



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

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Wednesday, Wednesday, January 19th. During the staff meeting this morning, Shultz and Ehrlichman and I got into a discussion of the whole Connally situation. With George basically raising the issue, made the point that we have a real problem, if we de facto drop the Council for International Economic Policy. Because business sees it as a Presidential interest in trade problems, also we have Volcker making policy and this provides a counterbalance to him. That would be very bad to drop. They feel the problem is not in the announcing of policy, or, in other words the spokesman, but in the process of arriving at the policy. That the President should make the policy on the recommendation of the Council, but he should not go to Connally until after the Council has acted. There's no point in having the Council if it's subject to one Cabinet member's veto. The whole purpose of the Council is to bring in all Departments. Now the question is whether we can get away with having a make-believe Council, or should we make a clean breast of it, that the President has changed the system, and will defer to Connally in these areas. Ehrlichman feels the Council can't succeed if the President doesn't want its advice. How do you enforce Connally's authority in trade policy if you don't have the Council? Rogers and others won't take it, and the lower-level people in the departments, particularly State, will start putting out attacks on Connally. Looking at it realistically, we're moving to a position of Connally functioning as Deputy President for International Economic Affairs. He already is Deputy President for Domestic Economic Affairs. Still he is also the Secretary of the Treasury, with vast responsibilities which he is not carrying out, and he's the Chairman of the Cost of Living Council. It's hard for anyone else to do anything. For example, Shultz says he can't because it's not his business anymore, and Connally has no staff and no time to do it. So in effect Shultz now reports to Connally not the President. Shultz says he realized yesterday in the meeting with the President how disconnected he has become from the President, that is, the Commerce-State decision yesterday was an example of how he can work if he is connected. Question is, are Shultz's orders now to report to Connally? The problem is Connally doesn't have the depth, breadth, or ultimate responsibility. Also, he has a strong interest in having no strength in the White House, therefore, he won't deal with anything that builds the White House. He goes off on his own, such as the gold in Rome, the gold statement in Rome. They feel the President needs



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some people in the White House who are his own people, who know what's going on. For example, now Shultz knows nothing about what's now going on in international trade. Connally has the ball. He doesn't consult, he operates, and proximity is the key to who you talk to, so Connally talks to Volcker.

Shultz then had to leave that meeting. Ehrlichman and I went on some more on the point that there's a problem with what line the President wants taken with the Vice President: How much he should be included in or out? What kind of external impression do we want to put out? That is, should we put Connally out in front on the school tax? John says Connally's moves threaten the President's orderly process, because antibodies will build up as they are now with Shultz, and a lot of other noses are bent, like Romney's and Peterson's. So the President has to decide: Does he want Shultz, and Ehrlichman, and all to look after the President's interests regarding Connally, and take positions where they think they should? Or does he want to short circuit the whole thing say Connally is the Deputy President with his own authority? This can't work with the rest of the Cabinet. That is, you couldn't hold Richardson in check, except by acceptance of a system that covers all of them. The President's staff can't build interdepartmental stuff, if the Cabinet officer goes direct and gets counter orders, which is why Ehrlichman has to sit in with Cabinet officers. Also, one departmental guy, even Connally, can't wheel the other departments. Ehrlichman also predicts there'll be IRS troubles, and that Connally's not in the position to cope with them. That we have a bad situation there with the bureaucracy. He says Shultz's problem is that George is getting eclipsed or at least feels that he is.

We reconvened a little later in the morning to resume the discussion, after Shultz was again available. Made the point that the question really is how the President sees the White House staff at this point. He has to come to grips with the way he's setting up Connally. The doctrine of revealed preference is the way Shultz goes, and he says it now is the revealed preference that the



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President is going to do his talking and all with Connally, instead of with Shultz and Ehrlichman. Also, Shultz says he's receiving a lot of Presidential instruction via Colson and he wants to be sure that this is the right channel and that it provides adequate input. He says Nixon is a much deeper, more subtle man than Connally, has values Connally doesn't. Connally has much less judgment. Maybe not on the same wavelength on some substantive areas, even though they are on the political base. Therefore he thinks Connally has brought the idea, for example, he thinks Connally has bought the idea, of permanent controls. We are all Nixon men, not Connally men. If this shifts to Connally, our views may change. He thinks we've gone past the point of one spokesman to one policy maker and that's a very different thing. Connally is not a staff man who checks with everyone, also he's not deep, he doesn't welcome with other viewpoints, and he's deluged with extra responsibilities, so he doesn't have the time or staff to handle. If he wanted to recruit, he could get good people, but he hasn't. Maybe this all isn't clear to Connally. He has a thing about the White House staff. He thinks Kissinger's operation, for example, is not desirable. He needs to face the question of how to handle this Deputy President role. Will he use the CEA and Shultz and so on, or will he try to do it all himself and in Treasury?

Ehrlichman says you can't just shift implicitly to the Deputy President idea, it has to be done overtly and clearly. If that is the concept, you need to understand it, and adapt to it, and Connally must also. If this is not the intent, then we're on the path of least resistance, just laying things off on people, and that's bad. If you set up a Connally White House staff, that is Flanigan, then you set up competition between the President and Deputy President's staffs. I had the thought as we were talking about this, that the President really is putting himself hostage to Connally, unnecessarily, as he's also done with Rogers, also unnecessarily.

