

William S. Gaud Oral History Interview – JFK#1, 02/16/1966
Administrative Information

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Biographical Note

(1907 - 1977) Assistant Administrator, Bureau for the Near East and South Asia, Agency for International Development (1961-1964), discusses the Agency for International Development [AID], its role in legislation, and the John F. Kennedy Administration's policy towards foreign aid, among other issues.

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Oral History Interview

Of

William S. Gaud

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William S. Gaud – JFK #1

Table of Contents

<u>Page</u>	<u>Topic</u>
1	Interviewing for the position of United States attorney to the Southern District of New York in 1961
2	Appointment as Assistant Administrator for the Near East and South Asia in the Agency for International Development [AID]
4	Interaction with various personnel involved in international development
5	Dennis A. Fitzgerald and his opinion of foreign aid missions
6, 8	Policies of the John F. Kennedy [JFK] Administration relating to AID and foreign aid
7	Agreements with the United Arab Republic
9	Continued foreign aid efforts of the Lyndon B. Johnson Administration
9	Operation Tycoon and the recruitment of business executives to AID
12, 18	Criticism of Fowler Hamilton, first AID Director
14	Congressional funding and struggles on Capitol Hill
19	Funding recommendations made in 1962, 1963 and 1964
20	Differing opinions between departments on standards required of countries receiving aid
22	Skepticism on Capitol Hill of the effectiveness of foreign aid
23	The Clay Committee Report
24	JFK's opinion of foreign aid over the course of his administration
25	The naming of the aid agency
25	Population control in India and Pakistan
27	Cutting off aid to Ceylon and the Bourke Hickenlooper Amendment
28	Foreign aid as a political or socio-economic matter under the Kennedy and Johnson Administrations

First Oral History Interview

With

William S. Gaud

February 16, 1966
Washington, D.C.

By Joseph E. O'Connor

For the John F. Kennedy Library

O'CONNOR: Mr. Gaud, you were rumored to have been appointed for [U.S.] attorney to the Southern District of New York in 1961. Would you discuss that appointment, please?

GAUD: Well, there isn't any appointment to discuss because I was never appointed, but it looked very much as though I were going to be appointed at one time. The thing came up in either February or March of 1961 when Byron White [Byron R. White] got in touch with one of my partners of my firm in New York, whom he knew, and asked him if he thought I would be interested in being considered for the job. I sent back word that I would. I was then called to Washington. I can't remember whether it was by the Attorney General [Robert F. Kennedy] himself or by Byron White. At any rate, I came to Washington and was interviewed by both of them at considerable length and, as I recall it, came down here at least once more. And it was fairly clear, it seemed to me at least, that I was under serious consideration for the job. In fact, there were some newspaper stories to the effect that I had been appointed to the job, but I never was.

[-1-]

O'CONNOR: Well, was this because of some prior connection that you had with the Kennedy family or with close friends of the Kennedy family?

GAUD: You mean, that I happened to be considered? No, I never had any connection with any member of the Kennedy family prior to that time.

O'CONNOR: The reason that the appointment never came through was because of the protests on the part of Congressman Buckley [Charles A. Buckley], I believe.

GAUD: That's right, Congressman Buckley and a number of others. I was a resident of Connecticut. I lived in Greenwich. I was admitted to the Bar in New York. I had never practiced law in Connecticut. I was then practicing law in New York and had been practicing there, off and on, (leaving the war out of account) since 1933. So my entire legal career, you might say, except for a couple of years teaching at the Yale Law School prior to that time, was as a New York practicing lawyer. But, as far as the statutes were concerned, they specifically authorized a man from Fairfield County (which I lived in and which was a county adjacent to the Southern District of New York), specifically authorized a resident of an adjacent county, which I was, to be appointed to the job. But Buckley and others felt that they wanted a New Yorker for the job, and this was the issue on which they beat the appointment.

O'CONNOR: A question of patronage, I believe, was also involved. Did Congressman Buckley consider this a district to be covered by patronage?

[-2-]

GAUD: I don't know what Congressman Buckley considered because I never saw him and he never discussed the issue with me, but I dare say that patronage was involved. Publicly, at least, the issue was pitched on the fact that I was not a resident of New York. What he actually had on his mind, to what extent there was a fight between various factions of the Party, I just don't really know.

O'CONNOR: Your next appointment then, or your official appointment, was as Regional Director for AID [Agency for International Development]?

GAUD: Yes, Assistant Administrator for AID for the Near East and South Asia.

O'CONNOR: Would you discuss that appointment, sir?

GAUD: How do you mean, discuss it?

O'CONNOR: How it came about.

GAUD: How it came about. Well, I had known Dean Rusk many years ago. He and I lived together in the CBI [China, Burma, India] Theater for quite a long time when we were both stationed in New Delhi, and we had kept in

touch over the years. When he was appointed Secretary of State, I told him that I would like very much to join the administration, and if anything came along that he thought that I was qualified for, I wished he would let me know.

Several times in the spring of 1961 he did call me and discussed various possibilities with me. Originally, this was at the same time that the United States Attorney appointment was hanging in the balance. I saw him down here as well as the Attorney General and Byron White, and I decided that the job that I would prefer to get, at the time, was the United States Attorney job. So I asked Dean Rusk to hold off until that issue was settled. It was settled I don't remember when, but fairly late in the spring. And by that time I'd got myself involved in a couple of lawsuits that I just couldn't leave. I told the Secretary and

[-3-]

Bobby Kennedy, who was urging me to come down to Washington to take some other job and was talking to me about various possibilities in the State Department or connected with the State Department, I told them both that I didn't see how I could possibly get away from New York, then, until the early fall. So, the business of my coming down here was, more or less, put in the ice box.

