



H. R. Haldeman Diaries Collection, January 18, 1969 – April 30, 1973

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Monday, August 16th. Today started with the Cabinet meeting, although the President had me in for a few minutes ahead of time, generally reviewing the things from last night. He made the point that we should release the picture of the Quadriad as the men that made the decision. And, sort of reviewed some of the other odds and ends.

At the Cabinet meeting, the President opened, explaining the reasons why we couldn't tell anyone about this move. Then he went into some of the details of the meetings at Camp David, what a marvelous team effort it was, and that he will always be grateful for it. Regarding who won and lost, that there was not agreement on every item, but in its totality, everyone fully agreed with the plan. In the final analysis, the decision had to be made, and I made it. He referred to how helpful Arthur was in the process and said that he needed strong support from everyone in the Cabinet. Connally then reviewed the problems, the drama of the change, the alternatives, the potential effects. Explained why we couldn't control interest, that it would be futile and counterproductive that we should expect the lenders to follow the spirit of the freeze. The President said it's easy to get around interest rate controls the bankers just won't loan money anyway. Burns says this morning the interest rates have come down. The President said on dividends, we can't control them legally, but we have asked for voluntary controls. Connally said the import surcharge we prefer to quotas, because the surcharge can be removed; it's not a border tax. On the job development credit, it'll give a goose now when we need it. The purpose is to upgrade productive capacity. It's time for our guys to get caught up, especially with Germany and Japan. The President said that Nelson Rockefeller said it was significant that right after the President's speech, the next commercial on TV last night was for Volkswagen. Connally said the income tax exemption acceleration is important. The President said the Liberals believe the government should get bigger, I believe in a thinned-down, lean government. Shultz hit the budget cuts. Weinberger's been unleashed, especially regarding FY '73.



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The President then cracked that he was the man who had leashed Chiang Kai-shek and unleashed Weinberger.

McCracken said the revenue reductions are incentive in nature that we should remember that. The President said the cut in revenues will expand the economy more than it cuts the government. The President asked the Quadriad two years ago: Isn't it time to develop a new monetary system to avoid the annual dollar crisis? The purpose is to jolt the international community into building some new stability. The President talked about the freeze, says we have it for 90 days, but it'll break the ba--, we will break the back of inflation, somehow. We will have whatever's needed to follow the freeze. Don't leave the impression that it's on forever. The next step will not be permanent wage-price controls. That's ruled out. We will not put the economy in a straitjacket. Then there was some discussion regarding the extension of the freeze. Romney pushed for a fundamental look at the wage-price thing, just as we were taking a fundamental look at monetary policy.

The President said how are we going to compete, and how are we going to add 20 million jobs? We've made a national decision that we can't compete in making cars, or making steel, or making airplanes. So are we going to end up just making toilet paper and toothpaste? We've got to go for a new tax structure and technology, new evaluation of antitrust. A basic structure of our bargaining position, this is the first step, and we're trying to take the long view. The President



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then reviewed the world economy and what we're trying to do. Said we can now negotiate a more stable monetary system and that we have to lead in this.

Burns said the President has electrified the nation. Everything that he's done is favorable. He's given a tremendous lift of confidence to business and financial leaders. Arthur called dozens of leading central bankers. They took it calmly. They're concerned, but they were especially pleased to learn that the rebuilding process has already begun starting the meetings immediately. The initial reaction is extraordinarily good. We regret what happened to Japan, but they were due for a jolt. The President said that the Japanese problem was so important that maybe the Quadriad and Rogers should meet regarding it, especially regarding the Japanese visit. Then he told him he's having a dinner for the Japanese Cabinet, and meeting the Emperor in Alaska.

The Cabinet meeting ended on a high note, as it had begun, and the President spent the rest of the day in the office in meetings with Colson, Connally, and others. He wants to get going on the radio speeches now, because they're on a good, high level. He commented that the power of the office is enormous, and sometimes we have to use it for showmanship, which is what this really was. His conclusion is that what the people want is the appearance of action. The problem is, we have the best staff in history in substance, but in terms of PR, we have the worst. Not his personal staff, but the Domestic Council and the other people, and the way they look at things. He wants to be sure people rem--, play back to the China thing in the dialogue on the economy thing, because the main point in both cases is leadership.

