

Interview with Mr. Wilfred McNeil
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Condit: Mr. McNeil, I would like to capture on tape some of the things you were saying at lunch. Would you repeat, please, your comments on Secretary Johnson's resignation?

McNeil: In the summer of 1950, there was a buildup against Johnson in the press. It came to a head on a Saturday. I got a call in the office, asking whether it was true that Secretary Johnson was resigning. I called Steve Early, at Burning Tree and asked him, and he said there was nothing to it. Later, that afternoon, he called back. There must be something to the rumor, he thought, because he was hearing it from too many sources.

On Sunday morning, I was with Early at his home. We decided not to call Secretary Johnson at his home in Clarksburg, West Virginia, but rather wait until Monday. On Monday morning, Steve and I were in the office at 7:15 a.m., when Johnson arrived. He knew right away that something was wrong, because Steve Early never came in until 10 or so. Johnson wanted to know what was wrong. Early, without hesitation, told him "he had been fired." (I would have taken half a day). Johnson said that he would go to the White House to see the President and find out. When he came back an hour or so later, he said—"You're right. I've been fired."

Well, there were four of us sitting in the office talking things over—Early, Marx, Leva, Admiral Davis, and myself. There had been gossip about the possibility of Symington taking over as Secretary of Defense. It was an accepted

"fact" that he wanted it. We asked ourselves, who would be best for the Department, who would Truman have so much respect for that he could never resist asking him. That had to be General Marshall. So Johnson's resignation named General Marshall as the man who should succeed him. "Somehow" it was leaked to the press. That afternoon Truman called Marshall. It worked. At least, it meant getting the best man for the Department of Defense.

Condit: What were Marshall's major contributions during the year he was Secretary of Defense?

McNeil: I guess you'd have to say, his integrity. The Congress and the public really respected him. That was the main thing.

Administrator was not his forte. Bringing in Lovett to be, in effect, a general manager made the combination a winning team effort.

Condit: How did the policy of limited mobilization for the Korean War come about? Did you have any part in the adoption of this policy?

McNeil: There was great pressure for going to a full mobilization basis. A lot of people wanted to rush into a rapid buildup, convert industry, buy everything in sight. But, in fact, we did have a substantive stock of some items available from World War II.

Sometime around the first week of December 1950, I wrote a memorandum to the Secretary suggesting that we didn't need to go all out, that the best thing to do was to move up gradually but do it selectively. We should get what we needed for Korea and be ready to move ahead rapidly if we had to, but not to rush into more than was necessary. Later that day, I asked Lovett if he had seen the memorandum.

He said he had, but didn't give me the satisfaction of saying anything more about it—at that moment. Later I found that Marshall had accepted the philosophy.

Condit: What made you worry? Was it Symington's suggestion for full mobilization that worried you?

McNeil: Well, Symington, but there was also a great deal in the press too. The Air Force had just gotten its divorce from the Army, and it took time for them to settle down. They were seizing every opportunity for rapid expansion in the Air Force, even beyond their capability to do it.

Condit: Well, when did you know that your memorandum was accepted?

McNeil: When Marshall said, "I want to take this to the Cabinet this afternoon."

Condit: That was the day you wrote it? The day you gave it in?

McNeil: Yes.

Condit: And then did Truman write an okay on it?

McNeil: I assume so. At least Marshall testified to the concept a few days later.

Condit: And Marshall and Lovett stayed with that right on through. Now, while we are on that, what about the stretch out in 1952 for the fiscal year 1953 budget?

Were you the author of that also?

McNeil: Well, I probably contributed but, I was rather the action agent in carrying out the agreement between Marshall, Lovett, and the administration. I certainly didn't dream up all the ideas.

You have to go back to the philosophy of the organization. In following Forrestal's philosophy of organization for the Department of Defense, there needed to be a mechanism that would provide some internal checks and balances. If you

had one group advocating something, you ought to have another group coldly analyzing it to see whether you want to buy the whole idea or proposal or not. Invariably, you come out with different answers because you are on a collision course on many policies. That's where good solid citizens like Marshall, Lovett, etc., and as I mentioned earlier a lot of the senior military, show their great value. Senior military people may make some exaggerated statements in their speeches. When you present the pros and cons, say, of an extremely rapid buildup, and show that that is not in the cards, you will find that a great many will accept a modification although perhaps their speeches may not sound like it.

My concept when I was named the first Fiscal Director of the Navy in 1944—Forrestal's concept really—was that we should pull the programs and the money together and try to point out the weaknesses, etc., etc., so the seniors could make decisions. My staff and I were accused or charged many times with making policy. Perhaps we did, but we didn't develop positions with the idea of making policy. We did it with the idea of assembling the facts and figures and coming out with a balance sheet—which frequently dictated policy. We got credit for doing it. But actually, what we had done was to deal, in the case of the Air Force later—1952—with the fact that they were not making progress toward a 143-wing force; they were not even getting above 90, and going over 120 was all you could expect in the next couple of years. Therefore, they didn't need as much advance authority as they might have thought a year or two before that. When you make up a balance sheet and show that they don't need that authority to achieve all they are physically capable of, you can get a policy decision. In fact the decision shows for itself.

Condit: This morning Mr. Lovett said something about one of the great contributions of his term being your performance budgeting. I wonder, while we are on this subject, if you would just like to go ahead into question 4 and talk about performance budgeting?

McNeil: Yes, I will. First, one of the typewritten questions you sent up here the day before was about Wilson and his group.

Hoffman: That is probably my question.

McNeil: Why he was so calm, so apparently calm and unperturbed about the strength of Russia, and so forth. Is that it?

Hoffman: Yes, sir.

McNeil: Well, it goes back to the balance sheet idea again. As an example, I wrote a paper in 1959, which the Reader's Digest wanted to publish, but I couldn't do it under my name because it was in part at least State Department business. Senator Prescott Bush finally used excerpts from it. It was published in the Reader's Digest about June or July of that year.^{*} I have only this one copy but you can take it, if you don't mind mimeographing it, and you can send it back. I started the article this way. Reverse the situation: Give us the Russian capability and give them ours. I wonder how we'd feel? I try to show that certain types of aircraft located in Mexico, Venezuela, etc., are not too different from our having fighter type aircraft which could carry a big weapon in France, Italy, etc. If you pretend you are planning for both sides, I think you tend to avoid excesses and omissions. It might in some instances

^{*} Prescott Sheldon Bush, "To Preserve Peace Let's Show the Russians How Strong We Are!" Reader's Digest, 75 (July 1959), pp. 25-30.

force a more rapid buildup; in other cases, it might indicate we are in pretty good shape—let's don't go wild. But it also depends on adoption of a basic philosophy. Are you going to have Defense on a feast or famine basis, as we did before World War II? Or are you going to build up a reasonable strength and maintain it so long as there is trouble in the world? So you adopt that policy. It answers a great many questions.

Condit: Does performance budgeting allow you to do that?

McNeil: It tends to force decisions based on fact and the exercise of judgment.

Condit: When did it really come into effect, Mr. McNeil?

McNeil: Well, the act, which authorized it, was passed in September 1949 but it was known that it was a five or ten year job to get the program underway. The performance budgeting system covers a series of administrative procedures. In this Department, it is not like an administrative budget for the Department of Commerce or Labor, where you are just budgeting for salaries, rents, paper, and so forth. It must cover procurement, maintenance of equipment, maintenance of stations, operation of ships, aircraft manufacturing, services facilities such as providing post exchanges, etc., etc.

When I was made fiscal director for the Navy, I wanted to get the basic planning and funding organization so organized that it become an internal check and a balance mechanism and provide a better means of control and direction. I wanted a procedure so that the commander of a ship would be a customer of the Navy Yard. As a customer, he would "squawk" at the price or the quality of the work. While you could have somebody go out and make an examination or have a

management engineer produce a study, it would never be as effective as to have the customer riding herd on the shipyard (supplier), having the customer ride herd on the printing plant as to quality and numbers and price.

That type of thinking gave birth to a part of Title IV of the Amendments to the National Security Act, which were passed in September 1949. That is really part of the budgeting process, although some people wouldn't recognize it as such. Title IV provides for industrial or commercial-type activities to be organized as commercial business ventures, which means it is operating under a working capital concept. First, we got authority from Congress to take money which had lapsed and to bring it back to life to become the working capital of these "corporate" enterprises. To establish the working capital didn't cause any expenditures as far as the public was concerned, but it gave a memorandum figure against which you could write checks until you could collect from the customer.

The first industrial fund activity started was in the Pentagon basement, the printing plant. Subsequently, everybody who got printing done in the Pentagon was charged for it. The printing plant could not determine the numbers of copies they could have, but it did charge them with the cost of the operation. Immediately, everybody who wanted printing done had to take a look and see if his own budget could support it. It provided a constraint. Up to then you had a budget for printing but everybody reached in on the shelf and took out what they pleased without accountability.

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The first large organization established under the industrial fund was the Military Sea Transportation Service, which we started out with, I think, about \$85 million working capital.

Condit: Was that MSTS or MATS?

McNeil: MSTS. Now comes the most important part. The Army, right after the divorce of the Air Force, wanted to do the housekeeping for the Air Force, wanted to keep all the functions they could. But the Navy didn't want to do any housekeeping for anybody else because they felt that any dollar that went into housekeeping meant one less dollar for purely Navy purposes. Some mechanism such as corporate organization or a working-capital operation, where everybody paid for what they used, was the only way you could get single service performance, get a single service to do housekeeping for others.

The minute the Navy knew they would get reimbursed on a tariff basis for the work they did for the Army, Navy, Air Force, Marines, and State Department, they gladly would run MSTS. Meantime, Air Force, Army, and everybody was critical of MSTS because it charged too much. That's exactly the kind of atmosphere we wanted to create—where every shipper was squawking about the tariffs. And when four stars and three stars, etc, started to squawk, they had much more effect than a gold-embossed report from a management engineer. Then instead of budgeting for 200 ships to operate and steam anywhere anybody wanted, you budgeted for the service you wanted rendered—for moving x tons of material from San Francisco to Korea, or for carrying so many people. You had flexibility to run things more efficiently.

Before the MSTS was started, ammunition ships used to be idle in San Francisco harbor for an average of 50 days as I recall it. Once MSTS got going, it was so managed that the average layover time was less than four days.

Condit: How far did you carry this forward during Lovett's time?

McNeil: MSTS was started before Lovett. But it was a continuous process. I was lucky, because every boss I had supported me, and Lovett supported me beautifully. I brought a copy along of the Committee Report (No. 1064, 81st Congress, 1st Session) which—there aren't many copies around any more—tells the reasons for some of these things.

Another type of operation, certainly related to performance budgeting, is the authority to pool funds for a multi-agency task. When I went out to Bikini for the first A-bomb shot, I couldn't help but see I had known it before but that series of experiments provided it—that Army, Navy, and Air Force, practically every activity of Government, had some experiment or something going on out in Bikini. Admiral William H. P. Blandy had 189 pots of money that he used to operate Bikini, 189 different allotments. That's a hell of a way to run a railroad! So I wanted legislation, which I got from Congress, which made it possible to dump 189 different pots of money into one management fund. When Admiral Blandy's successor went out to Bikini he had one "pot of money" to operate the experiment. We got authority from Congress to charge each one of the 189 according to the estimated cost of each activity.

That's important, because GAO could not look behind the distribution. If we spent \$10 million, we distributed \$10 million in costs. We couldn't distribute \$11

million. Because of the competition between entities of the Government, you couldn't, from a practical standpoint, charge one any more than a responsible approximation. You had to prove what you were charging for, but you didn't have to get down and worry about the odd cents. This management fund idea really made so much sense. Well, take a bus line running around San Francisco Bay area. If you had only one bus line serving, Navy wasn't going to do it, Army wasn't going to, and Air Force wasn't going to. But you could have one running under a management fund, picking up all the school kids or workers for some activity, and you could distribute the cost on the basis of head count at the end of the month. That might be just an example. Any reasonable solution. But again, it ties into trying to put a price tag on the services rendered or the material purchased.

"Performance budgeting" was in a sense what Hoover labeled it.

Condit: Can I go back to Secretary Johnson for just a moment and my first question. I have seen what you have told Dr. Goldberg before about Secretary Johnson and I was very glad to see that assessment. I think it is a more rational assessment of the Secretary than is the usual case, because he was certainly subject to the press buildup against him. But how would you assess our military posture at the start of the Korean War on June 25, 1950, and to what forces would you attribute that posture?

McNeil: Well, I think you have to go back to the directions that Truman gave Johnson. That's been one of the things that the press and the public never understood about Johnson's efforts to cut back. He was in sympathy with it, but he did not do it on his own initiative. On July fifth, shortly after Johnson came aboard—

Frank Pace was Director of the Budget—Truman had the Secretaries and the Chiefs at a meeting in its Cabinet Room at the White House. Johnson, Early, and I were there, in addition to service secretaries and the Chiefs. Truman laid out how he wanted expenditures controlled, expenditures of previous and current budgets controlled: He put a limit on new obligational authority in the new budget, as I recall \$13 billion, of which half a billion was for stockpiling and critical materials. Not a solitary Secretary or Chief made a complaint. I objected, because a couple of things weren't possible. After quite a little argument, Truman said, "Well, you work it out with Frank Pace." I did, that afternoon, at least taking the stockpiling out, still leaving the budget about \$13 billion—an effective increase of a half billion dollars. However, to meet that figure required a lot of cutbacks. This was directed by Truman.

Condit: This was on fiscal year 1950 or 1951?

McNeil: 1951—this was July 1950.

Condit: July 1950? On both budgets?. . . Both.

McNeil: No, July 1949. I am sorry, July 1949. That was a pretty sharp cutback.

Also he set an expenditure limitation. The Navy jumped in right away and made the program adjustments awfully fast. When you cut back, if you cut back quickly, the result is minimized. But if you let it drag one-two-three-four-five months and then make program changes for the last two or three months of a year, it will virtually wreck you. Navy did it very promptly, but Army didn't remodel their programs for five or six months, and as a result programs were seriously affected.

Condit: You said the Navy promptly cut back on the 1950 budget?

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McNeil: Yes, so they absorbed their—I hate to say “share”—their target. They did that in less than 60 days. We had 10 months to absorb the cutback. The Army took months before they got their rework of their plans, and it hurt the Army very badly.

Condit: General Lemnitzer is very bitter toward Secretary Johnson about the Army cutback.

McNeil: They were, but part of it was their own fault. It is like the New York City situation now. If you have trouble, you had better get in and fix it quickly; then the cutback doesn't have to be as sharp and as difficult to save the same amount of money.

Condit: Well now, the budget for FY 1951 was set at \$13 billion by Truman, if I remember correctly.

McNeil: \$13, maybe a little more. Frank Pace was Director of the Budget.

Condit: When the war came in June 1950, the country blamed Secretary Johnson for the cutbacks. Now, I understood that perhaps it was his style of cutting back, that he was very flamboyant about it. Is that true?

McNeil: This is quite true. I said it in a different way; I said the public acceptance.

Condit: That's true. Public acceptance was nil, wasn't it?

McNeil: I am sure he sympathized with Truman, so he didn't object too much. But Truman was the one who directed the cutbacks.

Condit: Well now, when Johnson testified before Congress, he said something to the effect that the country was in better shape to move ahead, to mobilize. It wasn't in a better readiness posture, but it was in better preparation to mobilize than it had been for years. Would you agree with that?

McNeil: Well, it certainly was true compared with the times before World War I or II.

Condit: What about from 1946 on?

McNeil: No, I wouldn't think so.

Condit: We were less prepared in 1950 than we were in 1948?

McNeil: Not in degree, but in numbers, yes. There had been a pretty sharp cutback in numbers since 1948.

Condit: So you really wouldn't buy Johnson's statement to Congress?

McNeil: No. But overall, you were in pretty good shape from the standpoint of materiel because of what was left over from World War II. As far as Navy ships were concerned, they were practically all new. Ships—good for 20 to 25 years—had only been at sea for five or ten years, so that you were in better shape than you were before World War II. You didn't have to get certain kinds of artillery, rifles, etc., but the Army was pretty well in difficulty as far as numbers of personnel were concerned.

Condit: To what do you attribute Truman's passion for economy?

McNeil: Well, I think there were a lot of people who agreed on a balanced budget, and he didn't think, as Forrestal did, that we were still in trouble in the world.

Condit: Did you feel that the Services were able to use the money efficiently after the war started?

McNeil: To a degree; that is all relative. I don't think they bought many things they didn't need. I think that all of us probably went along with more money for the Air Force than they could properly use in 1952 and 1953. That article right there gives a little explanation of it. The Air Force was heading for a 143-wing air force at the

time, which we thought, was a little strong. Anyway, it was a target and we knew that we wouldn't reach it for two or three or four years. But when we got along into 1953 they had only gotten to a point where they had a force of 93 wings, some of those still not in readiness condition. The interim goal was set at 120 wings, which was a cutback. That, plus the fact that they hadn't got as far in 1952 and 1953 as was originally planned, meant that they had excess obligational authority or buying power. That was the reason for the cutback in 1953.

Hoffman: I would like to pursue that. That budget was the one you designed originally. Why was the excess authority allowed to remain in there in 1952?

McNeil: Well, obligational authority held in reserve doesn't cost the taxpayers any money, if you have it under control. And this was pretty well under control. This was a decision under Truman, once the Korean War started, not to take any action to remove the excess. The excess developed gradually, slowly, because the Air Force was certain they were going to have 120 wings right quick. They were certain that Boeing, etc., etc., were going to come through a little faster than they did with the design. This indicated any number of facets of the Air Force operation; they just didn't get organized quickly. The Chiefs, the Secretary of Defense, and men of my own rank were influenced a bit, thought they would get along a little faster. The Air Force was a new outfit, and they didn't have the necessary internal logistics support. The old Signal Corps of the Army used to do their buying for them, remember? I think we probably all thought the Air Force was more competent to get things done than they really were.

Hoffman: You were the author of the precise figure that was put in between the revision of FY 1954 budget and the initial 1954 budget?

McNeil: Oh, I am sure, but it wasn't a final figure. It was a result of a current look, rather than it was trying to make a final precise figure. After that, we got to the point where we again had budgets for the future. They were based on target plans and figures, yes. But not at that time.

Hoffman: Well, each year, in the office papers of the Comptroller's office, I have come across a figure that would come down from the NSC, sometime in November usually. A precise, allowable defense spending figure. Now, I am wondering who was the author of that. Were you the author, the Bureau of the Budget, Secretary Humphrey?

McNeil: I would say that the NSC staff—Bob Et were primarily responsible but we weren't paying too much attention to them. That was after the fact, because actually most of the work had been done before those figures were gotten together. It disturbed me very much that they did planning in this order. To me the time spread from initial planning and the translation of such figures into budget terms was entirely too long. The year in which you were going to operate was 18 months still in the future. That's the reason I got the Director of the Bureau of the Budget to assign his budget people to the Department of Defense. You knew that happened, didn't you? It was the only Department in the Government to do that. We sold the President on the idea of allocating 30 or 40 people from the Bureau of the Budget to the Department of Defense to shorten the time between plans and budget submission to Congress. They were afraid they would be seduced, but we reassured them that

they would have “keys to the safe” and know whether we were trying to unduly influence them. According to the law, you know, the budget is supposed to be submitted in September. By doing this DoD didn’t have to submit a budget until December. That was done in order to shorten the interval between the time you got your authority and the time you used it. If you could get it out of Congress on time in early spring and final planning had been done in November/December, that meant a shorter time between planning and program implementation.