And then, shortly, after Labor Day, I called Secretary Rusk and said that I had reached the point where I could leave my firm within a matter of weeks or a couple of months. He, then, suggested that I join AID. And inasmuch as I had served in South Asia during the war and knew something about it, he thought I might be interested in coming in as Assistant Regional Administrator for that part of the world. He suggested that, if I was interested, I talk to Fowler Hamilton who was either about to be or had just been appointed Administrator of AID. I saw him—I guess this would have been in early October—and then I decided that I was interested in the job. I came down here in the first week in November.

O'CONNOR: Harry Labouisse [Henry R. Labouisse] was the first Director of AID.

GAUD: No, he wasn't. Harry Labouisse was the head of ICA [International Cooperation Administration] which was one of the agencies that was merged into AID; AID came into legal existence, as a matter of fact, only about a week or a few days before I reported for duty. AID has had only two administrators, Fowler Hamilton and Dave Bell [David E. Bell].

O'CONNOR: I was under the impression from Arthur Schlesinger's [Arthur M. Schlesinger, Jr.] book, that Harry Labouisse was the head originally. I was going to ask you if you had had any contacts with him or if you had any comments on his direction.

[-4-]

GAUD: I have known Harry for thirty-odd years, and I know him well, but I never served with him because by the time I came down here he was out of the picture. Not too long after that, he was appointed Ambassador to Greece.

O'CONNOR: Did you have any contact with Dr. Dennis Fitzgerald [Dennis A. Fitzgerald] when you came to this job?

GAUD: Very little. He was still around, but he had no active job. I think that he had not actually retired from the Agency when I got here, but he did shortly thereafter. I saw him, as it were, in the halls and at lunch, but I had no real business connections with him.

O'CONNOR: Arthur Schlesinger, of course, paints him as the center of resistance against AID, against centralization of our foreign aid missions. I wondered if you had any comments on his resistance or his critical comments on AID after he retired in 1962.

GAUD: I am not sure that I would put it exactly that way, the way that you said Arthur put it. For a good many years there has been a question as to whether AID, or the aid agency whatever it is called, ought to be organized on a regional, geographical basis or whether it ought to be organized on a functional basis. In other words, whether, in the latter case, the program decisions should be made by educational types, public health types, agriculture types or whatever it may be. Should they have predominant say in terms of the program in a particular country or should the geographical regions have the predominant say? ICA was organized on a geographical basis in the sense that they had regional administrators for various geographical regions, but over a period of years, as I understand it, more and more of the decision-making power had come to be lodged in the central so-called technical services in the Agency, which were run by Dr. Fitzgerald. I have a very strong impression, although I never lived through it, that the technical services were paramount, and that they had the ear of Dr. Fitzgerald, or

[-5-]

that they had the ear through him of the Administrator, and they had a tremendous amount of influence in our programs in the various countries. When AID was created, it was very definitely slanted toward putting control in the hands of the regions and the regional administrators; and the technicians were, in a sense, downgraded. Now this, as I understand it, did not sit well with him. He had been running the shop the other way, and he was upset with the way that the new shop was set up.

O'CONNOR: One of the major battles that John F. Kennedy had to fight in 1961 in connection with AID was the battle on Capitol Hill. I wondered if you had any comments on that. He lost the battle, for example, for a five-year borrowing privilege.

GAUD: Well, again, I wasn't here.

O'CONNOR: Yes, I realize that. This was before your time.

GAUD: Personally, before I came down here, I read the minutes, the Congressional hearings, to get some idea of what the issues were and how the Agency was going to be set up so that, at second hand, I am familiar with the struggle that went on to get the long-term commitment authority. My own feeling is that as things turned out, that issue wasn't anywhere near as important as it seemed to be. I don't believe, myself, in making long-term commitments of the kind that the Administration had been fighting for. The theory at the time seemed to be that if you could make these long-term commitments, it would make it easier to carry on a more effective aid program by tying these countries down over a period of years to a plan or a program or what have you. But I think that experience has shown, since 1961, that long-term commitments are not helpful but are harmful in terms of achieving our purposes. If you believe, as I do and as, I think, Kennedy did, as we all do who are connected with AID—if you believe that self-help is important, then you must also believe, I think, that you have got to keep as much leverage as you can or the countries

[-6-]

that you are trying to give assistance to. If you enter into a two, three, or four, or five-year agreement, or commitment, you bargain away your leverage right off the bat, and you lose a great deal of power that you have to influence that country's behavior. Now, we have entered into a whole series of PL 480 agreements which have lasted over a period of three, four, and five years. The first ones, I think, were entered into in 1961, and for a year or two thereafter we followed this practice. I think those agreements are dead wrong. I think that our agreements should never run for longer—never is a strong word, there may be exceptions—but certainly as a general proposition we should not enter into any agreement longer than a year.

There are two classic examples of losing leverage in this respect. First, there is the long-term PL 480 agreements that we entered into with India for five years during which time India didn't do nearly as much for her food program as she should have done locally increasing her her agricultural production drive. And we lost a lot of the leverage that we would have otherwise had to influence India in this direction. The second which was entered into in 1962 over my dead body—that is a slight exaggeration—very much over my objections was a three-year agreement, a PL 480 agreement, with the UAR [United Arab Republic] where again we bargained away our leverage and as soon as Mr. Nasser [Gamal Abdel Nasser] got this three-year agreement under his belt, he embarked on a whole series of political activities which were inimical to us, and it was much harder for us to cut off the food to his people who needed it badly when we had an outstanding agreement than it would have been if we had had a series of short-term agreements, and each time when we negotiated the new short-term agreements, we had the opportunity to exercise influence. For my money, the battle for long-term commitment authority in 1961 was well lost.

