

Interview with Donald C. Stone

The Association for Diplomatic Studies and Training Foreign Affairs Oral History Project

DONALD C. STONE

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Q: Today we will be focusing on the organization and management of the Marshall Plan. Don Stone played a pivotal role in the legislative history of the Plan, in its initiation, and in its management. Don is an educator, an administrator, and a leader. There's not enough time on this tape to outline his career, but he has served at every level. He's taught at every level both nationally and internationally. I don't think it would go far afield to say that today, in 1988, Donald Stone is "Mr. Public Administration of the United States."

Now I'll turn this over to Don Stone and have him tell us about the history of the Marshall Plan and his participation in it.

STONE: My involvement throughout and my role in the Federal Government is as Assistant Director for Administrative Management, the Bureau of the Budget in the Executive Office of the President. This division was established by President Roosevelt when the Bureau of the Budget was transferred out of Treasury and became a dominant part of the Executive Office of the President, which was set up by reorganization plan in the spring, March and April, of 1939, which became effective legally on July 1, 1939.

This division was charged by the President and the Director of the Budget, implementing the general reorganization agenda of President Roosevelt of helping bring about better

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executive management and administration throughout the government, and also to be the agent in helping to plan and initiate new programs which, back in those days, came quite frequently.

At the same time, the Marshall Plan idea had begun to flourish, the [Averell] Harriman Committee had been set up on the executive side, and the Christian Herter Committee from the congressional side. We began to think about the problems of how the program, once it evolved, could be organized and administered.

In addition to staff from our own international division within the Bureau of the Budget, a group of persons that I had who had been working on the international aspects of the U.S. war and the post-war, helping on our role in helping to establish the United Nations, UNESCO, and other parts of the UN system, I was very well fortified.

But I retained, on a consulting basis, John Blandford, who had been earlier the general manager of TVA, the first Deputy Director of the Bureau of the Budget under Harold Smith, and had gone on to head the housing agency during the latter part of the war, and had had an ambassadorial post subsequently. So he worked with these other committees in keeping track and feeding in the ideas as they developed.

It was also helpful, as the time came to produce the proposed legislation, that President Truman would suggest to the Congress for implementing the Plan. In fact, the final text of that legislation was worked out in my office with representatives of other federal agencies present and two or three of the persons who had been involved in working on the analysis of what kind of help the European countries needed. As I think back, the agency that had no title up until that point, and we agreed we'd call it the Economic Cooperation Administration, which, in retrospect, I think was a pretty good name.

Q: Yes, it really was.

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STONE: One reason it couldn't be called European was that the ECA was given responsibility for programs in other parts of the world than just Europe. The program in China and Korea were two of the principal ones to begin with, and then other countries in Asia, Southeast Asia, and so on, became added to it.

It was on Thursday, March 12, 1948 that Paul Hoffman had seen the President and had been confirmed in his appointment as administrator, and the President sent him over to the Bureau of the Budget to get advice, instructions on how to get into operation. This was a common procedure that had been going on for some years, not only under the Roosevelt period from 1939 on and on into the Truman period. By this time, Jim Webb was Director of the Bureau of the Budget.

At that meeting that took place in the morning, Webb had an Assistant Director for the Estimates side of BOB present and myself, and I recall we had a couple of chaps who had been working on the Plan itself. I can't remember right now whether John Blandford was present or not. I think he'd gone on to something else.

Anyway, Paul Hoffman had never been in government, didn't understand how it worked. He made significant contributions in understanding of the international problems through the founding of the Committee for Economic Development, for ECED, and was a hardened spokesman in favor of the purposes of the Plan.

One of the first things we did was to inform him that he would need to be submitting testimony for the House Appropriations Committee on the following Monday in support of the ECA budget, which we, of course, had put together. I can still recall how his face fell and his saying, "What's all the shouting been about?" Well, we then had to explain the difference between an authorizing committee and the Appropriations Committee. But then we gave him some reassurance, because we had included in the legislation an advance of RFC [Reconstruction Finance Corporation] funds, \$500 million, that gave sufficient money to move into operation as rapidly as possible, awaiting actual appropriations.

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Q: Reconstruction Finance Corporation.

STONE: Reconstruction Finance Corporation. Doesn't exist anymore, but it was available funds that you could use for this kind of purpose. In retrospect, that was one of the smartest things that ever happened. As a matter of fact, that shows what happens when you have pros in the OMB or elsewhere in government and you're trying to do something, because you've learned from history and trial and error what works and what doesn't work.

Well, in any event, I remember Mr. Hoffman inquiring about what this reference to Cabinet status meant. I explained to him that that meant that legally, you are eligible for an automobile and a chauffeur, and beyond that, that was in the hands of the President. (Laughs)

One of the amusing things was how we were able to work out that he would be able to drive in a Studebaker automobile. Of course, it's important here to recall Hoffman had become known for having taken over the presidency of Studebaker in a reorganization in which he had made substantial success from that operation at that time.

Q: And he had a Studebaker car for his official car?

STONE: Yes. We worked out that he'd get a Studebaker for his official car and still keep it under competition. (Laughs)

We discussed the kinds of things that had to be done to start up a whole new organization, and as time went on, I think he began to feel maybe he shouldn't have accepted the job.

Anyway, by the time the meeting was over, he got back and in a short time, he called the Director of the Budget and said, "I got real problems, I see," and asked if he could borrow me for some time to help him get started. So I agreed that I would provide assistance for sixty days, is what we talked about at the time.

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Having done that, then the question is, "Let's get started in a hurry." By the end of the day, I had drafted a delegation of authority which Mr. Hoffman had delegated a great range of things that he was able to delegate to commit the organization so it could enter into contracts and do anything else that needed to be done to get organized, with the title Acting Director of Administration provided.