Condit: Mr. Lovett has written more than once that the budget process was one of the major means by which the Secretary of Defense could control the OSD. How does that work?

McNeil: It is very simple. The Secretary of Defense or Secretary of a Service can sign directives till H— freezes over, and not much will happen. But to shut off the faucet is a sure way to stop something; or if he furnishes money, it is a sure way to help it along.

Condit: How much authority does the SecDef have to stop the money?

McNeil: Virtually complete. More than they ever exercise.

Condit: He can just tell them not to use it?

McNeil: Sure. Don’t allocate it. Now they are getting to a point in Congress, of course, where Congress is questioning the apportionment process. The President doesn’t have as much authority under the apportionment process as he used to have.

Condit: I can see the President, but I didn’t realize that, in addition to the President, the SecDef could apportion. That’s what I didn’t know.

McNeil: I'll tell you a little story. Shortly after the Unification Act was passed, the Air Force operated as if everything they did was secret, top secret. They had a lot of fun classifying material of an administrative nature. When they were up before the House Committee on Appropriations in 1950 or thereabouts, Congressman Harry Sheppard was trying to get them to put on the record what they did out at San Bernardino on the Safety Board. They said they couldn't tell him because it was classified. This went on for about an hour. Meantime, one of the clerks of the committee called me and said, "You got troubles up here. The Air Force is in trouble with Taber and Cannon and the committee and they won't talk." I said, "Okay, I'll come up." Just as I arrived, John Taber—did you ever hear of him?—

Condit: No.

McNeil: He was the senior Republican on the committee. He squirmed out of his chair and he said, "Gentlemen, you may be right. Maybe this committee doesn't have any authority to look into such operations. We are interested only in those things that take money, and if this takes no money we have no interest." The next day there was a truck backed up under the steps of the Capitol and about three tons of reports on San Bernardino were delivered to the committee! That is a true story.

Condit: Can the SecDef on his own say the Air Force won't get money that the Congress has appropriated? Although Congress is now raising questions about it.

McNeil: We used to do it. We used to do it frequently.

Condit: You did it for him?

McNeil: Sure.

Condit: I wish I had an example.

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McNeil: Well, it was not done without his knowledge. He may have not known the exact figure.

Condit: I see.

McNeil: Forrestal understood that.

Condit: In wartime it is harder to exercise that, isn't it?

McNeil: In the first place, no Secretary would be irresponsible, he wouldn't cut off funds just for the fun of it.

Condit: No, he would realize he had a possible fight on his hands.

McNeil: Sure.

Condit: How did wartime affect that? Didn't that change the relative power position of the Secretary and the Services?

McNeil: War changed the amounts more than the procedure.

Condit: He would have to cut off more before he would have any power?

McNeil: Yes. For example, consider an allocation to the Air Force and the Bureau of Aeronautics. You might allocate 80 percent and withhold 20 percent, until they got a flying-hour program approved. Their original flying program might have been 50 hours per pilot per month, and maybe it developed that 35 hours was just about all they were going to have this year from the standpoint of the availability of aircraft and the necessity for training. This apportionment process is really quite a powerful process. Forrestal understood the need and use of it. Lovett and Wilson did too. I don't think some of the others quite understood its use as a management tool.

Hoffman: You really used that apportionment process quite vigorously in the overrun problems associated with the FY 1957 and 1958 budgets. In fact, looking through

the period from early 1957 onward, you began to have trouble with Brundage. He cut below the various apportionment figures you wanted, which were pretty much austere figures to begin with.

McNeil: We had problems with the apportionment process right along.

Condit: Where does NSC 68 fit into the Korean War years? How far did we try to implement NSC 68 in addition to fighting the Korean War?

McNeil: Well, I am a little fuzzy on that, on the exact impact of that now. NSC 68 was kind of a target, not necessarily something we were going to achieve at any exact date. It was kind of a target we wanted to get to at the end of the road dependent in part on the availability of funds, but there were a lot of detours getting there.

Condit: That represented a new look at the possible threat of Russia to the United States and our comparative position?

McNeil: The big change in strategic concept, I guess you would call it, was in 1953, when Eisenhower named the "good new Chiefs," as the press called them. One of the first things done at that time was to send the Chiefs down the river on the Sequoia for four or five days, with the idea of their coming back with an agreed philosophy and possibly a change in concept, hopefully with an agreed upon plan. It didn't quite come out that way, but the net result in trying to determine priorities was to ask, "what was the most serious threat we have?" That would be the nuclear threat. So there was an increasing emphasis on the Strategic Air Command and Air Defense. Increased emphasis on those, and lesser emphasis on ground support operations. This was primarily for the reason that you probably weren't

going to maintain year in and year out in Europe and elsewhere a three-million-man army, but you would put a high priority on air power by being able to retaliate to save yourself from "disaster." It was felt that, in the case of ground forces, you probably would have more time to develop and work out requirements as to numbers of men, supply training, and so forth. That was probably the biggest change under Ike—when Ike asked for a new or current concept.

Now, Radford, Chairman of the Chiefs, knew what that meant. So did the Air Force. Army never quite understood what that meant or did not choose to. I remember that General Ridgway came up one time with several of his staff, quite provoked about our action on the Army program. I said, "Listen, you were there when we took the Chiefs to the White House and explained the concept to Ike." When the new Chief got back from the Sequoia, Mr. Wilson took them to see Ike who spent three hours questioning them and talking about it. Ridgway finally said, "I thought that was just an exercise. To implement the concept I reduced Army buying by 5,000 trucks. This was an example of this new philosophy that Ike and Defense agreed on." In our staff work, we were merely carrying out the agreement, which had been developed by the Chiefs and approved by the President about July 1953 (It might have been June). While the paper itself didn't say so many airplanes, so many troops, and so forth, there was a philosophy that somebody had to interpret into numbers. We did that, and we caught hell for a while, but it was the philosophy that had been agreed upon.

Condit: Well, that was the problem of postwar cutting back. What were your greatest problems during the Korean War?

McNeil: Well, I recall one budget, I forgot which year it was, that was submitted for \$104-106 billion. It went to Congress in 1954. Some people thought that was evidence of a very silly operation that is permitting the submission of plans that could not have been financed. I never worried too much about such criticism; I always thought the smart thing for Defense to do (and still think so) was to list everything they might need. Then go down and start culling out the weak items. It is one way to establish priorities.

It is just this simple: When the war was over I had a 1941 Oldsmobile. It had a hole in the floor mat where my heel rested from the accelerator, the bumper was bent, and so forth and so on. I went out one Sunday morning and made a list of all the things that darn thing needed, and it would cost about \$500. I wasn't going to spend that much on an old car, so I came out with a \$103 total bill and drove it for two years more. Well, the tooth was off the low gear but I never used the low gear anyway, I always used second, so I didn't have to fix that. I straightened the bumper. I used mastic for my rubber mat. So I came out with a fraction of the cost.

Condit: You sound like Ron and me.

Hoffman: I have a car with a hole in the muffler right now.

McNeil: No, but I recall a lesson I learned right at the end of the war (1945). Admiral George F. Hussey, Jr. was Chief of the Bureau of Ordnance. At that time the proximity fuse was one of the great new ideas, and it really was a very important thing. But there was still development work to do on it, although it had been used in the fleet for a couple of years. At that time, to live up to the President's limited spending and so forth, we had used the allocated target; and the Bureau of

Ordnance didn't have a single nickel for the further development of the fuse. Well, we got that fixed. But if he had been "permitted" to list everything he thought he needed, that would have been on the list. As I say, we caught it, and there was money in the budget for it, and development continued. But somewhere up through that pyramid structure, it had dropped out.

Condit: Thank you very much, Mr. Secretary. That is the end of my list of questions and I will defer to Ron Hoffman now.

McNeil: One more thing, about your performance budgeting. The Army in all its history never had its common leased property under financial control. Starting back at the time of the Spanish-American War, the Navy had a small fund of about \$200 thousand for "papers and pencils," which they then charged to the user. During World War I that got to be a pretty big Sears-and-Roebuck type of operation, where stuff on the shelf was charged to the fleet or whoever used it.

We got authority in Title IV of the National Security Act to require that all property be kept under money control and that common use property be kept in what is known as stock funds. One reason for the name is that some people in Defense, in Navy in particular, knew what that meant. It meant that all common use supplies, like paint and so forth, would be under control of the "Sears, Roebuck Corporation" in each Service. For anything taken off the shelf, or if Navy got some stuff out of an Army warehouse, the user had to pay. It was charged to that project's operation for that year. See what I mean by the so-called performance budgeting? We were trying to get everything charged to the user and for the purpose it was used. We were trying to get such efficiency into the place that a guy at Bolling Field

who wanted to build something or repair something could draw 2,000 feet of lumber and be charged for it. Then if he used only 1,000 feet and he took the other 1,000 feet back and put it in the store, he would get credit for that. You no longer would have stuff sitting around unused, because you would get credit for it if you took it back to the store. All this without any supervision and without any argument because it is self-auditing—the customer squawking about the supplier and the supplier annoying the customer. It is always two-dimensional.

Condit: This started in the Navy, then?

McNeil: It started in the Navy in a small way, then we expanded in the Navy, and then we got it into the Army and pretty well into the Air Force. But not quite. Air Force didn't want somebody to know quite what flying hours were costing, so they were slowest to get on with it.

Condit: General Lemnitzer has told me to ask one more question, and that is, what should I have asked that I haven't asked? He told me I had missed out on the right question when I finished his interview; so now I always ask.

McNeil: I happened to write that report, for Carl Vinson in the House, that tells the story of the financial structure (No. 1064). I consider that very important. Each time I get a new batch of people around here, I go around and peddle it, not because I want to run things but just to show them what authority they do have. But some of them aren't using it.

Now they have got some new wrinkles in Department of Defense budgeting and that is the DSARC outfit (Defense Systems Acquisition Review Council). The DSARC is nothing but an organization to go over weapons systems. Well, we used

to do that too, only we didn't do it formally. We used to get the ideas of the Research and Development Board, or go down to the old Munitions Board chairman or somebody. In fact, we used to do it in our shop, but we didn't do it all ourselves. For example, we had lunch with John B. Macauley down at the Research and Development Board to get ideas on missiles.

I will tell you a story. We are having trouble with the Army and the Redstone Missile. Nobody objected to their going ahead and trying to develop a missile, but the Army wanted to really equip themselves with a short-range missile, which they called mobile. It wasn't mobile, it wasn't even moveable, because it took a truck train about 40 miles long to support four missiles. And after you got liquid oxygen, you couldn't charge and arm it for several hours. It only had a range of 150 miles, and it really was a bad thing. Things had gone on pretty fast, because meantime solid fuel had come along and was possible.

I remember, Mr. Wilson and I went down to see Ike in Augusta, which we usually did a couple of times each year. At the end of that, I told Mr. Eisenhower that the Army had made a claim on this (Redstone), and I had stricken it out. I said, "When we get back, I am going to leave it out, but I will encourage the Secretary of the Army and Chief of Staff to come over and squawk and make an appeal. I want you to hear this story." He said, "Well, no, if that's the case, take it out." I said, "Okay, but I think they can do this: It really is possible to have a solid fuel missile that weighs 10,000 pounds, that can be broken into three parts, so that it is mobile and can be trucked, because solid fuel is ready to go any time." Ike said, "You can?" I said, "Yes, I am told it is possible." He said, "Well, do you want to put some money

on it?" I said, "Yes." "How much?" I said, "Oh, I guess \$10-12 million would get it off to a good start this year." He said, "Okay."

I came back and went down to see Secretary Brucker, Secretary of the Army. I said, "Mr. Brucker, I told you that Redstone wasn't in the cards: I just talked to the President about it, and he agrees to taking the money out of Redstone." He went through the "overhead," but he came down in a little while. And I said, "Listen, you have a great opportunity with this solid fuel missile, because it will have a range of 250 miles, with a growth to probably 400 to 450, and it is truly mobile. Why don't you get out your book of Greek mythology and let's get a name for it? I have to tell George Mahon (House Appropriations Committee) tomorrow morning about what we are going to do, and that the Army is going to do this. I would like to get the Army name in there, standing in line, you know." Remember the missile we had for anti-aircraft—the Army Nike, the Hercules? He said, "We are not going to use Greek mythology any more." "Well, I said, "call it the Black Jack if you want to."

That afternoon we had a meeting with all the Secretaries and Chiefs to wrap up the budget, and Brucker must not have thought I was there; I was sitting at the end of the table. Brucker had a little paunch, you know—patted his arms like this—and he said, "Gentlemen, I have an important announcement to make. We have decided to discontinue the Redstone missile. We now have found we can develop a missile at 10,000 pounds, using solid fuel, with a range of There are people who want us to name it the Black Jack, but we are not going to do that. We have decided to name it the Pershing." And that's the Pershing missile we have got today. That's a true story. That's budgeting!

Condit: That unbelievable.

McNeil: That's the way you make good decisions. When I made decisions I made them look as if they were made arbitrarily, but they were not really. That was after long discussion.

Hoffman: What about the decision in 1957 to cut 100,000 men out of the Army's Fiscal Year 1958 budget. Was that your decision?

McNeil: No, I don't recall that specifically.

Hoffman: The FY 1958 bill was already in conference, and it was very late. That was the budget that took so long to get through. In fact, that was the year the legal authority to budget ran out, went past June 30th.

(Note: This document represents McNeil's corrected version of the first 43 pages.)

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Interview of

WILFRED J. MCNEIL

ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER), 1949-59

NEW YORK, NEW YORK

JUNE 7, 1976

INTERVIEWERS: DORIS M. CONDIT AND RONALD HOFFMAN

SECURITY CLASSIFICATION: UNCLASSIFIED

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Interview with
Mr. Wilfred McNeil
June 7, 1976

CONDIT: Mr. McNeil, I would like to capture on tape some of the things you were saying at lunch. Would you repeat, please, your comments on Secretary Johnson's resignation?

MCNEIL: In the summer of 1950, there was a buildup against Johnson in the press. ~~The press started it.~~ It came to a head on a Saturday. I got a call in the office, asking ~~me~~ whether it was true that Secretary Johnson was resigning. I called Steve ^{at Burning Tree} Early and asked him, and he said there was nothing to it. Later, that afternoon, he called ~~me~~ back. There must be something to the rumor, he thought, because

he was hearing it from too many sources.

ON SUNDAY MORNING I met with Early at his home. We decided not to call Secy Johnson at his home in Clarkburg. We do but rather wait until Monday.
On Monday morning, Steve and I were in ~~the~~ ^{the} office at 7:15

a.m., when Johnson arrived. He knew right away that something was

wrong, because Steve Early never came in until 10 or so. *Johnson wanted to* ~~Early didn't~~

I know what was wrong. Early, without hesitation, give Johnson even five minutes, told him ~~right off~~ "he had been fired."

(I would have taken half a day.) Johnson said that he would go ~~over~~
to the White House to see the President and find out. When he came
an hour or so later
back, he said -- "You're right. I've been fired."

Well, there were four of us sitting in the office talking
things over -- Early, Marx Leva, Admiral Davis, and myself. There
had been gossip about the possibility of Symington taking over as
Secretary of Defense. *It was an accepted 'fact' that* He ~~had always~~ wanted it. We asked ourselves,
who would be best for the Department, who would Truman have so much
respect for that he could never resist asking him. That had to be
General Marshall. So Johnson's resignation named General Marshall
as the man who should succeed ~~Johnson~~ *him*. We ~~put it in the letter to~~
~~Truman~~ and "somehow" it was leaked to the press. That afternoon
Truman called Marshall. It worked. At least, it ~~saved a little bit~~ *meant*
~~by~~ getting the best man for the Defense Department.

CONDIT: What were Marshall's major contributions during the year
he was Secretary of Defense?

McNEIL: I guess you'd have to say, his integrity. The Congress,

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the public really respected him. That was the main thing.

~~He was not a good Administrator~~ *was not his forte,*
Brought in Lovett to
be in effect, a General Manager ~~not~~ *Bringing*
~~do the administration.~~
made the combination a winning team effort.

CONDIT: How did the policy of limited mobilization for the Korean war come about? Did you have any part in the adoption of this policy?

McNEIL: There was ~~great~~ *great* pressure for going ~~to~~ *to* a full mobilization basis. A lot of people wanted to ~~go and~~ rush into a rapid *convert ~~industrial~~ industry,* buildup, ~~buy~~ everything in sight. But, in fact, we did have a ~~lot~~ *Substantial* of ~~leftover~~ *of some clean* stocks available. *from World War II*

Sometime ~~in or~~ around the first week of December 1950, I wrote a memorandum to the Secretary suggesting that we didn't need to go all out, that the best thing to do was to move up gradually. *but do it selectively.* We should get what we needed for Korea and be ready to move ahead rapidly if we had to, but not to rush into more than was necessary. Later that day, I asked Lovett if he had seen the memorandum. He said he had, but didn't give me the satisfaction of saying anything more about it -- at that moment. Later I found ~~out~~ that Marshall had

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accepted the philosophy.

* * * * *

CONDIT: What made you worry? Was it Symington's suggestion for full mobilization that worried you?

McNEIL: Well, Symington, but ^{then} ~~it~~ was also a great deal in the press too. The Air Force had just gotten its divorce from the Army, and it took time for them to settle down. They were seizing every opportunity for rapid expansion in the Air Force, even beyond their capability to do it.

CONDIT: Well, when did you know that your memorandum was accepted?

McNEIL: When Marshall said, "I want to take this to the Cabinet this afternoon."

CONDIT: That was the day you wrote it? The day you gave it in?

McNEIL: ~~Yes~~ ⁴⁴³

CONDIT: And then did Truman write an okay on it?

McNEIL: I assume so. At least Marshall ~~went up and testified to~~ ^{concept of} ~~it in the next few days~~ ^{later} ~~or two weeks.~~

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CONDIT: And Marshall and Lovett stayed with that right on through.

Now, while we are on that, what about the stretch out in 1952 for

the fiscal year 1953 budget? Were you the author of that also?

McNEIL: Well, I ^{probably contributed but} ~~was not responsible for it~~, I was ^{Nature} the action agent, ^{in carrying out the} ~~but there was~~ agreement between Marshall, Lovett, ^{and the administration} ~~Let's~~ say I ~~would be the action agent, although~~ ^{certainly} I probably didn't dream up all the ideas.

You have to go back to the philosophy of the organization.

In following Forrestal's philosophy of organization for the Depart-

ment of Defense, there needed to be a mechanism that would give you ^{provide}

some internal checks and balances. If you had one group advocating

something, you ought to have another group coldly analyzing it to see

whether you want to buy the whole ^{idea or proposal} ~~thing~~ or not. Invariably, you

^{again} come out with different answers because you are on a collision

course on many policies. That's where a good solid citizen^s like

Marshall, Lovett, etc., and as I mentioned earlier a lot of the

senior military, ^{Show their great value. Senior military people} ~~are pretty solid people.~~ ^{They} make some ^{wild} ~~statements~~

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statements ~~sometimes~~ in their speeches, ~~but when you get right down~~
to ~~business they are pretty solid citizens~~. When you present the
pros and cons, say, of an extremely rapid buildup, and show that
that is not in the cards, you will find that a great many ~~people~~
will accept ~~it~~ ^{a modification although} perhaps their speeches may not sound like it.