O'CONNOR: Who is responsible for this particular agreement with the UAR in 1962? You said that it was carried out over your dead body or over your objections.

[-7-]

GAUD: Well, the decision, I don't recall [Pause] discussing.... I am sure that the decision was approved at the White House, but the issue was fought out here in this building between AID, on the one hand, and the political side of the State Department on the other. There was a very strong difference of opinion between us in AID and the Assistant Secretary of State [Phillips Talbot] for Near East South Asia. He and his people were strongly in favor of the three-year agreement for political reasons. We were strongly against it. We, in AID, were strongly against it because we didn't think it made sense. The UAR program, ever since I have been here, is essentially a political program rather than an economic developmental program. We do things in that program which we hope will help the UAR's economic development, and we do things which we believe make sense. But essentially, the reason that we have a program in the UAR is political, and the primary purposes that we are trying to serve are political. The State Department felt that it was politically desirable to have this three-year agreement. This carried favor with Mr. Nasser and the State Department thought it would help persuade him to do things that we wanted him to do. We felt that it made no sense either from an economic standpoint or a political standpoint. We felt that Nasser was the kind of a guy that you just didn't give a long string to, and we tried to restrict this to a one-year agreement. We took the issue to the Secretary of State, who went along with the political side of the State Department, and as far as we were concerned the issue stopped there.

O'CONNOR: Has the Department changed its attitude toward long-term agreements since then, or does it retain the same attitude, do you think?

GAUD: I think that their attitude has changed considerably.

[-8-]

O'CONNOR: Specifically because of this Nasser agreement or because of other agreements that have come along?

GAUD: I don't know if I would say specifically because of that agreement, but I think that there has been a change. They haven't gone anywhere near as far as I have gone, in my thinking. We still, today, are fighting similar issues with them in connection with PL 480 agreements, whether they want to make it a two or a three-year agreement rather than a one-year agreement. There are two that have come up in the last six weeks, and we feel that it doesn't make sense, so that the issue has not been entirely eliminated. I think, however, whatever the views of individuals in the State Department would be on this issue—and of course there are many who feel just the way I do and there are some who don't—what ever their own convictions may be, I think that the issue has been pretty effectively resolved by President Johnson [Lyndon B. Johnson] who is not, you might say, a man for long-term agreements.

O'CONNOR: Fowler Hamilton, you mentioned, was the first head of AID. A project connected with his name, at least by Arthur Schlesinger again, is Operation Tycoon, recruiting of business executives. I wonder if you have any comments on that. Was that his idea, or was that idea ascribed to somebody else?

GAUD: I am not sure. I was under the impression that that project originated in the White House, but I am not 100 percent sure.

O'CONNOR: Lyndon Johnson's name is connected with that on occasion. I wonder if...

GAUD: Johnson's name?

[-9-]

O'CONNOR: Yes.

GAUD: Well, I didn't know that. I don't think I have ever heard his name in connection with it before. I have heard it said—and again, this idea was started before I got down here—that Ralph Dungan [Ralph A. Dungan] was involved in it. I don't know who was, but at any rate, Fowler, of course, was the Administrator when the thing was put through.

O'CONNOR: I wonder if you have any opinions on whether it worked or not or how well it worked. Was this a successful approach?

GAUD: Yes, it was in the sense that we got from it a dozen or fifteen men who came on our staff. Most of them went overseas. Some of them, a few of them, worked out spectacularly well; some of them worked out moderately well; a few of them didn't work out—as you would expect from any twelve or fifteen men that you had picked from industry and threw into this maelstrom here. But, on the whole, I would say, yes, it was fairly successful.

O'CONNOR: I presume that some of these twelve or fifteen men were in the Middle East and South Asia region. Is that right?

GAUD: I only took one into my region.

O'CONNOR: Who was that?

GAUD: His name is—oh, my God—he came on as deputy mission director in Jordan.

O'CONNOR: Well, I can get his name.

[-10-]

GAUD: His name, I'm sorry, has just slipped my mind. Operation Tycoon started in January of 1962. We had down here, in the Agency, some 50, 60, 70 men who listened to the story of what we were doing and went around for a series of interviews. They spent several days here, as I recall. Over the next forty-five to sixty days we gradually winnowed these down to twelve or fifteen whom we took into the Agency. None of these reported for duty, as I remember it, until around June. They had to finish up their businesses, they had to go through indoctrination courses, and so forth and so on. Now, as luck would have it, I had many fewer vacancies in my missions than the other fellows did. I was the first regional administrator to be appointed to AID. I was the first regional administrator to be appointed to AID. I was the first one to get here on the job so that I had a head start on the others in hiring people for the vacancies that I had overseas. And the result was that I had filled up almost all of my slots before Operation Tycoon produced anybody. And, as a result, I had only one guy. As I said, this was not because I did not want to take any of them in; there were a number of them that I would have been happy to hire if I had had vacancies, but I just didn't have the vacancies.

O'CONNOR: Among those that you classified as working out spectacularly well, would you care to talk about some of them? They apparently weren't really in your area. Perhaps this one man was.