Then the next thing that concerned us was, we knew certain kinds of positions would need to be filled. One of the things that I cautioned Mr. Hoffman about and got him to agree to subsequently at a very important time, that no post should be filled permanently with a title until we had had adequate time to work out a plan of organization that was agreeable to him.

So on a Friday, I spent a good deal of the time talking with my staff about who competent persons were in the government, and we concluded that there were five positions that we had to have somebody in right away in order to get things moving. The first was an Acting Director of the Budget. For this we determined that a person named Francis Crawley, Budget Director in the Department of Commerce, would be ideal for the personnel post, as Director of Personnel. We selected Jim Hard from Treasury for organization and planning unit. We had Harry Fite on my own staff from BOB take over this assignment, aided by three or four others that I had in the bureau who were suited to help in this situation. For Administrative Services, that's dealing with all the range of matters of procurement and communications, transportation and so on, George Viault, who had formerly been in the Army. And as an acting comptroller, Gilbert Cake from Treasury.

Then we had our first staff meeting on Saturday morning, and at that staff meeting we had a long period. We spent the whole day discussing the program and getting each of these persons informed of what was involved and what kind of organizational structure that was needed in Washington, in Paris, where there was already a division for an Office of

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Special Representative, who was Averell Harriman, and then ECA missions in the different countries.

At that time, we naturally viewed that finding space for the organization was a top priority. I can't remember now why we hadn't worked out and gotten the space in advance. Perhaps one of the reasons was that we were extremely busy in BOB on a number of things, and I had kept the Department of State working on preliminary things so that there would be as much stuff available in the task that I and my staff, in helping get started, in any event, if they hadn't gotten into this active role, would have been minimized. Apparently, the State Department hadn't thought about the question of space. Anyway, we were up against the problem. Nothing had been done.

So on Monday morning, I surveyed with Public Buildings Administration the space situation in Washington, and found that the Maiatico Building was loft space, a private building controlled by the government, but had been assigned to the National Labor Relations Board. Public Buildings had no whack in any event, so what I did was talk to my White House associates who I kept informed, because I knew there were going to be some complaints coming up from what things we were doing. Got an agreement we would take over the Maiatico Building.

Q: When you say "White House associates," do you remember who they were?

STONE: I'm trying to think who I talked with on this business. The White House picture had changed under Truman over what it was under FDR. Ray Zimmerman was one of these persons, whom you will recall. There was somebody else there, and I just don't recall, that was a troubleshooter when complaints got up to the President. Anyway, it was up to them to keep the President informed beyond what the Director of the Budget would do on this. [James] Webb was exceedingly helpful all the way through on this.

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For one thing, Paul Hoffman installed right away in that big room which was labeled the General of the Army's, General Pershing's sort of museum there.

Q: The old Executive Office Building.

STONE: Executive Office Building, which was right adjacent to my office and where all my secretaries and so on opened on into that building.

Q: Very good.

STONE: So we got Hoffman into that. Some of the secretaries out in the hall and put in other offices around so we kind of assimilated them into the Bureau of the Budget for the time being. That was very convenient.

Discussion of how they got the Maiatico Building partitioned. decided to partition the fifth floor for the Office of Administrator and the other top offices, and the Public Buildings concluded they could do this more quickly by force account—that is, by doing it with staff employees that they retained, rather than by contract. Well, this was all right, except that there was a strike that occurred about Tuesday or Wednesday just as they were getting started. I must say they moved materials into the building in a hurry, and they had said originally they could have the floor all finished within a week.

Paul Hoffman had brought in Tex Moore as sort of a personal assistant associate. Tex Moore was one of the senior partners in Moore, Cravath, Swyane or whatever the title of the New York law firm is [Cravath, Swaine & Moore], and who had been the person who had carried through the reorganization of Studebaker and put Hoffman in. He was a wonderful person. This was of very much help to me. Hoffman had a dim view of bureaucrats, persons who worked for government, and I find, actually, this was a real handicap for me all the way along. But anyway, Tex Moore was continuously reassuring to him.

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Tex was greatly interested in how the building procedure was taking place. I recall him coming in to see me about Thursday, and he says, "They're not going to be in that building for a week or more yet."

I said, "Well, that's too bad. We can't do anything more than we're doing. I've got the pressure on."

Then I recall he came in on Friday and again said, "Well, I'm disappointed." I went over and checked myself as to what was happening. George Viault almost stayed over there trying to keep it going, as well as to handle other aspects of his job, because we were already starting to procure materials, automobiles, and all the other things you needed and knew we were going to have in the organization. I looked into it on Saturday. The place was humming then. They'd gotten workmen back on, I think on the Thursday afternoon, and there were workers all over the place. It looked like the darndest chaos you ever saw. They had had Hoffman's office and secretarial and a few pieces of it partitioned down through to the center of the building, about where my office came. I just thought, "Well, maybe they'll make it by Wednesday."

On Monday, long towards noon, George Viault came in and he says, "You can arrange for Mr. Hoffman to go over and view his new office."

I could hardly believe it. So I got ahold of Tex Moore, so Tex and Paul and I went over to see. I just said, "I have not been over here, but they say you can move in if you like, and I'll take their word for it." So they came over, and here the telephones had been installed. They were doing that on Saturday. The rooms had been painted, rugs on the floor, totally furnished, and a note on Mr. Hoffman's desk welcoming him, typewriter on his secretary's desk and a welcome to her, and so on. (Laughs) Tex was just aghast. He turned to me and he said a famous statement that I'd like to quote. He said, "You know, in private business we never could have done this." (Laughs)

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Q: Wonderful! (Laughs) And that is only a week and a day. You started on a Thursday, and this is a week from the following Monday.