My concept when I was named the first ⁶ fiscal ⁴ director of
^{in 1944} the Navy -- Forrestal's concept really -- was that we should pull
the programs and the money together and try to point out the
weaknesses, etc., etc., so the seniors could make decisions. We ^(I and my staff)
were accused or charged many times with making policy. Perhaps we
did, but we didn't ^{develop position} ~~do it~~ with the idea of making policy. We did it
with the idea of assembling the facts and figures and coming out with
a balance sheet -- which frequently dictated policy. We got credit
for doing it. But actually, what we had done was to deal, in the
case of the Air Force later -1952 - with the fact that they were not making
progress toward a 143-wing force; they were not even getting above
90, and going over 120 was all you could expect in the next couple

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of years. Therefore, they didn't need as much advance authority as they might have thought a year or two before that. When you make up a balance sheet and show that they don't need that authority to achieve all they are physically capable of, you can get a policy, you ~~can get a~~ decision. In fact, the decision shows for itself.

CONDIT: This morning Mr. Lovett said something about one of the great contributions of his term being your performance budgeting.

I wonder, while we are on this subject, if you would just like to go ahead into question 4 and talk about performance budgeting?

McNEIL: Yes, I will. ~~I have one thing before~~ ^{FIRST} One of the typewritten questions you sent up here the day before was about Wilson and his group.

HOFFMAN: That is probably my question.

McNEIL: Why he was so calm, so apparently calm and unperturbed about the strength of Russia, and so forth. Is that it?

HOFFMAN: Yes, sir.

McNEIL: Well, it goes back to the balance sheet ^{idea} again. ^{as an example,} I wrote

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^{a paper}
~~something~~ in 1959 which the Reader's Digest wanted to publish, but

I couldn't do it ^{under my name} because it was ~~really~~ ^{in part at least} State Department business. *Senators*

Pres^{cott} Bush finally ~~took it and signed~~ ^{used} excerpts from it, ~~and it~~ ^{was published} in

Reader's Digest, about June or July of that year.* I only have this

one copy but you can take it, if you don't mind mimeographing it,

and you can send it back. I started ^{the article} this way. Reverse the situation:

Give us the Russian capability and give them ours. I wonder how

we'd feel? I try to show that certain types of aircraft located in

Mexico, Venezuela, etc., are not too different from our having

fighter type aircraft which could carry a big weapon in France,

Italy, etc. If you pretend you are planning for both sides, I think

~~you avoid~~ ^{you tend to avoid} ~~it would prevent you from being silly.~~ ^{incesses and overreaction} It might in some instances

force a more rapid buildup; in other cases, it might indicate we are

in pretty good shape -- let's don't go wild. But it ^{also} ~~all~~ depends on

adoption of a basic philosophy. Are you going to have Defense on a

feast or famine basis, as we did before World War II? Or are

*Prescott Sheldon Bush, "To Preserve Peace Let's Show the Russians How Strong We Are!" Reader's Digest, 75 (July 1959), pp. 25-30.

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you going to build up to a reasonable strength and maintain it
so long as there is trouble in the world? So you adopt that ~~one~~
thing, ~~that one~~ policy. It answers a great many questions.

CONDIE: Does performance budgeting allow you to do that?

McNEIL: It ~~just helps to read it.~~ *tends to force decisions based on fact & the exercise of judgment.*

CONDIE: When did it really come into effect, Mr. McNeil?

McNEIL: Well, the act which authorized it was passed in September

1949. ^{1st} Performance budgeting, ~~I don't care too much about the name~~

~~of it.~~ Actually, the budgeting system covers ^{Series of administrative procedures} a number of things.

In the Department

It is not like an administrative budget for the Department of

Commerce or Labor, where you are just budgeting for salaries, rents,

paper, and so forth. ^{In must cover procurement, maintenance, equipment, etc.} ~~When I was made fiscal director for the Navy,~~

planning and financing
I wanted to get the basic ~~naval~~ organization so organized that it

would ~~implement a philosophy,~~ become an internal check and balance

mechanism. ^{and provide a better means of control and direction,} I wanted ~~to put it~~ ^{that the} so the ~~commanders~~ ^{a procedure} commander of a

ship ~~of~~ of the Navy Yard at ~~Puget Sound~~ -- would be a customer.

As a customer, he would 'squawk' at the price or the quality of the

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*Manufacturing Services
facilities such as printing
Post Exchange - etc. etc*

*but it
was known that
it was a 5-10
year job to
get the program
under way*

work. While you could have somebody go out and make an examination

have a management
or ~~an~~ engineer produce a study, it would never be as effective as to

have the customer riding herd on the shipyard, ^(Supplier) having the customer
ride herd on the printing plant as to quality and numbers and price.

That type of thinking gave birth to a part of Title IV of the
Amendments to the National Security Act, which were passed in
~~September~~
August 1949. That is really part of the budgeting process, although

sometimes people wouldn't recognize it as such. Title IV provides

To be organized as commercial business ventures
for industrial or commercial-type activities, which means it is

operating under a
working capital. ^{concept} ~~Not administrative type activities where~~ you just

~~have an office running, but where you are manufacturing, doing~~

~~repair work, etc., etc.~~ First, we got authority from Congress to

take money which had lapsed and to bring it back to life to become

the working capital of these corporate enterprises. To establish

the working capital didn't cause any expenditures as far as the

public was concerned, but it gave a memorandum figure against which

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you could write checks until you could collect from the customer.

The first industrial fund activity started was in the Pentagon basement, the printing plant. ^{Subsequently} Everybody who got printing done in the Pentagon was charged for it. The printing plant ~~did~~ ^{could} not determine the numbers of copies they could have ~~or anything~~ ^{else}, but it did charge them ^{with} the cost of the operation. Immediately, everybody who wanted printing done had to take a look and see if his own budget could support it. It ^{provided a constraint} ~~is a part~~ ^{of} the large budget. Up to then you had a budget for printing but everybody reached in on the shelf and took out what they pleased without accountability.

The first large organization established under the industrial fund was the Military Sea Transportation Service, which we started out with, I think, about \$85 million working capital.

CONDIT: Was that MSTS or MATS?

McNEIL: MSTS. Now comes the most important part. The Army, right after the divorce of the Air Force, wanted to do the

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housekeeping for the Air Force, wanted to keep all ^{the functions} they could.

But the Navy didn't want to do any housekeeping for anybody else

because they felt that any dollar that went into housekeeping meant

that they get one less ~~dollar~~ ^{dollar for purely navy purposes} ~~destroyer, one less something~~. Some

mechanism such as corporate organization or a working-capital

operation, where everybody paid for what they used, was the only

way you could get single service performance, get a single service

to do housekeeping for ^{OTHERS} ~~everybody else~~.

The minute the Navy knew they would get reimbursed on a tariff basis for ~~all~~ the work they did for the Army, Navy, Air Force, Marines, State Department, they gladly would run MSTIS.

Meantime, Air Force, Army, and everybody was critical of MSTIS

because it charged too much. That's exactly the kind of atmosphere

we wanted to create -- where every shipper was squawking about the

tariffs. And when Generals "Whosit" of the Army, four stars and

three stars and ^{etc} so forth, started to squawk, they had much more

effect than a gold-embossed report from a management engineer.

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Then instead of budgeting for 200 ships to operate and steam
anywhere anybody wanted, you budgeted for the service you wanted
rendered -- for moving x tons of material from San Francisco ~~to~~
Korea, or for carrying so many people. If you had a few extra
~~people, you could bring them up and ship them out on the Queen Mary.~~
You had ~~complete~~ flexibility to run things ~~cheaply~~. *more efficiently*

Before the MSTIS was started, ammunition ships used to
be idle in San Francisco harbor for an average of 50 days as I
recall it. Once MSTIS got going, ~~we~~ ^{it} so managed ~~it~~ that the average
layover time was less than four days. ~~Just because a colonel had~~
~~to justify saying that he wanted to ship x tons from Port Chicago~~
~~(Contra Costa, California) on a certain day!~~ He had previously
always ~~discounted~~ it and said, "Let's have it in two or three
~~weeks before we want it; let's be sure."~~ But once it had to be
paid for, he didn't care about getting it there two weeks, a month
ahead. All he wanted to do was to have it tied up when he needed
it; so he was much more careful about ~~how~~ ^{the way} ~~he~~ ^{was} scheduled. I could

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~~go on, but you get the photographs~~

CONDIT: How far did you carry this forward during Lovett's time?

McNEIL: MSTs was started before Lovett. But it was a continuous process. I was lucky, because every boss I had supported me, and Lovett supported me beautifully. I brought a copy along of the Committee Report (No. 1064, 81st Cong., 1st Sess.) which -- there aren't many copies around any more -- tells the reasons for some of these things.

Next ~~is~~ ^{is} another type of operation, certainly related to ^{is the authority to pool funds for a common multi agency} performance budgeting, ~~same type of thing~~ ^{such}. When I went out to Bikini for the first A-bomb shot, I couldn't help but see ~~I~~ ^{that series of experiments} had known it before ~~that~~ but ^{proved it} -- that Army, Navy, Air, practically every activity of Government, had some experiment or something going on out in Bikini. Admiral William H. P. Blandy had 189 pots of money that he used to operate Bikini, 189 different allotments. That's a hell of a way to run a railroad! So I wanted

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to get legislation, which I got from Congress, which made it

~~possible to dump 189 different pots of money into~~ *(On the basis of estimated (or actual) costs without*
one management fund. *publicly*
of the
at (something)

Admiral Blandy's successor went out to Bikini, he had one pot of

money to operate the experiment. We got authority from Congress

~~when we got back home to charge each one of the 189 according to~~

Estimated
the approximate cost of each activity.

That's important, because GAO could not look behind

the distribution. If we spent \$10 million, we distributed \$10

million in costs. We couldn't distribute \$11 million. Because

of the competition between entities of the Government, you

from a practical standpoint of reasonably approximation
couldn't charge one any more than the other. You had to prove

what you were charging *for* but you didn't have to get down and worry

about the odd cents. This management fund *idea* really made so much

~~sense~~ sense. Well, take a bus line running around San Francisco *Bay area*

~~Harbor~~ Harbor. If you had only one bus line serving, Navy wasn't going

to do it, Army wasn't going to, Air Force wasn't going to. But

you could have one running under a management fund, picking up all

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the school kids or workers for some activity, and you could distribute the cost on the basis of head count at the end of the month. That might be just an example. Any reasonable solution. But again, it ties into trying to put a price tag on the services rendered or the material purchased. "Performance budgeting" was in a sense what Hoover labeled it ~~as he put the label on it.~~

CONDIT: Can I go back to Secretary Johnson for just a moment and my first question. I have seen what you have told Dr. Goldberg before about Secretary Johnson and I was very glad to see that assessment. I think it is a more rational assessment of the Secretary than is the usual case, because he was certainly subject to the press buildup against him. But how would you assess our military posture at the start of the Korean war on June 25, 1950, and to what forces would you attribute that posture?

McNEIL: Well, I think you have to go back to the directions that Truman gave Johnson. That's been one of the things that the press and the public never ^{understood} realized about Johnson's efforts to cut back.

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He was in sympathy with it, but he did not do it on his own *and that was a*
initiative

On July fifth, shortly after Johnson came aboard -- Frank Pace was

Director of the Budget -- Truman had the Secretaries and the Chiefs

at a meeting in the Cabinet Room at

~~once~~ to the White House. Johnson, Early, and I were there, in

Service Secretaries and

addition to the Chiefs. Truman laid out how he wanted expenditures

controlled, expenditures ~~not~~ of previous *and current* budgets controlled; ~~and~~

~~He~~ put a limit on new obligational authority in the new budget,

as I recall \$13 billion, of which half a billion was for stock-

piling and critical materials. Not a solitary Secretary or Chief

made a complaint. I *objected* ~~complained a bit~~, because ~~I said~~ a couple of

things weren't possible. After quite a little argument, Truman

said, "Well, you work it out with Frank Pace." I did, that

afternoon, at least taking the stockpiling out, ~~which still left~~

leaving the budget about \$13 billion. *However,* ~~to~~ meet that figure required a lot

of cutbacks. This was directed by Truman.

CONDIT: This was on fiscal year 1950 or 1951?

McNEIL: 1951 -- this was July 1950.

*An expectation
increase of 4
half billion dollars*

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CONDIT: July 1950? On both budgets? Both.

McNEIL: No, July 1949. I am sorry, July 1949. ~~That~~ that was a pretty sharp cutback, ~~and~~ also he ^{Sat} gave an expenditure limitation. The Navy jumped in right away and made the ^{program} adjustment awfully fast.

I think ~~when~~ when you cut back, if you cut back quickly, the result is ~~not so bad~~ ^{minimized}. But if you let it drag one-two-three-four-five months and then change ^{made program} ~~it~~ for the last two or three months of a year, it will virtually wreck you. Navy did it very promptly, but Army

didn't remodel their program ^s for five or six months, ~~I guess~~. ~~and as a result~~ ^{and as a result} ~~the program was seriously affected~~ ^{the program was seriously affected}.

CONDIT: You said the Navy promptly cut back on the 1950 budget?

McNEIL: Yes, so they absorbed their -- I hate to say "share" -- their target. They did that in less than 60 days, ~~I guess~~. We had 10 months to absorb the cutback. The Army took months before they got their rework of their plans, and it hurt the Army very badly.

CONDIT: General Lemnitzer is very bitter toward Secretary Johnson about the Army cutback.

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McNEIL: They were, but part of it was their own fault. It is like the New York City situation now. If you have trouble, you had better get in and fix it quickly; then the cutback doesn't have to be as sharp and as difficult to save the same amount of money.

CONDIT: Well now, the budget for FY 1951 was set at \$13.0 billion by Truman, if I remember correctly.

McNEIL: \$13, maybe a little more. Frank Pace was Director of the Budget.

CONDIT: When the war came in June 1950, the country blamed Secretary Johnson for the cutbacks. Now, I understood that perhaps it was his style of cutting back, that he was very flamboyant about it. Is that true?

McNEIL: This is quite true. I said it in a different way; I said the public acceptance.

CONDIT: That's true. Public acceptance was nil, wasn't it?

McNEIL: I am sure he sympathized with Truman, so he didn't

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object too much. But Truman was the one who directed the cutbacks.

CONDIT: Well now, when Johnson testified before Congress, he said something to the effect that the country was in better shape to move ahead, to mobilize. It wasn't in a better readiness posture, but it was in better preparation to mobilize than it had been for years. Would you agree with that?

McNEIL: Well, it certainly was true compared with the times before World War I or II.

CONDIT: What about from 1946 on?

McNEIL: No, I wouldn't think so.

CONDIT: We were less prepared in 1950 than we were in 1948?

McNEIL: Not in degree, but in numbers, yes. There had been a pretty sharp cutback in numbers since 1948.

CONDIT: So you really wouldn't buy Johnson's statement to Congress?

McNEIL: No. But ^{overall} ~~materiel~~, you were in pretty good shape from the standpoint of materiel because of what was left over from World War II. As far as navy ships were concerned, there were ~~practically~~

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~~no new, great, wonderful developments during that four or five-~~
~~year period.~~ ~~Ships were~~ practically all new. Ships were good
for 20 to 25 years ^{and} had only been at sea for five or ten years,
so that you were in better shape than you were before World War II.
You didn't have to get certain kinds of artillery, ^{rifles, etc} but the Army
was pretty well ^{in difficulty} demoralized, as far as numbers ^{personal} were concerned.

CONDIT: To what do you attribute Truman's passion for
economy?

McNEIL: Well, I think there were a lot of people who agreed on
a balanced budget, and he didn't think, as Forrestal did, that we
were still in trouble in the world.

CONDIT: Did you feel that the services were able to use the
money efficiently after the war started?

McNEIL: To a degree; that is all relative. I don't think they
bought many things they didn't need. I think that all of us
probably went along with more money for the Air Force than they
could properly use in 1952 and 1953. That article right there

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gives a little explanation of it. The Air Force was heading for a 143-wing air force at the time, which we thought was a little strong. Anyway, it was a target and we knew that we wouldn't reach it for two or three or four years. But when we got along into 1953 they had only gotten to a point where they had a force of 93 wings, some of those still not in readiness condition. The interim goal was set at 120 wings, which was a cutback. That, plus the fact that they hadn't got as far in 1952 and 1953 as was originally planned, meant that they had excess obligational authority or buying power. That was the reason for the cutback in 1953.

HOFFMAN: I would like to pursue that. That budget was the one you designed originally. Why was the excess authority allowed to remain in there in 1952?

McNEIL: Well, obligational authority ^{held in} ~~is some~~ reserve doesn't cost the taxpayers any money, if you have ~~got~~ it under control. And this was pretty well under control. This was a decision under Truman, once the

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Korean war started, not to take any action to remove the excess. The excess developed gradually, slowly, because the Air Force was certain they were going to have 120 wings right quick. They were certain that Boeing, etc., etc., were going to come through a little faster than they did with the design. This indicated any number of facets of the Air Force operation; they just didn't get organized quickly. The Chiefs, the Secretary of Defense, and men of my own rank were influenced a bit, thought they would get along a little faster. The Air Force was a new outfit, and they didn't have the necessary internal logistics support. ~~It didn't really exist.~~ The old Signal Corps of the Army used to do their buying for them ~~in a lot of ways~~, remember? I think we probably all thought the Air Force was more competent to get things done than they really were.

HOFFMAN: You were the author of the precise figure that was put in between the revision of FY 1954 budget and the initial 1954 budget?

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McNEIL: Oh, I am sure, but it wasn't a ~~target~~ ^{final} target figure. It was ~~more~~ ^a result of a current look, rather than it was trying to make a ~~single~~ ^{single precise} figure. After that, we got to the point where we ~~had~~ ^{again} budgets. They were based on target ~~figures~~ ^{plans and figures}, yes. But not at that time. ~~In other words, we had no instructions from Ike that you had to get a number of dollars.~~

HOFFMAN: Well, each year, in the office papers of the Comptroller's office, I have come across a figure that would come down from the NSC, sometime in November usually. A precise, allowable defense spending figure. Now, I am wondering who was the author of that? Were you the author, the Bureau of the Budget, Secretary Humphrey?

McNEIL: I would say we weren't paying too much attention to them. ~~But~~ ^I that was after the fact, because actually most of the work had been done before those figures were gotten together.

It disturbed me very much that they ~~do~~ ^d planning in this order.

~~You would come along to next spring and the Bureau of the Budget to me the time spread from initial planning and the~~
~~and the translation of such figures into Budget terms~~
~~was entirely too long.~~

that the NSC staff - BOD et were primarily responsible but

would want to fix something, but the year in which you were going to operate was 18 months still in the future. That's the reason I got the Director of the Bureau of the Budget to assign his budget people to the Department of Defense. You knew that happened, didn't you? It was the only Department in the Government to do that. We sold the President on the idea of allocating 30 or 40 people from the Bureau of the Budget to the Department of Defense.

Shorten the time between plans and Budget Submission to Congress
They were afraid they would be seduced ~~over there, of course~~, but

we reassured them that they would have "keys to the safe" and know whether we were trying to ~~lock them out~~ *secretly, indirectly influence them* or not. By doing that,

~~we were able not to submit a budget in September.~~ *According* According to

the law, you know, the budget is supposed to be submitted in

September. *By doing this* ~~we~~ didn't have to submit a budget until December.

That was ~~able~~ done in order to shorten the interval between the time you got your authority and the time you used it. If you could get it out of Congress on time in early spring and ~~you~~ final planning had been done in November/December, that meant a

shorter time.

between planning and program ~~completion~~ implementation
CONDIT: Mr. Lovett has written more than once that the budget

process was one of the major means by which the Secretary of Defense could control the OSD. How does that work?

