senior fellow in Foreign Policy Studies at the Brookings Institution. A specialist in American foreign policy, European security, and national security affairs, Daalder is the author and co-editor of eight books, including *Winning Ugly: NATO's War to Save Kosovo* (forthcoming); *Force, Order, and Global Governance* (forthcoming); *Getting to Dayton: The Making of America's Bosnia Policy* (2000); *The United States and Europe in the Global Arena* (1999); *Rethinking the Unthinkable: New Dimensions for Nuclear Arms Control* (1993); *The Nature and Practice of Flexible Response: NATO Strategy and Theater Nuclear Forces since 1967* (1991); and *Strategic Defenses in the 1990s: Criteria for Deployment* (1991). Along with this project on the National Security Council, he is co-authoring another book on the politics and policy of missile defense.

Prior to joining Brookings, Daalder was associate professor at the University of Maryland's School of Public Affairs, where he was also director of research at the Center for International and Security Studies. In 1995-96, he served as director for European Affairs on President Clinton's National Security Council staff, where he was responsible for coordinating U.S. policy toward Bosnia. Daalder currently serves as a member of the Study Group of the U.S. Commission on National Security/21st Century, an examination of U.S. national security requirements and institutions. He has been a fellow at Harvard University's Center for Science and International Affairs and the International Institute for Strategic Studies. He is the recipient of a Pew Faculty Fellowship in International Affairs and an International Affairs Fellowship of the Council on Foreign Relations.

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Professor Destler has held senior research positions at the Institute for International Economics (1983-87), the Carnegie Endowment for International Peace (1977-83), and the Brookings Institution (1972-77). He served as a consultant to the President's Task Force on Government Organization in 1967 and on the reorganization of the executive office of the president in 1977. His other books include: *Presidents, Bureaucrats, and Foreign Policy* (1972), *The Textile Wrangle: Conflict in Japanese-American Relations, 1969-71* (co-authored, 1979); *Making Foreign Economic Policy* (1980). *Our Own Worst Enemy: The Unmaking of American Foreign Policy* (co-authored, 1984); and *Beyond the Beltway: Engaging the Public in U.S. Foreign Policy* (co-edited, 1994).