He says we now have four points to concentrate on. First, the basic point of leadership: boldness, courage, etcetera. Second, the President as the world leader for peace the biggest leader in the world. Third, the personal family man: character, decency, a man you can respect in the White



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House, a first family to be proud of. Fourth, prosperity without war and without inflation. Then, down the line, we worry about the sub-issues of crime and drugs, and then, on the others, we just show compassion and interest, such as on the environment. He wants the voluntary action people to get into the Right to Read program, and he would participate if they'll do so.

He gave Colson hell because he wants attacks, vicious attacks, on the people who put the Party above the country, the Democratic contenders. He wants to be sure Shultz carries out the personnel cuts very heavily in what he calls the enemy agencies: HEW, HUD, etcetera. He wants to modify the antitrust laws to let the United States compete abroad. He says we're dropping the ball regarding the President's actions where the press is not there. We don't get things out, such as Girl's Nation, the Business Consumer Council, and so on.

His main regret on the speech is that he didn't have more convincing points in it, because he didn't have enough time to work on it, especially in the conclusion. It came out the way a writer would write it, instead of the way the President would speak it. His real interest is whether we gave the people an emotional lift. As it turned out, I think he did. As the day went on, the stock market figures kept coming in. It got more and more fascinating as it became clear that we had set an all-time record, both in volume and in size of the gain, so that made it quite exciting. He decided to call a Congressional leadership meeting tomorrow, after he talked to Wilbur Mills, who was strongly for the whole program and said he would support it. So we're setting up a bipartisan meeting tomorrow morning. He wants to be sure we give Wilbur equal credit on the Japanese thing, and wants Peterson to fill him in on the whole deal. This comes out of the first Aspen discussion...



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...where it was agreed we'd use the emergency thing for working on the Japanese. He wants to be sure we don't make the announcement in a belligerent way. We've already slapped the Japs hard enough...

...but he wants to tell Wilbur that we now have a way to work it out. He thought about dropping by the Stock Market tomorrow on his way into New York, but decided not to. He wants to be sure that we tell Milton Friedman that there was a political problem here. That we had a situation where Congress was going to act on wage and price controls on a permanent basis, and the President had to beat them to the punch with a temporary move such as the freeze. Otherwise they would have introduced this on September 8, and we would really have been up a tree.

He decided at the last minute to shoot over to the State Department and open the sub-Cabinet briefing that Ehrlichman had set up. So he did that, then came back to the EOB, changed his clothes and went out to Burning Tree to play golf with Bill Rogers. He had me ride out with him to Burning Tree.

On the textile thing, he said to tell the industry that we have a plan, but we cannot come out with it for a couple months. That the US cannot come out and impose quotas at this time, but something else has opened up and we have an answer for them. We had a ridiculous motorcade going out there with a huge police escort and everything which was really horrible, and they drove right into the Burning Tree club grounds and up in front of the caddie house, which was



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very embarrassing. And then it was topped off by Helen Thomas getting out of the car and standing there watching him, when the press car wasn't even supposed to come in and no women are allowed at Burning Tree.

He had me call Arthur this evening to try to get him off the desire to see the President regarding Federal Reserve appointments. I had a good chat with Arthur. He said he'd been busy reassuring the foreign people, especially the Japanese and Canada, that this part is very important, because it could eventually hurt us domestically. That--, and then he said that Shultz had told him the President had made a decision on the Fed appointment, and he has a candidate, told me all about him. It's a guy named Thompson at Texas Instruments. And I told him the President agreed that if he and Connally agreed on a candidate that would be satisfactory with the President. The President called me later in the evening at home and said, Well, it's been quite a day, and I don't really care what Meany says, Hubert's in a tough spot. And that was about it.

I talked to Connally also this evening. He had had good reports from all over on the whole operation.

End of August 16th.