McNEIL: It ^{is} ~~was~~ very simple. The Secretary of Defense or Secretary of a Service can sign ^{direction} ~~directly~~ till H-- freezes over, and not much will happen. But ~~if he offers~~ to shut off the faucet ~~it~~ is a sure way to stop something; or if he furnishes money, it is a sure way to help it along.

CONDIT: How much authority does the SecDef have to stop the money?

McNEIL: ~~That's~~ Virtually complete. ~~That's~~ ~~more~~ more than they ever exercised.

CONDIT: He can just tell them not to use it?

McNEIL: Sure. Don't allocate it. Now they are getting to a point in Congress, of course, where Congress is ^{questioning and} ~~stopping~~ the apportionment process. The President doesn't have as much authority under the apportionment process as he used to have.

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CONDIT: I can see the President, but I didn't realize that, in addition to the President, the SecDef could apporportion. That's what I didn't know.

McNEIL: ~~Um~~ ~~mm~~. I'll tell you a little story. Shortly after the Unification Act was passed, the Air Force operated as if everything they did was secret, top secret. They had a lot of fun *classifying matters of an administrative nature,* putting stamps on. When they were up before the House Committee on Appropriations in 1950 or thereabouts, Congressman Harry Sheppard was trying to get them to put on the record what they did out at San Bernardino on the Safety Board. They said they couldn't tell him because it was classified. This went on for about an hour. Meantime, one of the clerks of the committee called me and said, "You got troubles up here. The Air Force is in trouble with Taber and Cannon and the committee and they won't talk." I said, "Okay, I'll come up;" ~~so I went up~~. Just as I *arrived* ~~went in~~ John Taber -- did you ever hear of him? --

CONDIT: No.

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McNEIL: He was the senior Republican on the committee. He squirmed out of his chair and he said, "Gentlemen, you may be right. Maybe this committee doesn't have any authority to look ^{into} ~~at postage questions~~, and you probably are right. We are ^{Such operations} interested only in those things that take money, and if this takes no money we have no interest." The next day there was a truck backed up under the steps of the Capitol and about three tons of reports on San Bernardino were delivered to the committee! That is a true story.

CONDIT: Can the SecDef on his own say the Air Force won't get money that the Congress has appropriated? *although Congress is now raising questions about it.*

McNEIL: ~~Sure, we~~ ^{used to do it.} We used to do it ~~constantly.~~ ^{frequently.}

CONDIT: You did it for him?

McNEIL: Sure.

CONDIT: I wish I had an example.

McNEIL: Well, it was ^{not} ~~all~~ done, ~~I don't say we did it~~ without his knowledge. He may have not known the exact figure. Oh no,

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~~that is true. Always was.~~

CONDIT: I see.

McNEIL: Forrestal understood that.

CONDIT: In wartime it is harder to exercise that, isn't it?

McNEIL: In the first place, no Secretary would be irresponsible, he wouldn't cut ~~it~~ ^{fun ds} off, just for the fun of it.

CONDIT: No, he would realize he had a possible fight on his hands.

McNEIL: Sure.

CONDIT: How did wartime affect that, didn't that change the relative power position of the Secretary and the Services?

McNEIL: War changed the amounts more than the procedure.

CONDIT: He would have to cut off more before he would have any power?

McNEIL: Yes. For example, consider an allocation to the Air Force and the Bureau of Aeronautics. You might allocate 80 percent and withhold 20 percent, until they got a flying-hour program

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which you ~~would buy~~. Their original flying program ^{might} ~~would~~ have
~~approval~~
been 50 hours per pilot per month, and maybe ~~you thought~~ ^{it developed that} 35

hours was just about all they were going to have this year from
the standpoint of the availability of aircraft and the necessity
for training. ~~Eventually it would come out and you would reach~~
~~an additional amount~~. This apportionment process is really

quite a powerful process. Forrestal understood the need and use
of it, ^{Lovett and} Wilson did too, and ~~Lovett pretty well~~. I don't think
some of the others quite ^{understood its use as a management tool} ~~realized what it meant~~.

HOFFMAN: You really used that apportionment process quite
vigorously in the overrun problems associated with the FY 1957
and 1958 budgets. In fact, looking through the period from early
1957 onward, you began to have trouble with Brundage. He cut
below the various apportionment figures you wanted, which were
pretty much austere figures to begin with.

McNEIL: We had ^{problems with} ~~trouble with~~ apportionment ^{process} ~~right~~ along.

CONDIT: Where does NSC 68 fit into the Korean war years? How

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far did we try to implement NSC 68 in addition to fighting the Korean war?

McNEIL: Well, I am a little fuzzy on that, on the exact *impact* ~~wording~~ of that now. NSC 68 was kind of a target, not necessarily *at any exact date* something we were going to achieve. It was kind of *a target* ~~something~~ we wanted to get to at the end of the road ~~down there~~ but there *dependent in part on the availability of funds* were a lot of detours getting there.

CONDIT: That represented a new look at the possible threat of Russia to the United States and our comparative position?

McNEIL: The big change in strategic concept, I guess you would call it, was in 1953, when Eisenhower named the "good new Chiefs," as the press called them. One of the first things ~~that was~~ done at that time was to send the Chiefs on the Sequoia down the river

for four or five days, with the idea of their coming back with ~~an~~ *will an agreed upon plan* possible change in concept, hopefully ~~on one thing~~. It didn't *in trying to determine priorities* quite come out that way, but the net result ~~of that~~ was to ask,

“ what was the most serious threat we have? That would be in the

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~~A-homb business~~. So there was an increasing emphasis on the
NUCLEAR threat,

Strategic Air Command and Air Defense. Increased emphasis on
those, and lesser emphasis on ground support operations. This

was primarily for the reason that you probably weren't going to

year in and year out
maintain in Europe and elsewhere ~~around the world~~ a three-

million-man army, but you would put a high ~~percentage~~ ^{priority} on air power

by being able to retaliate/retaliate
~~effort~~ to save yourself from "disaster." *It was felt* Realizing that with

in the case of
total, in ground forces, ~~when you did get into action~~, you probably would

have more time to develop and work ~~it~~ ^{requirements} out as to supply, numbers of men

training, and so forth. That was probably the biggest change

under Ike -- when Ike asked for a new ^{or current} concept.

Chairman of the Chief
Now, Radford knew what that meant ~~pretty well~~. So

did the Air Force. Army never quite understood ^{or probably} what that meant,
or did not choose to.

I remember that General Ridgway came up one time with ^{several of} ~~someone on~~
his staff, quite provoked about our action on the Army ^{program}. I said,

"Listen, you were there when we took the Chief's ^{to the White House} ~~over~~ and explained

the concept to Ike." When ^{the new chief} ~~they~~ got back from the Sequoia, ^{Mr. Wilson} I took them ~~off~~

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there, and Ike spent three hours questioning them and talking to ~~see~~ ^{who}

about it. Ridgway finally said, "I thought that was just an

exercise. ~~I took 5,000 trucks or something out of Army buying,~~ ^{To implement the concept I reduced Army buying by} This

^{was an} ~~as part~~ of this new philosophy that Ike and Defense agreed on."

^{by myself} ~~He'd agreed on it too, he had signed a paper.~~ ^{In our staff work} We were merely

carrying out the agreement which had been developed by the Chiefs

and approved by the President about July 1953. (It might have

been June.) While the paper itself didn't say so many airplanes,

so many troops, and so forth, there was a philosophy that somebody

had to interpret into numbers. We did that, and we caught hell

for a while. ^{but it} ~~That~~ was the philosophy that ^{had been} ~~was~~ agreed upon.

CONDIT: Well, that was the problem of postwar cutting back.

What were your greatest problems during the Korean war?

MCNEIL: Well, I recall one budget, I forget which year it was,

that was submitted for \$104-106 billion. It went to Congress in

^{about 54 billion.}

1950-~~some~~. ^{Some} ~~A lot of~~ people thought that was ^{evidence of} a very silly operation,

^{that is permitting the submission of} ~~plans~~ ^{that could not have} ~~but people were silly.~~ You know, I never worried too much about ^{been} ~~such~~ ^{business}

^{criticism}

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46; I always thought the smart thing for Defense to do (and still think so) was to list everything they might need. Then go down and start culling out *the weak items. It is one way to establish priorities.*

Listen, It is just this simple: When the war was over I had ~~my~~ ^{an} 1941 Oldsmobile. It had a hole in the floor mat where my heel rested from the accelerator, the bumper was bent, and so forth and so on. I went out one Sunday morning and made a list of all the things that darn thing needed, and it would cost about \$500. I wasn't going to spend that much on an old car, so I came out with a \$103 total bill and drove it for two years more. Well, the tooth was off the low gear but I never used the low gear anyway, I always used second, so I didn't have to fix that. I straightened the bumper. I used mastic for my rubber mat. So I came out with a fraction *of the cost* ~~of it~~

CONDIT: You sound like Ron and me.

HOFFMAN: I have a car with a hole in the muffler right now.

McNEIL: No, but I recall a lesson I learned right at the end

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of the war (1945). Admiral George F. Hussey, Jr. was Chief of the Bureau of Ordnance. At that time the proximity fuse was one of the great new ideas, and it really was a very important thing. But there was still development work to do on it, although it had been used in the fleet for a couple of years. At that time, to live up to the President's limited spending and so forth, we had used the allocated target; and the Bureau of Ordnance didn't have a single nickel for the further development of the fuze. Well, we got that fixed. But if he had been "permitted" to list everything he thought he needed, that would have been on the list. As I say, we caught it, and there was money in the budget for it, and development continued. But somewhere up through that pyramid structure, it had dropped out.

CONDIT: Thank you very much, Mr. Secretary. That is the end of my list of questions and I will defer to Ron Hoffman now.

McNEIL: One more thing, about your performance budgeting. The Army in all its history never had its common leased property under

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financial control. Starting back at the time of the Spanish-American War, the Navy had a small fund of about \$200 thousand for "papers and pencils," which they then charged to the user. During World War I that got to be a pretty big Sears-and-Roebuck type of operation, where stuff on the shelf was charged to the fleet or whoever used it.

We got authority in Title IV of the National Security Act to require that all property be kept under money control and that common use property be kept in what is known as stock funds. One reason for the name is that some people in Defense, in Navy in particular, knew what that meant. It meant that all common use supplies, like paint and so forth, would be under control of the "Sears, Roebuck Corporation" in each Service. For anything taken off the shelf, or if Navy got some stuff out of an Army warehouse, the user had to pay. It was charged to that project's operation for that year. See what I mean by the so-called performance budgeting? We were trying to get everything

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charged to the user and for the purpose it was used. We were trying to get such efficiency into the place that a guy at Bolling Field who wanted to build something or repair something could draw 2,000 feet of lumber and be charged for it. Then if he used only 1,000 feet and he took the other 1,000 feet back and put it in the store, he would get credit for that. You no longer would have stuff sitting around unused, because you would get credit for it if you took it back to the store. All this without any supervision and without any argument because it is self-auditing -- the customer squawking about the supplier and the supplier annoying the customer. It is always two-dimensional.

CONDIT: This started in the Navy, then?

McNEILL: It started in the Navy in a small way, then we expanded in the Navy, and then we got it into the Army and pretty well into the Air Force. But not quite. Air Force didn't want somebody to know quite what flying hours were costing, so they

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were the slowest to get on with it.

CONDIT: General Lemnitzer has told me to ask one more question, and that is, what should I have asked that I haven't asked? He told me I had missed out on the right question when I finished his interview; so now I always ask.

McNEIL: I happened to write that report, for Carl Vinson in the House, that tells the story of the financial structure (No. 1064). I consider that very important. Each time I get a new batch of people around here, I go around and peddle it, not because I want to run things but just to show them what authority they do have. But some of them aren't using it.

Now they have got some new wrinkles in Department of Defense budgeting and that is the DSARC outfit (Defense Systems Acquisition Review Council). The DSARC is nothing but an organization to go over weapons systems. Well, we used to do that too, only we didn't do it formally. We used to get the ideas of the Research and Development Board, or go down to the

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old Munitions Board chairman or somebody. In fact, we used to do it in our shop, but we didn't do it all ourselves. For example, we had lunch with John B. Macauley down at the Research and Development Board to get ideas on missiles.

I will tell you a story. We were having trouble with the Army and the Redstone Missile. Nobody objected to their going ahead and trying to develop a missile, but the Army wanted to really equip themselves with a short range missile which they called mobile. It wasn't mobile, it wasn't even moveable, because it took a truck train about 40 miles long to support four missiles. And after you got liquid oxygen, you couldn't charge and arm it for several hours. It only had a range of 150 miles, and it really was a bad thing. Things had gone on pretty fast, because meantime solid fuel had come along and was possible.

I remember, Mr. Wilson and I went down to see Ike in Augusta, which we usually did a couple of times each year. At the end of that, I told Mr. Eisenhower that the Army had made a

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claim on this (Redstone), and I had stricken it out. I said, "When we get back, I am going to leave it out, but I will encourage the Secretary of the Army and Chief of Staff to come over and squawk and make an appeal. I want you to hear this story." He said, "Well, no, if that's the case, take it out." I said, "Okay, but I think they can do this: It really is possible to have a solid fuel missile that weighs 10,000 pounds, that can be broken into three parts, so that it is mobile and can be trucked, because solid fuel is ready to go any time." Ike said, "You can?" I said, "Yes, I am told it is possible." He said, "Well, do you want to put some money on it?" I said, "Yes." "How much?" I said, "Oh, I guess \$10-12 million would get it off to a good start this year." He said, "Okay."

I came back and went down to see Secretary Brucker, Secretary of the Army. I said, "Mr. Brucker, I told you that Redstone wasn't in the cards: I just talked to the President

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about it, and he agrees to taking the money out of Redstone."

He went through the "overhead," but he came down in a little while. And I said, "Listen, you have a great opportunity with this solid fuel missile, because it will have a range of 250 miles, with a growth to probably 400 to 450, and it is truly mobile. Why don't you get out your book of Greek mythology and let's get a name for it? I have to tell George Mahon (House Appropriations Committee) tomorrow morning about what we are going to do, and that the Army is going to do this. I would like to get the Army name in there, standing in line, you know." Remember the missiles we had for anti-aircraft -- the Army Nike, the Hercules? He said, "We are not going to use Greek mythology any more." "Well," I said, "call it the Black Jack if you want to."

That afternoon we had a meeting with all the Secretaries and Chiefs to wrap up the budget, and Brucker must not have thought I was there; I was sitting at the end of the table.

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Brucker had a little paunch, you know -- patted his arms like this -- and he said, "Gentlemen, I have an important announcement to make. We have decided to discontinue the Redstone missile. We now have found we can develop a missile at 10,000 pounds, using solid fuel, with a range of There are people who want us to name it the Black Jack, but we are not going to do that. We have decided to name it the Pershing." And that's the Pershing missile we have got today. That's a true story. That's budgeting!

CONDIT: That's unbelievable.

McNEIL: That's the way you make good decisions. When I made decisions I made them look as if they were made arbitrarily, but they were not really. That was after long discussion.

HOFFMAN: What about the decision in 1957 to cut 100,000 men out of the Army? Fiscal Year 1958 budget. Was that your decision?

McNEIL: No, I don't recall that specifically.

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HOFFMAN: The FY 1958 bill was already in conference, and it was very late. That was the budget that took so long to get through. In fact, that was the year when the legal authority to budget ran out, went past June 30th.

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BEGINNING OF TAPE ONE (MCNEIL)

HOFFMAN: The Democrats frequently accused President Eisenhower of being a budget firster (of giving too much weight to fiscal considerations and too little weight to military preparedness.) The accusation was also made that the New Look was really a post facto rationale to reduce expenditures -- that it was a way of justifying reductions, not a really new concept, but a way of dressing up what in fact was a reduction in defense spending. How do you respond to that?

MCNEIL: Well, I don't think there would be any question that money limitations affected it but I don't think you can tie in the reason for it exactly. Some of these things don't happen in logical process, sometimes they are formed in different forms and by the time they come together you find that the money and the forces are pretty well together. Now in this case you were changing emphasis. Certainly Ike and Humphrey and so forth were committed, to a balanced budget.

Humphrey, I know, wanted to get it several billion dollars below where we did get it. He came over for lunch occasionally and would talk

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about it. We didn't quarrel with him too much about the fact that he wanted it lower because everybody wanted it down. But how much can we bring it down without causing trouble? Well, the only way you could do it was to have a philosophy concentrated on your big weapons -- place more emphasis on the big weapons and less on the ground forces. But I wouldn't say you could follow a trace of a line from the President or Security Council establishing a limit of \$35 billion and saying what forces can you get within it and then call it ironclad. Do you see what I am trying to get at?

HOFFMAN: Yes.

MCNEIL: I don't think you will find the exact trace of a line -- it was osmosis -- movement by osmosis. Is that the right word?

HOFFMAN: That is as good a word as any.

MCNEIL: Yes, I think I am sure that the President didn't think we would be using huge armed ground forces, and I ought to repeat that it was the prevailing consensus of opinion. At the time, the greatest threat was from big weapons and the most powerful thing against it

was our developing a capability primarily with the Air Force, but also with the Navy, on delivering A-bombs. If we were weak in that score there could be disaster, whereas with that we would be sufficiently powerful -- we would have time to move.

HOFFMAN: You can find a good many forerunners of the New Look concepts under Truman with an emphasis on strategic air power, an emphasis on delivery systems and even tactical nuclear weapons but one new dimension in terms of expansion...

MCNEIL: The Pentagon didn't call that the "New Look," the press did.

HOFFMAN: The press called it the "New Look?"

MCNEIL: That's where the name got started, I am sure.

HOFFMAN: But the one new dimension of the Eisenhower military program came from its heavy emphasis on continental defense -- air defense. This was intensively pursued during the Eisenhower Administration although it too had been suggested under Truman. Do you think in retrospect that the emphasis was a mistake?

MCNEIL: Well, in retrospect we spent too much money on it and we do

not have that much to show for it now. But my automobile which I thought to be the prize of the time wore out too.

HOFFMAN: In the 1950s there were people in your office, especially in 1956 and 1957, who already were suggesting that the technological requirements involved in dealing with an incoming missile were too extensive -- that it just simply couldn't be done within the existing technology and that an air defense system could not effectively be created. But yet the spending continued to go on -- why? Was it Eisenhower's particular conception, was it Wilson or Sprague's influence, who was the driving force, and why did they continue to pursue the effort? Really it wasn't cut off completely until McNamara came --

MCNEIL: I don't know what you would say to this precisely -- we weren't perfect, you know. Just like this -- the Title 4 Amendment to the National Security Act. I put that together first -- the working capital thing and I presented it to the Secretary of the Navy the day that the bomb was dropped on Hiroshima and it was not until August of 1949 that I got it passed by Congress. At the time I thought it

would take me 10 years to put it into effect and I didn't even get it then. What I am trying to say is that we often had a lot of ideas in our shop that we couldn't get this huge mass to accept or methods that couldn't be changed, and perhaps it is good we didn't get all of our brilliant ideas put into effect.

HOFFMAN: I want to ask you about Secretary Wilson again. Who made up his inner circle of advisers? Whose judgment did he trust? Who did he look to when he had to make a difficult decision, who would he call in to consult?