I had an opportunity a little later in the morning to get into all of this with the President, which I did, reviewing basically all the points that Ehrlichman and Shultz had covered with me. The



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President was very thoughtful about it and seemed to appreciate this, suggested that I should join Flanigan in the Connally meeting today. That he can't let Connally get crosswise with Peter. He says Connally's got to do all these things, but he must not be out in front on them. And what he really wants is Connally as an advisor, especially on the political input. For example, Shultz is dead wrong on free trade politically, some of that kind of thing.

He then said, after thinking a bit, that he'd like to talk to me in a different dimension and he said he that hadn't intended to tell me this, and he wasn't, had not told anyone else, and was not going to tell anyone else, but that he had a very difficult time with Connally in California. That the night they had dinner at the President's house, Connally told him he had spent his time in Texas going off on a horse, and thinking through his future and he concluded that he had completed what he'd come here for, done the job that was needed, and he would be, therefore, leaving at the end of January. This he had talked over very thoroughly with Nellie and there was a firm decision. The President really had to go to work on him, apparently, to make the point that this was not in the best interests at this time, and worked back on it not only that night, but again, that's why he had him over before the Sato dinner the next night, and went back into it again. The President's feeling is that we can't afford to let him go now, and that we've got to pay the price that's necessary to keep him, so he really is, in a sense, in hostage to him as I had suspected earlier today. In that context, he wants me to go to the Connally meeting with Flanigan today, or wanted me to. He wanted me to make the point to Connally that we don't want to force Flanigan on him, if he's more comfortable with Dick Allen or some other low-level person, we can easily move it that way. I'm to tell him the President has told me to implement Connally's views. The White House staff is to carry that out. The question then is whether the Flanigan idea is one that he likes. If not, if he prefers Allen, that's fine. We do have to keep the organization of the Council, but we can do it any way he wants. Now, how do we do this trade thing and all? Connally has the international monetary problem, Cost of Living Council, international credit, the whole situation re trade. Also, the President wants him in close touch on national security



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matters. So how can we be helpful and staff wise, and how do we clear things, without bothering him, so on? And back to Flanigan, he doesn't want to impose him on Connally, the question is would Allen be better? He's bright, loyal, conservative. The President's purpose if it is Flanigan, is to let him be and the Council be the buffer. If Connally and the President will make the decisions on monetary and trade, on the other hand, how do we do it? How do we carry out the decisions? Connally and the President will discuss them, but it's not to Connally's interests to be out front on decision making, so we need a White House staff man who will broker them and take orders from the President and Connally. Question is who does the staff work leading to the decision? Who brokers with the other Departments, Peterson, Rogers, and so on? We need to take the heat off Connally on this and put it on the White House. We need the best staff work to prepare the decision, get the input from the departments, and so on. That was the President's guidance.

He called me over a couple hours later at the EOB, said he had some more thoughts on it, and said the problem is that Flanigan won't see it in the subtle way that's necessary. The President thinks Flanigan's best, but that won't be evident to Connally. So I'm to pull in the President's views during the conversation, ask Connally for a moment alone with him afterwards, if he's got any doubts on Flanigan, then let it drop. Then I should get into the question of the whole relationship with the White House staff, and make the point that all contact will be in support of him, not derogation. He also told me to give Connally a copy of the speech draft, and to give, have him give the President a call back about his views on the tone of it, and so on.

I then went on over with Peter to Connally's office and we had a good one hour meeting where Pete and Connally seemed to be basically on the same wave-length. I briefed Peter beforehand and on the way over about how to go at it, and he seemed to buy the concept, which was different than his original approach. Also, he was aware because Connally had said, made some



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crack to him about he might not be around much longer, of the need to put this together in such a way as to keep Connally on salvo, and that helped. Although I didn't, of course, tell him anything about what the President had told me.

I stayed afterwards and Connally agreed that he definitely wanted Flanigan in the post; he needs a strong man, someone who can wheel this. He doesn't intend to be involved in 90 percent of the decisions, but he wants to be sure and keep a line on it, so that it doesn't get away from him.

President called me over as soon as I got back, and asked for a report which I gave him and he seemed to be pretty pleased that had worked out. He then settled back and read me his Vietnam speech, which is going to be very good next Tuesday night. Then he reviewed the State of the Union, talked about the fact that he had a good conclusion on it now, and he read the conclusion which is good too.

At that point, Connally called about his suggestions on the State of the Union, and then the President called Rose to give her the corrections.

We got into another flap this morning, Kissinger called me in...

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...to say that Rogers or, the State people have met with Rabin again yesterday, and that Rabin was not going to be able to hold out any longer on moving to negotiations, because of the pressure that they are putting on him that he won't get any planes unless he starts negotiating. So he's going to give in on either Friday or Monday. Henry's concerned about this not because the negotiations per se make any difference, but because of the problem that creates with the Soviets and the fact that it screws up our being able to settle this at the Moscow summit. He's also concerned that while Rabin reports back to him on everything State says to him, once they get Rabin locked up, they'll start dealing with the Egyptians and the Egyptians, of course, will not report back to us, so we won't know what's going on. On the other hand, the Egyptians will report to the Russians, so they will know what's going on. Also, Dobyrnin gets back tonight and he's concerned about that.

As a result of that, I pushed the, I told the President about this, and he shared the concerns. I also filled the President in on the whole Jordan problem from last night. Then I pushed again on my draft of the memorandum of instructions to Rogers and Kissinger, and the President agreed to that, and had me go ahead and get it done up and signed, which I did. And we'll, I guess, hand-deliver it to Rogers tomorrow.

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End of January 19th.