GAUD: He worked out well. I would not say that he worked out spectacularly well, and after serving his tour here of roughly two years, perhaps a little more, he went back to his company. But, there were a number who worked out extremely well. There were one or two in Africa; there were one or two in the Far East. Men who had the administrative ability, who had the interest, who could swim in the bureaucracy so to speak, and who had an interest in the job. Hell, it's like any other bunch of twelve or fifteen people. Some did better than others.

[-11-]

O'CONNOR: Sure. I was wondering, specifically, if you would name some of these people because I would like perhaps to talk to them, too, if I could. We are interested not only in the ones that you feel worked out spectacularly well but some that you might feel, for varying reasons, did not work out well.

GAUD: I could do better on this if I got a list of the people and went over it. Why don't I do that, and then I can answer the question.

O'CONNOR: All right, I would appreciate that, frankly. It is said that under Fowler Hamilton, AID remained relatively sluggish, and this made John F. Kennedy very impatient. Do you have any comments on that?

GAUD: I don't know who said it. I don't think it is true. I mean it isn't true, as I see it, that AID was sluggish. Fowler Hamilton faced a hell of a job. AID was an amalgam of the ICA, International Cooperation Administration, and the DLF, the Development Loan Fund, plus some functions that had formally been performed by the Export-Import Bank. There had been a long period of many, many, months before the statute creating AID was passed of complete and utter uncertainty in ICA and DLF as to what was going to happen, as to whether there would be an aid program, what kind of an aid program there would be, as to who would run it.

You had a combination of circumstances: a change of administrations; not too damn much attention, it seems to me, paid to aid in the last few years of the Eisenhower [Dwight D. Eisenhower] Administration; and then this utter uncertainty as to what the hell was going to happen under Mr. Kennedy; and what kind of a law the Congress was going to pass. The result was that practically everybody who worked for the ICA or the DLF just didn't know where he stood as far as the future was concerned. The morale couldn't have been worse, possibly. A great many people left those two agencies and went into other parts of the Government or went into private life. When I came down here, around the first of November, 1961, it was no exaggeration to say that conditions were

[-12-]

really chaotic because nobody knew where they stood, the great mass of people who worked for the Agency. By the time I came, Fowler Hamilton's appointment had been announced. Nobody knew who the regional administrators were going to be. The Agency had an entirely different relationship to the State Department than it had ever had before; it didn't know if it was going to be dominated by the State Department or whether it wasn't; whether there was going to be a job to be done there. There were any number of reasons why these people were unhappy and uncertain and just plain bewildered.

The job that Fowler Hamilton had to do was to take this goddamned mess and try to make something of it, and build an agency, and hire a hell of a lot of people from the outside to come into a job which was unpopular at best and doubtful as to how long the damn thing would last and whether it would really amount to anything. He had to concentrate, spend his time, primarily on getting an organization going, on hiring people and the like, and it was a tough job, but it was the job on which he concentrated. At the end of a year—and he left here almost thirteen months after he came—when he left he had made a good deal of progress in creating an organization and in hiring people. The organization which he created is pretty much the same organization that we have today. A great many of the people whom he brought in the Agency, including me, are still here today.

I always felt that Fowler Hamilton never really had time or an opportunity to learn as much about the program as he would have if he hadn't had to go through this building-up process. He had to devote his time primarily to organization and recruiting, and he had relatively little time for the program. This put him at a great disadvantage in dealing with the program, in appearing on the Hill, in talking with the President, in talking with other people around town. So he had a tough job.

[-13-]

I wouldn't say that AID was sluggish. It was just beginning to get moving. It did less, let's say, than it did a couple of years later. It probably did less than people would have liked to have done, but we were just getting going, and we started from nowhere, you might say, It was a tough proposition to get organized and get going.

How, as far as President Kennedy's dissatisfaction is concerned, he was obviously dissatisfied because Fowler only stayed here a year. I don't know really what the foundation of his dissatisfaction was; I don't know what his feelings were. I never talked to the President about it, and there was all sorts of gossip around about this, that and the other thing. But I just plain don't know. The problem.... Am I answering these questions too long?

O'CONNOR: No, not at all. Frankly, we would like you to go into as much detail as you could. I have much more time than you have.

GAUD: We can put as much time on this as you'd like.

O'CONNOR: All right. Again in 1962, just as in 1961, John Kennedy and the Administration and AID faced a major problem in its relationship to Capitol Hill. In fact, the problem in 1962 is apparently much more difficult. The appropriations were cut down tremendously, from \$4.9 billion, I believe, to \$3.9 billion by Capitol Hill. Do you have any comments on how this might have been avoided?

GAUD: Yeah. Well, I don't know if any comments that I make are going to be worth much.

O'CONNOR: We would like to have your opinion, frankly, sir.

[-14-]

GAUD: There are an awful lot of elements that go into the Hill's dissatisfaction with the AID program, but one thing that a number of us felt strongly at the time was that we asked for too much money. Our programming wasn't on as tight a basis as it is today, we weren't doing as good a job as we are able to do today with more experience. (The Agency has more experience—I'm not talking about individuals now.) And I think that is a large part of it. Most of us at the top of the Agency, in 1962, were just as green as grass, and we knew damn little about this business. When we had been here a year or two, I think that as we learned, one of the things that we all realized was that our programming was not tight enough. We were too optimistic about the amount of aid that these countries could use on an intelligent basis, and we were just plain asking the Hill for too much money, and we ought to have been programming on a much tighter basis. We had no credibility with the Hill as long as we were going up and absorbing cuts of half a billion or a billion dollars, and then we still didn't lack money, and indeed often ended up the year with money left over. We had no credibility, and rightly so. They did not trust our estimates, and, in a sense, they were right.