STONE: That's my memory. It took a week. The thing that beset us, two kinds of things. First, we had to have an agreed-upon organization structure in order to employ persons, except temporary people, and we had to deal with the enormous number of applicants who wanted to get employment. The State Department had turned over, as I recall—you may remember—it was 28,000 applications of persons around the country who thought this Marshall Plan was something they'd like to be connected with.

Part of the success of the Marshall Plan was the high esteem it had in terms of its ideas and purposes, even before there was any organization. So Jim Hard, he borrowed personnel people from all over the government. They were located on the third floor.

Q: I was there.

STONE: You came along when?

Q: About April, from the State Department.

STONE: You came from the State Department. I recall that. I don't know, how many persons were in there by the time you came?

Q: Oh, there were quite a few already working. We had all of our desks pushed together, and telephones came from the ceiling. We had the lines strewn from across the ceiling. We just were already processing people.

STONE: I remember there were lines of persons out of your floor, down the stairways, on the street! They wanted to get in to find information. You folks had reproduced information about the Plan, and if they wanted to make an application, they could get Form so-and-so and all of that. That was really quite an operation.

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The question of designing the organization. The State Department had produced a suggested plan, and in my little folder there I've got a chart of the organization they proposed. We analyzed that in the light of what our experience was in handling an organization that functioned, and concluded that you needed to do a rigorous job of analyzing the tasks which ECA would be engaged in, the processes, the issues, the policies, what had to be done where, in Washington, in Paris, or the European office, or in the missions. Instead of trying to engage in the all-American exercise of drafting a plan, starting with a top executive and showing boxes going down, we needed to start out on the basis of what do you have to do out in the field, and then all of the transactions and relationships that have to be worked together in order to come out with a satisfactory zone. I got Hoffman to agree that there would be no appointments given a title or anything to until we had finished this and he agreed to the Plan. I said it would take two weeks. Well, actually, my notes here refer to taking 17 days. (Laughs)

In any event, my staff, these were really expert, experienced people working on this. I remember Alvin Roseman was one of the persons. We had Eric Biddle working on this, particularly from the field side. In fact, we dispatched him to go to Paris and to visit some of the countries, to analyze the situations there in terms of what kinds of missions we would have. Commissioned a couple of other persons to do that same kind of analytical work.

When the staff working on this came up with a suggested plan of organization and so on, then we would get together in the evening with the persons who had been working on the estimates of requirements of the different countries, the different kind of needs, different kind of operations we'd be in in the countries, different industries, the finance problems, all kinds of issues that would come up in running the program. We had great big blackboards there, and these persons would pick up problems they could see as to how it would be handled in the organization. This flushed out many problems. I think we went through that process at least three times in revamping, readjusting the various parts of the organization

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in order to ensure that there would be a maximum amount of self-sufficiency in units, least overlapping as possible, and yet that the relationships in resolving problems would be implicit in the Plan itself.

Paul Hoffman bought all this, and the only thing he didn't buy was a division of technical assistance. In retrospect, this is amazing. Here was the person that became head of the Ford Foundation and the greatest advocate of the UN getting into technical assistance, who at this time could not visualize the necessity of working with these countries as they were dealing with their aspects, with ourselves skilled up to loan staff, to help work out suggestions, arrangements, and procedures, and so on. I have in a file there a memorandum I gave to him. I've forgotten just when it was. I guess it was long about June, laying out why, even in the field of improving their administrations and management, it was possible on a low-key basis to respond to their requests for help, to help elevate these countries' administration shattered by the war and still not retooled up after the war, although they had the great advantage of having administrative traditions and civil services in place that made all of this possible. Hoffman's view was, "Well, that would be interfering with their sovereignty."

I have here a memorandum, a long memorandum that Bill Coleman wrote. I had forgotten that Bill was active right at this point. He had come back from Greece, where he'd been a deputy to [Hugh] Gallagher in the revamping of the Greek Government under the Greek-Turkish Aid Program, where the government had been decimated and needed a lot of help. It's an excellent paper, just as applicable today in dealing with our relationships with other countries. We have never really learned, as a country, how to work with other countries in the field of technical cooperation and public administration.

I'll just finish this piece, because it gets way ahead of other things that were happening. For the first several months, as you may remember, the technical assistance work was handled out of my office. As we found things that needed to be done and financed and

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so on, I just worked it out, even though this should have been a substantive operating procedure rather than one of management.

I have in this folder a memo from Clint Golden and Bert Jewell, our two labor advisors, first-class persons who were working up relationships with the trade unions in Europe. They were getting labor representatives attached not only in Paris, but in each of the missions, in order to help the whole labor movements in Europe to understand what the advantages were by going the route of higher productivity with benefits accruing to the owners, to the workers, and to the consumers, rather than the traditional labor movement support of social benefits out of government. This whole area of productivity and labor became an exceedingly important part. I remember I had to allocate funds to the labor program and help get them moving with their technical assistance in that kind of field.

Then Hoffman appointed a director, he never talked with me, and I was astounded that he appointed a chemical manufacturer as head of this. Now, if there's any field in which there is secrecy and in which you are schooled not to share information, it's in the chemistry field, the chemical business. That lasted just a few months, but it set us behind a long time. I must say it took a lot of resourceful things to keep that side of the thing going. If we hadn't, in the administrative side, carried a lot of the ball, it never would have come off very well.

Coming back to the organization and how it began to function. Not only was Paul Hoffman uninformed and, in general, kind of prejudiced about government organizations, but Howard Bruce, his deputy, also had blind spots. He'd had experience in the Maryland State Government, but the Federal Government was something that he did not know very much about. As I think back of the struggles, my job was enormously difficult without having at least one of these persons being a sophisticated federal administrator who knows what happens if you don't have a firm hand on how things are handled.