MCNEIL: He did quite a lot directly with his Secretaries and Chiefs, more than his predecessors had done. But he did them one at a time instead of having quote "meetings." Lovett depended on the meeting every Tuesday, or Wednesday morning a great deal. Wilson would get Twining alone or he would get the CNO or the Secretary of the Navy alone. He did a lot of that instead of having a meeting at which he would lay down rules and regulations. So he did as they did at General Motors where they apparently performed a lot of work by

committees. A lot of people can't make a committee work. But General Motors did a lot of that in the finance committee, etc. And they always had the internal checks and balances where you would have proposals and of course the finance group at General Motors always tore it down -- the ideas pushed by the promotion and the manufacturing side. Apparently, General Motors would get the guy who invented the Chevrolet in and so forth and work with him for two or three or four hours. Wilson used to do that in Defense. He would talk to the Director of Research, Assistant Secretary for Logistics. Generally he was receptive to comments from a lot of circles.

HOFFMAN: And he worked well with most people -- with all the people he had to work with?

MCNEIL: Quite well. And I think the best evidence of it is the Air Force which was anti-OSD in many things and Twining, when he became Chairman, acted as though Wilson hung up the sun in the morning and took it in at night. He thought he was great. So, yes, he got

along pretty well with them.

HOFFMAN: His relationship with Radford was . . . ?

MCNEIL: Excellent.

HOFFMAN: Maybe I can come at the impact of Wilson and Radford from another angle.

MCNEIL: I used to carry Radford's sister's books home from school.

HOFFMAN: Small world. Did President Eisenhower allow Secretary Wilson and Radford to play a significant role in shaping military policy, National Security Policy? Were they simply the administrators or were they also the shapers and architects? Was Wilson largely a manager executing the President's programs or did he affect the character of the programs?

MCNEIL: I would say 60-40, something like that. Yes, he affected the shape of the program.

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HOFFMAN: Would you say that Radford had more influence over military policy than Wilson?

MCNEIL: Yes, but there was no difference between them. Radford used to go over to see the President alone, he used to go over with Wilson sometimes, and on occasion Wilson would go over alone. But, I would say there was no discernible difference between the two in their philosophy, or ideas. Radford was a stubborn so and so you know. If he had something on his mind he would carry right through. He was, I won't say stubborn, but he was blunt -- no more than that stubborn -- I guess that's the right way to put it. So some people would have trouble getting along with him because he just blurted out exactly what he thought. But that didn't bother Wilson. You could disagree with Wilson as long as you had a reason for it.

HOFFMAN: We talked earlier at lunch about the fact that Wilson was a

man who in contrast to others around him both within and outside of the Defense Department was very self assured. In the face of a lot of the controversies and reports of the 1950s -- the bomber gap, the Killian Report, the Gaither Committee Report, -- which were all very dire, very pessimistic, Wilson, seemed unperturbed. I have also gone through some papers of General Bonesteel, especially some things he wrote on the NSC Planning Board as the Defense Department's representative, and he also appeared very belligerent, very worried, and quite disturbed about the future. But in contrast, when you look at Wilson, he seemed to be less -- how should we say -- less anxious about the capability of the United States in any kind of confrontation with the Soviet Union. What would you attribute this to? Is this an accurate reading of him? Did he know something other people didn't know? Was it more a manner of judgment than information? He just didn't seem to think that the Soviet Union was ten feet tall, as did for example, the Symington Committee.

MCNEIL: Well, I think the answer to that is -- of course, you are

right. He wasn't about to jump out of a window every morning when he read the cables. It was largely his background, where he was balancing the pros and cons. He tried to put things in perspective. Yes, Russia was a problem but they weren't God Almighty. In the words you mentioned, they weren't ten feet tall, and if you reacted each time they moved you would inevitably overdo and shortly you'd find the reactions moving back in the peaks and valleys again. That will happen with all history and it will happen in the future. So, a lot of it is experience. Let me tell you a story about Wilson. Olga and I stayed at the Wilson's one New Year's weekend. That evening we went over to their country club. Wilson and I drove over early and Olga and Mrs. Wilson came later. We were talking about Chrysler which had developed a new model, narrower outside and wider inside -- something like that. Chrysler had recently dropped from 20 some percent of the market to 16 or 17 percent but with this new car and engine I remarked to Wilson that Chrysler would now give General Motors a little trouble. He wasn't worried. " You

see," he said, "95 percent of the cars being sold today are repeats. The guy who owns a Pontiac goes back and gets another one. Only five percent get something else" and he said "once Chrysler had lost them they won't get them back for ten years. If they do everything right they will have a three year peak and drop off and at the end of three years if they do everything right, which they won't, they may get back to their original market." Of course, Chrysler never has. So it is that type of thinking, of knowing what will happen among people and the way they think, and among forces and how long it will take to develop them, and so forth. I think if you think things through you just don't -- you don't go crazy -- neither do you go to sleep on the job. I can understand how he felt because that was the way he thought.

HOFFMAN: So Wilson wasn't as provoked by the Killian report as others were?

MCNEIL: That Killian was pretty solid -- pretty decent -- pretty solid citizen.

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HOFFMAN: But the report was very serious in its implications.

MCNEIL: So often Chairmen of these damn Committees don't even read the report before they sign it. Do you think Fitzhugh read all of the reports of his blue ribbon committee? He didn't read the whole business.

HOFFMAN: No, I am sure he didn't.

MCNEIL: I am not even sure he read my dissent.

HOFFMAN: Would you say of the reports that occurred in the Defense Department during the Wilson period that the Killian Report was the one that had the greatest impact on the budget?

MCNEIL: I don't believe I can answer your question.

HOFFMAN: The reason I say this is because you were always very much opposed to partial financing -- full financing was the hallmark of your position in budgeting -- and of course the missile program did go on partial financing. They virtually pulled out all stops in ICBM and IRBM development after the Killian Report.

MCNEIL: Yes, if you have a policy of full funding, you keep away as

much as you can from partial financing, but all these things are relative. Take shipbuilding. You might go along with a variation of partial financing if you had one item or two items in the program that you had to order a year or two before you laid the keel. You might also have advance funding for atomic reactors. Perhaps it would influence you to know that the reactor could always be used in some other program if you didn't use it in this one. Next if you are building a new base you might want financing for the whole base but you wouldn't be violating your principles if you went along with one runway running north and south and three hangars, instead of two runways and seven hangars, in other words a useable increment. Or, right at the moment the idea that worked for Fairchild, from which the Air Force eventually wants to acquire 732 A-10 airplanes. They'll order them by year. This year's order will be 66, and next year it will be a hundred. So you don't fully fund all 732 at the moment.

HOFFMAN: The defense budget under your direction was composed initially of obligational authority and expenditures and then you developed the

category of direct obligations; It may be an artificial question, but which of these three components do you think was most influenced by military and foreign policy objectives during the Wilson period? Or more precisely did the new look have a counterpart in terms of budgetary policy and the operation of your office? Was the concept of direct obligations not only a means of controlling finances but in addition a way of encompassing and compromising different objectives?

MCNEIL: Well, let me go back just a little bit. When Forrestal first gave me a job in 1944, I was to start an office called the fiscal director because at that time the Bureaus were all separate. They asked me if I would do it. Well, really I wasn't the only person or perhaps the best person to do it. At the time the philosophy was you asked for, oh, 10 or 20 percent more than you ever expected to get. Forrestal said, "What do you think about that philosophy -- should we pad the thing?" He said, "I'm told that in government that's the right way to do it." I said, "I think we ought to go for what we ought to have, and try to prove it." But I said, "We will probably pay a penalty for it, the

first year or two we try it." It so happened that year, I think the Navy budget came out within \$300 of what we asked for, which was around \$5 billion so we didn't suffer the first time around. I thought we started to build some confidence in the Tabors, the Cannons, the Mahons and people of that kind, and we were doing our best to be quite honest about the whole thing, figuring it was good sales talk. For example, for years they used to give me a \$150 million fund which we didn't have to justify. One year we only used \$7 million and I remember Congress said what do you want \$150 million for next year when you only needed \$7 million this year, and I said because the only way we are going to get this money is over our dead bodies if we have a true emergency. We got the \$150 million again. So I think you have to work awfully hard to establish credit, and if they believe that you are doing right, I won't say they won't cut you some time because of philosophy or something else, but chances are you are going to come out looking pretty good.

Actually, I would say that whether you had a Korea, a New Look,

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or whatnot, we would have done the same thing as fast. We were learning, too, you know. If we had been able to go to school and get some of these things we might have done it the first year or two but we were inventing and trying out and in fact, doing some of those things for ourselves before we ever started to show them to the Secretary or the Department of Defense or the Bureau of the Budget. Probably we at times did things we shouldn't have done. That \$5 billion you say we took away in 1954, perhaps that ought to have been down a billion or two if we had been a little sharper. I don't think we lost any money and I don't think the taxpayers did because we didn't use it, but, it would look a little better on the record if we hadn't been quite so abrupt.

HOFFMAN: By 1957 you had fully developed your financial plan which really rationalized beautifully the entire budget process. It laid out for the fiscal year all your sources of funding, obligations, and expenditures. It certainly helped the Congressional Committees to understand the budget process. You educated them. And ironically

that was the one Eisenhower year that Congress attempted to really pare the budget.

MCNEIL: Yes, that is true but, I still think your Department is smart to go up with as solid a package as you can go up with, one that is complete and understandable. I just can't think of any other answer.

HOFFMAN: Which members of the Congressional Committees did you find the most perceptive, the most understanding and informed?

MCNEIL: Well, the House, the House Subcommittee, of course, because they spent ninety days, six or eight hours a day on it and several of them used to make extensive field trips between sessions. Their staff was fair, pretty good. The Senate staff probably had greater influence on the Senators because all of them were on too many Committees. I think the Department of Defense was fortunate for a good many years in having some pretty able, solid citizens on our Committees -- both the Armed Forces and Appropriations.

HOFFMAN: Mahon has always been a good friend of the Pentagon.

MCNEIL: Yes, also Ford who was there for years, Laird, Minshall, a number of pretty solid citizens.

HOFFMAN: Let me ask you a question about one aspect of the Defense program which was always controversial, the Mutual Defense Assistance Programs whose expenditure operations your office controlled after 1955. From that time on the services were no longer able to abuse the program in the way they had previously. Did Wilson think this program was worth the money it was costing? The Services certainly looked longingly at that resource, especially the Army. Although they were later reimbursed, they were the ones who were forced to pay the bills initially.

MCNEIL: Well the Army got and sold an awful lot of second-hand material.

HOFFMAN: Yes, until you took control of the books they sold second-hand material but billed for and subsequently purchased first-hand equipment.

MCNEIL: They didn't charge the discount even if the material had been used.

HOFFMAN: Did Wilson consider this program worthwhile? The reason I say this is because most of the reports from the Services on the status of those nations whose military forces in Europe received substantial amounts of equipment were always negative. It could be that they were saying this in an effort to make a point in terms of scarce resources being wasted. Of course it could also be that they believed this to be the case, but I wonder if Wilson felt as committed to this program as the President did?

MCNEIL: The President was committed to it.

HOFFMAN: Absolutely. Was the Defense Department as committed to it?

MCNEIL: I would guess it was, although you would find more objectors over there. But as far as any official formal action is concerned, I think they all bought the idea. You always run into the fact that Colonel Whosit, or General Whosit, or Admiral Whosit felt that if you do something like that I could use it much better. And I am not sure that the conflicting ideas on the thing didn't keep us a little closer on the beam than it would have otherwise. I never got excited to see

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some of the objections come in, they just might help you do the right thing. Boy, you get one of these big machines swinging in one direction without anything working in opposition and you can do some awfully silly things. There were service people who thought that we could do better with it -- that we could do better with the resources than by allowing it to go abroad to some of our allies. There was plenty of that, but it didn't affect official policy. They weren't fighting the President, at least not that I know of.

HOFFMAN: If I can ask you a very specific question, and I will preface it by talking about 1957 and the issues involved in the formation of the fiscal year 1958 budget. At that time the Army had about one-half billion dollars of, unapportioned, unobligated funds and because of your financial plan I was finally able to determine -- and I don't know if this is the right term to use -- the amount of free money that each of the services had. I assume that this was the amount of money you believed it necessary for them to have -- the required flexibility so they could pursue certain avenues if the need

should arise. The Army had about one-half billion at that time but because of the budget format you designed Congress was able to cut that. Actually, the half billion was in the procurement account.

MCNEIL: Is that the year that Congress transferred money from the Army stock fund?

HOFFMAN: Yes, that's right, yes.

MCNEIL: Which happened almost every year. But, that was one of the first years.

HOFFMAN: The Army had been living off the Korean War money since 1954, especially the funds that were either recouped or deobligated. The only other steady source came from the MAP reimbursements. So they got down to the point where they had one-half billion left and they lost it that year. You wanted them to keep it, you felt they needed it. Blaisdell, your budget director, felt they needed it -- that they needed to have this money in their account. But they lost it. And I am curious if you had in your own mind all the time a precise figure as to how much free money each service should have? A rough figure?

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MCNEIL: No, we didn't have -- I don't think we ever had it targeted.

I always like to have a little money in the corner.

HOFFMAN: Yes.

MCNEIL: You just mentioned one thing that made me think of one major change that we had because of this legislation. Throughout the Army's history it always had annual money for procurement. I tried to get them to use no year money. Again it was part of an idea of how to get more efficient use of your resources. In the case of annual money, any Department of Government that has annual money, once they make a contract, that's it. Even if they don't need the damn stuff afterwards, they still get delivered because what's the use of cancelling it? They can't use the money. We had trouble putting it in the Army and terrific trouble in the Air Force in the beginning, but by getting continuous type money for the Army, Navy, Air Force procurement -- the Navy already had it for shipbuilding -- we really improved the system. After that you could go up to June 30, and not buy the stuff -- you could wait to July 5th if you wanted to. Instead of rushing around

madly in April or May to buy an aircraft that hasn't been tested, you don't lose your shirt -- you don't lose a damn thing by waiting until let's say August 1. Next, if you got an aircraft or tank or something that is not proving out, you can cancel it and buy what you do need. That's exactly what you do in the family; you cancel out something and go buy something you do need. The real problem was how to get the program managers to look at things that way. It took three or four years to where we could even get them into that frame of mind, to look at the billions of dollars of outstanding contracts to see if there was something they didn't need. Now, I am afraid, because of some of the unfortunate things that have been done recently, the program managers are going to lose some of the authority they had for complete flexibility.

When I was head of the money for the Navy we initially were running the war from about 400 different appropriations. I wanted to get it down so we had specific appropriations for allowances, procurement, and maintenance, with one main allotment, and one report back.

That report could then be broken down in any way accounting wise that you chose. But take Blandy, as I say out in the Pacific, with 189 allotments. It wasn't even run right. Anybody that would run one of those things honestly was nuts, since all you had to do was account for the expenditure some way. So to return to my original point, this changing to continuing type money, I think, was one of the important economies that we created which never shows -- it really never shows.

HOFFMAN: Brundage and others at the Bureau of the Budget frustrated your intentions since they wanted the recoupments when they occurred. They wanted that money to go back, whereas you wanted the Services to be allowed to keep it.

MCNEIL: That's the only way you are going to give Colonel Whosit some incentive to look over his lousy program and take out the junk. It is just that simple. No, never take away incentive to correct an error, to do something "right."

HOFFMAN: How would you evaluate the capability of the various men

who were Directors of the Bureau of the Budget? How would you rank them performance-wise?

MCNEIL: Dodge was probably the best, although he was there too short a time. He was pretty good because he understood what "the broad picture" was and he was smart enough to have a feel for what was going on. He might not know whether 99 or 100 was the correct figure but he knew the answer was somewhere in the nature of a hundred. Rob was a good technician but not a program man. Remember Lawton? Did you ever hear of Lawton?

CONDIT: Korean period.

MCNEIL: Frank Pace? He could take a 500 word briefing and discourse on it for 30 minutes in a very authoritative manner. He was good at taking the staff work and using it to bolster his arguments.

HOFFMAN: What about Brundage? I know what you think of Brundage because I saw something you wrote one time which was certainly uncomplimentary.

MCNEIL: I just wonder if it will ever be in a position where he can use it for libel.

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HOFFMAN: You wrote one time . . .

MCNEIL: He wasn't honest.

HOFFMAN: . . . you said, that he couldn't design a budget to finance battle monuments.

MCNEIL: Did I say that?

HOFFMAN: Yes.

MCNEIL: I was complimentary that day. For example, the type of thing he would do -- when we had the first Navy missile -- was it the Viking -- little small missile that could get up 75 miles.

Well, anyway, the scientists got busy and they improved the program.

Over at the Bureau of the Budget, they said it would cost \$15 million.

We took a look at it and being very knowledgeable of course on the

subject -- never having gone to school on the subject -- we guessed

\$100 million. So I had a fight with Brundage and told him it would

cost \$100 million and he wouldn't buy it. Next they sent it up and

the budget was \$6 million. It started with that figure but from

there it went to \$15. We had to use some Pentagon money for the

second or third increment of that and the fourth increment as well.

Each time Brundage would say if you let me have this money in the Pentagon we will go along with a supplemental if you need it. His word wasn't good.

HOFFMAN: Yes, as far as the supplemental, yes.

MCNEIL: We didn't want a supplemental if we didn't need it.

HOFFMAN: He wanted you to finance the Vanguard alone?

MCNEIL: I said it would cost over \$100 million which it did.

HOFFMAN: Yes. That was a supplemental to Fiscal Year 1957.

MCNEIL: Your memory is much better than mine.

HOFFMAN: I'm just working in those records right now.

END OF TAPE 3

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HOFFMAN: If I can get back to another question about the budget.

The fiscal year 1958 was a tight one when it came out of your office and Congress cut it further. Then the 1957-1958 recession occurred in which it would seem the reduction in Defense expenditures

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played a contributing role. Of course you got an upswing in expenditures in 1958 from the Defense Department in part because of Sputnik but also, I imagine, in an effort to try and curb the recession that had developed. Do you think I am correct in suggesting that the cut in the Defense budget contributed to the recession of 1958?

MCNEIL: I would doubt it because the lag in spending which would result from the new obligational authority would come much later. However, I think you would find a very shallow dip, although I don't recall the exact figures. Still I would question whether it had any important significance for the recession.

I do remember when Studebaker ran into trouble, Ike gave Wilson the job of seeing if we could keep Studebaker alive. It was about the only time we ever did use any money because of political pressure, or rather because of economic and political pressures. Ike gave the job to Wilson, and Wilson told me to figure out some way to keep the company from going under. Had it happened that would have been the

biggest commercial bankruptcy in history. And, to that extent, we did do what you are talking about. In that case, I think Wilson, no we both went up to Detroit to see the President of General Motors so he wouldn't bid on the next little bunch of trucks. Or if not that if he would buy Studebaker, one of the two. Well he didn't do either. Then, we arranged to buy three years worth of trucks but at the rate of \$2500 or some such number per year in order to give the banks and so forth some idea that maybe Studebaker would be in business tomorrow. We got Curtis Wright to buy one plant up near Detroit. I see him occasionally and he still kids me about buying the plant. I remember we did that to keep Studebaker alive because we thought that would trigger a lot of unfortunate consequences. That's the only positive thing I can think where we used Defense money for economic or political purposes. I just thought, or rather Ike thought, it would be a bad deal. Anyway, the way it worked out was fine, because we went to International Harvester and they also agreed not to underbid. That's the only time I know of when things

were rigged.

HOFFMAN: Actually --

MCNEIL: Incidentally, we didn't pay Studebaker any more money than they had bid the last year; they had won last year's procurement and they got the same price for the new one. We were trying our level best to keep them in business, it was not a give away in any shape or form. We just didn't feel that such a large number of employees going out of business would help the economy and that's true.