We were too generous in our programming estimates of the amount of money that we needed. Some of us were somewhat inclined to go into “cut insurance” and, in effect, to pad the budget to some extent. This was a mistake, and I think that after we had been around the circuit once and certainly twice, almost all of us came to realize that we were not going to get anywhere on Capitol Hill until we established more credibility on the figures that we presented to them.

The result of this was that in 1963, before President Kennedy was assassinated, that fall, the big question in the Agency was whether we shouldn't go on an entirely different programming basis in the sense of the type of program and all the rest of it that we had been doing before, be more realistic in our estimates of what these countries could do, not always take the optimistic view that we could spend the top side of the range rather than the low side of the range. And in November 1963, before President Kennedy's death, we were just about at the point of resolving that issue here in the Agency. We were all clear, from Dave Bell on down, that we wanted to go up for a tight budget and shift the gears from

[-15-]

what we had been doing in the past, and try to establish some credibility with the Hill. Now, that in fact is what we did. President Johnson approved that approach, and we have been doing that ever since. Now, that is one element of our relations with the Hill, and one reason why, I think, that we used to have so much trouble with the Hill.

But, of course, there are far more basic reasons than that. There is a good deal of opposition and hostility to the idea of foreign aid. There is a good deal of misunderstanding on the Hill as to what foreign aid is. And then the foreign aid program gives many a senator and congressman an opportunity to vote their prejudices on foreign policy issues to a degree that they can't in any other way. They can't control the State Department's actions; they can control our program, to a degree. So this is an outlet for them to express their views concretely on foreign policy.

O'CONNOR: This including of “cut insurance” into the request for appropriations, was this the policy of the White House in 1962 or 1963, or was this the responsibility of someone here in AID, for instance, Fowler Hamilton?

GAUD: No, I wouldn't say that it was the policy of the White House at all. The White House certainly never gave us any instructions to do that. I don't think the White House was ever aware that we were doing that. When I speak of “cut insurance,” I don't mean that we deliberately padded the budget with “cut insurance.” But if you were trying to decide whether you would need five hundred million dollars or six hundred million dollars, let's say, for India, the thought that was in the back of your mind was, “Well, damn it, the Congress is going to cut the hell out of this so maybe we had better go for the six hundred million dollars.” The six hundred million dollars was a perfectly honest estimate of what India might use under optimum conditions, but we tended in those days to decide for the top side of the range rather than the lower side of the range. It was something that you had in the back of your mind that you were going to be cut and, damn it, you had better have a little fat in there, or you had better take

[-16-]

some of these optimistic ranges. This was the attitude in the Agency, generally speaking. Subsequently, we changed our point of view, decided that this was the wrong approach.

O'CONNOR: Who was responsible for the change in that attitude? Does this reflect a change in David Bell's attitude or generally in the Agency?

GAUD: Bell was not here. Bell didn't come here until he was appointed in December of 1962. The budget that we put up to the Congress in the fall of 1962—he had a part in that eventually, but he came on the scene fairly late. And if you remember, it was in that year we asked for a very large amount. As I recall, it was \$3.9 billion, and then, the Clay [Lucius D. Clay, Sr.] Committee was appointed. During the course of the Clay Committee hearings, or shortly thereafter, the Administration voluntarily reduced the amount of its request by some 4 or 5 hundred million dollars—either 3.4 or 3.5, I have forgotten which—and then we were subsequently cut somewhat beyond that.

The first budget that was really a David Bell budget was the one that went up to the Hill in 1964, and that was the first of the bare-bones, bikini-style budgets. This was definitely his point of view, that we should go up for a smaller amount. And in this he had the support of the rest of his staff. Indeed, he was urged by nearly everyone on his staff to submit a tight budget, because those of us who had lived through this business for a year or two had all come to the conclusion that we were on the wrong wicket before, and that we just had to budget more tightly and program more tightly.

O'CONNOR: Again, can the idea of padding, or unconsciously padding the budget, can this responsibility be laid primarily to one man or several men or is it just a general feeling?

[-17-]

GAUD: No, I think that it was the attitude of the Agency.

O'CONNOR: You wouldn't consider this, then, a criticism of Fowler Hamilton?

GAUD: No, I wouldn't.

O'CONNOR: All right. They said that in 1962, I believe it was...

GAUD: Let me spell that out.

O'CONNOR: Surely.

GAUD: Because Fowler was only here for a year, and as I said earlier, he knew very little about the programming, he was at the mercy, if you will, of the people who were working at the country desks and who were working in the regions. He did his best, and he did a good job in trying to get on top of the situation. But he wasn't with the Agency long enough to develop the kind of a feel that you have to have for the seventy-odd countries that we are giving aid to. And that made it hard to be able to judge for himself whether these estimates coming up from the regions and from the country desks were optimistic or pessimistic or tight or loose. He never was here long enough to develop that feel. You have got to be here a little longer than that.

O'CONNOR: You, as a Regional Director, certainly had something to do with the recommendations that were sent up in 1962, 1963, and 1964.

GAUD: That's right.

[-18-]

O'CONNOR: Was it the experience of the cuts that changed your mind on this?