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One of the problems there was the comptroller. I had recommended the Office of the comptroller, developed the specifications, and when it came to filling it, I had supported the appointment of Eric Kohler, who had been the comptroller of TVA, but I warned Hoffman, because I had got to know Kohler very well in TVA and elsewhere, that he would try to take over everything he could get his hands on, that he had to be held in check. Well, Kohler sold Hoffman that he was a business accountant, ECA should be managed on a business basis, which meant on a profit and loss basis, and that he ought to have the budget function belong to the comptroller. In any business firm, the business function was to go to the comptroller. I must say that was a problem I dealt with for a year and a half or how long it was, until Bill Foster came in as deputy. Foster, who had been Harriman's deputy in Paris, had been Assistant Secretary of Commerce with Harriman, and he knew how these things worked.

Q: So the budget, at the beginning, was under Kohler, rather than under you?

STONE: It never got under Kohler.

Q: Oh, it never did? Good.

STONE: I prevented that. At the beginning, my post as Director of Administration, I kept it fluid. As the Deputy to the Administrator, I'm dealing with administrative things that we had these administrative divisions, the budget and the personnel and the planning and organization and so on. The administrator, the deputy, had to have easy access always to the budget office, because issues would come up. Any government has to work in this phase. The budget office has to be related directly that way. And on personnel matters, it didn't have to go through me, could deal directly. Administrative services, that's a different thing; that would take care of itself. So I wrote out the specifications for these things, especially when not only Kohler, but Dick Bissell, who was the chief person on the programming side. Well, that meant budget, so he thought he should have the budget

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business. (Laughs) These top persons not understanding these kind of elements, well, you know, it was just a constant battle to keep the thing flowing.

The one thing that I remember, couldn't get Kohler to set up appropriation accounts. In TVA, they did operate like a business. It is a corporation, and that was appropriate to operate those kind of accounts. But ECA was a different operation. When I found that for budget purposes and otherwise I could not get information out of him of where we stood on our appropriations and sub-allocations, I went to Hoffman and I said, "You know, you may have to go to jail one of these days."

"Why is that?"

I said, "We have a comptroller here that has run riot and how he does things, and we do not have in place an accounting system that fulfills the requirements of law. If we overspend in any of these categories, there's a law that the administrator is culpable and may be fined or imprisoned." (Laughs)

Q: And did that get his attention?

STONE: That got his attention, and at least it enabled me to insist that we have appropriation accounts. (Laughs)

There were some interesting things in this organization, you remember. One of these, I set up that Central Secretariat under John Gange. The State Department was about the only other department, you had some of the equivalent in the armed services, in which there was a central office into which the mail for the administrator came, which was not assigned to anybody, and saw that it got to the right places, and that kept the official files of the agency and the documents of everything that was done and made so that we would have a control over new policies, new things happening. I think Gange came out of State, didn't he? Yes, he came out of the Central Secretariat over in State. He ran this thing very well.

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Q: It was a good operation.

STONE: We caught all kinds of things. Hoffman, you know, would respond to a letter. What we were having to do, as you do in any organization, if a letter from the administrator deals with things that affect more than one unit, you've got to check it out with the different units, get it coordinated.

Another interesting thing was that, as you recall, I got the personnel people and the organization of management persons working closely together with the budget. In fact, the administrative budget was put together by the organization of management unit, with the help of the personnel staff, who knew the situation so well. That meant that the budget office could concentrate primarily on the program funding, of course, which was so monumental at that time. Another element in here that helped tremendously was the appointment of Lee [Leland] Barrows as the arm of Harriman and Foster, dealing with the kinds of functions I dealt with. (Laughs) That came about—Foster, somehow or other, got in his mind that going to Paris, the residue of the war was still on, it was a chaotic place, and he was going to be going to a decimated area, and he was lining up a general to establish an administrative headquarters and services. It took a little time. I had to remonstrate with him and show him that that wasn't the kind of person he needed. So we dug up Lee Barrows, and he took a fancy to him, so that worked well. But having a person that had the same kind of understandings that we had in our shop in Washington, in Paris, and in relations with the mission, that developed enormous harmonization of how things were done.

I worked with Lee on numerous occasions in getting delegations from Washington to Paris, OSR in Paris, but program staff in Washington wanted to keep to themselves. Without our close working that way, there might have been a lot of trouble on that.

Q: One of the things I remember, Don, if I can interject, because I helped work on it, was you were instrumental in getting us a delegation. We did a personnel manual in very short

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order in Washington of policies and procedures, which then meant that you could delegate to the regional office in Paris a great deal of the personnel authorities, which is unusual for the Federal Government.

STONE: Yes. This personnel thing, that's worth talking about a little bit. One of the things, initially there had been pressure that the organization should not be under Civil Service. Well, I insisted it had to be under Civil Service, just as I won that battle for the old war agency setup. By negotiating with the Civil Service Commission that they would assign persons to stand by and help and look over our shoulders to see what we were doing and confirm that what we were doing was respectable, we were able then to hold off the whole patronage pressure of appointments without going through a competitive process in making appointments and so on.

In this case, you know as well as I, we had two services. We had the Foreign Service, to which we had to classify and appoint persons on overseas posts that we engaged in, as well as under the U.S. domestic Civil Service. You folks handled that very well in working out with the State Department, who was looking with some suspicion of anything that we might do in this fashion.