HOFFMAN: In 1954 the administration also thought of using the Defense budget as a partial measure to stimulate the economy. There were some messages and letters between your office and the Bureau of the Budget about this. They were specifically interested in pumping a little more money through the military public works program. Of course you had been working very hard to restrain spending and you couldn't reverse course that quickly.

MCNEIL: The only time I remember we did anything though, was the Studebaker bankruptcy.

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HOFFMAN: Actually, in 1954 your personal opposition prevailed and nothing was done about it. How would you assess the influence of private contractors on the Defense Department's budget operations. It must have been especially difficult in the 1950s as the specifications for new systems became increasingly complex to make decisions on the programs these people advocated. The Defense Department must always be under heavy pressure from these interests.

MCNEIL: Yes, they are, but it is manageable, I think.

HOFFMAN: With the right people?

MCNEIL: I said a minute ago that today they have an outfit down there called DSARC. You are familiar with that? DSARC?

HOFFMAN: Yes.

MCNEIL: Which is nothing but the research work for the procurement people and they now have the people who do the inspection work, etc. We used to check all those people before -- we just didn't do it formally. Our records are probably pretty lousy, because a lot of this wasn't written down. A lot of things we did were never put into

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formal memoranda or notes. We did check them out pretty thoroughly and this is probably going to sound funny but they check themselves. We used to have a lot of contractors stop in and say hello -- Walter Grumman, Jake Swervel, Bill Allen, of Boeing. God!, they were all cats and dogs. They would come in and sit down and talk for ten minutes. That sounds like pressure, but listen, Boeing can tell you more about what is wrong with Douglas than your own analyst will. Irving Roth used to be the world's best at digging out the dirt. So he would bring Grumman and Swervel in and we would talk a little while and we would get a pretty good feel of what the other guys were doing in the factories.

HOFFMAN: So, it works both ways.

MCNEILL: It works both ways if you do it right --

Yep, that's budgeting. No, listen. You talk to Macy and they can tell you what is wrong with Gimbels. Irving Roth was the -- if I may digress just a moment -- was a very unusual person. I don't know if he had finished the eighth grade, but he had a knack of getting

people to talk to him. I remember his experience with Fred Thompson, President of Thompson Products, TWR. I used to keep Roth on the road half the time. This time he went out to Cleveland. He had never been to Thompson Products and I told him to stop in and see Fred Thompson. So he went in and a blonde secretary was sitting at the desk. Roth just breezed in and said "hello Sweetheart" is Fred in? He had never met President Thompson. "He's busy" -- "it's all right I just wanted to say hello to him," so he opened the door and that was about 3 o'clock. 5 o'clock Fred Thompson said, "Irv, come on, let's go out to the house and let's have a drink." At 7 o'clock he said "Irv, would you mind staying for dinner, and after dinner we will go down to the plant. I've got some things I want to show you." So they went down to the plant at 9 o'clock and Thompson opened the safe and brought Roth some papers. That's typical of Roth. I would get thrown out on my ear. I would have been out at five minutes after three, but Roth was there all evening till damn near midnight.

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Tell you another story. I used to let him go with Lt. Gen. Tom Edwards in Air Force Procurement. Anyway, he was going on a trip out West and I used to arrange for Roth to go with him. They went out to Boeing, and the next morning I had a call from Roth. He said, "Boss, do me a favor will you? I'm going to be down in Douglas' office tomorrow morning. Will you give me a ring and tell me to come back quick, that you have a Friday afternoon flap?" Okay, so I waited until the next morning and called him. He was down in Douglas' office in Los Angeles. I said, "Irv, we have a flap going on, can you get back here right quick?" "Okay, boss." So he came back.

On Monday when Roth came in I said, "What's cooking?" He says, "Well, General Irvine - " did you ever hear of the name Major General Irvine -" he told his aide to call Howard Hughes and said, 'Listen I want some starlets out at Palm Springs; I want them for a party.' Next Roth said, "I knew that you didn't follow too much what we did individually, but you didn't want me hooked in an official way or anything like that. So I thought, well, Irvine probably won't make the arrangements, but if he does, I will stay for the party, and if he doesn't, I've got

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an excuse to leave."

Well about four months later the Navy couldn't get any Pratt and Whitney engines to test the F-4 -- a Navy plane but the Air Force developed the engine. The Navy couldn't get the engines. So I told Irv to go up to General Irvine and tell him that I had just received some information from California that there were some questionable practices going on out there and I was going to have an investigation unless a couple of engines were in that F-4 right quick. The Navy got clearance for the engines at four that afternoon and there was no investigation of Howard Hughes. And they were delivered.

CONDIT: Business is done in interesting ways.

HOFFMAN: If I may I'd like to ask you about another issue? I sense from some of the materials I have covered that in 1954 several steps were taken, some of which have not been recorded, toward the United States entering Indochina. I was surprised to find out, for example, that there was a good deal of budget material prepared on that contingency and that your shop worked actively on the project.

MCNEIL: Indochina?

HOFFMAN: Indochina -- into Vietnam. What generally do you think were the operating factors? What were the reasons that Eisenhower ultimately decided not to become involved? We know part of the story -- the fact that Ridgway wanted between six and eight divisions? But it would seem that more than numbers were involved. If Eisenhower had been willing to enter Indochina in 1954 he would have had to reverse everything he had worked for since taking office. Not only would it have required more manpower but it would have constituted a direct criticism of the ideas of the New Look.

MCNEIL: You mean he was against a ground war in Asia?

HOFFMAN: Ground war in Asia -- right, so I am wondering if you have any sense of how seriously the matter was considered?

MCNEIL: I don't remember that there was any really serious thought of it. I do remember that I was over there twice, in 1956 and 1957 and that I saw Lt. General Sam Williams. I saw that staff building and again maybe by osmosis but without intention it is quite possible we were moving

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in that direction just because we thought some of the policy makers in the Government were with us. I don't think it was very serious as far as we were concerned. It could have been but I don't remember.

HOFFMAN: There wasn't any serious talk?

MCNEIL: I was in Saigon the day that the French gave up and left.

Quarles and I were there. We took the review of French troops at the last formation. I remember that the military assistance group over there -- the MAAG group -- had been increased substantially, purportedly for training only.

HOFFMAN: In 1954?

MCNEIL: It wasn't too big in 1954 -- 1957 was much bigger. 1954 was 250 as I remember.

HOFFMAN: Yes, but it got to about . . .

MCNEIL: 1500 when I was there in 1956.

HOFFMAN: 1500?

MCNEIL: As I remember it.

HOFFMAN: That's civilian and military, or is that strictly military?

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MCNEIL: I was thinking military.

HOFFMAN: I've seen some deployment figures on that -- I will have to check on those figures.

MCNEIL: I could be wrong.

HOFFMAN: It stayed the same once it reached a certain plateau.

MCNEIL: Stayed the same and went to a lower level for a while, too.

HOFFMAN: Six hundred and seventy-five to seven hundred are the figures I've generally seen. There was a slight increase above, but not very much. If you compare that group with other groups across the world it wouldn't loom that large.

MCNEIL: No, I don't recall that there was any real thought of going into Southeast Asia on the ground.

HOFFMAN: Well, the suggestion has always been that Eisenhower consulted Congress and if he could have secured Congressional backing and also acquired the collective participation of our Allies that he would have considered going ahead with the intervention program. But it seems to me that such a step would have in so many ways defeated the objectives that

he had been working towards.

MCNEIL: I don't recall it.

HOFFMAN: It has never struck me as being a very serious sort of exercise.

He did inform members of Congress and there were discussions, but there wasn't any action of any serious nature in your office and it would have to be in your office; they would have to start getting the O&M money increased.

MCNEIL: A little bit, yes.

HOFFMAN: That would be reflected there.

Let me introduce something else. In all of the changes in the Budgets of 1954, 1955, 1956 that involved bomber production -- and especially B-52 production -- your office took a number of steps both to save money and increase production. To accomplish this you reduced lead time and at the same time upped production. The latter step satisfied the Congressional critics, but by reducing leadtime, especially in 1956, you were able to also reduce the budget request. When I look at fiscal policy as reflected in your office, I always try to make a connection between fiscal

policy, foreign policy and military policy based on intelligence evaluations but there is always some kind of discontinuity. For example, what it suggests is that in the case of the B-52 you increased production from 15 to 20 a month to appease Congress. But at the same time to meet your other goal -- to save money -- lead order time was reduced.

MCNEIL: If you can't lick them, join them?

HOFFMAN: Yes that is the sort of thing. Is that the way to read it or not? It was the one thing that finally quieted Congress down.

MCNEIL: Oh, I wouldn't put that much emphasis on it. I'd put more emphasis on the fact that you started with leadtime and up to a certain extent it would be a more efficient way to run the program. But all you have to do is have two and one-half years lead time on a B-52 and you are going to encounter tremendous waste, particularly on an aircraft which is developing through all the different A, B, C, D, E and F models, etc. All you have to do is have two and a half years leadtime on a B-52 and you will find that tail services, wing services, flaps, etc., all could under-

go change and you would have to scrap them. The shorter the leadtime you can get between the time of the decision and the time you get the article, the better -- up to a certain point. The shorter the lead time between your decision and the article, the more efficiency there is likely to be, as long as you can make it reasonably orderly. General Motors, of course, was the master in short lead times. General Motors Truck Division, for example, for years ran on an eleven day supply. That was a weakness too. In case they had a strike they had nothing. If a strike hit a supplier it affected them, but they kept their ear to the ground pretty much. And if they were likely to have a strike, they over ordered on the parts so they were seldom caught off base. General Motors always had a short lead time. That is one of the reasons they made 20-percent on sales against 10 percent for somebody else. So Wilson was in favor of short leadtime. It's true too that you didn't have to have so much new obligational authority for each year's aircraft procurement. Also we tried to make an effort to have reasonably stable schedules, and that was very important for Congress. Check back far enough -- you'll find

30 or 40 tails out of Wichita for B-52s before we got a hold of it -- before we found that the Air Force was rushing two months production of tails before they got the fuselages and the wings straightened out.

HOFFMAN: Maybe I tend to look at the budget too much as a political document. I remember a joke that Henry Glass told me. It's one that he says you told him when you were talking about the budget. You said that the budget is always a judgmental issue at best and you told the story about the guest in the New York Hotel. He was a frequent guest and he always had the same bellboy and on this trip he gave the bellboy a bottle of whiskey. The next time back -- you remember this story -- he asked the bellboy how he'd liked the bottle of whiskey? "Just about right." "What do you mean, just about right?" "Well, if it was too bad I couldn't drink it and if it was too good you wouldn't have given it to me."

MCNEILL: That's budgeting.

HOFFMAN: I guess I always look for that dimension in it, that there are always contrary influences working that influence where you want to move and how fast.

MCNEIL: Consciously, or subconsciously, I am sure that has happened.

Subconsciously it is bound to happen, bound to exert influences on the problem no matter who is doing it. But, if you strive to do it you can do it reasonably fair -- get the evidence on both sides. I would not say we were never influenced by political situations, I am sure we were.

If we had something we knew we couldn't sell, or couldn't buy, we probably modified it somewhat to the point where we could. I am sure we did that sometimes.

HOFFMAN: Well, as an example, I would again like to go back to that personnel cut in 1957 -- when you had to make a cut somewhere.

MCNEIL: I think we were up to the point then when we were getting ceiling budgets.

HOFFMAN: Yes, that was after you had the overrun in fiscal year 1957, you had almost a \$3 billion overrun. You began to get warning of it in January of 1957 and it was quite clear by June. At the same time these overruns were occurring you were working with Congress on the fiscal year 1958 budget. The Army reduction was a critical decision because the

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Army had been holding at a million men for several years and was suddenly cut to 900 thousand. By cutting personnel you could cut fast spending money in both the personnel accounts and in operation and maintenance accounts. That was a decision that certainly had political dimensions. You had to keep those programs with special priorities, and the reduction in personnel would be one that Congress could understand and that would create the least amount of controversy.

MCNEIL: I am sure that you could probably trace it back to a ceiling budget approach.

HOFFMAN: It was a ceiling budget. It was an expenditure ceiling where the President, Brundage and Wilson had agreed not to expend above \$35 in fiscal year 1958. Then came Sputnik. What difference did Sputnik make in budgeting? Did the lid go off after that?

MCNEIL: No.

HOFFMAN: It didn't make much of a difference?

MCNEIL: No, because there wasn't much you could do that quick. Any increased effort on the U.S. missile programs really had to be carried

out by the people already assigned or slowly recruited afterwards. It wasn't something you could just go out and double overnight. At least, as I recall, we didn't think so. You had to start the day after with the same number of people you had on Monday. It would take some time before you could get real acceleration. Anyway to my knowledge there wasn't too much restraint in that field on money, or programs, if you could find the right people to do the work.

HOFFMAN: The reason I ask this is because of the small bit of irony involved. When I follow your office through the 1950s, from late 1940s through 1950s you are increasingly building greater controls to discipline the spending process, the appropriation process, the obligation process, the expenditure process, the control over MAP money, the control over all obligational authority, the apportionment process, the allocation process, these are all being refined and you had meshed them together in the financial plan used for the operation of the fiscal year 1958 budget. So, everything is consolidated, controlled, and disciplined; it was really an impressive accomplishment. In many ways this symbolized the essential

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direction in which the Administration had wanted to go -- and when this is finally all rationalized, and made coherent, then comes Sputnik, and I just wondered if the same emphasis and tone could continue on budgetary discipline after Sputnik. If I'm not mistaken the deficit for 1959 was \$12 billion.

MCNEIL: I take it back. I can't relate certain events to specific times. It has been 20 years, almost. But, yes, I don't remember if it happened within one month or six months but there was the decision to go ahead with two thousand mile missiles -- one for the Army and one for the Air Force, not knowing which one would prove out. And of course, there was a lot of talk about an ICBM at the time but nobody knew quite how to build it, so we put the emphasis in THOR and JUPITER. Those were two duplicating programs that went on concurrently. The Army had probably done the most advanced work -- by having Wernher Von Braun. They had done more thinking about rockets, and, they had worked with Redstone, so the Army really had a leg up. The Air Force wanted to get into the business very badly, and that was through THOR. You financed both THOR and JUPITER

with the idea that you would eventually select one of them, particularly after the ICBM program didn't seem to be developing.

END OF TAPE FOUR

BEGINNING OF TAPE FIVE

MCNEIL: The Navy joined the Army in order not to be left out. They knew as well as you and I sitting right here that they were not going to go ahead with liquid oxygen in the confined space of a submarine. They knew damn well they weren't. They kept their hands in the program until they could find some way to develop solid fuel missiles, and, of course, that was the basis for Polaris. So, yes, there was increased emphasis but as far as the total budget was concerned it wasn't a huge percentage. I am not sure if you look back if we didn't take some airplane money for that.

It was all in one procurement account.

HOFFMAN: Would you say that the top officials in the Defense Department and the Administration were as unnerved by Sputnik as the rest of the country? I understand Wilson wasn't. He allegedly made one of his typical remarks when he said it was a good trick -- we could do it anytime.

Yet it had an enormous psychological impact on the country. I wonder if this was felt as much within Administration?

MCNEIL: Not as much, no.

HOFFMAN: They took more heat from Congress afterwards, of course. Congress reversed completely once again, and went from calling for restraint to emphasizing the need for a much greater spending program. Were you surprised that the Soviets could do that?

MCNEIL: I think it was a surprise to some people, and some people thought they were probably developing something but they had no proof of it. I would say there was no panic. I don't recall any panic.

HOFFMAN: The concurrent missile development, of course, had been going on prior to Sputnik.

MCNEIL: Yes, but the Air Force was struggling desperately to get into the missile business. They were doing some work on it, no question. As a matter of fact, they were almost neck and neck at the end of six months, as I remember it. We actually didn't carry the program too far although we did send a few to Turkey. And after several years ATLAS came along.

HOFFMAN: What about NAVAHO? That had been cut out just a bit earlier.

MCNEIL: NAVAHO, yeah. That was the winged missile, wasn't it? That was a tough one to cancel, too.

HOFFMAN: I was surprised that NAVAHO was cut. I was surprised when I came across it because in many of the reports that came from your office the argument was to cut SNARK and continue NAVAHO. I have looked and I haven't quite figured out yet why this recommendation was reversed. They continued SNARK until 1962.

MCNEIL: It wasn't done right. We wasted money on the missile business, but -- I suppose we would do it again if we had to -- do it all over.

HOFFMAN: It was always the insurance argument that prevailed. I know it must have driven people crazy to get duplications of systems. You get 15 different military systems to do one job. You would like to say, well let's just have one system, that's enough.

MCNEIL: All we could do was centralize the arguments. One manufacturer would come in and say that the other guy's product isn't any good. Or we would go down to research and development, they had different ideas.

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We would talk to Army research people, and so forth, and they would get confidential and tell you what was wrong with the competition. I think you have to keep those channels open -- sift out the chaff -- and give the rest of it to the boss to make the final decision. In research you frequently can't get a decision, because people just don't know enough about it, even the experts. In fact, it was an outsider that convinced me that the Pershing missile was feasible, John B. McCauley. He used to be President of Esso Research. I used to have lunch with him about once or twice a week. I was right across the hall from him, and we went down and spent some time with two or three of his staff, and that was really why I told Ike that there was a possible substitution for Redstone. Redstone just wasn't feasible, but it kept the Army in business and it kept Von Braun occupied. Incidentally, Von Braun is with us in Fairchild at the moment. I see him every week or so. He is a pretty good guy. They asked me at Fairchild what I thought about hiring Von Braun? I told them I thought it was a good idea, but I didn't think they could afford him. After dealing with X-teen billions, etc., etc., in Huntsville, how do

you get him into a little company where a million dollars is a lot of money? But do you know, he is stingier than the rest of us? He really is.

HOFFMAN: Of course, the Army did have experience in transporting heavy missiles. At least they were supposed to have been lugging around the CORPORAL in Europe and I know it was a pretty big piece of equipment. It was supposed to have been deployed.

MCNEIL: They always talked about solid fuel, but they couldn't make it work, because they didn't have enough push per pound which is the way I would describe it. Finally, they did get it so there was enough push for pound. It made Polaris feasible.

HOFFMAN: One more question in this regard -- in 1959. . .

MCNEIL: I left in November of 1959 when Ike had a year to go. I guess I was getting to be old and I was damn near broke, too.

HOFFMAN: The suggestion has been made that if the Army had not sought to remake itself into an atomic force but had instead stuck to its more traditional role it might have actually been better off.

MCNEIL: Well, the big change in the Army -- I can't identify it -- I

can't recall the exact date but the Army, for a long time, was committed to a moderate size regular Army with the expansion under war time conditions to 100-105 Divisions, that sound right?

HOFFMAN: Wartime -- 85, I think.

MCNEILL: 85, well as I remember it, it was 100 divisions or thereabouts, with the result that they had their damn force scattered so thin around the country on a base structured for expansion, that they had nothing to shoot with. The big problem was trying to get the Army, it was not the Army's idea incidentally, to take about four divisions of their so-called eight or ten division force, and make it a ready force -- as ready as the Marine Corps brags about. That was the most important change in the Army, because it took a long time to get the Army down to a reasonable figure for mobilization potential. A tremendous effort went into getting the Army to recast its mobilization structure.

HOFFMAN: There was always a conflict between the Army, Navy and the Air Force over the mobilization base. I do not think it was ever quite resolved as to whether it was going to be a six month mobilization base,

a three month mobilization base or a three week mobilization base.