GAUD: It was the experiences of the cuts. It was the attitude of the Congress. It was the growing awareness that we never lacked money. I had assumed, as I guess a great many did, when I came to this Agency that the Congress always cut the hell out of it and the Agency must always be struggling to get enough money to do its job. This wasn't true. I have never seen the time until recently when we have not had enough money to do what we needed to do. The lack of money has never been a problem as long as I have been here until today. It is today because of the situation in Vietnam, and we have a supplemental before the Congress at the moment. If the money that we requested there isn't appropriated, we are really in the bag. The cupboard is absolutely bare as far as funds to be used in Vietnam, the Dominican Republic and certain other places are concerned. But this is the first time since I came here in November 1961 that we have lacked for money. So, as I say, when we had been through this process once or twice, we soon realized that we were getting enough money. In view of the cuts, this obviously meant that we were asking for more than we needed.

In addition to the attitude on the Hill, there has been a difference in attitude on programming. There is much more emphasis now on self-help than there used to be; there is much more insistence on performance by these countries than there used to be. When we sit down and figure out our program for the coming year, we take into account—well, let's take a couple of specific cases to make quite clear what I mean. We haven't given any aid, to speak of, to Argentina or Peru for a couple of years because we are not satisfied with their performance. We are not satisfied that they will make good use of the aid. We feel that they ought to take certain economic reform steps before we are prepared to give them much in the way of aid. Now, to illustrate the difference between the attitude that we had, generally speaking, in the Agency in 1961 and '2, from what we have today, back in 1962, we would have said, "Okay, if Argentina and Peru take the necessary steps in the next year, we are going to need X millions of dollars

for them.” So we would probably have asked the Congress for the amount of money we would have needed if everything had worked out perfectly.

Today, we don’t do that. We don’t put any money in the budget for Argentina and Peru unless we think that it is an almost certainty that they are going to take these reform steps. Given that difference in attitude, programming on the most optimistic assumptions, or programming on the more realistic assumptions if you will, you get a very different sized budget in toto. So we program differently. We also felt differently about the best approach to the Hill, and these are two things that we learned as a matter of experience.

O’CONNOR: This demand for performance on the part of the recipient of the aid, has this received much opposition, for example, from the State Department?

GAUD: Sometimes, yes.

O’CONNOR: Can you think of any specific times?

GAUD: Oh, Lord, yes, any number. Any number where, for political reasons, for what we are inclined to call short-term objectives, the State Department wants to go ahead, and we feel that we shouldn’t go ahead. That sort of issue has arisen between the State Department and Aid many, many times over the last four or five years. It arises, I think, less frequently today because I think we are closer together, generally speaking, in our attitudes on aid than we used to be, but this is the kind of division that arises fairly frequently, still.

O’CONNOR: This sounds as though it is the result of a basic difference in the attitude or the expectation of foreign aid on the part of one department as compared to the other department.

GAUD: Yes, that’s right. I don’t know whether it is fair to the State Department to say this, but it seems to us that the State Department is primarily interested in the immediate short-term objectives, keeping the other country happy. That’s putting it in a crude way. We are much more interested in the long term objective, in having the country take the steps which over the long run will mean that it has a sounder economic base, that it will make better use of its own resources and better use of the resources that we are putting into it. You get this sort of difference all the time—the State Department interest in what they call “impact programs,” programs which will be flashy and have an immediate effect. Whereas, we say, by and large, “Sure, you may need ‘impact programs’ occasionally, but as a general proposition, to hell with ‘impact programs.’ We’re working with a long-term objective in view, generally speaking.”

O'CONNOR: Can you say that the attitude of Capitol Hill is more closely associated with the attitude of AID or more closely associated with the attitude of the State Department? In other words, do you feel that the people on Capitol Hill are looking for short-term gains or long-term gains, political or economic?

GAUD: Well, that is an awfully hard question because there are so many different points of view on the Hill. We do catch hell from some of them up there for not using our aid for what they conceive to be proper political purposes. All that criticism, for example, based on the fact that we are not making friends, that people overseas don't like us, that our aid breeds trouble, and people get mad at us and you see signs saying, "Yankee, go home," and so forth and so on, all this criticism, it seems to me, is based on the assumption that aid is supposed to win friends and influence people, and you want to be followed around by a lot of applauding foreign countries that just think you are a great, generous Santa Claus. To my mind, that's a lot of crap. That is not the purpose of the aid program. There are some people on the Hill who realize that, of course. There are a lot of people who realize that that isn't the purpose of the aid program.

[-21-]

Indeed, there are some who go so far as to say that we should put most of our aid on a multi-lateral basis and dispense it through institutions like the World Bank, divorce it entirely from political considerations. I think that is the other end of the spectrum. Those are the two extremes, really. Aid serves a great many purposes, short-term and long-term, and it is terribly hard to generalize, but fundamentally, it seems to me, aid serves long-term political purposes, but not effectively, as a rule, the short-term ones. It's more of a long-term proposition.

O'CONNOR: How would you characterize Otto Passman's [Otto Ernest Passman] attitude, given that spectrum?

GAUD: Passman doesn't fit this spectrum at all, really, because Passman, for my money, is just plain against economic aid, period. And I don't think he is in favor of one kind of aid more than another kind of aid. He just is against the whole goddamned thing, and he feels we are bankrupting the country, that the country can't afford it. He just thinks it is all wrong, all wrong.

O'CONNOR: It is said that in 1962—or '63; I think it was '62, though—that he kept one regional director on the stand for a hundred hours approximately, questioning him. Who was that?