You talk about getting the personnel policies and so on codified. That was essentially a part of what we called the manual of operations. From the first day, we made it clear that any order, directive that dealt beyond the internal affairs of any unit had to be reviewed by the organization and planning staff. In fact, we put the initiative in each office and division to produce the initial directives that established or defined their functions and their relationships and how they would work. Just going through that process ironed out enormous number of potential conflicts, where different divisions would claim—rightfully so—part of the same turf, because they had a concern with how that was being done. To get those assignments of responsibilities as closely coordinated as possible, and then each of them realizing that they did have to coordinate things they were doing. They had to talk with other departments and other divisions before they came out. That whole process of

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developing coordinated effort, I think, was almost unmatched in any other organization that I had been associated with.

Another thing that you folks were responsible for was that headhunting, as we call it, that in addition to the usual kind of staff and procedures for recruiting, appointments, promotions, discipline, and classification, we had a group of special persons who were headhunting, particularly those posts that the administrator would appoint. We'd get names in that he would throw in and took a lot of care, a lot of follow-up, to prevent him telling somebody, "You're appointed," without going through, that we could say. Of course, this wouldn't apply to the mission chief posts, although we did track down mission chiefs.

I don't remember his name at this moment, but Hoffman came up with saying he wanted to appoint so and so as a mission chief to Portugal. I didn't know the person and got the papers on him, and I couldn't see that he had any particular qualifications for this post. So I just raised questions of whether we should search further. I could see that he was under some pressure from the Congress or somewhere that he had satisfied himself that this person would be all right for Portugal. Well, I dragged my feet for a while and said, "Okay." I do remember he turned out to be very, very good, all of which says don't draw too much judgments from the papers that you have on a person or even superficial checking, because we really hadn't checked him out very well. That's a principle that we followed.

Q: Speaking of selecting people, Don, as I recall, ECA had one of the toughest employee loyalty and security provisions in its law of any agency at that time. People had to be purer than Caesar's wife to be hired by ECA. I believe the law stated that the person could not have been a member of any organization that advocated the overthrow of the government.

STONE: On the Attorney General's list. It wasn't advocating the overthrow; it was a suspect organization.

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Q: *Suspect, yes. It was very difficult.*

STONE: Oh, you know, one of those was the bookshop.

Q: *The Washington bookshop.*

STONE: Remember the bookshop? Well, that turned out to be on the Attorney General's list. They sold books and picture frames and things of that sort, and apparently there had been some meetings there of persons who were socialists or they might even be communists. No one has ever defined what these communists are. It's a total difference between if a person has some economic ideas growing out of this and a person who is advocating the Soviet Union or something of that sort.

My wife had purchased picture frames at the bookshop. If she had signed that she had been a member, I would have been suspect, and if she had signed that I was a member of it, I might have been fired. I remember the ridiculous things that happened on this. Our security people didn't always use good judgment. I remember we had a secretary that the security officer said we had to get rid of. She was a member of a communist front. I got them to get all the evidence and so on. This person had gone to a young people's meeting at a Methodist church called the Eprith League. At that meeting there were discussions of some kind of issues, somebody present spoke up about they were going to have another discussion somewhere, and wanted to get a list of persons who were present to whom they could send information about that meeting, and she signed her name on this that she'd be interested in information. Well, they concluded that this other person was a member of some front organization, therefore, she was a member of it ipso facto. Therefore, she was a subversive person. The shades of Senator McCarthy and so on, he still stalks the highways in Washington today.

Q: Yes.

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STONE: Just disgraceful. Another thing that we did which was highly innovative was contracting out. Contracting out of services today is very popular. This wasn't so much privatization; it was contracting out to federal agencies of things they could do for us in supplying information and providing services. I remember we had a man named Roy Dangerfield who was just clever as he could be at negotiating these agreements to get all kinds of things. There was Foreign Service Institute training. That didn't work out so well. That was one of the things. Department of Agriculture, in addition to providing enormous flow of information on agriculture production and so on that we needed in carrying out the program and contracted for it, to provide our library services. Then we had contracts with Commerce, we had contracts all over the lot and agreements to reimburse these agencies and enable us to keep our staff lean.

Q: And your overseas communications was done for you by the State Department.

STONE: That's right. We had our whole system of communications. That raises another interesting thing of the relationship of this operation to the State Department. This was at the time, the most significant foreign policy aspect of the U.S. Naturally, the State Department had a tremendous interest in it and concern with it. Many persons in the State Department thought the job ought to have been assigned to the State Department. I remember Al [Alvin] Roseman and I were discussing how to keep the relationship such that the ECA didn't go off on its own without enough advice and information to the State Department here and our staff in the field, the ambassadors knew what was going on. So you were in a situation that you couldn't let it be dominated by the State Department or by the ambassadors.

Alvin and I even had a discussion with Secretary Marshall on this, raising different options and getting views. One of these was could you have an independent organization in which the administrator really reported to the President through the Secretary of State. Hoffman, when he learned we had done this, and Lincoln Gordon always assumed that I was trying

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to put this under the State Department. (Laughs) Which was never so. That, however, was healthy.

The issue got referred to the Brookings Institution at the time, to make some suggestions. What they came out with gave us a good basis of keeping autonomy, but I worked with the Under Secretary of State for Administration, Jack Peurifoy. Jack was an able and competent person, a sensible person, and we worked out cooperative relationships, as far as I was concerned, that were very, very useful. We were able to maintain communication channels. They didn't have communications being circulated to everybody. The things that were appropriate were made available. I know we had an eyes-only category. I don't know whether this is a security category, but that was a category that we used. There were just four or five of us at headquarters and three or four at Paris and the mission chief, who ever saw these things.

Q: Yes. You could call it a privacy category. It was a real privacy category.

STONE: Yes. And it's important that you be able to do these kinds of things because you're often dealing with personality questions that you would just exacerbate the significance.