MCNEIL: That's true. The Army was really going way overboard. But they developed their airborne divisions, I remember, down at Fort Bragg and they finally got to about four divisions that were, what we call ready, in Marine Corps terminology. In fact the Army's four ready divisions were the biggest threat to Marine Corps. Yea, the Army wanted to take over the Marines for years. They didn't have a prayer as long as they were following that mobilization philosophy because they had nothing to shoot with. But once they started those four or five ready divisions the Marine Corps was forced to look to its tail.

HOFFMAN: You wouldn't have liked that. I gather that you always trusted the Marine Corps. You believed that they knew how to watch their dollars and unlike the other Services, where you placed a tighter rein, you were really more flexible with the Marine Corps budget.

MCNEIL: That's right -- by nature they were a thrifty outfit.

HOFFMAN: I noticed that.

MCNEIL: Whether it's rugs on the floor or what not. For example, they

bought about one hundred thousand ties from the Air Force for 17¢ -- cost about 50¢ new and the Air Force didn't like them -- they weren't quite the right shade. The Marine Corps bought them for 17¢. Sure, if you had children wouldn't you judge them the same way? If they were thrifty, you wouldn't check them quite so carefully. They had fewer rugs on the floors and watched their telephone bills to a greater extent. Joe McNarney, did you ever hear of Joe McNarney? He used to be the number 2 man in the War Department during the war?

HOFFMAN: Yes.

MCNEIL: And later he was president of Convair. He was in the Pentagon. He had four stars at the time and he and I were given the job by Louis Johnson to go through and see what activities we could change to develop a system of more detailed planning. So we held what might be called hearings for a month or so. We sat down every day, and the services' salesmen would try and sell us on their ideas. The Marine Corps had a quartermaster for years -- quite a guy. He had been quartermaster for

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years, and was not subject to the usual rotation every three years, so he had been around about 30 years. And, Pete, name Pete something -- I knew Pete pretty well. Joe McNarney didn't know him. So we got down to a point, and finally we walked across the hall and Joe McNarney said, "listen, we have squeezed these people hard enough, we have gone far enough." "No," I said, "we haven't gone far enough yet. You know," I said, "just look at Pete -- if he starts to perspire, we have done all we dare do. But we haven't reached that point yet because that guy has got stuff squirreled away all over the world." When he started perspiring that night, we quit.

CONDIT: Did you take the McNarney committee, the Management Committee, very seriously?

MCNEILL: Yes, but it was just a one-time-over affair.

CONDIT: I see. Did you feel that it really achieved very many efficiencies?

MCNEILL: No. It achieved more cutbacks than it did efficiencies. Efficiency, some stations were closed as a result that should have been closed, yes.

CONDIT: Were some closed that should not have been closed?

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MCNEIL: Perhaps. I doubt it though. Right at that time, the big job was getting things back under control again. Because when you have a wartime affair, with forts and warehouses all over, in every county seat and town all over the nation, you have to do something. You are going to make some mistakes, but you have to squeeze it down somewhere.

CONDIT: Didn't that McNarney Committee become the Management Committee for a look at the internal OSD organization?

MCNEIL: I don't think they did very much in that for OSD. For the Department as a whole, yes. They really had two things. McNarney had the management committee, then we did things separately at the same time. For example, the new wind tunnel down in Tullahoma, Tennessee. Joe and I spent three or four days on that one. I don't know if we did it in his capacity as management committee or we did it separately. No, I would say the management committee did the two.

HOFFMAN: Talking about reorganization, -- how would you assess the importance of the 1953 reorganization?

MCNEIL: Rockefeller, let me see. That didn't change things too much, it

changed the titles more than anything else. Where you called someone the Chairman of the Munitions Board he was now called the Assistant Secretary for Supplies. I didn't think it made too much difference. The same held true for the Research and Development Board. We had him there before -- had the medical too -- so that didn't change too much. Nor did it change the philosophy of operation. But on the other hand the McNamara approach and what the Navy has done recently is really terrible I think. There was a time when the Navy had the lousiest looking organization chart but the best organization I know of because you had the supplier and the user in competition, which I think is very healthy. In other words you had the user, which was the fleet, and the shore staff which was the support. The user would always complain about the inadequacies of the supporting establishment. And the supporting establishment would always complain about the unreasonable requirements and demands of the operating force. But that's precisely the sort of tension you always want to keep. The Navy has lost it, the Army never had it, and the Air Force really hasn't got it either. With McNamara's changes we now have three pyramid structures,

so it is hard for an opposing view to get circulation within any of the services. To the extent that the Air Force can have a detective force ferreting out alternative ideas -- you might compensate for part of the weakness -- but it doesn't replace a system of internal checks and balances.

Let me give you another example. In 1946 the Government was getting to a point where they wanted to change the frequencies with which you could use communications. Certain ultra-high frequencies were being used by Navy which had to be turned over to the public. The CNO wrote a memorandum to the Bureau of the Ships directing them to procure crystals and so forth, for the whole fleet. The Bureau of Ships didn't have enough money, so I met the Chief of the Bureau of Ships in the hallway one day and he said, "do you know what that damn McNarney is doing?" I told him I would meet McNarney. We did and within an hour we agreed on a five year program to replace the equipment which was feasible. Under a pyramid structure, things like that would be buried. So, I think the Forrestal philosophy of organization is by far the best, but I don't think we will ever get back to it -- barring another war.

HOFFMAN: Maybe I am not as clear on Forrestal as I should be but how would you define the Forrestal philosophy of organization?

MCNEIL: Well, the development of having the support or the supply and logistics function in competition with the user.

HOFFMAN: That's your idea, that's not Forrestal's.

MCNEIL: Well. . .

HOFFMAN: You are giving credit where credit isn't due, I think.

MCNEIL: Easy to sell.

HOFFMAN: No, that is definitely your philosophy.

MCNEIL: Forrestal just didn't put the words on it but that was his philosophy. That's where I learned it.

CONDIT: He bought it from you.

MCNEIL: No, he described it in better terms than I could though I don't think he ever wrote it out on paper.

CONDIT: Why did he search you out in the very beginning? Why did he bring you along to the OSD?

MCNEIL: Accidents happen! The first time I met Forrestal was in 1943.

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I had a difference of opinion with the Naval Air people who had an amphibious glider program. I had taken a look at it, and didn't like the looks of it. My job then was disbursing officer for the Navy, which I wasn't qualified for either. So we had this argument and he told me to come up with a revised program in a few days. We met again, and Forrestal approved it, and that was the end of that.

Now, I will tell you another story. A little while later, Forrestal invited me to lunch one day, I think 1942 or 1943. I had come down on a bus that morning and had read the New York Herald Tribune. Forrestal had been out the night before and had made a speech on the civil service, comparing it to the British system. I read the darn thing going down; I know no more about the civil service than the man in the moon. Or the British system. I did have the advantage of reading that column that morning. So when he asked me a couple of questions, I answered. Well, it was strictly accident. I had developed a couple of ideas though that Forrestal finally approved; so he created the post called the Fiscal Director of the Navy in 1944. He asked me if I would take off the uniform to do it,

and I told him no, that I didn't want to take off the uniform. He wrote me a note to wear civilian clothes when I chose. That was the solution at the moment.

HOFFMAN: Maybe he just didn't want you to go back to The Washington Post.

Did Forrestal give you the name "Gray Eminence?"

MCNEIL: Which?

HOFFMAN: In the Pentagon you were referred to at times as the "Gray Eminence." Maybe that was something nobody told you about, but I came across that term as a code name for you.

MCNEIL: Gray?

HOFFMAN: The "Gray Eminence."

MCNEIL: Nobody ever accused me of being an eminence.

HOFFMAN: Oh well, it was a term that I found when people were referring to you. It suggested, in clearly respectful tones, your authority.

MCNEIL: I think I heard it one time, but I don't know. Actually, I don't think we did anything that wasn't a reasonably decent translation of what the boss would do. I don't think we dreamed up any ideas of our own, at

Least not too much. We saw something, we would develop it, but we didn't write reports for any of my bosses, as such. I went to see him about something and maybe he would write a memorandum on it. I have one right here that I just brought along as an idea. Here is one I wrote, no it was for Admiral Sherman. The only reason I wrote that was because Sherman's secretary was gone. I wrote it and sent a copy to the Secretary so he could call me down if he didn't like it. This was the one on the force structure of the Navy that I told you about earlier.

CONDIT: What about Mr. Garlock, was he a helpful person?

MCNEIL: Yes, he was not a great thinker but he was awfully good on execution. Terrific capacity for work, pretty savvy, and he was good.

He was good.

CONDIT: Who else was helpful?

MCNEIL: Oh, golly, I had 30 or 40 of them that were good. That was what I was saying before you came in this noon; I was lucky that I had some awfully good people. My job was being a catalyst among some very bright people.

CONDIT: Well, who selected those people?

MCNEIL: We all did.

CONDIT: You hired them?

MCNEIL: We all did. Somebody is bright, brings in somebody else who is bright.

HOFFMAN: Maybe I am wrong about this, but I get the impression that during the budget process every year, and especially at the big tent shows, something was always rigged. Each year the services would come in and present their cases. You were always cast in the role of the Devil's Advocate, of cutting below where you knew in fact the final figure would end up. And Secretary Wilson could then play the role of good fellow because he would always give them a little more, but I'm certain that you both worked out that figure before and knew precisely where you were going.

MCNEIL: I imagine he put the figure in before we started.

HOFFMAN: But he had to get the figure from you!

MCNEIL: Well, maybe. I didn't tell you about his trouble with the chaplain, did I?

CONDIT: The Chaplain?

MCNEIL: The Chaplain. We were having one of these tent shows and the Army had about 40 Generals and 50 Colonels present. Lovett and I were sitting at the head table and we were going through the Army's request and Lovett said, "Now we will listen to the Chaplain Corps." Someone said to me, "Mac, if we cut any money out of the Chaplain Corps it will come out of bibles and sacramental wine." The Major General of Chaplains got up and said, "Let us pray." There were about a hundred people in the room but after he quit praying you could have heard a pin drop. There was absolute silence for -- oh, 10 seconds or 15, although it seemed like a couple of minutes. Then he finally said, "You know my frame was never built for a chair like this." That broke the ice, everybody laughed and that was the end of the incident. I remember it, "Let us pray."

Budget decisions certainly were not made unilaterally and in the dark. I used to arrange for the Chief of Staff and the Secretary of the service to go see Wilson, Lovett, or even the President if they didn't like it. In fact, I forced Max Taylor, when he began crying about some things, to go see the President. The President virtually threw him out.

HOFFMAN: Considered him a parochial general, huh?

MCNEIL: Max Taylor was a wonderful guy, but he is hard of hearing. He would agree to things and then go back and the Generals and Colonels would say, "You mean you agreed to that?" Next day he would meet with the Chairman and the Joint Chiefs and say, "I didn't agree to that." He hadn't heard it. About six weeks before Radford retired, Twining came in to see me and he said, "Mac, you have known Raddy for years, came from the same home town and so forth, will you do something for us? Life," he said, "is unpleasant down here because of Radford and Taylor. They are at odds the minute they come through the door." I

said I kind of agree with Radford, but I'll go see what I can do. So I went down to see Radford, and he said, "Yes, I know all about it." "Well," I said, "you have only got six weeks before you retire, so why don't you be nice to Max? Besides," I said, "what difference does it make?" So, I went back and told Twining I did my best but I didn't know if it would work or not. A month later Twining became Chairman of the Chiefs, and about two months after that he came in and put his feet on the desk. "Mac," he said, "I am awful sorry I got you into this. I now think after having been Chairman and dealt with Max for a little while, I think Radford is the most tolerant man in the nation."

CONDIT: The most tolerant man in the nation! Well, Taylor really must have been difficult.

MCNEIL: Taylor and his wife are the most delightful folks in the city of Washington, both then and now. My wife and they play cards regularly. He is pretty good. He has learned a lot in the last 10 years.

Actually, most of his troubles with those senior to him stem from his being hard of hearing and not wanting to wear a hearing aid.

Basically, though he is a very nice person. He is smart. He can speak a number of languages. He accepted his duty in Korea in Korean, in Germany in German. He is quite a student.

HOFFMAN: Is that right? I never realized that.

MCNEIL: He always keeps himself in shape; he looks like a soldier.

As a West Pointer he was a good superintendent.

HOFFMAN: How would you compare him with Ridgway?

MCNEIL: Well, they are entirely different people. At a desk I wouldn't pay Ridgway much mind, but walking around the 38th parallel with a grenade swinging he was magnificent.

HOFFMAN: Just wasn't cut out to be a planner.

MCNEIL: Yes, not a planner.

CONDIT: He is a combat general.

MCNEIL: Yeah, he was like Bill Halsey. At a desk Halsey wasn't much of an operator.

END OF TAPE 5

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MCNEIL: You always have to think of what kind of jobs these men can perform best. We have a funny habit in America of thinking somebody who can run 55 yards for a touchdown on Saturday can do everything -- that is not always true.

HOFFMAN: In the Wilson period you get a distinct impression of Ridgway, Taylor, Radford, Twining. What about Carney?

MCNEIL: Smart little Irishman. He was in charge of the Dirty Tricks Department for Nimitz out in the Pacific. And he was pretty good at it -- pretty good at it. Mick was all right, he was not one of the great Chiefs of Naval Operations. He had been with Nimitz. He had a good following, probably not as much as Halsey, but he was pretty popular with the fleet. And on the whole he was a pretty good CNO. But he didn't do anything to establish a basis for the future. He was not effective as far as a thinker, planner, etc. but he was a good operator.

Nimitz was great from the sense that -- well take Nimitz in contrast to King. I knew King. I had the privilege of working with him for some time. He was extremely able; he knew the details of every engine;

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technically, he knew his business. And he was a very dogged individual. When he knew something, he stuck to it. But his staff was definitely second rate, not competent. Now Nimitz was just the opposite. When he went to the Pacific and later became Chief of Naval Operations, every one of his senior staff was Chairman of the Chiefs or the CNO. Nobody that worked for King ever got the top job. Everybody who worked for Nimitz was on top because he selected them. Carney was one, Fechteler was one, Sherman, who was probably the smartest of the entire generation. Those were the type of people that Nimitz had around him Nimitz then became the judge. One morning I had an idea I wanted to try to sell. Nimitz asked, "Will it take too long? Will you come in Saturday?" I said, "Sure." So he got to Radford, Sherman, Carney, Fechteler, and that morning I laid out my story. They asked questions for an hour or two. They didn't like it very well, none of them. Nimitz didn't say one damn word for three hours, except tap his finger about like that. At the end of three hours he said, "Mac, you are quite a salesman, thank you gentlemen," and that was the end of the show. So he always kept the

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right people around him. As I say, he became the judge between the ideas promoted by several very bright people. Like Carney, Carney was bright. Fechteler was an old salt, salty seadog. The kind you always read about.

Again out in Guam, when he was there he had Sherman and Radford and his staff. All day he listened to the arguments about the next day's strike at Honshu. Finally as Commander he said, "Gentlemen, I think I would send two carriers, not four, and I think that would be accurate. Thank you very much Gentlemen," and that was the end of the discussion. No commands, no squads right, squads left. That's why Nimitz was one of the really great CNOs.

HOFFMAN: Under the New Look, the Navy did pretty well considering the general orientation of the philosophy and the fact that it was somewhat divided within itself, with Rickover and his supporters fighting the rest of the Navy establishment.

MCNEIL: Rickover did a good job, but he takes credit for several things where others should be given credit. The Bureau of Ships, for example, was the agency which developed the idea of cutting the first seven attack

submarines in two and putting in a mid body. That concept didn't come from Rickover. Rickover's program was advanced probably two to three years, but somebody else had the idea of putting a mid body in seven attack submarines. We got Polaris in there awfully fast. In fact, that program probably is the model for all big programs for the future. Admiral Raborn did a beautiful job on that one. Kept his headquarters staff to about 45, used all the available skill and talent in the country. They were all pepped up. No big program ever came along so fast, so cheap, and got action so quickly and has been so successful.

Raborn came down one day and said, "Mac, I am in trouble. We just had a test yesterday and the nozzles, which had originally been developed for the liquid fuel missile, burned out in less than a minute. I said to the scientists what the hell happened? The scientists apparently didn't figure out or didn't realize that the nozzle temperature for solid fuel was 7,000^o instead of 3,500^o. It burned out oo quick." I said, "can you get it fixed?" He said, "I hope so." "What about the people

who made the mistake in the first place?" He said, "oh, I would like to try them, but I have got six others I would like to put into business."

"How much is it going to cost?" He said, "About 10 million each." I said, "That's an awful lot of money, just to correct an error and I don't have that much in the petty cash draw, but I will go and see the boss."

I went to Wilson and he said, "Well, why don't you go ahead and fix it?"

Okay, I walked out and told Red to get going. It didn't take very much to fix it, but there's a case where you had to make a quick judgment.

If you stall the thing 90 days you really have a bill on your hands because your one-hundred million month overhead continues regardless, plus you're not getting the right system. So there was a case where you couldn't spend too much to get that thing fixed and fixed quick -- assuming you could get it fixed. That was something Wilson would get in 10 seconds where somebody else might take a month to try and figure it out.

He recognized that the minute you have a hitch your overhead goes on and you can't stop it even though all your productive work stops. "What are you telling me for," he said, "go fix it."

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HOFFMAN: It is interesting that in the 1950s you should have parallels within the services. In the Air Force you had the continental defense mission which never generated any real enthusiasm as opposed to the strategic bombing concept. Similarly, much of the Navy was never really enthusiastic about submarines as compared with its surface ships. This suggests that you must have civilian direction to insure that the services pursue the intended direction.

MCNEIL: With the pyramids they have today, the service secretaries don't exercise much authority. It hurts me very much to see those positions downgraded.

HOFFMAN: They are really downgraded now.

MCNEIL: It is terrible, terrible. Middendorf is nothing but a salesman. He runs around with a briefcase selling something; he hasn't managed the Navy.

CONDIT: But wasn't the start of it right from the very beginning of unification?

MCNEIL: Very shortly afterwards, yes. It has been weakening over the

last 20 years.

CONDIT: The moment they were out of the Cabinet, it seemed to me it began.

MCNEIL: That's correct, the Bureau of the Budget and Marx Leva saw things quite differently than I did. When he was in the Department of Defense, he sold Truman on the idea, and Forrestal probably didn't fight it quite as strongly as he would have five years earlier. That was when they figured he wasn't feeling too well. Forrestal believed in a pretty strong Army, Navy and Air Secretary. In other words, you would have a holding company with three great, strong operating companies. And what you do is tie the three together. I wish we would get back to that sometime. Probably can't. OSD has taken too much of it.

CONDIT: Well, with the Secretary of Defense having all this control over budget --

MCNEIL: He has always had that.

CONDIT: Yes, but it is one of the other factors that has been playing along with the lessening of the Services' roles -- the Service Secretaries' roles.

MCNEIL: Well, the Service Secretary gets someone to give him two or three trips, and he gets the band played a little bit, and he makes a speech or two. It is hard to come home and make tough decisions.

HOFFMAN: In the case of the Air Force and the Navy during the 1950s, do you think they were forced to follow some of the programs they didn't want to pursue because of the strength of the Secretaries? Is this what you are saying?

MCNEIL: I would say no, not . . .

HOFFMAN: Did Quarles, for example, force the Air Force to pursue continental defense intensively whereas it would have preferred a more gradual approach.