GAUD: Ed Hutchinson [Edmond C. Hutchinson] who was Regional Administrator for Africa.

O'CONNOR: I see. I wondered why he was picked on, particularly.

GAUD: We never knew whether he was picked on particularly. I mean, why he picked on him particularly, we never knew. It just happened, and I don't know why it was so.

[-22-]

O'CONNOR: All right. I would like to talk a little bit about the Clay Committee Report. First of all, I want to know what your opinion was of the people who were chosen to serve on that Committee, General Clay in particular. Do you think that they were the right or the wrong people?

GAUD: Well, right and wrong from what point of view? Certainly right from the standpoint of getting a committee that was not going to come out and white-wash the aid program. It was certainly an independent committee. But it was not the committee that I would have picked. For my money, and I say this obviously with a prejudiced point of view, there were too many people on it who were not really, it seemed to me, sympathetic with what the aid program was designed to do, or understood what it was designed to do.

O'CONNOR: Would you include General Clay in that category?

GAUD: Well, I hate to.... Yes, I really would. I don't think that Clay.... Well, of course, this may be just a difference of opinion, but....

O'CONNOR: That is what we are looking for, sir.

GAUD: Yeah. Well, it just doesn't seem to me that Clay really got to the bottom of the thing.

O'CONNOR: All right. President Kennedy had been criticized for choosing Clay to head this Committee, and there was considerable opposition to that particular man. I wondered if you felt that this was an intelligent gamble on the President's part or not, to ask this Committee to make a report. It was a gamble.

[-23-]

GAUD: Yes, it was a gamble. I don't think it worked out well. If I were going to appoint—well, he had so many things to keep in mind. He wanted an effective report? He wanted a good report. He wanted a report that the Hill would buy. And it seems pretty clear why he picked Clay. He assumed that Clay would be acceptable to the Hill. I just don't think it worked out very well. The report damaged the aid program, without getting Hill support.

O'CONNOR: Do you think that President Kennedy's attitude toward AID or toward foreign aid in particular changed much during his administration?

GAUD: No, I have never thought that. I wouldn't say so.

O'CONNOR: Some people criticize him for not being persistent enough in defending what he thought foreign aid was supposed to accomplish, not being persistent enough, particularly, in defending it against the opponents on Capitol Hill.

GAUD: Yeah. Well....

O'CONNOR: In other words, that he started out rather idealistically and lost his idealism.

GAUD: Hmm. I never felt that myself. No, I never felt that. Certainly, God knows, we had our troubles on the Hill with the aid program. It seemed to me, however, that President Kennedy made his views on aid perfectly clear. He did this with his press conferences; he did this on a number of occasions. When we needed help on the Hill in terms of his getting in touch with people on the Hill, or the White House getting in touch with people on the Hill, we got it. I don't recall ever having any feeling that we were being let down in the White House. I don't recall any of that feeling at all.

[-24-]

O'CONNOR: The President has also been quoted as regretting that he ever named the aid agency AID, that he should have geared the name more toward military security affairs in order to please Capitol Hill. Do you have any comments on that?

GAUD: Well, I don't know whether he felt that or not. I think myself that AID is a sort of a silly name. It's just too goddamned Madison Avenue. There was a good deal of talk there—I can't remember when it was, several years back—about changing the name of the program, slanting it more toward the security aspect. I guess that was while President Kennedy was President. This is a matter of taste; some people feel that, some people don't. I think myself that the economic aid program is a wholly different animal from the military aid program, and I think it is a mistake to try to hide the one under the other. I have never been very enthusiastic about that particular point of view, but, likewise, I'm not very enthusiastic about the name AID. It is just a little bit too tricky, spelling aid like a.... I don't know that I would have bought that name if I had been naming it.

O'CONNOR: All right. Now, getting on with a little bit more specific problems, a study of population control came up during 1962 in the United Nations, and the American attitude on this was written by Richard Gardner [Richard

Newton Gardner], I believe. It seems to me that this must have directly affected your area because certainly India was one of the countries that was involved in this. I wonder if you would discuss that a little bit, what your attitude was or what the Agency's attitude was on this particular question, if that is not too broad?

[-25-]

GAUD: Well, I don't know that it did affect the situation because we weren't doing anything with respect to population control vis-à-vis India and Pakistan at that time, nor did we start doing anything vis-à-vis those countries as a result of the speech that you're referring to. It wasn't until some time after that we really began to move at all in the field of population control. That United Nations business was something that didn't cause a ripple on my part of AID, not at all.

O'CONNOR: Did you ever get President Kennedy's attitude? Did he ever talk about this idea of population control in general?

GAUD: I don't remember.

O'CONNOR: It struck a number of people rather strange that this particular problem should arise during the administration of a Catholic president.

GAUD: That is right. Well, of course, we were tremendously pleased when he reversed the field, so to speak, took a different position than the one that Eisenhower had taken and began opening the door so that we could get into the population planning business. The need for it was obvious. I don't suppose there is anybody in the Agency who doesn't agree with that and who didn't feel that something had to be done in South Asia in particular and lots of other places as well. The Indians were carrying on a very low-key, not terribly successful, population planning program themselves concentrating, primarily, on the sterilization of males. We were all aware of this. We all wished they'd do more, but we weren't participating at all. I guess it probably wasn't until 1963 that anything much started stirring in AID on the subject.

[-26-]

O'CONNOR: Do you recall any particular problems that emerged—ones that stand out in your mind, I'm referring to, because I'm not aware of all the problems—while you were particularly concerned with the Middle East and South Asia?