Q: Don, back to personnel for just a minute. I know we have left personnel, but under the law, you had the choice of either setting up your own personnel system overseas or using the Foreign Service. But you chose the Foreign Service, and that was a deliberate choice, I take it, just like using Civil Service.

STONE: I remember I thought our whole relationships and so on would be much better, there would be less invidious comparisons if we had a totally different system than if we conformed with their system. I agreed to that with Jack Peurifoy right quickly. And Paul Hoffman, he didn't understand these kinds of things anyway, so that got established.

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Q: One of the things I don't know whether you knew you did it or not, was you and Peurifoy agreed to issuing diplomatic passports just automatically at a certain grade. If a person had that grade, that person got the diplomatic passport. This infuriated Mrs. [Ruth] Shipley very much.

STONE: Oh, yes!

Q: She was very, very angry about that. Everett Bellows and I went over and talked to her and smoothed it over as best we could.

STONE: You talked with her, I had a couple of sessions with her, and before we got through, we were on a loving basis. (Laughs)

Q: So was I.

STONE: She finally, when I described how we screened our persons and how we were monitoring this, and how any appropriate actions would keep her informed, and we did, because we had some problem cases, we had persons who were alcoholic and things like that, she ended up by giving us praise.

Q: That's very good. I'm glad we've mentioned that one.

STONE: It's just amusing. I ended up with my passport about an inch thick. It was the oldest extant passport that was in existence at the time when I finished my job. (Laughs)

Q: All those additions and visas that had to be added.

STONE: We talked about the Foreign Service Institute. We had a program that all the persons to go through a training period, intensive for those going overseas. I was not very happy with what was going on, the way it was done. One of the things is the sessions that dealt with understanding cultures, the general theme of these things where you've got to understand the culture and learn how to fit in it and so on, you've got to accept it

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and you can't change it. Well, we were trying to change the culture in these countries, the old attitude about economies, about role of labor, about all sorts of things in the European countries, break down trade barriers. Right from the beginning, we had built in—I have a few documents here that refer to developing the Council of Europe, European Economic Community and those things, of having the office that started out with EEC, OEEC became OECD. Office of European Economic Cooperation, now it's the Office of European Economic Commission. It's now the OECD. They merged and came out of that. That still functions, as well as these more regional organs.

One of the things I did was develop communications. I get back to this training, because that's where it came out of. I kept trying to keep our personnel, the eyes of our personnel all over, focused on the other than economic and materialistic aspects of this program, that we were dealing here with questions of how do you develop responsible democratic government, developing concepts of life and so on, particularly the contrasts between communism and the way the Soviet Union was using communism as a force, not only dealing with ideological issues, but for its own imperialistic business of developing totalitarian government, the values that went in on that.

I remember Bill Foster—I've got a copy of this thing, and I'll turn this folder over to you—Joseph James, I think, drafted this one, but I drafted a number of them which talk about the other aspects of covering the program in terms of our fostering democratic institutions and values of education, of religion, and all sorts of things like that.

Q: That will be a very useful document.

STONE: To get back to the Foreign Service Institute, one day Paul Hoffman squawked me, as we called it, on the intercommunicator, and he said a couple of persons that he had an interest in had just gone through the Foreign Service Institute, and they didn't think it was well done, didn't think it met our needs. I told him I was pleased to have that, because I had reservations. I said, "We'll check it out." You had probably gone to Paris by this time.

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Q: I think so, yes.

STONE: Anyway, I had a couple of persons just go through the program that were in a position to evaluate it, and it didn't get very good marks. It really never zeroed in on how individuals functioning as persons abroad in their relationships could gain respect and so on and engage in the process of sharing values, of dealing with the things that we were vulnerable on in terms of some of our injustices and discriminations in this country and things like that. These were matters which are very important to me. In fact, I met, right from the beginning, after they'd gone through the Foreign Service Institute, with a weekly crop of persons that were on their way overseas, and spent about three hours with them discussing these questions of how do you deal with the charges of discrimination against black persons and so on. I recall I involved James Robinson working with this into spending a lot of time with these persons on this. He was the person that developed the Operations Crossroads Africa program. A very fine black person.

Also included in this, and finally, when we revamped our training efforts, we got this included, some analysis of what Marxism teaches, what the Soviet Union's system was, why and how, how do you deal with persons in other countries. This came out so much when you got into dealing with other countries outside of Europe. Then also when we were developing relations with dependant territories in Africa, how do you deal with what democracy is and how you move in the direction of responsible behavior and so on as a counteraction to the concepts of communism?

I didn't bring all my papers. I had a recording of one of these sessions, of the interaction we got on this kind of thing that was kind of interesting.

I picked up in this file, as sorting out stuff done so hastily, I didn't really study this.

Here's Jack Fobes. "First day, April 12, took up duties as personal assistant to Donald Stone, etc. Bring matters to his attention. See that staff work is done before questions

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brought to him. Take minor details off his hands. Interview people, etc. Administrator's office (Paul Hoffman) is a madhouse. Phone men installing phones, people wanting to see Hoffman, people without offices. Lunch with Stone and his helpers on personnel, services, budget, etc. Two tapes a person. One group says they hope they get out of this mess as soon as possible or hope they don't get into it. Other group eager to get in, new jobs, fame, more money! Businessmen in Washington appear to be big operators, have a prejudice against government, red tape, no matter how reasonable it is. They may be a success in their own environment, but not in Washington. In some ways they are babes in the woods, want to get things done, but don't have the mind to analyze or synthesize." Then it goes on down on a lot of these things and gets into much more significant things. (Laughs)

Q: Is that a memo Jack wrote when he first . . .

STONE: He gave me his folder. A good share of this stuff in the folder is what he gave to me.

Q: I see.

STONE: He gave to me this quite a while ago when we were having some discussion about this subject. I've never given it back to him. He didn't ask for it back. Of course, he'd been working on this from the Bureau of the Budget.