MCNEIL: To a degree, yes. Actually, I said it first in reference more to the scores of decisions that you make from day to day, where there are differences of views within the Services. Under the pyramid structure, Middendorf, for example, doesn't hear of the Navy's troubles. It used to be the Secretary would hear of it within minutes. So you have two ways to manage a big organization, one is to manage by exception, which I would do, try to do, and the other try to run every detail. When I was President

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of Grace I didn't try to run the whole thing; I tried to rig it so that the real troubles would all come up and hit me in the face the first thing in the morning.

CONDIT: Mr. McNeil, as a result of this discussion this afternoon, in which you have sort of been reliving 12 years. . .

MCNEIL: More than 12 years.

CONDIT: . . .of OSD history, I wonder if you would like to summarize the periods -- before Korea, during Korea, and the Wilson era right after Korea. Do you see major changes or major trends going on during those three periods, either continuing or changing?

MCNEIL: I don't know how to answer that, quite. Organizationally, I think the thing, of course, moves toward a more highly centralized organization and a lessening of the authority of the Service Secretaries.

CONDIT: The continuing trends throughout all three periods, is that right?

MCNEIL: Yes.

CONDIT: Do you see greater efficiency as a continuing trend?

MCNEIL: No.

CONDIT: Do you see each change of administration as a place of back-tracking and relearning and starting over again?

MCNEIL: That will always be true.

CONDIT: Necessarily?

MCNEIL: Yes.

CONDIT: Couldn't you save General Marshall from some problems because you had worked with Forrestal?

MCNEIL: That goes on all the time. Perhaps I didn't understand your question. But, I would say that every new Secretary that comes in, every new Chairman of the Chiefs, or new Chief makes either the same or similar type mistakes when he comes, and probably in about the same number. Maybe different in character a little bit.

Hopefully, if one has gotten something out of the National War College, that year is awfully valuable, I think. I give Forrestal credit for that one. The Army had the war college before which was pretty good. I think expanding that into a National War College was right. It wasn't the idea

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of doing, of the question you just raised. If men go down there for a year under no responsibilities to report to a senior, they can be free to think and to spend a year in association with Air Force, Navy, Army and other personnel. If they then go to the staffs, they will be much more competent to assume increased responsibility. I think it's been pretty good, although probably the benefit isn't tangible. I mean, you probably couldn't take any one individual and say he is better. I am sure that is all you are doing during peacetime in the military anyway -- teaching, learning, going to school, some kind of school.

CONDIT: Korea, I guess, was our first modern limited war. Do you feel that people absorbed its lessons? Or did they draw the wrong conclusions when they went in for the strategic concepts of the Eisenhower period?

MCNEIL: We didn't learn we had to win a war if we started one! We didn't learn that we should win a war if we get into one.

CONDIT: Should we win it?

MCNEIL: We should have won it.

CONDIT: What would it have taken to win Korea?

MCNEIL: We should have won -- I am thinking about Indochina.

CONDIT: Oh, Indochina is different. What about Korea? Should we have gone after China?

MCNEIL: I think MacArthur was probably right. If we had bombed the supply depots within a hundred miles of the border, I don't think it would have hurt us very much. You see, we had a couple of people who didn't want to use the A-bomb because they didn't think we had enough of them. I say we didn't think we had enough of them at the time.

CONDIT: So, actually you supported the MacArthur thesis, that we have to win the war.

MCNEIL: I am afraid so.

CONDIT: Well, having taken the limited concept in Korea, do you feel that was the proof that we would follow that in Indochina, that is, from the point of view of the other side?

MCNEIL: I am sure that was given some thought.

CONDIT: We certainly did try to assure them by every means that we could that we were not going to extend the war -- the Korean war into China --

we gave them every assurance we possibly could.

MCNEIL: With all the power we had -- and we still left Hanoi and so forth intact --

CONDIT: What period are you talking about now, 1965? and so on?

MCNEIL: And 1970. Once we got into it in a big way, I think we should have tried to win the war. I think it could have been done. Without the loss of life we had, without the expense.

CONDIT: Do you think --

MCNEIL: MacArthur went ashore in Inchon. That was okay. We could have gone ashore in Hanoi too.

CONDIT: The beginnings of Vietnam were certainly clearly started in 1950-51. By 1951 we were paying a third to a half of the cost of the Indochina war for the French. Acheson was very strong for saving Indochina as I recall.

MCNEIL: But he helped give away South Korea!

CONDIT: Well, wouldn't you have to stay with the idea of limiting war in

Korea if you maintained the limited mobilization base at home? You were one of the people who suggested that limited mobilization base. Wasn't there implicit in that limited mobilization base the idea that we would maintain a limit on the war in Korea?

MCNEIL: I think we had enough air power not to require a tremendous increased force over what we had. We left everything intact in North Korea.

CONDIT: How did General Marshall view the situation in Korea? Did he ever express a feeling? I understand General Marshall was very worried about the division between the American troops of the Eighth Army and the American X Corps on opposite sides of the mountain in November of 1950, and of course it was right after the start of our offensive that the Chinese came in in great numbers and drove us back. MacArthur then claimed that he had forced the Chinese into a maneuver before they were ready. But even though we forced them into a maneuver when they weren't ready, we still had to withdraw -- very fast, let us say. And really, MacArthur was quite upset about the way things were going by the end of December. Now, why didn't Marshall say anything ahead of time about those

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deployments?

MCNEIL: I can't answer your question.

CONDIT: You didn't ever see any discussion of that? Mr. Lovett suggested that when you have that kind of a commander in the field, you could fire him, but you couldn't nitpick him.

MCNEIL: That's true. Of course, the Army let MacArthur act like a spoiled child. MacArthur was an unusual character. The Army used to invite him to come for consultation, and he would say he was too busy. The Army finally got to the point where they would send out wires (this is not word-by-word) saying -- if you are not too busy, it would be awfully nice to see you; if you could come in this direction in a couple of weeks, we would like to see you. They wouldn't say, "Report to Headquarters at 8 a.m. Monday." Think Joe Collins would send a wire like that out to MacArthur? Of course he wouldn't! So he developed his own uniform, his own cap. And he didn't get spanked for it, so why shouldn't he go further?

CONDIT: Well, he got spanked finally. Do you happen to know anything about Marshall's reaction to the firing of MacArthur?

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MCNEILL: Only what I read.

CONDIT: I have heard that Marshall was not quite so enthusiastic as Mr. Truman said he was about the firing of MacArthur. Do you know anything about that?

MCNEILL: All I know is that he agreed, cast some aspersions -- I don't know if they were vicious.

CONDIT: He cast some aspersion on MacArthur?

MCNEILL: Yes. MacArthur. He said, as I heard or read it, that he agreed with Truman's action -- I think it is time we got rid of the S.O.B. Just what I read. That's not first-hand.

HOFFMAN: Well, talking about personalities, you were so close to Secretary

Wilson, what were his opinions of some of the others, of Dulles for example?

MCNEIL: He and Dulles got along quite well. Dulles came over quite often.

So did Humphrey. That triumvirate was a pretty strong group of people.

They didn't necessarily all agree on everything but Ike depended quite

a bit on each of the three. I don't know if they ever operated as

a clique. I know whenever Humphrey came over for lunch there was no

question as to what he believed in. He spoke right out. But he always

did it nicely. Dulles was a bit scholarly --

HOFFMAN: Wilson, how would you characterize Wilson in comparison?

MCNEIL: Well, as I said, about every five minutes, he would come out

with something like -- like drinking water out of a fire hydrant. One

time, he got into an argument with Senator Sam Ervin from North

Carolina. Senator Ervin told a little story which he had actually got

from Wilson. He said, "Remember what the mama whale said to the baby

whale: you only get the harpoon when you are spouting."

CONDIT: He is unforgettable.

MCNEIL: Just one after the other. The Mule's story is one of the best.

Farmer lost a mule and found a rope. But he would say something like that you know which would give a pretty good summary to a very complicated situation.

CONDIT: He had a marvelous homespun quality, despite which I suspect he was a very sophisticated man.

MCNEIL: He was a very practical individual. He invented the self-starter. Married his secretary, Miss Jessie. She's quite a gal. She stood up for Erwin.

CONDIT: She stood up to Eisenhower.

MCNEIL: That's what I mean, sure. About Dulles? Sure. She is a nice gal. She wasn't a martinet. She was a little noisy, but not the Martha Mitchell type.

HOFFMAN: She probably could sing, because I know a man who was in a veterans' hospital when Secretary Wilson and Mrs. Wilson came to visit. She serenaded the troops.

MCNEIL: Probably sang the face on the barroom floor. But the peculiar

part of Wilson is I am not sure he wouldn't place as much weight on the views of the Sergeant who sat at the desk outside his office as the four star General who came in earlier or later. That is probably not a correct statement.

HOFFMAN: Probably true of Kyes -- he didn't seem to care for generals.

MCNEIL: Kyes was a different person altogether. He had one real talent and that was how to place machines and people to increase production. He was good at that. He was only in the Pentagon for a short time.

HOFFMAN: He said he did a lot of cutting while he was there. No, not much? More smoke than fire?

MCNEIL: Not much. He bragged about it, but not too much.

HOFFMAN: In a way, they were such contrasting personalities,

Wilson and Kyes.

MCNEIL: I knew him before he came down here. The truck company was in the red for four years after the war, never was in the black. They put him over there and he cut leadtime down to an average of 11 days or less and got it in the black. He was good at something like that. He walked through the shipyard down in Washington, and he pointed out in 20 minutes how to make it work easier and faster. He was good at plant layout.

CONDIT: LeBaron told us that Mr. Wilson used to sit on matters and make no decision. When he was asked, he would say, "Bob, when I understand it, I'll make a decision." "But," said Mr. LeBaron, "he never understood it!" And according to LeBaron, Sherman Adams called up saying that papers were piling up on his desk and he had to have decisions and what did Mr. Wilson think?

MCNEIL: Well, LeBaron was sure at that time that you could get electric current developed for two mills per kilowatt. They can't

do it yet. Wilson doubted some of the things that Bob was trying to sell. Bob was on the right track, but about 20 years ahead of time. That is really what the story was. I can imagine Wilson sitting on it for a long time, because Bob seldom came in with a completed project.

CONDIT: But they bypassed him. LeBaron went to Sherman Adams, told Sherman Adams what he thought, and Sherman Adams operated on it. I asked Mr. LeBaron what happened when the decisions came through. He said that Wilson really didn't know about it until the decisions came through. I said, "Yes, but when they came through, he knew you had bypassed him. What did he do?" And, according to the answer I got, Wilson said, "Hm, hm, hm . . . I guess it is all right." And that was it.

MCNEIL: Wilson could make decisions quickly and he could string them out, too. I told you one story about Twining and the generals, when he took from 3 o'clock to 9:30 of an evening on the slipstick. He knew the answers before he started!

CONDIT: But he made a decision, at least, six hours later.

MCNEIL: Oh sure, he made the decision.

CONDIT: Well, this was six months.

MCNEIL: I'll tell you a story about decisions. Up in General Motors he had the same reputation: It was hard to get decisions sometimes. But this happened just before Wilson came down to Washington. One of the boys told me that Henry Ford and Ernie Breech phoned and wanted an appointment with Wilson one afternoon, 2 p.m. He knew Wilson would string it out, to find out what was behind the request and so forth. So two or three of the other boys in the office phoned their wives and said they wouldn't be home tonight; they knew there was going to be a long session. Ford and Ernie Breech walked into the office, and Wilson met them halfway to the door and said, "What do you want?" -- to Ford. He said, "Well what they wanted was to see if they could get a hydromatic transmission on the Lincoln." Wilson said, "Okay, how many do you want?" "Well, probably 10,000." "Okay." "How much?" Wilson said it would cost so much, thanks very much. And

they went out in 30 seconds. If somebody asked Wilson why he did that, he would have said it was very simple. First, if they used the GM hydromatic, all the boys selling Olds and Cadillacs would say that Ford used that in their highest priced car, while in their lower priced cars they used the Fordamatic. Next, GM would make a profit on every damn one of them.

I never had any trouble getting a decision out of Wilson, because I told him the story completely. If I went to him with a fuzzy idea, I probably wouldn't get very far. Bob LeBaron was a wonderful guy. Gets a little fuzzy sometimes. Two mills per kilowatt!

CONDIT: Well, this was one place he wasn't fuzzy, on this Wilson business. That story came through loud and clear.

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HOFFMAN: Was Wilson well prepared for the job of Secretary of Defense?

MCNEIL: Well, if you have been president of General Motors you are not completely oblivious to what is going on in the world.

HOFFMAN: No, I appreciate that. Would you say his grasp of foreign policy and its relationship to military policy increased during the period?

MCNEIL: Well, I am sure it must have, but I don't think you would know it living with him.

HOFFMAN: You didn't see any major changes from 53 through 57?

MCNEIL: No, because as I say, he knew where France was on the map before he became Secretary of Defense. Did business with the Germans. Did business with a lot of foreign people. So, he probably had as much background as the average person coming into that job, unless he had been a diplomat. In fact, I'm not sure that by selling automobiles around the world and dealing with agents and dealers and foreign exchange you wouldn't have a broader base than you would if you were a diplomat, at least from the practical standpoint. At NATO meetings and so forth he had no trouble getting along with his opposite numbers -- none that I know of. Lovett, and I hate to use the word, but it's right, was a smooth article. I don't quite mean

that the way it sounds -- don't give it the wrong connotation.

CONDIT: He's a very cosmopolitan, urbane gentleman.

HOFFMAN: I'd like to ask this question again by presenting it in a different perspective. Wilson in contrast to some of the people around him always seemed to remain composed and confident. He didn't downplay the Soviet Union but he was not especially unnerved by the challenge posed by the USSR. He always tried to keep the threat in focus. Do you think that kind of balance is one you are more likely to find in a person coming out of a business community as opposed to a person coming out of a military background or an . . .

MCNEIL: Or an academic background.

HOFFMAN: Or an academic background?

MCNEIL: I would think so.

HOFFMAN: What would be the factors that would operate on the man with business experience?

MCNEIL: It seems to me that some of the experience you would have in business would teach you to look at the other side of the coin

occasionally. If you are going to be in the tanker business you'd better watch out and not overbill. Again, in the fertilizer business you better not establish too many plants. Certainly that is true in the case of automobile production. If about a 72 days supply is what you experience as being right, you get a little frightened when somebody talks about a 90 days supply. You also know you're missing the mark if you get down to 30-40 days supply at model change time. I just think you consciously or subconsciously learn to say, "Well, what is the effect if we follow this course this much longer? Are we going too fast, or too far?" Or, if things are going beautifully, "Where should I hedge my bet?"

HOFFMAN: And, is a person from a military or academic background going to have that same concern?

MCNEIL: In an academic background you usually start building and you can't help getting a little dreaming in it. But you don't have to meet the same kind of obstacles, you don't have to go through the same obstacle course. But we are speaking in an awfully general manner.

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HOFFMAN: It's interesting because there is an incipient controversy emerging today. I don't know if it has much of a relationship to the 50s. It's a division between some leaders in business who are advocating closer business and commercial connections with Communist nations, pushing this because of their interest in selling to stable markets, and coming into confrontation with people from the academic communities and labor unions who are fighting this trend. Things do change. For example, it is interesting to observe that the AFL/CIO last year honored Solzhenitsyn who would, of course, have us cut off all communication, all dealings and ties, with the Soviet Union whereas many business groups are advocating an expansion in trade with those countries.

MCNEIL: They see some profit over there.

HOFFMAN: Yes, exactly, they see some profit over there.

MCNEIL: Henry Glass -- I should give him most of the credit; he helped

me, or I guess he not only helped, he probably was 75% responsible for the talk I gave to the Forrestal Award dinner in February, 1960. There we outlined the philosophy which Nimitz called the best possible solution that anybody had come up with yet for the Russian problem. We should do what we could to increase the standard of living of the Russian people, because to that extent you reduce the changes of war. You do. So, I'd help do anything I could to raise standards of the Russian people. That's the theme, one of the themes, we had in that speech. I'm sure Henry has a copy of it. I gave mine all away. That's the philosophy we outlined at the time. And as I said, Nimitz said that was the best basic approach to the Russian problem.

HOFFMAN: Yes, that may be true, but the Soviet leadership has consistently demonstrated a propensity for taking what resources they have and concentrating them in military programs rather than in efforts to raise their nation's standard of living.

MCNEIL: I agree, I agree.

HOFFMAN: That is the worrisome factor about it all.

MCNEIL: When they are short of food they have got to be nice to other people in this world. They are in the food business right now, aren't they?

HOFFMAN: Yes, they are. They are short of food -- producing relatively less than the levels achieved under Czarist Russia. I would say that's not much of a tribute to Communism. But on the other hand they maintain several million men under arms in Eastern Europe, with an impressive military capability.

MCNEIL: The solution to that is buy more A-10 airplanes which is built by Fairchild and which has a 30mm anti-tank gun.

HOFFMAN: I don't know how Wilson stood on this issue. One time I came across a memo General Bonesteel had written for Wilson. Wilson later used the memo as a discussion base in the NSC. When Bonesteel wrote the memo it was very strident, very belligerent, but by the time Wilson got finished placing his touch on it the thrust of the argument had become moderate, far more moderate in tone. It was such

a striking contrast; it just completely changed the whole character of the document. I was struck by that particular incident because it showed me the pattern of Wilson's general attitude. I don't know if Dulles thought that way or not. Dulles' public pronouncements were, of course . . .

MCNEIL: Pretty rigid.

HOFFMAN: Pretty rigid. In private he seems to have been more moderate than I would have thought, more like Wilson in that regard. Still it is hard to pin down the sensibilities involved. Ike, of course, always sought to be moderate, although he remained wary. His attitudes presumably carried over from WWII when he saw certain limitations and certain assets in the Soviet Union. It's hard to pin those things down, yet those basic attitudes greatly influence the general sense of the times.

MCNEIL: Well, to go back to the feast or famine approach or philosophy, I think that's one decision where we were right. I don't know whether we are 10% short or 10% over right now, or 20% under or over

for that matter. But I think we are basically on the beam as far as avoiding peaks and valleys in our basic current structure.

HOFFMAN: It was Eisenhower who was criticized by Congress for being tight, but if you compare Eisenhower with what happened after WWII, he was maintaining the largest peacetime military establishment in United States history. It was considerable. And his defense budgets, if you measure them by the percentage of the GNP, were higher than in any peacetime period, including Vietnam.

MCNEIL: That's true.

HOFFMAN: In some ways it was a great selling job. Of course, it's always hard to make these comparisons when you account for the varied rates of inflation and the fact that defense is always inflating more rapidly than the general economy.

MCNEIL: Also we probably have a higher percentage of personnel investments in the budget than we do hardware. Am I correct?

HOFFMAN: Today? Yes. It's very hard to make this kind of evaluation.

People tend to think of the Eisenhower period as one of fiscal con-

servatism and restraint and indeed it was.

MCNEIL: Like I said earlier it is not strange to find very senior military people to be quite conservative on the spending side. When you get them alone they have a good attitude. When they are heading their troops in formation, that's one thing, but when you get them alone it is sometimes surprising how conservative they are. Ike is one, Nimitz is one. Oh, I could name a lot of them.

HOFFMAN: He certainly came in with convictions, and Humphrey certainly encouraged those convictions. There wasn't any dissension there. You have been very kind, Mr. Secretary in allowing us to keep you so long.

MCNEIL: Well, whether it's been helpful or not, it's been a lot of fun.

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