GAUD: What do you mean?

O'CONNOR: Well, the particular difficulties you might have had regarding aid programs to individual countries, the problem of cutting off aid to a specific country. I believe that aid was cut off to Ceylon, but I don't recall

exactly when.

GAUD: Yep, aid was cut off to Ceylon, I would guess, in either January or February of '63 because they expropriated the property of some oil companies and did not take any really effective steps to compensate the owners of the company. The [Bourke] Hickenlooper Amendment, so-called, had been passed not long before, and under that amendment to the law, we had to cut off aid unless the country took appropriate steps to compensate the owners of the property which was expropriated. Yes, there was that incident.

O'CONNOR: I wonder what your attitude was toward that particular amendment?

GAUD: Well, I wasn't very enthusiastic about it. I am still not very enthusiastic about it because it just arbitrarily compels you to follow a given course, regardless of the circumstances that may exist. Now, I can understand the motivation in back of the amendment, but, at the same time, a decision such as that is bound to affect political relations between the United States and the country concerned. The situation may or may not be such that we ought to cut off aid, at a given moment regardless of anything else. I would be much happier with the Hickenlooper Amendment if it gave the President discretion to cut off aid when such and such did not happen. That obviously is not adequate as far as the Hill is concerned. The conventional view of the Hill would be that if you leave discretion to the

[-27-]

President, he'll never make the difficult decision, he'll never do it. The amendment was arbitrary by design, not by chance. But all such amendments seem to me to be a mistake in that they tie the hands of the President and compel him to follow a specific course, whatever the circumstances may be. And this, I think, is damn nonsense in terms of international relations and politics. It doesn't make any sense.

O'CONNOR: Well, this amendment ties in with the question of whether or not aid is a political or a socio-economic matter. I wonder if you'd care to comment on any changes that might have occurred when Lyndon Johnson became President, changes in his attitude toward whether or not aid was political, primarily short-term, or socio-economic.

GAUD: Well, aid isn't any one thing. You have different objectives in different countries at different times. As I said earlier, I think that the only justification for spending the taxpayer's money on aid—despite the great humanitarian purposes that it serves, despite the trade purposes that it serves, and all the rest of it—the only justification for an aid program, from my standpoint, is that it serves our interests. And I use the term in its broad sense. Unless you are serving US foreign policy interests with your aid program in a given country, you shouldn't have an aid program in that

country. Now, I think this was President Kennedy's view; I think it is President Johnson's view.

I don't think that there has been any fundamental change in the aid program or in the attitudes toward the aid program since President Johnson came in. I think that the emphases have changed to some extent—his insistence, for example, on self-help and on performance. We hear much more about this today than we did two, three, or four years ago, and he is very strong on it. But it is also true that we are strong on it. This is not anything that he invented, so to speak. It is something that we have learned over a period of years, to put more and more emphasis on it. And it is a natural evolution, it seems to me, or a more hard-headed

[-28-]

economic aid program. It is a natural reflection of the desire that we all have to get these countries into a position where they don't need aid any longer, that requires them to make the most effective use of their resources and of the resources that we are giving them for development. So from every standpoint, it seems to me, self-help is basic to an effective aid program. Now, over the years, we have learned a lot more about how to induce these countries to perform better, to make the necessary reforms, to take the necessary steps that they have to take to get where they and we want them to go. So our conviction that self-help is important has grown. Our knowledge of how to achieve self-help is increasing; we are working on it all the time. This is one primary emphasis which we get from President Johnson which we used to hear less about—although we have always heard about it, so it is a part of the program—but we are more effective about it in that respect today than we ever were before.

Now, more recently, of course, within the last few weeks, the President has put added emphasis on education, agriculture, and some types of health programs. Here again, these have always been ingredients of our aid programs in many countries. It isn't new, but there is a change in emphasis. This is particularly true, I think, in respect of agriculture, putting more and more effort into helping those countries increase their production of food, insisting that they increase their production of food. Again, this is an exaggeration, but you might say, to dramatize the issue, in the past we have been looking at our PL 480 programs as a means of disposing of surplus food and not paying much attention to the criteria on which we make this food available, not demanding self-help steps in return.

Now, today, on the other hand, the surplus disposal idea will be taken out of the food-aid programs, and there will be more and more insistence on these countries taking steps to increase their food production. A difference in emphasis, again. This is going to be, I think, quite a far-reaching change.

[END OF INTERVIEW]

[-29-]

William S. Gaud Oral History Transcript – JFK #1
Name List

B

Bell, David E., 4, 15, 16
Buckley, Charles A., 2, 3

C

Clay, Lucius D., Sr., 17, 23, 24

D

Dungan, Ralph A., 10

E

Eisenhower, Dwight D., 12, 26

F

Fitzgerald, Dennis A., 5

G

Gardner, Richard Newton, 25

H

Hamilton, Fowler, 4, 9, 10, 12, 13, 14, 16, 18
Hutchinson, Edmond C., 22

J

Johnson, Lyndon B., 9, 10, 16, 28, 29

K

Kennedy, John F., 6, 12-15, 23-28
Kennedy, Robert F., 1, 3, 4

L

Labouisse, Henry R., 4, 5

N

Nasser, Gamal Abdel, 7, 8, 9

P

Passman, Otto Earnest, 22

R

Rusk, Dean, 3, 4, 8

S

Schlesinger, Arthur M., Jr., 4, 5, 9

T

Talbot, Phillips, 8

W

White, Byron R., 1, 3