Q: So Jack Fobes came to you from the Bureau of the Budget.

STONE: He was on my staff in the Bureau of the Budget.

Q: I see. And you brought him over.

STONE: So I just brought him over.

Q: I didn't know that.

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STONE: His comment about businessmen, all through the war, setting up the war agencies in which we brought in large numbers of businessmen, what he says here applied to a lot of them. They were arrogant, they thought they knew all the answers. The bankers were the worst. The finance people, in general, were not good. The persons that had inherited businesses also didn't know much else. The persons who were professional managers in business had been moved around a bit, they were by far the best. We kept tabs on them. University people were a mixed bag. Many of them turned out to be very good. Quite a lot of them were so concerned with how do you get facts that they could never make up their mind on anything. Anyway, there were various categories. And that was our experience in the Marshall Plan.

The persons who adapted and were most effective of all were the agricultural people, because they all had been brought up to learn of how you carry on advisory assistance in the United States, through the states and the farm bureaus and the county agents, that whole system. There was a lot of parallel between what we were doing here.

Q: That's true.

STONE: They were way, way out ahead, I think, of any other category that we had.

Q: I remember one time when I came back to Washington, you and I worked together to set up some orientation and training sessions with a man named Wilson, from the Department of Agriculture. Because Agriculture had a better feel for how to deal with other people. What was the name? Not Matt. Not Mel Wilson. He was a sociologist, a rural sociologist from the Department of Agriculture.

STONE: I think I know. He had a paper on so and so's ten-point program, how to deal with other people.

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Q: And we tried to get that whole idea across in our dealings and in the kind of personnel we selected and the way we oriented them and trained them.

STONE: In all of our missions outside of Europe, I got into the manning table a cultural anthropologist or a sociologist or somebody of that sort, who could work right along with analyzing what is it that you can do that could convict a culture and combat the cultural obstacles that you encounter, to overcome them. [Arthur] Raper.

Q: I remember Raper. I had forgotten his name.

STONE: Raper. We had him out in the Philippines, I remember. Raper's ten points, how to work with other people.

Q: I think his name was Mal Wilson.

STONE: That's right, M.L. Wilson.

Q: M.L. Wilson. That was the name.

STONE: I remember him now. Very able. I never hear much about that kind of thing going on today in the U.S.A. We also tried to get it in all of our missions. European missions, some of them were difficult getting a public administration advisor assistant that could help connect up with the Public Administration people in the country and provide a bridge for helping stimulate exchange of ideas and information that would improve their administrative services in their countries. Where we had good ones, they just produced enormously. Some of our mission chiefs, particularly those that came out of business, didn't understand this sort of thing at all.

Q: On this whole business of technical assistance, I don't know whether we've really covered that completely. You stated that to get it going, you had to keep it right in your own office at the beginning.

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STONE: I was involved in a lot of this kind of activity, anyway, with the UN. I stayed as a member of the General Assembly Committee on Administration and Budgetary Affairs, which is a place that could exercise enormous influence at that time, and got the Division of Public Administration set up and the initial technical assistance programs in the UN, with initiatives taken by other countries. We were always trying to get other countries to come in with initiative, and then we would be in the position of supporting. Brazil was a strong ally on this and came in with strong delegations fancying this thing. Our U.S. delegations didn't think much in these kind of terms as such.

Then through the International Institute of Administrative Sciences, which we discussed this morning here in this ACIPA effort, I got these key officials in different countries, the strongest components were in Europe with Roger Gregoire of France, who is the leading civil servant in that country, and Jock Simpson of Britain, and Andre Molitar in Belgium. They were all part of this network. So I used this outside of the Marshall Plan apparatus continuously, these persons to consider work on the improvements of management and operations in their own countries and exchanging information. That would go on.

Q: Didn't Jack Fobes move over to the technical assistance operation within the headquarters of the Marshall Plan?

STONE: He became head of the European productivity program operation that we had. As a matter of fact, didn't he go to England on that, stay in England?

Q: I'm not sure. Everett Bellows went to Europe and headed up the productivity program in Paris.

STONE: I thought maybe Fobes went to London.

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Q: As I recall very well, ECA had a large participant training program, where we brought people here from all over the world to train them in modern American ways. That was a big program. I would suppose that you had something to do with that.

STONE: Yes. Getting these special groups that came, I arranged all the way from meat cutters to farmers to labor. Lots of labor groups we had. I remember my wife tells about how a group of persons who were working on the question of meat and slaughtering and so on, that we sent over—what was that group? I guess it was a labor group that we had, that came back. They were reporting in. We had a reception in our home for them, and she tells how one of them says, “You know, it wasn't 'til we got out of the embassies, where they serve those 'horse dovers' did we ever see a labor person.”

Q: “Horse dovers.” (Laughs)

STONE: “Horse dovers.” (Laughs) Getting our personnel out of their offices to get out into the country to see people, on my visits overseas, I'd get out of the central office as fast as I can and find out what's going on. My mind comes back to experiences in Greece and Turkey. I got our Ag[riculture] man in Turkey to take me out to see some of the new developments in farming and experiment stations they had, and find out actually what was taking place there. I remember we came to a village, and they were talking about we had made possible a lot of tractors coming in this area to increase the agriculture production. I said, “I'd like to just stop at a village and find out how things function in that village, how it's organized, whether they know anything about this program and so on.”

So we found the head man, the mayor, whatever it was, in Turkey. He was away because he was on the schedule to receive a tractor. This brings up the whole question of counterpart funds. That was the most ingenious device that the mind of man ever devised in terms of providing economic or technical assistance, in that the country to which we made credits available in importing products that could be put into the economic system had to be sold, and the equivalent from those sales put in counterpart funds that

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could be used, then, for further economic development with that ten percent put into our accounts that we could expend for covering administrative expenses or any other kind of special expenses we think would help the program go along. That helped a lot of technical assistance.

This Turkish farmer, of course, he had to pay for his tractor and that went into counterpart funds. He didn't get anything free. That was a wonderful thing. This wasn't a relief program. We had a lot of trouble with some of our early persons thinking this was relief. This was just hard business that you had to make this count for development, the economic increase of the improvement and the economy and railroads and the orchards and everything else in the country.

Anyway, the second man, I got acquainted with him, and he took us around and showed us the schools and other things in this village. There were some broken windows in the school. I remember talking with him. "How do you get those repaired?" Well, that took a long bureaucratic process to get those windows repaired.

Then he invited us to his home, which was on the second story. The ground floor was occupied by a cow and chickens and other things. We were in this room, a fairly roomy place, and there were about six other villagers that apparently were persons who counted were there. And we had just lots of discussion back and forth, and there was one person who was trying to say something, and the others kept suppressing him. So I asked our interpreter, "What is he trying to say?" Well, what came out from this person, he says he understands how I got to Turkey and how you cross the ocean, and there was the United States, and what he wanted to know was when you got clear out beyond there and beyond, and looked over the edge, what did it look like.

On all these trips, I carried balloons. I found that the balloons were the way to the hearts of families all over Asia, Africa, wherever you went. It's a different problem in Europe, but even there, when I'd get with youngsters, I'd pull out balloons. When you are working in

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these underdeveloped countries, why, no matter what happens, you're surrounded with youngsters and other people if you visit homes. So I got out a balloon and blew it up. I described where the United States was across the ocean, how I got to Turkey. Actually, on this trip I had come via Asia, through South Asia, India, and so on. You learned something about the cosmos and geography.

Q: You were Mr. Galileo.

STONE: Of course, the problems of dealing with these countries of Asia and so on were so different. I put in a lot of effort on taking over the Korea operation from the U.S. Army. We had had a very substantial mission there. I went over to work out the specific arrangements, had a very satisfactory time with the government. Syngman Rhee was the president and I met him, and he assigned his prime minister to be my escort wherever I went, because I needed to find out about the country and how things were, as well as internal affairs of our mission.

Then I got acquainted with George Pack, who was then the Minister of Education of Korea. He had come out of Pusan Christian University, had been a president of it. He was head of a YMCA of Korea. Well, I soon found here was a rare person. The two-week period that I was working out things, I had him come have breakfast with me. I sure learned a lot about our mission and others in the Korean Government, who you trusted and who you didn't trust in that fashion. Years later, I was able to confer an honorary doctorate degree on him and his wife. (Laughs)

Q: Oh, really? At the University of Pittsburgh?

STONE: Springfield College. I went there.

Our mission left a lot to be desired, too much alcohol, the morale was bad. The thing needed a lot of revamping. Moreover, as I met with our embassy people, met with our military attach# people, saw the volubility of Korea, that we were putting all this economic

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assistance in but no military assistance. It was at a time that the general policy of the U.S., our sphere of concern did not really extend into Asia and it was just the greatest invitation to the North Koreans to create trouble. The planes of the military development of South Korea was primitive. Well, I decided this ought to get into circles.

I left Korea and went to India. The first thing I did in India was draft a letter to Hoffman, really for the attention of Secretary Marshall, on the vulnerability of Korea, that there wasn't even evidence that we were serious about Korea. Before my letter actually arrived, the North Koreans had invaded.

In recent years, we go overboard with supplying military equipment and services and arming everybody, but here was a time that it was just the reverse.

When that mission evacuated, it was one of the worst incidents that I've ever seen that took place. A number of the mission were drunk, they were trying to carry with them on the planes all kinds of possessions they had gotten. The evacuation was a disgrace. Even with all this threat, I found that so many of these persons were over there because they were well paid and having a great time of it, and they were treated so gracefully by the Koreans, who were lovely people, in any event.

Q: Don, we were responsible for missions in Korea, the Philippines, India, China. Is that right? I think there was a joint commission for reconstruction. Or is it Taiwan?

STONE: That was on the mainland.

Q: That's where it began.

STONE: Jimmy—what was his name?—was head of that, the Chinese that was head of that. Of course, Harlan Cleveland was the person who was our man on all of this. Harlan's a person that you should speak with.

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Q: He's definitely on my list.

STONE: Jimmy May? Jimmy Lou? Anyway, where this Commission for Rural Reconstruction functioned with democratic principles, with credit, with eliminating corruption, was the one part of China where there was some supportive responsibility. The way we put all of our eggs in that Chiang Kai-shek basket, the whole Far East might have been a different proposition today if we'd listened to the John Services and others who had had enough contact with Mao Zedong and so on to have helped steer that kind of business so that everything that was going on was not a total loss to democracy. Of course, the same thing happened in Vietnam.

This whole business, the domino theory, that communism was a monolithic movement, you know, and everybody took the orders from Moscow, we still haven't learned the lesson out of that. We still haven't learned how to convert communists or persons who go under the label of communists, a lot of them believe in democracy and that's what they're after, and we don't know how to sort those things out and deal with revolutionary movements.

We're stuck in this thing down in Nicaragua today, the most simplified business that you can create democracy by military force. Well, if you want to destroy the country, that's the way to do it. That isn't saying that the Sandinistas are a reliable group to do what we'd like to see done, but our prospects of having a more favorable outcome comes in linking up with all the other Central American countries and making it so attractive to them that they're not going to turn to the Soviet Union. This has gone on for a long time.

Q: I certainly appreciate this interview, Don.

End of interview